BASTIAT PRIZE '10

2010 Bastiat Prize for Journalism

The Bastiat Prize for Journalism was established by International Policy Network in 2002 to encourage, recognize and reward writers around the world whose published works elucidate the institutions of the free society.

In the enduring spirit of the Prize's namesake Frédéric Bastiat, the Prize is given to writers who employ eloquent and witty explanations of complex ideas, combined with a clear understanding of markets and their underlying institutions – including property rights, the rule of law, freedom of contract, free speech and limited government.

2010 marks the ninth Bastiat Prize competition. The winner will be announced during IPN's annual Bastiat Prize dinner on November 11 in New York City. This year, the winner will receive $10,000; the runner-up will receive $4,000; and third place will receive $1,000. The winner of the online prize will receive $3,000. All winners receive an engraved crystal candlestick, reminiscent of Bastiat's essay "A Petition".

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2010 Bastiat Prize Finalists

Bastiat Prize for Journalism

Andrew Ferguson
Weekly Standard

Peter Foster
National Post

Tim Harford
Financial Times

Jeff Jacoby
Boston Globe

Bret Stephens
Wall Street Journal

Jamie Whyte
for articles written in *The Times* and *Wall Street Journal*

Martin Wolf
Financial Times

Bastiat Prize for Online Journalism

James Delingpole
telegraph.co.uk

Philip Maymin
fairfieldweekly.com and lewrockwell.com

Mark Perry
Carpe Diem blog, American Enterprise Institute/University of Michigan

2010 Bastiat Prize Judges

Each member of the panel of judges was chosen for their lifelong commitment to promoting the institutions of the free society. Whether as economists, policymakers, writers or entrepreneurs, each has made an outstanding contribution to the cause of liberty across the world.

Bastiat Prize for Journalism

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Editorial Board member, *Wall Street Journal*, USA, winner of 2003 Bastiat Prize, author of Freedom, Inc.

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AMIT VARMA
India Uncut blog, 2007 Bastiat Prize winner

Andrew Ferguson

Weekly Standard

Nudge nudge, wink wink: Behavioral economics – the governing theory of Obama's nanny state |
April 19, 2010

Andrew Ferguson is a senior editor at the *Weekly Standard* and is the author of *Fools' Names, Fools' Faces* (1996) and *Land of Lincoln: Adventures in Abe's America* (2007). Ferguson's most recent book, *Crazy U: One Dad's Crash Course on Getting His Kid into College* (Simon and Schuster), will be published in March 2011.

NUDGE NUDGE, WINK WINK: BEHAVIORAL ECONOMICS – THE GOVERNING THEORY OF OBAMA'S NANNY STATE

April 19, 2010

Among the many transformative experiences President Obama says he has planned for us, one in particular has gone relatively unnoticed. He has vowed to remake the methods by which the federal government regulates our homes, our offices, our roads and brooms and thimbles, our roller skates and garden tools and tortilla chips and sunglasses – nearly everything. The federal government regulates nearly everything already, of course, but now the new administration wants to regulate by different lights. A few days after taking office last year, Obama signed a presidential memorandum to set our new transformative experience in motion.

The memorandum began by noting that federal regulatory policy has lately been governed by an executive order issued in 1993. Political activists disliked the old order – EO 12866, as it's known among regulation buffs – because they saw it as a hindrance to new and ever more sweeping regulations. EO 12866 made the job of regulating difficult by requiring a federal agency to perform onerous cost-benefit analyses on each regulation it proposed and to rework the rules that proved too costly. In his memorandum, the president suggested that this approach, while perhaps well-meaning, was the product of a less sophisticated, pre-Obama era.

"A great deal has been learned since that time," he wrote. "Far more is now known about regulation – not only about when it is justified, but also about what works and what does not ... In this time of fundamental transformation, that process – and the principles governing regulation in general – should be revisited."

President Obama didn't do away with the cost-benefit requirement, or with Executive Order 12866. Instead he kicked the can down the road, as he likes to say other people are always doing. He ordered the Office of Management and Budget to conduct a 100-day review of 12866 and report back to him. Among other things, he wanted the report to "clarify the role of the behavioral sciences in formulating regulatory policy."

At this reference a few knowing observers pricked up their ears. During his campaign, the candidate Obama was often portrayed as an intellectual acolyte of "behavioral economics," a *très chic* social science that culls up-to-the-minute laboratory research about why human beings behave the way they do and applies it to the world of buying, selling, borrowing, and investing. At the candidate's elbow, said *Time* magazine, was a "behavioral dream team": economists and psychologists steeped in the latest behavioral literature. And once in office the president surrounded himself with many dream-team veterans: Lawrence Summers, Austan Goolsbee, Peter Orszag – behavioralists all.

He also appointed Cass Sunstein, a former colleague from the University of Chicago Law School, to be his "regulation czar" (journalese for the director of the Office of Information and Regulatory Affairs in the Office of Management and Budget). Being DOIRA of OMB may not sound glamorous – it sounds more like a sinister potentate in *Lord of the Rings* – but it is easily the most powerful regulatory position in the executive branch, after the president's. Every significant rule proposed by every federal agency must win the approval of Sunstein's office, which is now staffed with still more behavioral economists recruited from Harvard, MIT, Princeton, and the Brookings Institution. It's like behavioral summer camp over there.

"Relying on behavioral science," *Time* announced, Obama and "his administration [are] using it to try to transform the country."

It's harder than it looks.

Behavioral economics – the idea of it, anyway – is a great help to President Obama in his efforts to define himself as a man too complicated and thoughtful to fit the categories of conventional politics. As a candidate he identified himself as an admiring reader of *Nudge*, a bestseller written by Sunstein and Richard Thaler, another Chicago economist who is often considered the founder of behavioral economics. *Nudge* was behavioral economics' popular manifesto, a guide, for policymaker and citizen alike, to "improving decisions about health, wealth, and happiness." *Nudge* became a big bestseller, predictably enough, for it was another in a long train of books – the *Wisdom of Crowds*, *Freakonomics*, *Sway*, *Wiki-nomics*, *The Black Swan*, the entire oeuvre of *New Yorker* writer Malcolm Gladwell – that claim to scour the arcane literature of social science and then cleverly apply its findings to everyday life, in ways that the wealthy white people who buy books find flattering, reassuring, amusing, and provocative. But not too provocative.

In *Nudge*, Thaler says, he and Sunstein drew on behavioral economics to create a "philosophy that was beyond left and right." They call it "libertarian paternalism," also "soft paternalism." It's *libertarian* (and soft) because it forswears government mandates wherever possible. It's *paternalistic* because it wants government to "nudge" citizens into behaving in ways that policymakers prefer. Thaler and Sunstein know that libertarians find their philosophy too paternalistic and paternalists find it too libertarian, and that's just fine with them. They cast libertarian paternalism as the *via media*, the third way, moderate and reasonable, avoiding political extremes and the snares of ideology. It's Gergenism for the thinking man. The oxymoron, joining two incompatibles, perfectly encapsulates the promise of Obama himself: something fresh, exciting, and highly improbable.

Obama's courtiers in the press, hungry for hints of their man's moderation, have been happy to oblige the oxymoron. When Sunstein announced that Obama wasn't "an old style Democrat who's excited about regulations for their own sake," the *New Republic* pointed out, Pavlov-style, that Obama was a New Kind of Democrat – newer than the last New Kind of Democrat, Bill Clinton, and newer certainly than Michael Dukakis, an older New Kind of Democrat who inherited the title from an even earlier New Kind of Democrat, Gary Hart. (You have to go all the way back to poor Walter Mondale to find an Old Kind of Democrat, and even he was preceded by Jimmy Carter, himself a very old New Kind of Democrat circa 1976.)

"Obama has no intention of changing the nature of American capitalism," the *New Republic* reporters insisted. He didn't have to, with behavioral economics at hand. "His program doesn't set out to reinvent whole sectors of the economy. . . . Unlike postwar liberals, he has no zeal for ramping up the regulatory state." Instead, they said, he was a "nudge-ocrat," who would preside over a "nudge-ocracy." The *Wall Street Journal* proclaimed the onset of the "nudge state," and Thaler declared that Sunstein, as DOIRA of OMB, would be "nudger-in-chief." The word play went on and on.

Just as Obama is a liberal Democrat who, his admirers insist, isn't really a liberal Democrat, behavioral economics proposes government regulation that, behavioral economists insist, isn't really regulation. Under the influence of libertarian paternalism, regulators abandon their old roles as mini-commissars and become "choice architects," arranging the everyday choices that members of the public face in such a way that they'll naturally do the right thing – eat well, conserve energy, save more, drive safely, floss. In the literature the unavoidable example of this involves cafeteria food. Customers in line are more likely to choose food displayed at eye level; this concept, called "salience," comes to us from behavioral science lab work. A wised-up cafeteria operator who wants his customers to eat healthier foods – at a high school, for example – will give prominent place to fresh fruits in the dessert line and push the Boston Cream Pie to the back. The kids won't be *forced* to choose the fruit; the pie will still be there, if their pudgy little arms can reach it.

Look what happens next. Behavioral economics tells us that fruit consumption will surge, because the choice architect has nudged the customers – not forced them! – into making the healthy choice.

A more substantial instance of behavioral economics in action has to do with 401(k) savings plans. If an employer simply offers employees the plan, allowing them to choose to opt in or opt out, most of them, under the power of inertia, won't bother to enroll, even though the 401(k) clearly works to their advantage. Yet all they need is a good nudge to save them from their bovine lassitude. Employers can reverse the default choice and automatically enroll them in the plan. Now lazy people who do nothing find themselves with a 401(k); those alert employees who don't want to participate can actively choose to opt out, though behavioral economics says that few will do so. Thus the savings pile up and futures brighten, and none of these indolent but suddenly happy people will even know they've been nudged.

The premise of behavioral economics is "predictable irrationality." (Another catchphrase – you have to get used to them.) We all know we do dumb things. But the behavioralists say they've discovered that we do dumb things systematically; we act against our own best interest (eating pie, failing to save for the future) with a consistency that smart people can observe, catalogue, anticipate, and exploit. If you as choice architect, for example, know about the "status quo bias" – people are disinclined to alter their immediate circumstances even in the face of a clear long-term benefit – you'll switch the default option on the 401(k). A list of the irrational quirks, or cognitive biases, that behavioral science claims to have uncovered would be endless. In addition to status quo bias, there's delusional optimism, loss aversion, the representativeness heuristic, the law of small numbers, disaster myopia, the availability heuristic, the planning fallacy, the mere-measurement effect, the mere-exposure effect, even the "yeah, whatever heuristic," so named by Sunstein and Thaler, who have a bias for whimsy, often fatal.

This grounding in the real world, confirmed by social science, is supposed to make behavioral economics superior to traditional economics as a guide to regulating human activity. Traditional economics – rational choice economics, or neoclassical economics – gets a rough going over from behavioral economists. By their reading, its gravest error is to accept *homo economicus*, the notion that man is a rational economic actor who is acting always and everywhere in his own best interest, however conceived. Traditional economists don't really believe this, at least not with the dogmatic insistence they're accused of, but pretending that they do allows behavioral economists to position themselves as hard-headed realists trying to correct the airy abstractions of out-of-touch dreamers – a clever reversal of the cliché that usually makes liberals out to be the softies and right-wingers the no-nonsense types. Behavioral economics, wrote a smitten correspondent for the *New York Times*, "is the study of everyday life as it actually happens, not as some textbook says it should."

It's been 15 months now since behavioral economics was enthroned as the administration's reigning regulatory philosophy. If it does indeed break with a century of conventional wisdom in economics, as its partisans claim, then we should be seeing its effects already.

"It's all over the place," Thaler told me. "It's hard to find a domain where you don't see aspects of this way of doing things." He mentioned a recent proposal to require all employers to enroll their employees automatically in retirement accounts, drawing on the opt-out model championed in *Nudge*. The nudge given to employees, however, comes only after Congress levels an unnudgey mandate on employers. Thaler also pointed to Michelle Obama's public campaign against obesity, in which she has delivered stern lectures to grocers, food processors, parents, and schools about how fat their customers, kids, and students are. Yet Mrs. Obama's pestering is just an example of the bully pulpit – government officials and first ladies have never required behavioral science to pound the podium.

Sunstein himself, in an OMB report issued earlier this year, listed several administration proposals that had been touched by the insights of behavioral economics. One would build on the behavioralists' notion of "social norms": "Individual behavior is much influenced by the perceived behavior of other people." So President Obama issued an executive order that banned texting in government cars, "to help promote a norm" that would discourage private citizens from driving while distracted. The Family Smoking Prevention and Tobacco Control Act of 2009 required that warnings on cigarette packages be greatly enlarged and simplified – another insight based on the behavioral concept of salience, which tells us that people pay more attention to images that are hard to ignore. And when the administration designed the 2009 "middle-class tax cut," it hearkened again to the wisdom of behavioral science: Experiments proved that taxpayers would be more likely to spend the extra money if it was dispensed in increments, through adjustments in paycheck withholding, than if it came in a lump sum, as a rebate.

Some with high hopes have found these small-bore results unexpectedly disappointing. Only a year after heralding the invention of the "nudge state," the *Wall Street Journal*'s economics writer followed up this March with a story headlined "Economic Policy 'Nudge' Gives Way to 'Shove.' "

"Some of the biggest proposals of last year have disappeared without a trace," the reporter wrote. In financial reform, for example, the Treasury Department had proposed requiring mortgage lenders and credit card companies to offer "plain vanilla" contracts – another idea popularized by *Nudge* – written in simple language and providing straightforward terms free of fine print. Those proposals have been shelved. Yet the *Journal* article quoted administration officials who insisted that behavioral economics was still alive. They cited a plan to give cut-rate loans or tax incentives to landlords to encourage them to upgrade their properties with energy efficient appliances. Once again, though, the influence of the behavioralists is hard to credit. Such a proposal operates according to traditional economics – landlords will rationally pursue their economic self-interest by grabbing a tax break – rather than to the "predictable irrationality" that the behavioralists believe they can correct through regulation.

In the grander areas of public policy, in the environment, financial reform, and health care, the administration's hoped-for libertarian paternalism is nowhere to be found. In place of gentle pokes and prods and nudges, the administration is hoping to levy taxes and bans, impose mandates and caps, set prices and restrain trade to make people behave properly – all the command-and-control methods from the Old Kind of Democrats' handbook. Removed from the nurturing environment of the university, soft paternalism stiffens up considerably.

What's happened? It's not yet clear how pertinent the science of behavioral economics is to the real world, even though the real world is supposed to be its specialty, as the *Times* man said. Certainly it shows no advantage in predictive power. No behavioral models foresaw the fiscal collapse of 2008; behavioral economists were as surprised as traditional economists when the housing bubble went pffft. Projecting their principles into the future, behavioral economists can be as goofy as the rest of us. Like many Americans, many behavioralists were against President Bush's surge in Iraq in 2007. Unlike many Americans, however, the behavioralists could pretend that their skepticism was rooted in science rather than political disposition.

As the surge was being debated, the behavioralist Daniel Kahneman published an essay that was intended as a rebuke to Bush's warmongering. Kahneman pointed to "several well-known laboratory demonstrations" proving that "hawkish beliefs and preferences . . . [are] built into the fabric of the human mind" and hence not entirely rational. A hawk's irrationality takes many forms, upon each of which the behavioralists have bestowed a complicated name. He mentioned "reactive devaluation" and "illusion of control" and "the fundamental attribution error" and much else. Unchecked, these cognitive biases might lead a nation, or at least its leader, to escalate a war foolishly, based upon nothing but reptilian instinct.

In hindsight, of course, Bush's decision doesn't look irrational at all. And it didn't seem irrational to lots of reasonable people at the time. Kahneman's decision to cast the prudential question of the surge as a contest between reasonable science and blind biological urge was silly at best, sinister at worst.

Aside from being wrong – and unreasonable, to boot – the Kahneman essay illustrated one of the salient tendencies among behavioral economists. Their definition of "irrational" is slippery. It can apply to any opinion or style of behavior they disagree with on political grounds. Consider the landlord initiative mentioned above. It's telling that the Obama regulators consider this a case for behavioral economics. If a landlord chooses to waste energy with inefficient appliances, traditional economics would give him the benefit of the doubt and search for reasons why he might do that. His rationality, that is, would be assumed. But the Obama regulators presume the landlord's behavior is irrational and ripe for a correction based on their behavioral insights. And why is the landlord being irrational? Because wasting energy has social effects (global warming, increased dependence on foreign oil, and so on) that the behavioralists dislike and the landlord discounts. Such behavior, in their view, is irrational on its face, the symptom of a cognitive bias – "myopia," maybe, or the "endowment effect."

The behavioralists are often caught smuggling in a normative and political judgment under the cloak of disinterested science. A hidden assumption is easy to conceal because the science that the behavioral economists draw upon is highly elastic, not to say flimsy. One cognitive bias that the behavioralists don't mention, though its lure seems irresistible, is the bias that makes human beings swallow uncritically the declarations of social science. The bias deters the layman from snooping around to see if the science makes sense. This is the well-established "chump effect," a name I just made up. It accounts for the breathless reception given to the books by Gladwell and the other popularizers of sociological and psychological research. "Findings reveal . . ." "Scientists have uncovered . . ." "Research has shown that . . ." And we swoon.

But what does "research show"? What do "findings reveal"? Usually much less than the behavioral economists want to believe. And they do want to believe. They burrow through stacks of boring journals and come upon an article describing a new experiment with a deliciously provocative conclusion and looking up from the page they can hear the cry: "Generalize me, big boy! Make me *relevant*!" Skepticism flies off, and the economists never stop to consider the fishy process by which those provocative conclusions were reached.

The vast majority come from behavioral experiments that are completely artificial in their construction. Most take place in labs at elite universities, where graduate students and professors pay undergraduates a pittance to sit for varying periods of time and fill out questionnaires of varying length. Sometimes the subjects are asked to interact while the grad students watch them, other times the questionnaires alone suffice to produce the data. "Behavioral economics," Thaler likes to say, "is the study of humans in markets." Actually, it's the study of college kids in psych labs.

An example: In his recent OMB report, Sunstein insists that regulators take account of a cognitive bias called "probability neglect" in finding ways to impose their soft paternalism. Probability neglect is defined like this: "When emotions are strongly felt, people may focus on the outcome and not on the probability that it will occur." Which is to say, when you really want something you tend to be unrealistic about your chances of getting it. Surely that's true for all of us sometimes, and always true for some of us. But is it a universal pattern of behavior, one reliable enough to enshrine in a one-size-fits-all government regulation?

Who knows? Behavioral economists trace their detailed understanding of probability neglect to a study from 2001. In three separate experiments, a pair of graduate students from the University of Chicago Business School asked undergraduates from Chicago and Rice University to complete questionnaires. The 40 students from Rice, in Texas, were asked whether they would prefer to receive $50 in cash or "the opportunity to meet and kiss your favorite movie star." The methodological details aren't worth describing here – we can stipulate that the experiments were conducted with the utmost rigor and elegance. What's notable is that the experiments were thereafter assumed by social scientists to have established "probability neglect" as a consistent principle guiding human behavior in the marketplace. All thanks to 40 kids from Texas, filling out a form in 2001.

Likewise, when administration officials designed the 2009 tax cut – delivered by withholding less from paychecks instead of by making single lump payments to taxpayers – they were operating on the basis of another U.C. study. Two researchers brought undergraduates to a lab and handed each $50. Half the students were told the extra money was a "tuition rebate," the other that it was a "bonus." The experimenters followed up with questions by email a week later. The bonus group spent more money than the rebate group. From this result the administration felt confident in predicting how 140 million taxpayers would spend their tax cut. No one knows whether it was more effective in increments than it would have been in lump payments, of course; the tax cut was too small to trace in an economy so vast. It probably wouldn't have worked either way. But at least the administration had an experiment on its side.

Asked about behavioral economics in an interview recently, the neoclassical economist Gary Becker summed up his reservations. "There is a heck of a difference between demonstrating something in a laboratory, in experiments, even highly sophisticated experiments, and showing that they are important in the marketplace," he said. "Economics theory is not about how people act in experiments, but how they act in markets."

Other prominent skeptics, among them Joshua Wright of George Mason Law School and Gregory Mitchell of the University of Virginia, have begun dismantling the behavioralists' conceit more systematically. "Even if you discover a real cognitive bias," Wright said last month, "there will be a good deal of variation within the population, based on cognitive ability and personality traits. And if the bias varies from person to person, you can't assume that the bias will just 'scale up,' in a generalized way, when it's in the marketplace. Thaler and Sunstein will take a single study of a hundred Duke undergrads and say, 'Here's what we found – and here are the public policy implications.' That's not scientific. That's just sloppy."

Mitchell cut even deeper. He has discovered what he calls a "citation bias within psychology that favors pessimistic accounts of decision making." Experiments designed to demonstrate irrationality tend to find it. Even the most ingenious experiment can't replicate how individuals behave in the real world. We change and adapt over the course of months and years, reflect and learn, and call on the help of friends and family. These vital and unpredictable improvisations won't happen in the vacuum of the college psych lab, with a besmocked Ph.D. student hovering close by.

Behavioral economists deny any ideological intent in their work. The closest I've seen any of them come to conceding a political point of view was when Thaler, in a recent interview, said, "If there's a regulatory philosophy in behavioral economics, it's that we should recognize that people in the economy are human and that there are people out there trying to take advantage of them." In this sense, behavioral economics is just conventional 1960s liberalism – and conventional 1960s economics, too – that assumes the free market itself is a kind of unending con game, with the smart guys exploiting the saps. As an advocate for the market's hapless victims, the government has the responsibility to undo the con, a task that will require only the smartest administrators operating according to only the latest scientific research and making the most exquisite moral judgments.

You can see how useful the notion of irrational man is to a would-be regulator. It is less helpful to the rest of us, because it runs counter to every intuition a person has about himself. Nobody sees himself always as a boob, constantly misunderstanding his place in the world and the effect he has upon it. Surely the behavioral economists don't see themselves that way. Only rational people can police the irrationality of others according to the principles of an advanced scientific discipline. If the behavioralists were boobs too, their entire edifice would collapse from its own contradictions. Somebody's got to be smart enough to see how silly the rest of us are.

Traditional economics has always been more modest. Assuming the rationality of man was a device that made the discipline possible. The alternative – irrational people behaving in irrational ways – would complicate the world beyond the possibility of understanding. But the modesty wasn't just epistemological. It was also a democratic impulse, a sign of neighborly deference. A regulator who always assumed that man was other than rational was inviting himself into a position where he could exert a control over his fellow citizens that wasn't proper for a true democrat. Self-government demands this deference. It won't work otherwise.

"Ultimately," the economist Brian Mannix wrote not long ago, "we insist that our regulators start from a presumption of rationality for the same reason that we insist that our criminal courts start from a presumption of innocence: not because the assumption is necessarily true, but because a government that proceeds from the opposite assumption is inevitably tyrannical."

Well, maybe not *inevitably*. Those behavioralists may be smart, but they're not quick. It's been 15 months since President Obama gave them 100 days to explain how to use behavioral economics in government regulation. They're still working on the report.

Peter Foster

National Post

Vulcans land in Springfield | October 3, 2009

Mr. Scrooge's capitalist myth | December 22, 2009

Alice in UN Land | March 12, 2010

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VULCANS LAND IN SPRINGFIELD

October 3, 2009

The Obama administration has stepped back from trying to make consumer finance Homer Simpson-proof. It has retreated from plans that would have had bureaucrats designing financial products, in particular a "plain vanilla" variety.

Mmm. Plain vanilla.

This represents a setback for one of the major "new" sources of justification for more and bigger government, "behavioural economics," which is based on the belief that ordinary people are just too stupid and short-sighted to know their own interests, and thus are always ripe to be fleeced by those greedy capitalists.

It was one of the gurus of this allegedly novel branch of the dismal science – University of Chicago Professor Richard Thaler – who recently suggested that most of us were like the dumbest cartoon character in Springfield.

He started out a recent piece in *The New York Times* by declaring, "This column is in praise of warning labels. So let's begin with one: I am not your usual sort of economist." He then boldly knocked down the straw men of pure economic rationality, characters who "are amazingly smart and are free of emotion, distraction or self-control problems. Think Mr. Spock from 'Star Trek.'"

Professor Thaler conspicuously failed to name any of the "usual" economists who actually believe that such Spock-like characters exist, but then his straw Vulcan was necessary to set up his own less-than-brilliant insight that, "Real people have trouble balancing their checkbooks, much less calculating how much they need to save for retirement; they sometimes binge on food, drink or high-definition televisions."

Then came the insult piled atop the obvious: "They are more like Homer Simpson than Mr. Spock. Call them Homer economicus if you like, or just Humans."

Professor Thaler claimed that designing policies for Spocks would be pretty easy, although even there a little hand-holding would be necessary: "[T]he best policies give them as many choices as possible and simply assure that they have access to all the relevant information."

However, when it came to protecting we Simpsons, Professor Thaler wanted lots of newly-empowered bureaucrats standing around the open doors of empty stables. Take mortgages, which were at the root of the current crisis. Mortgage documents are filled with awfully complicated details about things like interest rates and prepayment penalties. "How," asked the kindly Professor, "can we help people make sense of all this?" Well, what about suggesting that they actually read the terms and conditions before they sign anything? Nah.

Professor Thaler opines that the state might "ban complex mortgages entirely" although he admits that this could choke off innovation. Still, the Obama administration should be prepared to sit the consumer down on its knee. To obtain anything beyond plain vanilla, "borrowers might have to demonstrate that they understand the risks or have been aided by a certified mortgage planner."

Would that be certified like, say, ratings agencies?

In recommending further fiddling with mortgage laws, Professor Thaler singularly fails to note the astonishing array of government institutions and programs designed to assist home buyers, but which in fact set up the subprime disaster in the first place. Before helping Homer any more, wouldn't it be more appropriate to examine why, with all this oversight and good intention, the credit crisis broke out in the first place?

It is this kind of nannyish thinking that has led to all those voluminous small-print nutrition notices down at Krusty Burger. Unfortunately, the government forgot to legislate reading them as a condition of being served. Perhaps they should have made failure to peruse them a crime. Maybe Homer should be forced to sit an exam before he orders food. That would solve the obesity crisis!

Meanwhile Professor Thaler, like all those of his wonkish ilk, ignores the 363.64 kilo gorilla in the room. If he wants to stick with Springfield as the laboratory for the human foibles that his Brave New World will address, shouldn't we look at local politics, too? Uh oh. That seems to be mis-run by the corrupt, skirt-chasing Mayor Quimby! (Quimby is a knock-off of the recently late Teddy Kennedy, who spent his political career indulging his guilt and compassion with other people's money, but with less-than-stellar results).

Thaler, in fact, admits that bureaucrats can make mistakes, but apparently their superior strength lies in being able to "hire experts and conduct research." At taxpayers' expense! Experts, presumably, such as him!

"Fixing the problem is complicated," he concludes, "But a good first step is to make the mortgage lending process Homer-proof."

Fortunately the Obama administration has stepped back from that conceit, although plenty of legislative threats remain in its latest moves to "protect" the consumer.

There is no doubt that irrationality stalks economics. For example, an inability to assess "sunk costs" was surely one major factor behind the auto industry bailout. And no transaction could be more practically irrational than buying "carbon credits." Strangely, however, you don't find behavioural economists criticizing expansive government policy, or any fad that feeds it.

The greatest problem remains not the Homers, but the government Quimbys.

MR. SCROOGE'S CAPITALIST MYTH

December 22, 2009

Disney's 3-D adaptation of Charles Dickens' *A Christmas Carol* is terrific. What continues to amaze is how this classic is treated not primarily as a tale of redemption but, according to Agence France Presse, as "a biting indictment of 19th century capitalism."

First, we might note that nobody profited more from the impact of capitalism on literature than Charles Dickens. As for Scrooge, how does this peculiar man – "solitary as an oyster" – represent an indictment of capitalism except for those who continue to embrace the nonsense notion that commercial society eradicates goodwill?

Amazingly, or maybe not so amazingly, among the purveyors of such anti-capitalist humbug is Jim Carrey, the man who voices Ebenezer (as Alistair Sim with a soupçon of Robin Williams) and who has earned tens of millions of dollar from being exploited by the wicked free enterprise system.

"Scrooge is the first corporate scumbag," Mr. Carrey has said. "Every construct we've built in American life is falling apart. Why? Because of personal greed and ambition. Capitalism without regulation can't protect us against personal greed."

One minute you're starring in *Dumb and Dumber*, the next you're an expert in economic history. So perhaps there is a downside to the infinite possibilities of the American Dream.

Scrooge has become part of an anti-capitalist cultural canon that starts with camels struggling through the eyes of needles, proceeds through Shylock and the unseen Mammon in *The Grapes of Wrath*, moves on to Old Man Potter in *It's a Wonderful Life* and Gordon Gecko in *Wall Street*, and infects about half of current Hollywood movies (including George Clooney's latest entertaining but ridiculous piece of business bashing, *Up in The Air*).

Would the world have been better without Scrooge? Did he force people to do business with him? Was Bob Cratchit not free to find better employment elsewhere? And if no such employment was available, was that Scrooge's fault? Scrooge's "conversion" is also problematic. Once Marley's spectre has shown Scrooge what the afterlife looks like for the uncharitable, is there any need for the three Christmas ghosts? Scrooge has been "scared good" the old Christian way. With fear of eternal damnation.

Dickens' portrait was in fact a caricature in his own time, when industrialists and businessmen were emerging as the greatest benefactors in history, but he wrote during an economic downturn that provided fertile ground for another much scarier horror story, *The Communist Manifesto*. Marx and Engels were concerned with the grime of Manchester rather than "The palpable brown air" of London, but their "plot" provided a blueprint for mass murder. And yet we still prefer to bash Scrooge, no matter how great the success of capitalism in lifting billions out of poverty and providing them with an increasingly stunning array of options. Indeed, does nobody notice the irony that capitalism has unleashed the consumerist cornucopia and charitable sentiments that were *A Christmas Carol*'s ideal?

As for the modern businesses, far from embracing Scrooge-ian attitudes, they positively slather themselves in the humbug of "corporate social responsibility. Indeed, the financial crisis was rooted not in the spirit of Scrooge but in the reverse: in the desire by strong-arming politicians to make sure that the Bob Cratchits of the world – particularly the ethnic minority Bob Cratchits (who, as opposed to in 1843, now have the vote) – be given loans they couldn't afford so that they might achieve the dream of home ownership.

We may be sure that Scrooge's first consideration when he loaned money would have been the likelihood of being repaid. Would that there had been more Scrooges running financial institutions!

Meanwhile the portly gentlemen who prevailed upon Scrooge to make some provision for the poor have morphed into an army of charity professionals. These have been joined by a much less courteous and more forceful group of non-governmental organizations who have seen the institutional and political potential in shaking down public corporations. One of the main reasons their task is easier is because those they shake down – unlike Scrooge – are playing with shareholders' money.

Even post-conversion Scrooge would still have been in deep doodoo in our modern politically-correct world. Just think of his 100% white male workforce! And as for ordering up another coal scuttle, not without carbon offsets you don't. In fact, it is pre-conversion Scrooge's sentiments that are more in tune with the Green zeitgeist.

"Darkness is cheap," wrote Dickens, "and Scrooge liked it." So he would really love Earth Hour.

Scrooge's latest incarnation is to give his name to a book, *Scroogenomics*, that maintains that Christmas is a gigantic example of wasted resources, since the value of gifts to recipients is often less than the cost to donors. Now there's some dismal science for you. The author doesn't seem to grasp that you can't do a cost-benefit analysis on "it's the thought that counts."

So "God Bless us every one" and bless the economic system of human freedom and ingenuity that has made ours the richest – and most generous – generation in history, even as we bite the Invisible Hand that feeds us.

ALICE IN UN LAND

March 12, 2010

"No, no!' said the Queen. "Sentence first – verdict afterwards."

"Stuff and nonsense!" said Alice loudly. "The idea of having the sentence first!'"

"Hold your tongue!' said the Queen, turning purple.

"I won't!" said Alice.

"Off with her head!" the Queen shouted at the top of her voice. Nobody moved.

"Who cares for you?" said Alice, (she had grown to her full size by this time.) "You're nothing but a pack of cards!"

—

The UN has decided to follow the Red Queen's approach when it comes to recent mounting scandals over its Intergovernmental Panel on Climate Change.

Exoneration first – review afterwards!

On Wednesday, the UN and the IPCC announced an "independent" review of the IPCC's operations by the InterAcademy Council (IAC). Never heard of it? Doesn't matter. The verdict is already scientific excellence." in.

UN Secretary General Ban kimoon declared "Let me be clear: the threat posed by climate change is real ... Nothing that has been alleged or revealed in the media recently alters the fundamental scientific consensus on climate change." But surely it is the alleged scientific "consensus" – and climate science more broadly – that are the fundamental issues here.

Mr. Ban, who has admitted making climate change his focus, declared on Wednesday that the 2007 IPCC report had contained a "very small number of errors." But shouldn't the exact number of errors be a matter for the review? Assuming that Mr. Ban had no knowledge of , for example, the egregious projection of the disappearance of Himalayan glaciers by 2035, why should he assume that there are not numerous similar howlers of which he is unaware?

The smell of whitewashed rat is overwhelming.

The InterAcademy Council is an NGO that is about as independent from the UN system as a Tweedledum was from Tweedledee. It is claimed to be an "umbrella group" for National Academies of Sciences, but was set up in 2000 specifically to advise the UN and the World Bank.

In 2009, the National Academies of the G8 countries issued a statement claiming that "climate change is happening even faster than previously estimated." But where did they get their information if not from the IPCC that their "umbrella group" is now meant to be reviewing?

The IAC is in fact blatantly political and deeply embedded in the UN's anti-market "sustainability" agenda. Bruce Alberts, one of its first co-chairs (and then president of the U.S. National Academy of Sciences) declared that "an increasingly market-oriented world" is sapping the spread of "world science." He bemoaned "A system that fails to harness the idealism of young scientists, rarely connecting them to sustainability goals." He said that "Like many scientists, I have a dream about a different future. In my dream, our universities are teaming with talented young scientists, productively engaged in harnessing the power of modern science to produce public goods for poverty alleviation around the world."

Mr. Alberts' Martin Luther King moment clearly indicates a bias towards Millennium Development Goal-type pretensions.

The IAC has produced many reports with typical UN redemptionist titles such as "Inventing a Better Future" and "Lighting the way." When it produced a study of African agriculture, one of its main recommendations was to set up "agricultural centres of Top-down bureaucracy first – development afterwards.

One of the members of its "Lighting the way towards a sustainable energy future" panel was beleaguered IPCC head Rajendra Pachauri. The report was claimed to incorporate "the analysis and actions of leading global energy and development institutions, such as the United Nations Development Program, the World Bank and the International Energy Agency." In other words, the IAC is an echo chamber.

The IPCC and the IAC have already admitted the problem of finding independent reviewers. IAC co-chair Robbert Dijkgraaf noted that the review needed people with knowledge of climate science who weren't too close to the IPCC. "Clearly you cannot be the reviewer and the reviewed at the same time," he said. But another IPCC functionary, Christopher Field, admitted that "almost anybody who has been involved in climate science has some connection with the IPCC."

To achieve any credibility, such a review would have to recruit scientists such as MIT's Richard Lindzen and the University of Colorado's Roger Pielke, Jr. If no such well-credentialled skeptics are included, it will be obvious that this is another snow job.

As for the vaunted objectivity of scientists, last week, a leaked series of emails between leading academics at Stanford University revealed a plan to mount "an outlandishly aggressively partisan" attack on climate skeptics. The emails were full of paranoid demonization of "well-funded, merciless enemies." Renowned alarmist (and close buddy of Al Gore) Stephen Schneider invoked McCarthyism. In fact, it is skeptics who have been subjected to a witch hunt. The Stanford emails compared them to those who "would deny the reality of the law of gravity."

Those involved in this email exchange are all members of the U.S. National Academy of Sciences.

The notion of "official" climate reviews has already been tainted by the U.K.'s Stern Review, which emerged as a blatantly skewed political document designed to support U.K. policy.

More recently, the official review of the Climatic Research Unit of the University of East Anglia – from which the Climategate emails were liberated – was involved in turmoil when two of its members were revealed to hold flagrantly alarmist views.

Still, there is some small humour in this, as befits a Wonderland-ish situation. The IAC is headquartered at the Royal Netherlands Academy of Arts and Sciences in Amsterdam. One of 2007 IPCC report's "very small number or errors" was to double the amount of the Netherlands that lies below sea level.

At Wednesday's press conference, neither Mr. Pachauri nor Mr. Ban took questions. It was not reported whether they subsequently disappeared down a rabbit hole. It will be fascinating to see how long the IPCC's house of cards survives this scandal, which grows ever "curiouser and curiouser."

Tim Harford

Financial Times

Why millions of the world's poor still choose to go private | August 22, 2009
A brilliant (and doomed) template for healthcare reform | October 17, 2009
Stimulus spending might not be as stimulating as we think | January 9, 2010

Photo credit: Fran Monks

Tim Harford writes the 'The Undercover Economist' and 'Outside Edge' columns for the *Financial Times*, and is the presenter of BBC Radio 4's "More or Less". He is also the author of four books, including "The Undercover Economist", which between them have sold over a million copies. Mr Harford spent time working for the World Bank and Shell, and is a visiting fellow at Nuffield College, Oxford and at Cass Business School, London. He was co-winner of the 2006 Bastiat Prize, and "More or Less" won the Royal Statistical Society's 2010 award for excellence in broadcast journalism. Mr Harford lives in London with his wife and daughters.

WHY MILLIONS OF THE WORLD'S POOR STILL CHOOSE TO GO PRIVATE

August 22, 2009

Imagine that your daily earnings were less than the price of this newspaper. Would you consider buying private education and private healthcare?

Before you make up your mind, here are a few considerations: government healthcare and primary education are free; the private-sector doctors are ignorant quacks and the teachers are poorly qualified; the private schools are cramped and often illegal. It doesn't sound like a tough decision. Yet millions of very poor people around the world are taking the private-sector option. And, when you look a little closer at the choice, it's not so hard to see why.

Take the doctors of Delhi, who were studied carefully by two World Bank researchers, Jishnu Das and Jeffrey Hammer. These doctors are busy people – the average household visits a doctor every two weeks, and the poor are particularly likely to visit. And, surprisingly, three-quarters of those visits are to private practitioners – despite the fact that public-sector doctors are better qualified. Why?

Das and Hammer tested the competence and the practices of a sample of doctors by sending observers to sit in their surgeries. They discovered that "under-qualified private-sector doctors, although they know less, provide better care on average than their better-qualified counterparts in the public sector". This is not particularly mysterious, because private-sector doctors don't get paid unless they can convince their patients that they're doing a decent job. Public-sector doctors draw salaries and, if they are held accountable at all, it is through indirect channels.

There is a similar story to be told about education – and it is well told in a new book, *The Beautiful Tree*, by James Tooley. A professor of education at the University of Newcastle, Tooley first encountered private schooling for the poor while exploring the slums of Hyderabad, again in India. It took little more than Tooley's curiosity to unearth a network of 500 private schools, typically charging less than $3 a month, and providing an education of sorts to thousands of children from very poor families. Many of the poorest children were on scholarships, educated for free by school owners with an eye on their standing in the local community.

Tooley has since gone on to catalogue cheap private schools for the poor across the world, and has also tested their quality. His research team discovered more committed teachers, and better provision of facilities such as toilets, drinking water, desks, libraries and electric fans. Most importantly of all, the children were learning more.

It is hard to be sure quite how widespread these cheap private schools are, but Tooley and his colleagues have found them in west Africa, east Africa, China and India. In the areas Tooley has studied, private schools are educating at least as many children as government-run schools – and sometimes up to three times as many.

Again, the outperformance of the private schools – in spite of low budgets and teachers with sometimes doubtful qualifications – is not a surprise when one looks at the weaknesses of state-run schools in some developing countries. Tooley toured Lagos, in Nigeria, with a BBC film crew and found teachers sleeping in lessons in the public schools – even though the film crew had given notice of their visit.

The lesson here is that a little accountability goes a long way – and fee-paying customers are in an excellent position to hold schools and clinics to account. By all means let's work out how to make government facilities more accountable, in order to provide better education for the world's poor. But we should also investigate how low-cost private services could be nurtured.

A BRILLIANT (AND DOOMED) TEMPLATE FOR HEALTHCARE REFORM

October 17, 2009

As the debate on healthcare drones on in the US, I have been struck by a heretical thought: the differences between the British National Health Service and the US healthcare system are not nearly as important as their shared weaknesses.

The difference between the two systems has been exaggerated of late. The uninsured in America are not barred from emergency rooms by security guards. The NHS has not assembled a death panel to do away with Stephen Hawking.

I've had experience of both systems. My wife's life has been saved once by American doctors and once by British ones. One of my daughters was born in Washington, DC, the other in London. And I'll admit that the systems feel very different. The outcomes are different, the bureaucracy works in a different way, the waiting times are different and the rules of access are different.

Yet in one vital way, the systems are exactly the same: at no point during my interactions with either system did I ever have to wonder about whether a procedure was worth the price. Large sums were spent on me and my family, but I never had to ask myself whether my doctors and I were treading the path of cost-effectiveness, straying off into wasteful indulgence, or indulging in dangerous penny-pinching. Someone else always picked up the bill.

There is an obvious alternative. We could pay for our medical treatment the same way that we pay for our cars or our food or a roof over our heads: out of our own pockets. Before rejecting the idea out of hand, at least acknowledge that it would encourage us to ask a very different set of questions, including: "is there a cheaper way that would work?", "can I get better value treatment elsewhere?", and even "would I save money if I drank less and exercised more?" The effect on cost and quality would be bracing.

Think about medical technology. Why does its price keep rising while the price of other technology keeps falling? Perhaps it is just bad luck, but I doubt it. As long as patients have no way to demand better value instead of simply better quality, cost inflation seems inescapable.

The obvious objections to this modest proposal are that some medical procedures are very expensive and need to be paid for by the state or an insurance company; that some people are poor and can't afford as much treatment; and that patients would find it hard to make sensible choices.

The first two objections are valid, but they can be overcome without the necessity of insurance for everything. It is perfectly possible to design a system where redistribution, forced saving and "real" insurance – that is, against unexpected and very costly events – address these concerns without whisking away every bill before the patient sees it. Singapore has such a system. David Gratzer (a libertarian Canadian psychiatrist) has proposed a US version in his superb book, *The Cure*.

As for the third objection, it is true that patients do not today have the information they need to make sensible decisions about buying their own healthcare. But then, why would they, given the current systems? I recall the local press in the US being full of articles along the lines of "the city's 50 best dermatologists". Value for money was never mentioned, but ask patients to buy their own treatment and you can be sure that such articles would soon be supplemented by the medical equivalent of "cheap eats" reviews.

I understand that the whole idea is a political non-starter. But it's a shame. Not only is it colossally wasteful to outsource medical decisions to bureaucrats, public or private, it is also infantilising for us as independent human beings. We can do better.

STIMULUS SPENDING MIGHT NOT BE AS STIMULATING AS WE THINK

January 9, 2010

Few things annoy me more than rhetoric that implies government spending is funded by the generosity of ministers rather than by taxpayers. (Alistair Darling's pre-Budget report speech included lines such as, "Mr Speaker, we chose not to let people sink when they lost their jobs but to intervene to help them stay afloat." No, Mr Darling, you didn't – the taxpayer did.)

Such quibbles aside, it seems only sensible that when unemployment rises and companies stumble, the taxpayer should take up the slack. And yet the economic case for government stimulus is far from clear cut. Stimulus spending can erode private spending. My wife, for example, is a portrait photographer. Recently she secured a contract from a local council that kept her busy for weeks. While she was working on it she kept her head down, actively avoiding work in the private sector. A company looking for a photographer would have had to go elsewhere, perhaps paying more for an inferior snapper, perhaps giving up on the whole business.

The pro-stimulus view is that the government hires otherwise-unemployed workers, who spend money, which is used to hire other otherwise-unemployed workers, who go on to spend more money, and so on. No wonder such government spending is said to have a "multiplier". But the example of my wife suggests that the multiplier could also be zero. Rather than reducing unemployment, the government may be shifting workers from the private to the public sector.

There is nothing absurd about assuming a multiplier of zero. It is implicit in the traditional cost-benefit analysis of government projects, photographic or otherwise, which simply asks whether the projects should go ahead on their own merits, rather than speculating on all the jobs that might be multiplied into existence. If the multiplier is zero and you want to spend a billion dollars on bridges, then make sure you think the bridges are worth a billion dollars.

If government spending snarls up the economy, the long-run multiplier might well be negative (look up "Soviet Union" in any encyclopedia). But the assumption has tended to be that it is positive, at least in times of recession. In his General Theory, Keynes outlines an example with a multiplier of 10. President Obama's Council of Economic Advisers puts forward a multiplier of 1.6, which seems modest in comparison. But even a multiplier of 1.6 would be impressive. It means that if the government spends a billion dollars building a few bridges, the knock-on effects will be to increase the size of the private sector by $600m. We get the bridges, and we get more of everything else, too. With a multiplier of 1.6, paying people to bury money and dig it up again is sound policy. Even a multiplier of 0.5 would mean we could get a billion dollars of bridges while losing only $500m of private sector activity – a pretty good deal.

This analysis helps to clarify what we're talking about. But it does not tell us what the multiplier is. I have seen estimates based on careful work by respected economists that range from zero to 1.5 – perhaps higher still if we think the world economy was on the brink of depression in 2009.

It should be no surprise that there is disagreement, sometimes ill-tempered disagreement. Government spending varies because the economy is in flux; it is almost impossible to say what causes what, and the tantrums tend to be about whose methodology is the least absurd.

My own conclusion: government projects probably do enjoy a multiplier-related discount in straitened times. But it is still worth asking whether the projects themselves are worth doing.

Jeff Jacoby

Boston Globe

A deadly organ-donor system | July 5, 2009

Clunker Q&A | August 26, 2009

A ride in Big Brother's Audi | February 14, 2010

Jeff Jacoby has been an op-ed columnist for *The Boston Globe* since 1994. He joined the Globe after six years as chief editorial writer for the *Boston Herald*. A native of Cleveland, he graduated with honors from George Washington University in 1979 and from Boston University Law School in 1983. Before embarking on a career in newspapers, he briefly practiced law at the prominent firm of Baker & Hostetler, worked on several political campaigns, and was assistant to the president of Boston University. He is married and the father of two sons.

A DEADLY ORGAN-DONOR SYSTEM

July 5, 2009

Right on the heels of the recent news that Apple CEO Steve Jobs underwent a liver transplant came the speculation that he had somehow gamed the organ donation system in order to jump to the head of the waiting list. It was widely noted that Jobs's transplant took place at a hospital in Tennessee, some 2,000 miles from his home in California. That suggests he had registered with more than one regional transplant center. Multiple registrations aren't against the rules but they can be an expensive proposition, since the patient must be able to travel at a moment's notice when the organ becomes available, and since insurance companies generally won't pay for evaluations at more than one hospital. Jobs, a billionaire, may thus have benefited, frets USA Today, from "a loophole that favors the rich."

Had Jobs traveled to Tennessee to consult a highly sought-after medical specialist, or to acquire a piece of cutting-edge medical equipment, or to undergo a rare and difficult brain operation – or to buy a Smoky Mountains mansion, for that matter – nobody would be grumbling about loopholes or wondering whether rules had been manipulated. When it comes to doctors' services or medical technology or surgical procedures – or real estate – people understand that suppliers generally charge what the market will bear.

The same economic system that generally makes good health care available to all does price certain products and services high enough that only the wealthy can afford them. It isn't news that the world's finest surgeon commands a high fee, or that the latest "miracle" drugs tend to be expensive, or that billionaires can afford things that mere mortals can't.

Yet when it comes to the donation of human organs, countless people believe that the market must be prevented from functioning.

Under current law, an organ may be transplanted to save a patient's life only if it was donated for free. Federal law makes it "unlawful for any person to knowingly acquire, receive, or otherwise transfer any human organ for valuable consideration for use in human transplantation." The surgeon who performed Jobs's liver transplant, the hepatologist who diagnosed him, the anesthesiologist who managed his pain, the nurse who assisted during the procedure, the medical center that provided the facilities, the pharmacy that supplied his medications, even the driver who brought him to the hospital – all of them were paid for the benefits they rendered. Only the organ donor (or the donor's family, if the liver came from a cadaver) could receive nothing except the satisfaction that comes from performing an act of kindness.

That, many say, is as it should be: Organs should be donated out of goodness alone; otherwise the rich might exploit the poor. Others flatly oppose any hint of commerce in human organs. Opening the door to "financial incentives," declared the Institute of Medicine in 2006, could "lead people to view organs as commodities and diminish donations from altruistic motives."

Unfortunately, altruistic motives aren't enough. I carry an organ donor card and think everyone should, but only 38 percent of licensed drivers have designated themselves as organ donors. Thousands of organs that could be used to save lives and restore health are lost each year, buried or cremated with bodies that will never need them again.

No one would dream of suggesting that medical care is too vital or sacred to be treated as a commodity, or to be bought and sold like any other service. If the law prohibited any "valuable consideration" for healing the sick, and allowed doctors to practice medicine only if they did so for free, the result would be far fewer doctors and far more sickness and death.

The result of our misguided altruism-only organ donation system is much the same: too few organs and too much death. More than 100,000 Americans are currently on the national organ waiting list. Last year, 28,000 transplants were performed, but 49,000 new patients were added to the queue. As the list grows longer, the wait grows deadlier, and the shortage of available organs grows more acute. Last year, 6,600 people died while awaiting the kidney or liver or heart that could have kept them alive. Another 18 people will die today. And another 18 tomorrow. And another 18 every day, until Congress fixes the law that causes so many valuable organs to be wasted, and so many lives to be needlessly lost.

CLUNKER Q&A

August 26, 2009

Q: Congressman, was "Cash for Clunkers" a success?

A: Of course it was! I'm surprised you'd even ask. "It has been successful beyond anybody's imagination," President Obama said last week. Secretary of Transportation Ray LaHood said he was thrilled "to be part of the best economic news story in America." GM executive Mike DiGiovanni raved that "it really is all thumbs up," a rare example of an undertaking "that it's hard to find anything negative about." If that's not success, I don't know what is.

Q: If it has been such a wonderful program, why did it end this week?

A: Well, nothing wonderful lasts forever. All the money available for rebates has been claimed, so the program has come to a close.

Q: But why close down "the best economic news story in America?" You extended it once; why not a second time? Why not keep it going forever?

A: You forget that Congress has other priorities too. Cash for Clunkers has been terrific for automobile dealers, but there is more to the economy than cars.

Q: Oh, you mean you're now going to offer rebates to consumers who buy other things, like new couches or paint jobs or airplane tickets?

A: No, that wasn't exactly what I –

Q: But aren't those purchases as deserving of subsidies as cars? Surely Congress wants to help furniture dealers and housepainters and airline employees too?

A: Yes, of course, but – I mean – well, let me think about that.

Q: By the way, if the "clunkers" program were really such a boon for the auto business, why did so many car dealers back out of it early?

A: "So many?" Don't exaggerate!

Q: It's no exaggeration, congressman. Associated Press reported that AutoNation, the largest dealership chain in America, pulled out of Cash for Clunkers last Thursday – three full days before the deadline. Automotive News ran a story about other dealers who found the government so difficult to deal with that they got out even earlier. "It's just a mess, an absolute mess," one of them said. The News surveyed dealerships, and more than one-eighth of those responding said they had stopped doing "clunker" deals because it was such a bureaucratic nightmare. According to the New York Post, half of the Greater New York Automobile Dealers Association dropped out early. Does that sound like something the president should be calling "successful beyond anybody's imagination?"

A: OK, maybe there have been snafus with the government's computers and whatnot, but you're missing the forest for the trees: This has been an incredible shot in the arm for the economy. Thousands of jobs have been created or saved, and hundreds of thousands of cars were sold.

Q: Yes, but for every car sold, a car had to be destroyed. I understand why that might make GM happy. But how does the destruction of 750,000 used cars – all of which had to be in drivable condition to qualify for a rebate – help your constituents who can't afford a new car? All this program did for them was guarantee that used cars will become more expensive. Poorer drivers will be penalized to subsidize new cars for wealthier drivers. Isn't that immoral?

A: Look, there are tradeoffs to everything. You're overlooking all the benefits that those new car sales will generate.

Q: No, I'm refusing to ignore all the costs that inevitably accompany those benefits. Congress and the administration took $3 billion from taxpayers in order to boost car sales. That's $3 billion taxpayers will not be able to spend on groceries or tuition or a down payment on a new house. Before you can credit Cash for Clunkers with the "multiplier effect" of those new-car sales, you have to charge it with a negative multiplier effect at least as great: all the jobs and growth and stimulus that won't materialize because the government decided to spend $3 billion disabling, crushing, and shredding used cars. Don't you see that everything government does, it does at someone's expense?

A: You can say what you like, but this was a popular program.

Q: According to the polls, 54 percent of Americans opposed it. You call that popular?

A: Look, I have to go. But let me just say this: If Cash for Clunkers were as dubious as you suggest, it wouldn't have had so many takers.

Q: Oh, for heaven's sake, congressman: If you give away money, won't people always line up to take it?

A RIDE IN BIG BROTHER'S AUDI

February 14, 2010

The Audi Motor Company's idea of an environmentally-correct America, to judge from the TV commercial it spent several million dollars to air during the Super Bowl, is one in which homeowners could be arrested for using incandescent light bulbs, customers choosing plastic bags at the supermarket would be mandhandled by the Green Police, and anyone tossing an orange peel into his kitchen garbage pail might suddenly find himself in the beam of a searchlight, hearing a voice bark through a loudspeaker: "Put the rind down, sir! That's a compost infraction!"

It's also a place where highway traffic would back up at an "eco-roadblock," but a motorist driving a "green" car like Audi's A3 TDI would be waved right through the checkpoint.

Of course, the notion of an environmental police state terrorizing citizens for not being sufficiently "green" is just parody meant to be laughed at. Or is it? On its website, Audi USA earnestly describes its Green Police as "caricatures" created to "help" consumers "faced with a myriad of decisions in their quest to become more environmentally responsible citizens." And what better way to "help" them than with scenes of ruthless Greenshirts handcuffing hot-tubbers whose water is too warm, or raiding the home of residents who threw a used battery into the wrong trash bin?

"Green has never felt so right," proclaims Audi's dystopian ad. Others agree. David Roberts, who writes for the environmental webzine Grist (and who has called for putting global warming skeptics on trial like Nazi war criminals), says the "thrill" of the ad "turns on satisfying the green police." The commercial makes sense, he writes, only "if it's aimed at people who acknowledge the moral authority of the green police – people who may find those [environmental] obligations tiresome and constraining ... but who recognize that living more sustainably is in fact the moral thing to do."

On Twitter, San Francisco mayor Gavin Newsom expressed his approval more concisely: "That 'green police' Audi commercial hits home." He would know. Under a composting ordinance Newsom signed last year, throwing orange peels, coffee grounds, or greasy pizza boxes in the trash is now illegal in San Francisco, and carries fines of up to $500 per violation.

There was a time when Americans were thought capable of deciding for themselves what to do with their coffee grounds or whether to carry their groceries home in paper or plastic bags. It isn't only in San Francisco, and it isn't only when it comes to "green" issues, that such mundane or personal choices are being subjected to government coercion. One thin slice at a time, liberties we once took for granted are replaced with mandates from above. Instead of leaving us free to choose, Big Brother increasingly makes the choice for us: on trans fats. On gambling. On smoking. On bicycle helmets. On health insurance.

In Massachusetts, the Boston Globe reported last week, new regulations will soon require thousands of restaurant workers to undergo state-designed training on handling food allergies, and every restaurant menu will have to be revised to include a new message: "Before placing your order, please inform your server if a person in your party has a food allergy." In Pennsylvania, the Reading Eagle notes that it is illegal for volunteers to sell pies or cookies at a charity bake sale unless the treats were "prepared in kitchens inspected and licensed by the state Agriculture Department." In Oregon, an eight-year-old boy was suspended from his public school on Monday because he came to class with a tiny plastic toy gun from his G.I. Joe action figure.

It isn't to evil dictators with a lust for power that Americans have been slowly surrendering their autonomy. It is to well-intentioned authorities who genuinely believe that freedoms must be circumscribed for our own good. At the White House on Tuesday, First Lady Michelle Obama announced what The New York Times called "a sweeping initiative ... aimed at revamping the way American children eat and play – reshaping school lunches, playgrounds, and even medical checkups – with the goal of eliminating childhood obesity."

Nothing in the Constitution allows the federal government to take charge of "revamping the way American children eat and play." It is only our passivity that makes such an encroachment possible. This used to be the land of the free. Is it still?

Bret Stephens

The Wall Street Journal

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GLOBAL WARMING AND THE POOR

August 4, 2009

A funny thing happened on the way to saving the world's poor from the ravages of global warming. The poor told the warming alarmists to get lost.

This spring, the Geneva-based Global Humanitarian Forum, led by former U.N. General Secretary Kofi Annan, issued a report warning that "mass starvation, mass migration, and mass sickness" would ensue if the world did not agree to "the most ambitious international agreement ever negotiated" on global warming at a forthcoming conference in Copenhagen.

According to Mr. Annan's report, climate change-induced disasters now account for 315,000 deaths each year and $125 billion in damages, numbers set to rise to 500,000 deaths and $340 billion in damages by 2030. The numbers are hotly contested by University of Colorado disaster-trends expert Roger Pielke Jr, who calls them a "poster child for how to lie with statistics."

But never mind about that. The more interesting kiss-off took place in New Delhi late last month, when Indian Environment Minister Jairam Ramesh told visiting Secretary of State Hillary Clinton that there was no way India would sign on to any global scheme to cap carbon emissions.

"There is simply no case for the pressure that we, who have among the lowest emissions per capita, face to actually reduce emissions," Mr. Ramesh told Mrs. Clinton. "And as if this pressure was not enough, we also face the threat of carbon tariffs on our exports to countries such as yours." The Chinese – the world's largest emitter of Co_2 – have told the Obama administration essentially the same thing.

Roughly 75% of Indians – some 800 million people – live on $2 a day or less, adjusted for purchasing power parity. In China, it's about 36%, or about 480 million. That means the two governments alone are responsible for one in every two people living at that income level.

If climate change is the threat Mr. Annan claims it is, India and China ought to be eagerly beating the path to Copenhagen. So why aren't they?

To listen to the climate alarmists, it's all America's fault. "What the Chinese are chiefly guilty of is emulating the American economic model," wrote environmental writer Jacques Leslie last year in the Christian Science Monitor. "The United States passed up the opportunity it had at the beginning of China's economic transformation to guide it toward sustainability, and the loss is already incalculable."

Facts tell a different story. When Deng Xiaoping began introducing elements of a market economy in 1980, Chinese life expectancy at birth was 65.3 years. Today it is about 73 years. The numbers are probably a bit inflated, as most numbers are in the People's Republic, but the trend line is undeniable. In India, life expectancy rose from 52.5 years in 1980 to about 67 years today. If this is the consequence of following the "American economic model" then poor countries need more of it.

But what about all the pollution in India and particularly China? In Mr. Leslie's telling, Co_2 emissions are part-and-parcel with common pollutants such as particulate matter, toxic waste, and everything else typically associated with a degraded environment. They're not. The U.S. and China produce equivalent quantities of carbon dioxide. But try naming a U.S. city whose air quality is even remotely as bad as Beijing's, or an American river as polluted as the Han: You can't. America, the richer and more industrialized country, is also by far the cleaner one.

People who live in Third-World countries – like Mexico, where I grew up – tend to understand this, even if First-World environmentalists do not. People who live in oppressive Third World countries, like China, also understand that it isn't just greater wealth that leads to a better environment, but greater freedom, too.

To return to Mr. Leslie, his complaint with China is that it has become too much of a consumer society, again in the American mold. Again he is ridiculous: China has one of the world's highest personal savings rates – 50% versus the U.S.'s 2.7%. The real source of China's pollution problem is a state-led industrial policy geared toward production, and state-owned enterprises (especially in "dirty" sectors like coal and steel) that strive to meet production quotas, and state-appointed managers who don't mind cutting corners in matters of safety or environmental responsibility, and typically have the political clout to insulate themselves from any public fallout.

In other words, China's pollution problems are not a function of laissez-faire policies and rampant consumerism, but of the regime's excessive lingering control of the economy. A freer China means a cleaner China.

There's a lesson in this for those who believe that the world's environmental problems call for a new era of dirigisme. And there ought to be a lesson for those who claim to understand the problems of the poor better than the poor themselves. If global warming really is the catastrophe the alarmists claim, the least they can do for its victims is not to patronize them while impoverishing them in the bargain.

TO HELP HAITI, END FOREIGN AID

January 19, 2010

It's been a week since Port-au-Prince was destroyed by an earthquake. In the days ahead, Haitians will undergo another trauma as rescue efforts struggle, and often fail, to keep pace with unfolding emergencies. After that – and most disastrously of all – will be the arrival of the soldiers of do-goodness, each with his brilliant plan to save Haitians from themselves.

"Haiti needs a new version of the Marshall Plan – now," writes Andres Oppenheimer in the *Miami Herald*, by way of complaining that the hundreds of millions currently being pledged are miserly. Economist Jeffrey Sachs proposes to spend between $10 and $15 billion dollars on a five-year development program. "The obvious way for Washington to cover this new funding," he writes, "is by introducing special taxes on Wall Street bonuses." In a *New York Times* op-ed, former presidents Bill Clinton and George W. Bush profess to want to help Haiti "become its best." Some job they did of that when they were actually in office.

All this works to salve the consciences of people whose dimly benign intention is to "do something." It's a potential bonanza for the misery professionals of aid agencies and NGOs, never mind that their livelihoods depend on the very poverty whose end they claim to seek. And it allows the Jeff Sachses of the world to preen as latter-day saints.

For actual Haitians, however, just about every conceivable aid scheme beyond immediate humanitarian relief will lead to more poverty, more corruption and less institutional capacity. It will benefit the well-connected at the expense of the truly needy, divert resources from where they are needed most, and crowd out local enterprise. And it will foster the very culture of dependence the country so desperately needs to break.

How do I know this? It helps to read a 2006 report from the National Academy of Public Administration, usefully titled "Why Foreign Aid to Haiti Failed." The report summarizes a mass of documents from various aid agencies describing their lengthy records of non-accomplishment in the country.

Here, for example, is the World Bank – now about to throw another $100 million at Haiti – on what it achieved in the country between 1986 and 2002: "The outcome of World Bank assistance programs is rated unsatisfactory (if not highly so), the institutional development impact, negligible, and the sustainability of the few benefits that have accrued, unlikely."

Why was that? The Bank noted that "Haiti has dysfunctional budgetary, financial or procurement systems, making financial and aid management impossible." It observed that "the government did not exhibit ownership by taking the initiative for formulating and implementing [its] assistance program." Tellingly, it also acknowledged the "total mismatch between levels of foreign aid and government capacity to absorb it," another way of saying that the more foreign donors spent on Haiti, the more the funds went astray.

But this still fails to get at the real problem of aid to Haiti, which has less to do with Haiti than it does with the effects of aid itself. "The countries that have collected the most development aid are also the ones that are in the worst shape," James Shikwati, a Kenyan economist, told *Der Spiegel* in 2005. "For God's sake, please just stop."

Take something as seemingly straightforward as food aid. "At some point," Mr. Shikwati explains, "this corn ends up in the harbor of Mombasa. A portion of the corn often goes directly into the hands of unscrupulous politicians who then pass it on to their own tribe to boost their next election campaign. Another portion of the shipment ends up on the black market where the corn is dumped at extremely low prices. Local farmers may as well put down their hoes right away; no one can compete with the U.N.'s World Food Program."

Mr. Sachs has blasted these arguments as "shockingly misguided." Then again, Mr. Shikwati and others like Kenya's John Githongo and Zambia's Dambisa Moyo have had the benefit of seeing first hand how the aid industry wrecked their countries. That the industry typically does so in connivance with the same local governments that have led their people to ruin only serves to help keep those elites in power, perpetuating the toxic circle of dependence and misrule that's been the bane of countries like Haiti for generations.

A better approach recognizes the real humanity of Haitians by treating them – once the immediate and essential tasks of rescue are over – as people capable of making responsible choices. Haiti has some of the weakest property protections in the world, as well as some of the most burdensome business regulations. In 2007, it received 10 times as much in aid ($701 million) as it did in foreign investment.

Reversing those figures is a task for Haitians alone, which the outside world can help by desisting from trying to kill them with kindness. Anything short of that and the hell that has now been visited on this sad country will come to seem like merely its first circle.

EUROPE'S CRISIS OF IDEAS

February 23, 2010

Europe is in a crisis. Superficially, the crisis is about money: the Greek budget, a German-led bailout, the risk of contagion, moral hazard, the fragility of the euro. Fundamentally, it's a crisis of ideas.

At last month's meeting of the World Economic Forum in Davos, Greek Prime Minister George Papandreou offered a view on the source of Europe's woes. "This is an attack on the euro zone by certain other interests, political or financial," he said, without specifying who or what those interests might be. In Madrid, the government has reportedly ordered its intelligence service to investigate "collusion" between U.S. investors and the media to bring Spain's economy low.

Maybe the paladins of Spanish and Greek politics seriously imagine that hedge-fund managers sit around dimly lit conference rooms like so many Lex Luthors and – cue the sinister cackles – decide on a whim to sink this or that economy. Or maybe they think there are political dividends to reap by playing to peanut galleries already inclined toward these kinds of fantasies.

Whichever way, the recrudescence of conspiracy-theory politics, among governments that supposedly belong to the First World, is just one symptom of Europe's intellectual malaise. On the other end of the spectrum is the view that the Greek crisis is the perfect opportunity to expand the regulatory reach and taxing authority of Brussels. Never mind that Greece's economic woes are transparently the result of a government spending beyond its means while failing to promote growth. In this reading of events, the ideal resolution is to extend the prerogatives of a bureaucracy to an even higher level of unaccountability. This is a bit like saying that if your toenail appears to be seriously infected, consider having brain surgery.

Why do Europeans so often find themselves trapped in this sterile dialectic of populist obscurantism and technocratic irrelevancy? Largely because those are the options that remain when other modes of analysis and prescription have been ruled out of bounds. "All European economic policies are the cultural derivatives of one dominant, nearly totalitarian statist ideology: the state is good, the market is bad," says French economist Guy Sorman. The free market, he adds, is "perceived as fundamentally American, while statism is the ultimate form of patriotism."

In the U.S., faith in the general efficacy of markets isn't simply a cultural inheritance. It is sustained by the work of serious university economics departments; think tanks like the Hoover Institution and grant-makers like the Kauffman Foundation, plus a few editorial pages here and there. It's also the default position of the Republican Party, at least rhetorically.

By contrast, in continental Europe the dominant mode of conservative politics is sometimes pro-business but rarely pro-market: During his 12-year presidency of France, Jacques Chirac railed against "Anglo-Saxon ultraliberalism," a phrase that became so ubiquitous as to almost obscure its crassly xenophobic appeal. There are think tanks, but they are almost invariably funded by political parties and hew to the party line. Not a single economics faculty in Europe is remotely competitive with a Chicago or a George Mason: Since 1990, only three of the 36 winners of the Nobel Prize in Economics were then affiliated with a European university.

Then there is the media. Last week, German Foreign Minister Guido Westerwelle, who leads the country's market-friendly Free Democrats, took to the pages of *Die Welt* to lament that Germany's working poor make less than welfare recipients. "For too long," he wrote, "we have perfected in Germany the redistribution [of wealth], forgetting where prosperity comes from."

For his banal observations, Mr. Westerwelle was roundly accused of "[defaming] millions of welfare recipients" and urged to apologize to them. It takes a remarkably stultified intellectual climate for an op-ed to spark this kind of brouhaha: It is the empire of the Emperor's New Clothes, adapted to the 21st century welfare state.

This is all the more remarkable given that Europe's economic travails aren't exactly difficult to grasp. Greece in a nutshell? It costs $10,218 to obtain all the permitting needed to start a new business there, according to Harvard economist Alberto Alesina. In the U.S., it takes $166. But tyrannies of thought are hard to break, especially when the beneficiaries of state largess – from college students to government workers to captains of subsidized industries – become a political majority. The U.S. may now be approaching just such a point itself.

Is there a way out? "I am deeply convinced," says Mr. Sorman, "that I belong to a continuous tradition of liberty against the state, with a fine pedigree: Montesquieu, Tocqueville, Jean Baptiste Say, Jacques Rueff, Raymond Aron, Jean-Francois Revel." Not an Anglo-Saxon name among them. Europe's recovery – and the recovery of Europe – will come only when they are no longer prophets without honor in their own lands.

Jamie Whyte

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Base bankers' pay on the bump and grind of the open market | *The Times* | September 27, 2009
What Would Harriet Harman do? | *Wall Street Journal Europe* | April 13, 2010

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STRIP THE BANK OF ENGLAND OF ITS POWER

July 2, 2009

Mervyn King, Governor of the Bank of England, complained recently that he lacked the powers required to fulfil his new statutory role of ensuring stability in the banking system. A more powerful Bank of England would do a better job.

He is wrong. The economy would benefit from a weaker Bank of England, stripped of its principal power: namely, the power to set interest rates. This is not intended as a criticism of Mr King or of the other members of his Monetary Policy Committee. No one should be allowed to set interest rates.

Interest rates are simply prices for borrowing. As with all prices, they should be determined by supply and demand in a free market. When they are fixed by a wise man, or by a wise committee, they no longer carry information about the preferences of consumers and the scarcity of resources. On the contrary, no matter how wise the dictator, interest rates set by diktat are sure to be a kind of misinformation, leading those who act on them into error.

To see why, start with the price of something more straightforward. Suppose that global warming changed the popularity of British summer holiday destinations, so that more people wanted to visit Edinburgh and fewer wanted to visit Brighton. Competition for the limited supply of hotel rooms in Edinburgh would bid up their prices, while Brighton hoteliers would have to cut prices to find willing buyers.

Because hotels in Edinburgh would now be more profitable, profit seekers would build new hotels there. Equally, the fall of prices in Brighton would make some hotels there go broke, and the number of rooms would decline. Without anyone planning it, the supply of hotel rooms would adapt to the changing demand for them.

But only with market prices. The process breaks down if prices are set by diktat. Suppose the Bank of England had a Hotel Policy Committee that specified the price of hotel rooms. Then the increasing demand for rooms in Edinburgh would not cause their price to rise. Profit seekers would not get the "price signal" to build more hotel rooms there, and the allocation of resources would not respond to changes in consumer demand.

Now return to interest rates. Suppose the demand for borrowing rose, perhaps because technological advance leads to entirely new products, and investment in businesses making them. This would increase competition for access to the limited supply of savings and drive up interest rates. Saving – that is, deferring consumption – would now be more rewarding. So more people would do it, and the supply of savings would rise in response to the increased demand for borrowing.

At least, it would if we had a free market in interest rates. When interest rates are set by a central bank, demand for borrowing can increase without interest rates increasing and hence without the price signal that would cause people to save more. When dictated, interest rates stop playing their market role of optimally allocating resources between current consumption and investment that will deliver future consumption.

Central banks control interest rates by their "open market operations". They enter the capital markets as buyers or sellers of debt, thereby increasing the demand or the supply of it until they have shifted the interest rate to their target. When they aim to lower interest rates, these open market operations increase the amount of money held in bank deposits, and so increase the funds that banks have available to lend. This is what would happen if the savings rate had increased, if people had deferred consumption to make resources available for investment. But no such thing has happened. The central bank has merely created the illusion of increased savings.

This illusion creates waste, because it makes people overestimate the available resources. Ventures that would have been unprofitable if interest rates were not artificially low are now embarked upon, drawing scarce resources away from better uses. According to Friedrich von Hayek and other advocates of the Austrian theory of the business cycle, it is this interference with interest rates and the money supply that causes an unsustainable combination of consumption and investment – a boom that inevitably leads to a bust.

Conventional wisdom contends that the current recession was caused by the free-market zealotry of recent economic policy and by excessively low interest rates. It is an absurd view, given that interest rates are not determined by market forces. Interest rates are manipulated by central banks with a government-mandated monopoly in the issuance of money.

Some of those still defending free markets protest that, contrary to popular opinion, banks were heavily regulated before the financial crisis. So they were. But this is quibbling. The role of central banks means that, at its core, we did not have a free market financial system. We had a command economy.

Command economies do not fail because the central planning agencies lack the powers required to bring about the best outcomes. They fail because, without market prices, nobody has the information required to adapt the allocation of scarce resources to the demand for them. They fail because central planners have an impossible job. The Bank of England should not get tougher or try harder. It should give up.

BASE BANKERS' PAY ON THE BUMP AND GRIND OF THE OPEN MARKET

September 27, 2009

It cannot be an unusual evening at Stringfellows, the West End lap-dancing club, that finds an investment banker, drunk, sitting on his hands, beholding a half-naked woman gyrating before him with a wad of what were until recently his £20 notes festooning her garter belt and asking himself the pressing question of the day: "Do we bankers earn too much?"

It is difficult to pursue a line of rational thought under such circumstances. That is their purpose. Which is a shame, because the answer to the question of bankers' pay can be found by a close examination of lap dancers – or, at least, of the way they are paid.

Lap dancers receive performance-related pay. Miserly and overenthusiastic customers aside, they get £20 a lap dance and £200 a half-hour of what I will call "dedicated time". The more beautiful, charming and determined the dancer, the more lap dances and "time" she will sell, and the more she will earn. By allowing a woman with these qualities to work in his club, Peter Stringfellow puts her in the way of potentially large cashflows.

The same goes for investment bankers. Their roles vary, of course, but they can all earn bonuses for their performance. A foreign currency trader, for example, typically is paid a bonus equal to about 15 per cent of the revenue he generates for the bank. The leader of a mergers and acquisition team will make some percentage of the bank's fee for a successful deal, which can be astronomical. By giving someone a job at an investment bank, its owners are putting him in the way of potentially large cashflows.

But here is one of the many differences between lap dancers and bankers: whereas Mr Stringfellow makes his lap dancers pay for the privilege of being put in the way of their bonuses, with a "house fee" of about £100 a night, investment bankers are actually paid to have the chance of earning bonuses in the millions, with base salaries ranging from roughly £50,000 to £200,000.

This is silly. Investment bankers, like lap dancers, should have to pay to go to work. This would settle the issue with which Messrs Brown, Sarkozy and Obama have been struggling, by ensuring that bankers are paid just the right amount and not a penny more (or less).

To see why, consider the lap dancers at Stringfellows and the question – not yet a political issue – of how much they should earn. Like all employers of skilled labour, Mr Stringfellow faces a trade-off. The more he pays, the higher-quality staff he attracts and the greater his revenues. But, of course, the greater his costs and, potentially, the less his profits. The optimal level of pay is reached when any increase would cost more than it adds to revenue (and any decrease would save less than it removes from revenue).

The "house fee" gives Mr Stringfellow a simple device for determining this optimum. He can simply push it up (and so reduce dancers' pay) to the point where any further increase would do more damage to revenue than it saves him in staff costs. Although it can be difficult to know exactly when that point has been reached, attending auditions and tracking the club's door receipts should provide some clues.

Changes in a base salary could be used in the same way, you may think. But increasing a house fee is better than reducing a base salary, because it causes the worst performers to quit first; their earnings from the dances they sell no longer cover the cost of coming to work. Lowering base salaries, by contrast, causes the worst employees to leave last, since they are least able to find better employment elsewhere.

In short, a house fee allows the employer to discover how little can be paid to those who are best able to generate revenues. Which is precisely what investment banks need to know to avoid paying their staff too much. If investment banks held an auction in which prospective employees bid for jobs by offering an annual house fee, the bank could be confident that they were not overpaying. Any excess pay would be competed away in the auction.

And, as with lap dancers at Stringfellows, it would be the best bankers who got the jobs, because the best bankers, being able to generate the biggest bonuses, would be willing to pay the most for the job. No one could any longer complain about what bankers earn. If someone thinks it is too much, he is welcome to bid for the job.

A call option gives its owner the right, but not the obligation, to buy something at a specified price (the "strike price"). If the going price (the "spot price") is higher than the strike price, the option can be exercised at a profit (the difference between the strike and spot prices). If the spot price is lower, then the option-holder need not exercise it and his loss is only what the option cost to buy.

An investment banker effectively holds a call option on his own performance. If a foreign currency trader does well, be it from skill or luck, and earns his bank £10 million, he will receive a £1.5 million bonus. If he does badly and loses the bank £10 million, he does not have to cough up £1.5 million. This is the notorious "trader's option".

As investment bankers know, options are valuable. There is no reason why someone should obtain one without paying for it, and certainly no reason why he should be paid to have one. The trader's option should not be regulated out of existence. It should be priced in an open market.

WHAT WOULD HARRIET HARMAN DO?

April 13, 2010

What would Jesus do? This is what many Americans ask themselves when faced with a difficult decision. Jesus is not as influential in Britain. Here wise people defer to another paragon: What would Harriet Harman do?

For it is illegal in Britain to treat people "less favourably" because of their "protected characteristics". And Ms. Harman, the minister for Women and Equality, has written the list of protected characteristics. Sex, age, race and sexuality are protected, of course. But, as a Statutory Code of Practice published last month told us, so are beliefs.

Not any old belief is protected. For example, though you may not treat someone less favorably because he is a vegan, you are free to discriminate against racists. Both beliefs pass one test for being protected: they can have a profound effect on how you live. But racism, unlike veganism, fails another test. It is not the kind of opinion that people like Ms. Harman approve of.

This is not exactly how the criterion is stated in the Code. The precise wording is that, to be protected, a belief must be "worthy of respect in a democratic society" and "compatible with human dignity." These expressions are so vague as to be meaningless. Except, of course, that we all know what they mean. You may discriminate against people whose beliefs are unpopular with the authorities, such as Islamophobes, but not otherwise. When considering how you will treat someone, ask not what you think of his beliefs, ask what Harriet Harman would think of them.

Some newspapers ran stories laughing at legislation that gets involved in such hair-splitting nonsense as distinguishing the "protected status" of veganism from Jediism (the religion in Star Wars). But, like its subject, this objection is mere quibbling. The real question is why people may not dispose of what is in their gift – be it their love, their rental property, or a job in their firm – however they choose.

The free use of our property is rightly limited by a prohibition on harming others. But the discrimination laws cover actions that do no harm. When 10 people apply for a job, nine are sure to be disappointed. But, since the applicants had no claim on the job in the first place, they have not been injured by their rejection. So the reason they were rejected is irrelevant. Who cares why we do not injure people?

Where injury really is concerned, discrimination is irrelevant. No characteristics are protected or unprotected. If someone has a proper claim on something, you cannot withhold it even if he is a Jedi, a misogynist, or a pedophile. You may not harm anyone, however objectionable you or Ms. Harman may find him.

This is why the anti-discrimination laws concern not injuries but favors – or, as the legislation puts it, our reasons for treating people more or less favorably. Which simply returns us to our question: Why may we not be as discriminating as we like when allocating our favors?

Of course, in many parts of life, we may be. For example, I know several men who are attracted only to East Asian women. Their race-based favoritism in the allocation of affection is perfectly legal. If it were applied to allocating rental properties or jobs, however, it would be illegal.

What is the difference? Why does Ms. Harman tell people how to allocate their flats and jobs but not their dinner dates and betrothals? I can think of only one idea that could make sense of this otherwise arbitrary distinction: Namely, that whereas your body and mind are truly your own and hence in your gift, your jobs and property are not.

Ms. Harman is deputy leader of a political party that claims the government "creates jobs" even in the apparently private sector. Although Tony Blair officially expunged the Labour Party's Marxist legacy, many still subscribe to the idea that all economic output and hence all property is collectively produced and owned, held by individuals only as a dispensation from the state.

In other words, they believe the private sector is an illusion. We all really work for the government and we all really live in public housing. People who start businesses or rent out their properties may believe that they are acting on their own initiative. In truth, they are unwitting middle managers in the great governmental enterprise. They have no right to allocate jobs or property according to their own preferences. They must adhere to the preferences of the true owner of these goods, the government.

It is futile to complain that Ms. Harman and her colleagues are wrong about this. If they compel us to dispose of our property not according to our own preferences but to theirs, they have effectively commandeered it. They have it in their power to make the private sector an illusion. Which is what they are busy doing.

Martin Wolf

Financial Times

The grasshoppers and the ants – a modern fable | May 25, 2010

The grasshoppers and the ants – elucidating the fable | June 1, 2010

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THE GRASSHOPPERS AND THE ANTS – A MODERN FABLE

May 25, 2010

Everybody in the west knows the fable of the grasshopper and the ant. The grasshopper is lazy and sings away the summer, while the ant piles up stores for the winter. When the cold weather comes, the grasshopper begs the ant for food. The ant refuses and the grasshopper starves. The moral of this story? Idleness brings want.

Yet life is more complex than in Aesop's fable. Today, the ants are Germans, Chinese and Japanese, while the grasshoppers are American, British, Greek, Irish and Spanish. Ants produce enticing goods grasshoppers want to buy. The latter ask whether the former want something in return. "No," reply the ants. "You do not have anything we want, except, maybe, a spot by the sea. We will lend you the money. That way, you enjoy our goods and we accumulate stores."

Ants and grasshoppers are happy. Being frugal and cautious, the ants deposit their surplus earnings in supposedly safe banks, which relend to grasshoppers. The latter, in turn, no longer need to make goods, since ants supply them so cheaply. But ants do not sell them houses, shopping malls or offices. So grasshoppers make these, instead. They even ask ants to come and do the work. Grasshoppers find that with all the money flowing in, the price of land rises. So they borrow more, build more and spend more.

The ants look at the prosperity of grasshopper colonies and tell their bankers: "Lend even more to grasshoppers, since we ants do not want to borrow." Ants are far better at making real products than at assessing financial ones. So grasshoppers discover clever ways of packaging their grasshopper loans into enticing assets for ant banks.

Now, the German ant nest is very close to some small colonies of grasshoppers. German ants say: "We want to be friends. So why do we not all use the same money? But, first, you must promise to behave like ants forever." So grasshoppers have to pass a test: behave like ants for a few years. The grasshoppers do so and are then allowed to adopt the European money.

Everyone lives happily, for a while. The German ants look at their loans to grasshoppers and feel rich. Meanwhile, in grasshopper colonies, their governments look at their healthy accounts and say: "Look, we are better at sticking to the fiscal rules than ants." Ants find this embarrassing. So they say nothing about the fact that wages and prices are rising fast in grasshopper colonies, making their goods more expensive, while lowering the real burden of interest, so encouraging yet more borrowing and building.

Wise German ants insist, gloomily, that "trees do not grow to the sky". Land prices finally peak in the grasshopper colonies. Ant banks duly become nervous and ask for their money back. So grasshopper debtors are forced to sell. This creates a chain of bankruptcy. It also halts construction in the grasshopper colonies and grasshopper spending on ant goods. Jobs disappear in both grasshopper colonies and ant nests and fiscal deficits soar, especially in grasshopper colonies.

German ants realise that their stores of wealth are not worth much since grasshoppers cannot provide them with anything they want, except for cheap houses in the sun. Ant banks either have to write off bad loans or they must persuade ant governments to give even more ant money to the grasshopper colonies. Ant governments are afraid to admit that they have allowed their banks to lose the ants' money. So they prefer the latter course, called a "bail-out". Meanwhile, they order the governments of the grasshoppers to raise taxes and slash spending. Now, they say, you must really behave like ants. So the grasshopper colonies go into a deep recession. But grasshoppers still cannot make anything ants want to buy, because they do not know how to do so. Since grasshoppers can no longer borrow, to buy goods from ants, they starve. The German ants finally write off their loans to grasshoppers. But, having learnt little from this experience, they sell their goods, in return for yet more debt, elsewhere.

As it happens, in the wider world, there are other ant nests. Asia, in particular, is full of them. There is a rich nest, rather like Germany, called Japan. There is also a huge, but poorer, nest called China. These also want to become rich by selling goods to grasshoppers at low prices and building up claims on grasshopper colonies. The Chinese nest even fixes the foreign price of its currency at a level that guarantees the extreme cheapness of its goods. Fortunately, for the Asians, or so it seems, there happens to be a very big and exceptionally industrious grasshopper colony, called America. Indeed, the only way you would know it is a grasshopper colony is that its motto is: "In shopping we trust". Asian nests develop a relationship with America similar to Germany's with its neighbours. Asian ants build up piles of grasshopper debt and feel rich.

Yet there is a difference. When the crash comes to America and households stop borrowing and spending and the fiscal deficit explodes, the government does not say to itself: "This is dangerous; we must cut back spending." Instead, it says: "We must spend even more, to keep the economy humming." So the fiscal deficit becomes enormous.

This makes the Asians nervous. So the leader of China's nest tells America: "We, your creditors, insist you stop borrowing, just as European grasshoppers are now doing." The leader of the American colony laughs: "We did not ask you to lend us this money. In fact, we told you it was a folly. We are going to make sure American grasshoppers have jobs. If you do not want to lend us money, raise the price of your currency. Then we will make what we used to buy and you will no longer have to lend to us." So America teaches creditors a lesson from a dead sage: "If you owe your bank $100, you have a problem; but if you owe $100m, it does."

The Chinese leader does not want to admit that his nest's huge pile of American debt is not going to be worth what it cost. Chinese people also want to go on making cheap goods for foreigners. So China decides to buy yet more American debt, after all. But, decades later, the Chinese finally say to the Americans: "Now we would like you to provide us with goods in return for your debt to us. Thereupon, the American grasshoppers laugh and promptly reduce the debt's value. The ants lose the value off their savings and some of them then starve to death.

What is the moral of this fable? If you want to accumulate enduring wealth, do not lend to grasshoppers.

THE GRASSHOPPERS AND THE ANTS – ELUCIDATING THE FABLE

June 1, 2010

Fables seek to illuminate reality. The goal of the one I told last week – concerning "the grasshoppers and the ants" – was to provide a simplified account of the world economy. Today I wish to address two questions: who benefits from the trade flows between import-surplus grasshoppers and export-surplus ants? Can the two co-exist fruitfully?

First, who benefits? My colleague, Robin Harding, raised this question in response to my advice to ants: "If you want to accumulate enduring wealth, do not lend to grasshoppers." He asked: what about the gains for the grasshoppers?

The traditional answer is that both sides should gain from any voluntary exchange. That includes these "inter-temporal exchanges" – in which ants offer goods to grasshoppers now in return for future repayment.

Yet this assumes that the decisions are well informed, markets are flexible and contracts are enforced. None of these assumptions seems all that plausible. A reason people may not make informed decisions is, readers argue, that what some call "locusts" (financial capitalists) fool both grasshoppers and ants. At best, agency and information problems in financial markets make it hard for ants or grasshoppers to understand what is going on. At worst, locusts use their wealth and knowledge to rig the game to their advantage.

Financial markets are certainly subject to cycles of euphoria and panic. A big role is played by the property market. In good times, rising land prices provide collateral for leverage and an incentive for risk-taking. In bad times, a collapse in land prices may lead to mass bankruptcy and threaten to destroy leveraged financial institutions.

Some economists question whether the benefits of trade in goods and services apply to trade in finance at all. Jagdish Bhagwati of Columbia University wrote a famous article on these lines in the wake of the Asian financial crisis of 1997–98. In this he decried what he called the "Wall Street-Treasury complex".*

In sum, we cannot assume that cross-border finance allows ants and grasshoppers to make wise decisions about the timing of lending and spending. Ants are likely to find that their funds have been consumed or invested in production of non-tradeable assets, such as housing. They are also likely to find it hard indeed to extract repayment from grasshopper colonies. True, inside the euro zone, powerful ant nations may be able to put the countries in trouble under central control, though even that would only be possible with smaller countries. But the equivalent will be impossible vis-a-vis the US – the biggest net debtor.

The implication seems to be that grasshoppers should at least benefit from an inflow of often unrequited resources. But that assumption is unwarranted if the outcome is unsustainable levels of consumption and underinvestment in capacity to produce tradeable goods and services. The economic collapse, when inflows of capital halt, can be very painful – even more so if a fixed exchange rate (or currency union) demands a period of falling nominal wages and prices. That, in turn, tends to raise the real value of debt, worsening the plight of the grossly over-indebted grasshoppers.

In all, large-scale net flows of debt finance from ants to grasshoppers seem unlikely to do either side much good. Ants, it is true, do build up their productive capacity. But they also accumulate poor-quality assets and become dependent on what may well be unsustainable grasshopper demand. The economies of grasshopper colonies, in turn, come to depend on unsustainable capital inflows and excessive consumption. When the glorious party ends, both sides end up with big headaches.

This leads to the next question: is there a way to ensure ants and grasshoppers coexist harmoniously?

A part of the answer must be to reduce the instability of financial markets. This is the focus of the debate on regulation – a topic I have discussed previously. I would add two points here: first, seek to reduce the extremes of the property cycle by taxing the rental value of land; second, remove incentives for leverage from the tax code.

Yet the biggest single problem of the global system, in my view, is the attempt by ants to provide so much "vendor finance" to grasshoppers. In the end, both ants and grasshoppers have ended up disappointed. A more productive use of the surplus savings and productive capacity of ageing ant nests would be to lend to younger ones. So finance should flow to emerging countries, in general, and fixed investment in emerging countries, in particular. It is in the latter that the best opportunities for new investment should exist. It is the latter that are also most likely to generate the ability to service and repay the loans they have received.

This seemingly sensible proposition runs up against two huge difficulties: the first is that almost every attempt to generate large net flows of capital to emerging countries over the past three decades has ended up in a crisis; the second is that, as a result, the emerging world has decided to run current account surpluses and recycle those surpluses into ever larger foreign exchange reserves: in 2010, for example, according to the International Monetary Fund, the current account surplus of emerging countries will be $420bn, with an accumulation of reserves of $630bn.

Thus, in aggregate, emerging countries are recycling current account surpluses, plus the net private capital inflow, into reserves. Nearly all of these surpluses are generated by emerging Asia, in general, and China, in particular, though these countries have the best investment opportunities.

So long as this remains true, the grasshopper colonies of the developed world are likely to remain net recipients of capital, which they will surely continue to waste. Yet, under the pressure of the crisis itself, many erstwhile grasshopper colonies are being forced to become more "ant-like". If today's rich ant nests do not change their behaviour, potential surpluses will be huge. Either the emerging world as a whole starts to absorb these surpluses into potentially productive younger nests, or the world will be stuck in a demand trap, with everybody seeking export surpluses.

Flows of finance from export-driven ant nests to advanced grasshopper colonies end in tears. Flows of finance from old ant nests to young ones have not worked out either. If a way is not found to fix these failures, the open global economy itself may disappear.

James Delingpole

blogs.telegraph.co.uk/news/author/jamesdelingpole/

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Besides writing a catty, no-prisoners, defiantly anti-PC, anti-ecotard Telegraph blog, James Delingpole is a feature writer, broadcaster and cultural commentator for everyone from the right-leaning Spectator to the (very) left-leaning BBC. He is the author of several books including the eerily prophetic *Welcome To Obamaland: I've Seen Your Future And It Doesn't Work* (Regnery) and the forthcoming *Watermelons – How The Greens Showed Their True Color*. His ambitions? To scrape enough money, somehow, from new media to put his children through private school; to save the world from ManBearPig.

CLIMATEGATE: THE FINAL NAIL IN THE COFFIN OF ANTHROPOGENIC GLOBAL WARMING?

November 20, 2009

If you own any shares in alternative energy companies I should start dumping them NOW. The conspiracy behind the Anthropogenic Global Warming myth (aka AGW; aka ManBearPig) has been suddenly, brutally and quite deliciously exposed after a hacker broke into the computers at the University of East Anglia's Climate Research Unit (aka CRU) and released 61 megabytes of confidential files onto the internet. (Hat tip: Watts Up With That)

When you read some of those files – including 1079 emails and 72 documents – you realise just why the boffins at CRU might have preferred to keep them confidential. As Andrew Bolt puts it, this scandal could well be "the greatest in modern science". These alleged emails – supposedly exchanged by some of the most prominent scientists pushing AGW theory – suggest:

> Conspiracy, collusion in exaggerating warming data, possibly illegal destruction of embarrassing information, organised resistance to disclosure, manipulation of data, private admissions of flaws in their public claims and much more.

One of the alleged emails has a gentle gloat over the death in 2004 of John L Daly (one of the first climate change sceptics, founder of the Still Waiting For Greenhouse site), commenting:

> "In an odd way this is cheering news."

But perhaps the most damaging revelations – the scientific equivalent of the Telegraph's MPs' expenses scandal – are those concerning the way Warmist scientists may variously have manipulated or suppressed evidence in order to support their cause.

Here are a few tasters.

Manipulation of evidence:

> I've just completed Mike's Nature trick of adding in the real temps to each series for the last 20 years (ie from 1981 onwards) amd from 1961 for Keith's to hide the decline.

Private doubts about whether the world really is heating up:

> The fact is that we can't account for the lack of warming at the moment and it is a travesty that we can't. The CERES data published in the August BAMS 09 supplement on 2008 shows there should be even more warming: but the data are surely wrong. Our observing system is inadequate.

Suppression of evidence:

> Can you delete any emails you may have had with Keith re AR4?
>
> Keith will do likewise. He's not in at the moment – minor family crisis.
>
> Can you also email Gene and get him to do the same? I don't have his new email address.
>
> We will be getting Caspar to do likewise.

Fantasies of violence against prominent Climate Sceptic scientists:

> Next time I see Pat Michaels at a scientific meeting, I'll be tempted to beat the crap out of him. Very tempted.

Attempts to disguise the inconvenient truth of the Medieval Warm Period (MWP):

> ......Phil and I have recently submitted a paper using about a dozen NH records that fit this category, and many of which are available nearly 2K back–I think that trying to adopt a timeframe of 2K, rather than the usual 1K, addresses a good earlier point that Peck made w/ regard to the memo, that it

> would be nice to try to "contain" the putative "MWP", even if we don't yet have a hemispheric mean reconstruction available that far back....

And, perhaps most reprehensibly, a long series of communications **discussing how best to squeeze dissenting scientists out of the peer review process.** How, in other words, to create a scientific climate in which anyone who disagrees with AGW can be written off as a crank,whose views do not have a scrap of authority.

> This was the danger of always criticising the skeptics for not publishing in the "peer-reviewed literature". Obviously, they found a solution to that–take over a journal! So what do we do about this? I think we have to stop considering "Climate Research" as a legitimate peer-reviewed journal. Perhaps we should encourage our colleagues in the climate research community to no longer submit to, or cite papers in, this journal. We would also need to consider what we tell or request of our more reasonable colleagues who currently sit on the editorial board...What do others think?
>
> I will be emailing the journal to tell them I'm having nothing more to do with it until they rid themselves of this troublesome editor. It results from this journal having a number of editors.The responsible one for this is a well-known skeptic in NZ. He has let a few papers through by Michaels and Gray in the past. I've had words with Hans von Storch about this, but got nowhere. Another thing to discuss in Nice!

Hadley CRU has form in this regard. In September – I wrote the story up here as "How the global warming industry is based on a massive lie" – CRU's researchers were exposed as having "cherry-picked" data in order to support their untrue claim that global temperatures had risen higher at the end of the 20th century than at any time in the last millennium. CRU was also the organisation which – in contravention of all acceptable behaviour in the international scientific community – spent years withholding data from researchers it deemed unhelpful to its cause. This matters because CRU, established in 1990 by the Met Office, is a government-funded body which is supposed to be a model of rectitude. Its HadCrut record is one of the four official sources of global temperature data used by the IPCC.

I asked in my title whether this will be the final nail in the coffin of Anthropogenic Global Warming. This was wishful thinking, of course. In the run up to Copenhagen, we will see more and more hysterical (and grotesquely exaggerated) stories such as this in the Mainstream Media. And we will see ever-more-virulent campaigns conducted by eco-fascist activists, such as this risible new advertising campaign by Plane Stupid showing CGI polar bears falling from the sky and exploding because kind of, like, man, that's sort of what happens whenever you take another trip on an aeroplane.

The world is currently cooling; electorates are increasingly reluctant to support eco-policies leading to more oppressive regulation, higher taxes and higher utility bills; the tide is turning against Al Gore's Anthropogenic Global Warming theory. The so-called "sceptical" view – which is some of us have been expressing for quite some time: see, for example, the chapter entitled 'Barbecue the Polar Bears' in WELCOME TO OBAMALAND: I'VE SEEN YOUR FUTURE AND IT DOESN'T WORK – is now also, thank heaven, the majority view.

Unfortunately, we've a long, long way to go before the public mood (and scientific truth) is reflected by our policy makers. There are too many vested interests in AGW, with far too much to lose either in terms of reputation or money, for this to end without a bitter fight.

But to judge by the way – despite the best efforts of the MSM not to report on it – the CRU scandal is spreading like wildfire across the internet, this shabby story represents a blow to the AGW lobby's credibility from which it is never likely to recover.

THE REAL REASON FOR AGW: POST-NORMAL SCIENCE

February 27, 2010

I promised I would write about Post Normal Science. The Institute of Physics has given me the perfect peg. It has just made the following devastating submission to the Parliamentary investigation into the Climategate scandal. It argues that the behaviour of the scientists involved has "worrying implications" for "the integrity of scientific research in this field and for the credibility of the scientific method as practised in this context."

Too right it does. Of course the Institute of Physics is doing no more than people like Steve McIntyre and Ross McKitrick have been arguing for years. What's refreshing, though, is to see a serious scientific institution with a membership of 36,000 physicists worldwide taking such a firm, outspoken public stance on scientific integrity. Compare and contrast the behaviour of the Royal Society – once perhaps the world's most distinguished and revered science institution, but now with its credibility almost irretrievably damaged because of its uncritical stance both on AGW and on the dubious scientific method behind it.

How has it happened that so many distinguished scientists around the world have got it so very wrong? Why is that more than a few of them think it's OK to manipulate evidence, hide or destroy data after inconvenient FOI requests, conspire to silence dissenting scientists, lie and cheat in official hearings, and generally engage in the kind of activities that those of in the non-scientific world had naively assumed that a real scientist would never do?

In three words: Post Normal Science (PNS).

Without PNS, the whole AGW scam might never have got off the ground. PNS was the evil philosophy that gave the scientists involved the intellectual justification to do the wicked things they did.

You'll find a handy basic guide to the phenomenon in a piece I did for the Spectator the other week. (Why incidentally do so few of you seem to read the Spectator? I know I'm biased but there's some seriously good stuff in there and its editor Fraser Nelson – by a million miles the most brilliant political journalist of his generation – has the kind of views which will delight readers of this blog, I'm sure).

Anyway, here's the link to the piece, which I urge you to read in full because it's not rubbish. And here's the bit where I talk about PNS.

In 1991 a Marxist philosopher called Jerome R. Ravetz had helped to invent a seductive and dangerous new concept called 'post-normal science' (PNS). No longer was it considered essential that scientists strive after objectivity. Their new duty, Ravetz held, was not to 'truth' but to what he called 'quality'. And by 'quality' he meant something more akin to rhetoric –

the ability to manipulate evidence and present it in such a way as to achieve particular political ends.

Post-normal science and the AGW movement were made for one another. No need for any of that tedious objectivity; no need for careful observation or the risk of frustration through falsification. All that mattered now was the quality of the 'narrative', the scariness of the future scenarios cooked up by computer models which – as the hockey stick curve demonstrated – could predict for you whatever you wanted them to predict.

Then I have a dig at Mike Hulme of the Tyndall Centre, who always sounds so nice and reasonable when he appears on the radio but is an arch Post Normal Scientist, followed by a wholly deserved pot-shot at the utterly reprehensible Royal Society.

'Climate change', in other words, has little if anything to do with science. (Or as Mike Hulme once put it: 'Self-evidently dangerous climate change will not emerge from a normal scientific process of truth seeking, although science will gain some insights into the question if it recognises the socially contingent dimensions of a post-normal science.') It's not a genuine problem to be solved, but a handy excuse – with a fashionable green glow – to advance a particular social and political agenda under the cloak of ecological righteousness and scientific authority.

After Climategate, we are entitled to ask: 'What scientific authority?' It's all very well for someone like Lord Rees to defend the Royal Society's position on global warming by brandishing 'Nullius in verba' as if it were still the kitemark of irrefutable truth. But the fact is his institution's integrity lies in tatters precisely because it has done the thing its motto says it never does: it listened to a coterie of post-normal scientists who were more interested in political activism than objective truth – and went and took their word for it.

Meanwhile, over at Watts Up With That, who should have been invited to make not one but two guest postings – but the arch-fiend himself Jerome Ravetz? Because Ravetz has a rambling, long-winded style, an air of mild reasonableness, and a gift for academic double-speak and obfuscation, the readers at WUWT rather took to him at first. They even fell for his line that Post Normal Science was the best way for science to negotiate its way out of the post-Climategate mess – completely missing the point that it was thanks to PNS that science got into that mess in the first place.

Fortunately he was rumbled just in time, most notably by ScientistForTruth whose brilliant expose here remains the best thing anyone has written – and probably ever will write – about the sly dangerousness of Post Normal Science. It's long but worth reading in full.

I also highly recommend the spanking he gets from Willis Eschenbach in the comments below his follow-up post. It may seem unduly harsh if you look at the sweet elderly gent in Ravetz's byline photograph or if you're taken in by Ravetz's gentle, let's-all-be-reasonable-here style. To which I say: "Smooth, easy, inoffensive down to hell." And Eschenbach is of a similar persuasion, as here when someone tries to defend Ravetz on the disingenuous grounds that he was only observing the phenomenon of Post Normal Science not actually advocating it.

Nor do I care whether Ravetz is "is looking at a certain instance, or set of instances, of behaviour associated with science, in which values play a greater part than normal", whatever that might mean. So what? He's left a trail of wrecked lives and blasted science and wasted trillions behind him, and you want to talk about what he's looking at? I don't give a rodent's fundamental orifice what he's looking at, Scarlett, frankly I don't give a damn.

DOES EVEN IAN MCEWAN KNOW WHAT IAN MCEWAN THINKS ABOUT CLIMATE CHANGE?

March 17, 2010

"There was an Old Testament ring to the forewarnings, an air of plague of boils and deluge of frogs that suggested a deep and constant inclination enacted over the centuries to believe that one was always living at the End of Days, that one's own demise was urgently bound up with the end of the world and therefore made more sense or was just a little less irrelevant."

Yes! Great! Tick in the margin! Here is a great novelist at the height of his powers summing up perfectly the atavistic impulse which leads generation after generation to believe it is the chosen one: the generation so special that it and it alone will be the one privileged to experience the end of the world; and the generation so egotistical that it imagines itself largely responsible for that imminent destruction.

The Aztecs thought it; Medieval peasants thought it; green doom-mongers think it today. But the fact that generations of credulous berks believed these things does not make their guilt-laden, quasi-religious convictions any more valid now than they were a thousand years ago. The end of the world is not nigh. We'll go on evolving and adapting as we have always done. The richer we get, the more advanced our economies, the more money we shall have to spend on conserving our environment. This is how the real world works as opposed to the fantasy one devised by Millenarians, eco-loons and other frothing nutcases.

Now contrast those wise words at the beginning, with that of an AGW-believing celebrity author recently interviewed on the BBC who rather ridiculously claimed, on the basis of no evidence whatsoever, that:

"The world of science is not at loggerheads. The consensus is colossal."

(Not just "settled", note. Actually "colossal", don'tcha know?)

Now here's the weird part. The clever, wise author who wrote the sentence at the beginning and the rather silly chicken licken one quoted by the BBC are one and the same. Ian McEwan, author of a new global warming novel Solar. I must confess that I haven't yet read the novel, so I can't be sure quite how far down the path of climate scepticism McEwan's book dares to venture. But I do know that certain deep Greenies have been slightly miffed at the way McEwan satirises their antics on a pleasant freebie – sorry, important scientific mission – he took up to the Arctic Circle on an agreeable sailing boat with the Cape Farewell project.

Could it be that McEwan is suffering a severe case of cognitive dissonance, with the achingly PC, AGW-believing, public version of Ian McEwan battle for supremacy with his inner creative genius which seems to have a much, much more insightful understanding of the real issues at stake with AGW?

THE DISGUSTING TOFFS WHO ARE DESTROYING BRITAIN

March 28, 2010

Whenever I am defending toffs one of the main points I like to make is what great conservators they are. Because they have owned vast swathes of Britain, often for many generations, they understand the importance of their role as trustees of the landscape. Certainly, this coincides with their hobbies – hedges and stone walls rather than barbed wire because you don't want your mount's belly ripped open while you're hunting; copses for covert while shooting, and so on – but nonetheless I do think our landowning classes have generally had a deep understanding of what makes the British country the most beautiful on earth, and by and large have done a great deal to keep it that way.

Until wind farms came along, that is.

In the *Sunday Times*, Jonathan Leake – one of the few journalists in the MSM and very probably the only one who is an environmental correspondent to have ventured any serious criticism of the great AGW scam – has named some of the wealthy landowners who are on the verge of becoming even more disgustingly rich by allowing their land to be carpeted with wind farms.

Among the biggest potential beneficiaries is the Duke of Roxburghe, whose planned 48-turbine scheme on his Scottish estate would generate an estimated £30m a year, shared with developers. About £17m of this would come from subsidies from consumers.

Others seeking to capitalise on the new wind rush include the Duke of Beaufort, Sir Reginald Sheffield, father of Samantha Cameron, and Michael Ancram, the Tory grandee.

Perhaps there was a time, in the early days of wind farms, when these men could have pleaded ignorance of just how evil and useless wind farms are. Not any more. So much strong evidence has now emerged of the damage wind farms do to bird life and to the natural beauty of the landscape, in return for no real benefit to anyone except heavily-subsidised wind-farm-owners, that the only way anyone could possibly ignore it is to stick their fingers in their ears, close their eyes and go: "Nyah nyah nyah. Don't care. My estate manager tells me it's going to make me pots and pots of lovely dosh, so bugger the peasants who have their views ruined and the little people who have to pay for my lovely holidays in Mustique with their increased eco-taxes and inflated electricity bills."

WHY THE PRECAUTIONARY PRINCIPLE ALWAYS WORKS

April 19, 2010

Has anyone else noticed that since the eruption of the Ejyerkslllbjorkscreeylllkkrctarslyllgrgleglugglug volcano not a single plane over Europe has crashed, been involved in a terrorist incident or caused any of passengers on board an aircraft any discomfort whatsoever?

I feel a Big Idea coming on. It's a Big Idea right up there with David Cameron's new Big Idea to corral all Britain's old people into repainting youth centres, clearing up needles on drug estates, setting up new Green Job enterprises, and so forth.

I suggest we ground all passenger aircraft forever. On the Precautionary Principle.

Yes, I suppose there are bound to be one or two objections, as there always are when the Precautionary Principle is applied by sensible, not-at-all-foaming-gibbering-or-in-any-way-barking government science advisors like Sir David King, Lord Stern and Sir Liam Donaldson. Most of these grumbles, I expect, will come from exactly the kind of selfish people George Monbiot was talking about in a short film he made on the BBC's Daily Politics Show the other day.

> They don't like to be told that they can't fly to Thailand for their holidays. So because they don't like the results people decide that the science must be wrong.

Yeah. Take that, Lifestyle-Enjoyers! That put you in your cosy, selfish, creature-comfort-enjoying place, didn't it?

Anyway, I was talking about the precautionary principle and why it works. Below, I offer you the ultimate proof. (Tinfoil hat tip: Philip Foster)

The man in this picture is a former alien abductee. But it's not going to happen again – at least it hasn't so far, he reports – because he is now wearing a thought screen helmet, just like the one you too can create in your own home by following the simple instructions at Stop Abductions. Here is what he has to say:

> "Since trying Michael Menkin's Helmet, I have not been bothered by alien mind control. Now my thoughts are my own. I have achieved meaningful work and am contributing to society.
>
> My life is better than ever before. Thank you Michael for the work you are doing to save all humanity."

Now think of that thought screen helmet in terms of other fields where the precautionary principle might apply:

> Keeping planes grounded to make sure none of them crash ever again.
>
> Spending millions of pounds the NHS hasn't got on Swine Flu vaccine, just in case.
>
> Slaughtering millions of healthy farm animals rather than inoculate them against foot and mouth.
>
> Spending $45 trillion in case the lies made up in Michael Mann's and Phil Jones's fantasy laboratories turn out to be true.

Do you see now, why the precautionary principle makes sense? When we apply it regularly all we have to lose is our money, our freedom and our sanity.

Oh, and if anyone feels like making me one of those thought screen helmets and send it to me, I promise to photograph myself wearing it, so you can see how very seriously I take this thing. As you should too.

THERE'S NOTHING GREENS LIKE MORE THAN A NICE JUICY OIL SPILL DISASTER

June 8, 2010

If anything is going to cause more long-term damage to the planet than the gallons of oil being spewed out by the Deepwater Horizon drilling disaster, it's the toxic clouds of posturing cant and alarmist drivel billowing forth daily from environmentalists. Most especially from their cheerleader in the White House, Barack Obama.

Barack Obama's behaviour throughout this oil crisis has been a disgrace – but not for the reasons given by all those watermelons who have taxed him with not having done enough to stop the flow or punish BP. (Yeah, he should have declared war on Britain, that's what he should have done! And imprisoned everyone who works at BP in Gitmo! And then nuked every Big Oil company in the world just for good measure!)

Rather, his crime has been to pander to the worst excesses of the environmental left – and cynically to exploit a private Louisianan tragedy in order to advance his personal eco-socialist agenda.

Until the happy accident (happy for Obama and his chums in the green movement, that is, though not for anyone else) of Deepwater Horizon, the Obama administration's plans to introduce Cap and Trade were dead in the water. Obama had had enough trouble pushing through his health care reforms. No way was the Senate going to vote for an ill-thought-out, massively expensive scheme – riddled with holes and special concessions to favoured business interests – to tax US business and consumers for the amount of a harmless gas they produced, especially not in the midst of a recession.

But as Obama's chief hatchet man Rahm Emanuel says: "Never let a serious crisis go to waste." And Obama hasn't done. As well as affording him a chance to indulge, with all the dignity and responsibility of a Mugabe-style dictator, in one of his favourite sports – Brit Bashing – it has given him just the excuse he needed to rail against the fossil-fuel industry which Cap and Trade will supposedly help destroy so that we may all live happily ever after in clean, happy cities powered entirely by the wind and the sun.

The WSJ Online has his measure: (hat tip: Austin Closs)

As with health care, the strategy is to ram the thing through by any means necessary. Amid a revolt against government excess, and a rising liberal panic about November losses, Democrats understand that the political window for their green ambitions is closing. Without any policy concessions to the public mood, they've simply decided that they haven't done enough to convince voters how great their plans are.

Wednesday's speech was a preview of this new rhetorical campaign: The Gulf crisis will replace the artist formerly known as the climate bill. "The next generation will not be held hostage to energy sources from the last century," Mr. Obama said, throwing in some banalities about GOP narrow-mindedness and dependence on foreign oil at no extra charge. BP will play the political foil, like the insurer WellPoint did during the health-care debate.

Hardly any less nauseating and cynical, though, has been the glee with which the tragedy has been salivatingly reported by environmental correspondents. Boy, there's nothing they like more than a juicy oil spill: all those moving pictures of tarry seabirds (though of course a manatee, if you can find one, would be better); all those political cartoons to be published captioned "the price of oil"; all the column inches to be filled with heart-rending accounts of just how much damage will be done to the "fragile eco-system".

Can we please get a sense of perspective here? Of course the tragedy is a disaster for all who have been exposed to it. We all feel as sorry for Lousianan shrimpers and beach cafe owners and birdwatchers as we would for the victims of any tragedy – be it terrorism or a horrible train crash. But the idea that there is any bigger ecological moral to be drawn from this is as poisonous as it is stupid. You might as well argue the next time there's a big motorway pile up: "Right. That's it. The time has come to ban forever this wheeled death machine we call the motor car!"

We need oil. There is no substitute for it. It tends, increasingly, to be found in remote places where it is harder to drill. Sometimes there will be accidents. This is why oil companies like BP make so much money: it is a function of the risks they take drilling for the stuff and of the intense global demand for this vital resource.

Finally, we need a bit of a perspective. As one of my favourite commenters, the brilliant AN Ditchfield pointed out the other day:

The Obama administration qualifies the Gulf of Mexico oil spill as the worst environmental disaster in history. In this they show a short memory and a dim grasp of arithmetic. In World II five million tons of petroleum were cast into the Atlantic (about 32 million barrels of oil) from tanker ships sunk by Nazi submarines, in a period from 1942 to 1945, and with heavy concentration in the fateful year of 1942. Averaged over 1000 days the loss is equivalent to two to five times the oil now spilled into the Gulf of Mexico – every day – for the duration of the war.

Phil Maymin

fairfieldweekly.com and lewrockwell.com

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UNIVERSAL GOVERNMENT

August 4, 2009

The cost of government has exploded in recent years and if we don't act fast, the price will continue to soar, eventually leaving affordable government out of the reach of many.

Already we have millions of people without government. You see them all around you, hanging out on street corners, unemployed, smoking pot, begging. Without explicitly provisioning for more government, we will be responsible for these people anyway. We will have to taser them and jail them and feed them. And that will mean an even higher cost of government.

We are on the brink of disaster. And we can clearly see that the private sector has failed. Unbridled capitalism has failed. Competition among greedy, selfcentered individuals has utterly failed to lower the price of government. Only a public plan can hope to stall the rapid and unsustainable growth in government.

Many people have already written to, called, or visited their legislators about this current crisis. One woman broke down in tears when describing her life without government. Fortunately, a kindly and gracious politician immediately provided her some lifesaving government, but without drastic, quick action, millions of other Americans will die without equal access.

With the new public option, people who wish to remain at their current level of government can do so, but those who are ready to step boldly into the future can opt in. The new plan offers not only more government, but also better, more affordable government. The essential insight is to allow those who opt into the public option to not bear the costs of the plan. They can all get more government for free.

Indeed, with more government, we can lower the cost of all government. Administrative overhead will be minimized. Organizational synergies can be effected. Just imagine how convenient it will be to pick up your government at the same place where you get your mail or recycle your garbage.

And it is not only that the direct costs of government will be lowered with more government: there are numerous indirect costs that will fall as well. Our justice system is plagued with multiple private competitors suing each other over frivolous contract and intellectual property violations. Individuals also sue corporations for fraud or breach of contract, and vice versa. Many of these inefficient judicial proceedings can be replaced with a single, effective federal agency in charge of dispute resolution. The whole process can be streamlined to ensure quick, accurate, and fair decisions to any conflict.

Furthermore, not only can we make government better, cheaper, and more efficient by making it larger, we can also leverage these same principles and apply them to other vital issues. We have been fighting wars all across the globe for decades with no end in sight. We have been legislating against climate change for years. We have been regulating financial entities and maintaining a tight grip on health care. We have been monopolizing the price of money.

We have been going about it all wrong. The right solution is more. (The left solution is also more.) More soldiers will end the war faster. More legislation will end pollution. More regulation will stop our economic malaise and make everyone healthier. A bigger, more secretive Federal Reserve will be able to issue more money and keep the currency stronger.

But these changes should not be incremental or marginal. The mistake we have been making is to think that we need "just a little more" to accomplish our goals. This is an error. There is no single piece of legislation short enough to be read by those voting for it that can do what needs to be done.

To have maximal effect, we need sweeping new legislation and powers. Powers so sweeping, we won't know for years or decades what they really mean. In some cases, we may never find out. In the days and weeks to come, you will be introduced to a variety of new agencies, committees, and entities formed for the purpose of reducing the costs of government and increasing the availability of government to all. To the extent certain unavoidable payments are to be incurred, they will be paid for through debt and various esoteric operations by the Fed. And not to worry – even the future interest payments will be paid for through new debt issues as needed.

We have indeed discovered a way to guarantee more government to everybody with nobody of consequence paying more. We will be putting this plan into action immediately, with or without your approval, so you are encouraged to publicly express support for the plan in order to be among the first to receive your generous share of the increased government.

A glorious new world order is right around the corner, if only we have the courage and conviction to see it through. Perhaps someday we can all live in a world where no one wants any more government.

PEACE POOR: IS IT BETTER TO DEAL WITH DISAGREEMENTS THROUGH FORCE OR FREE TRADE?

October 15, 2009

Perhaps the Nobel Prizes for Peace and Economics should go to the same person, because war and poverty both result from disagreements over scarce resources. People don't disagree much about abundant resources. No one has died of rampant suffocation or invaded another country for better oxygen, because we all have access to it. But once governments pollute so much that their own people can't breathe, they must migrate, sometimes through force, or stay and die.

Time is always a scarce resource, and people will always disagree about how to allocate it. And the basis of both a good economic system (the purpose of economics being, in the words of '92 Nobel laureate in economics Gary Becker, "to alleviate poverty") and the basis of a good political system (the purpose of law being, in the words of 19th century French economist and statesman Frederick Bastiat, "to organize the individual right to self-defense") is how to deal with disagreement.

The root of peace is ancient, dating back to the Hebrew Shalom. Peace is about health, wealth, safety and joy. It's a utopia where people don't disagree. But if they don't disagree, it's fragile. Introduce one mischievous kid and dystopia follows.

In the real world, people do disagree. But over the ages, our species has stumbled onto an amazing and simple method for resolving disputes: the idea of property. What's mine is mine. The corollary is just as important: what's yours is not mine.

Animals understand property too, of course, and ruthlessly protect their nests and homes. Property, ownership and selfdefense are not just elements of good politics and good economics, they are the whole shebang: If politics or economics tries to do "more" than simply punish those who steal, trespass or murder, it will have to redistribute, or take property by force from one to give to another. It's a dispute the government must decide. Enter lobbyists and special interest groups, pork and corruption.

Property can be transferred, of course. Voluntarily. And that is the secret our species has stumbled upon: free trade. You give me something I want in exchange for something you want.

The twist that free trade makes is to allow just about any disagreement to become an agreement. You think you ought to have my land? Without free trade, we must fight, and one of us will end up poor. With free trade, you can offer me something in exchange, and we are both better off.

Ironically, the democratic process of voting to allocate resources does the opposite: it turns just about any agreement into a disagreement. You think you ought to have my land, and you don't want to pay my price? Well, with enough votes government can wrest it away from me by force. Is it any surprise the top 1 percent of wage earners pay nearly half of the total tax? Ninetynine percent of people wouldn't have it any other way.

The Nobel Prize for Peace was awarded to President Barack Obama for his internationalism, the ultimate goal being a single world democratic government where we could all vote on how resources are allocated. In other words, he was awarded a prize for peace for promoting a process that would foster unresolvable new disputes.

The one for economics was split between Elinor Ostrom and Oliver E. Williamson, who did the exact opposite: Ostrom demonstrated that voluntary user associations can dispel economic and political boogiemen like the tragedy of the commons and the prisoner's dilemma, and Williamson developed a theory where private firms can provide conflict resolution.

In other words, the economics prize went to people who formalized yet another way that people can peaceably resolve disagreements without resorting to force, while the peace prize went to a president actively engaged in multiple escalating wars who wants more government involvement to resolve arbitrary disputes, thus ensuring that there will be more disputes in the future.

It is likely that Ostrom and Williamson's advances will result in more peace, the same way free trade promotes peace. But Obama's internationalism means we will have more and more disputes, each of which can be resolved by fewer and fewer elected people living farther and farther away.

Obama's vision is, in principle, a particular, though probably bad, theory of economics: Let's let a couple people decide how to allocate all the resources of our planet. It's just socialism, communism, fascism, statism, internationalism, environmentalism or whatever you want to call it.

But the only lasting peace it provides is on a tombstone, when we can finally rest in it.

FREEDOM TO FORNICATE: WHEN IT COMES TO SEX, WE ARE ALL LIBERTARIANS. WHY AREN'T WE ON ALL ISSUES OF PERSONAL FREEDOM?

January 21, 2010

On any other matter, people largely divide into left and right camps, each trying to legislate their own morality, but if you look at the two major government parties, you would think that nobody believes speech should be as free as sex.

The left wants to censor anti-environmentalists and the right wants to censor antiimperialists. Speech is okay so long as it is preapproved by those in power. We can't allow racist speech or hate speech or unpatriotic speech. Commerce and trade is even more regulated.

But not sex. Even the most heavyhanded politicians on either side of the aisle wouldn't dare directly regulate sex. It may be our last free act.

You can have sex with whoever you want. Of course, it's not the lawlessness of anarchy, but the justice of libertarianism: Do what you like as long as you don't harm others. You can't have sex with people who don't want to have sex with you, or who don't have the capacity to agree to it. And you can't have unprotected sex with people if you knowingly carry a deadly disease. That would be murder. But otherwise, rock on.

You can discriminate with your partners. There are no equal opportunity statutes for sex. You can discriminate on the basis of gender or race or religion or age or nationality or sexual preference or even political beliefs. Only want to sleep with tall, blonde, lesbian Swedish libertarians? Go ahead. No one will arrest you, ticket you or torture you. Just don't try discriminating with speech or trade. Both government parties will denounce you as a villain.

You can boast as much as you want about your prowess. Are you the world's greatest lover? There is no federal agency that will review your claim, and no one for your partners to complain to if they disagree. There is no penalty for being inefficient and no subsidy for environmentally friendly sex. But try running a campaign ad without explicitly approving your own message at the end. Try selling a toilet that flushes instead of drizzles. Try hanging on to your nongreenstarred incandescent bulbs. That would be evil!

You don't need to fill out any forms to have sex. There is no licensing requirement. There are no approved or unapproved sexual procedures. There is no department you have to wait in line and register with, no mandatory exams, no federal agency certifying safety and efficiency, not even a standardized aptitude test. But try starting a company without putting up harassment posters and paying unemployment insurance. Try offering medical or legal or electrical or plumbing advice to your friends. It's the fast track to jail.

You can even have babies nine months later. You can create life without any form of government approval, but you can't issue your own currency. You can have twins and octuplets, but you can't opt out of killing innocent Iraqis and Afghanis. You can grow a miracle in your belly, but you can't keep your earned money or owned property without paying taxes on each.

If the left and right did try to legislate sex, they would be laughed out of town. We would suggest to our elected officers in quite graphic terms what sexual activity they could do to each other instead.

But there is no such indignation when they tell us which doctors we can see, what loans we can make, what businesses we can start, what citizens of foreign countries we can support.

We wouldn't stand for sex insurance for the unattractive or sexual social security for the elderly or sexcaid for the poor. If you are a sexual libertarian – and most people are – then you should be a libertarian about every other policy issue as well.

Otherwise, we are just choosing which particular politician, the one on the left or the one on the right, will be the next to screw us.

FAILING AT FREEDOM: BARACK OBAMA IS NOT A LIBERTARIAN. HE COULDN'T EVEN RECOGNIZE ONE

March 4, 2010

President Barack Obama addressed the Business Roundtable last week to deny allegations of socialism and to proclaim his "ardent belief in free markets."

Has he become a libertarian? Surely, Obama is not a libertarian on foreign policy. The Nobel Peace Prizewinner still wants to keep our troops on other countries' soil fighting other people's battles. Just as surely he is not a libertarian on social and civil issues. He saved the Patriot Act from expiration last week. He supports warrantless surveillance on phone calls. He laughs off questions about the legalization of drugs. He doesn't even pretend to be a libertarian on health care. He would never allow you to opt out of insurance or allow you to decide what treatments are effective for you. And don't even think about starting a business without paying for health insurance for your employees.

But maybe Obama has recently become a libertarian on economic issues. In his speech, he referred directly to the recent surge of libertarianism in America, citing the rise in antigovernment feeling. He used the words "anger" and "frustration" nine times in a single paragraph.

Some of the profreedom sentiment goes under the "tea party" moniker. Much of it is due to Ron Paul's influence. But the vast bulk is not an organized movement. It is just millions of ticked off Americans. There is no hierarchical structure with a single leader on top. But Obama cannot fathom anything like that. He thinks he is speaking at least obliquely to the people who "lead" the freedom movement.

He is way off. The Business Roundtable is not a libertarian organization, nor does it speak for any libertarians that I am aware of. While there are numerous legitimate organizations of businesses, most large organizations are barely disguised lobby groups. This same Business Roundtable supported Obama's Recovery Act. Who are they to opine on matters of economic freedom?

Nevertheless, Obama carries on, revealing his total miscomprehension of the basic elements of freedom and liberty. His biggest misunderstanding: He thinks liberty is all about agreeing. How did America achieve "global leadership" in the last century? "[B]y working together to define our destiny and seize the future," he said. And to do it in this century, we must "summon that same resolve." He thinks we can have a thriving America again only if we "move forward as one nation." We must "all pick up an oar and start rowing in the same direction."

The idea that freedom means agreement sounds reasonable at first blush. Indeed, contracts and voluntary exchange are prime indicators of a free country. But freedom and liberty actually prosper through disagreement.

Progress and wealth creation comes about because people have different *goals*. Think of trading volume on stocks. If everybody agreed, there would be no volume. Who would you trade with? Contracts and exchanges occur precisely because people disagree. I value your time more than I value my money; you feel the opposite, so we trade and are both better off.

That is Obama's fundamental flaw. Revising history in a Marxian way, he argues that "throughout history" government has fostered "sustained economic growth." That's absurd. Economic growth is just a measure, like trading volume, of how much people disagree. Sustained economic growth is like sustained trading volume – it can't be imposed by force.

Obama praises his beloved social redistribution programs for helping "secure broad-based consensus that is so critical to a functioning market economy." He fails to understand that consensus kills freedom and market economies, especially when enforced by government.

Obama is not a libertarian (on any issue). But the people increasingly are, and Obama sees the writing on the wall and he is scared. Americans are not angry and frustrated because we want a different consensus. We want no consensus at all. We want to be free to disagree.

BLOODY TAXES: IF YOU SUPPORT FORCED REDISTRIBUTION OF WEALTH, YOU SHOULD SUPPORT FORCED REDISTRIBUTION OF BLOOD

April 15, 2010

Redistribution means taking from some to give to others. But from whom, and in what proportion? And to whom, and in what proportion? How much? These are incredibly obvious questions but nobody asks them, let alone answer them. Why not? For two different reasons.

Those who support redistribution tend not to ask or allow others to ask basic questions about it, out of feelings of guilt and shame. Redistribution needs to be believed in and if you question it in any way there must be something wrong with you.

Those who oppose redistribution simply view it as stealing, and asking these questions is akin to asking what optimal amount of mugging should be tolerated in a city. It's repugnant.

But let's you and I think about it a little bit, on this April 15th day of taxes and spending. Most of the federal budget is spent on redistribution in various forms: Social Security, Medicare and Medicaid, food stamps, housing assistance, and many more. Let's be a little abstract so that we can distance ourselves both from the guilt and the repugnance that quashes our natural curiosity. Let's ask some basic questions.

How much money should be redistributed from the wealthy to the poor? Is it a fixed number that depends on the needs of the poor, or is it a variable number that depends on the profits of the wealthy? What does it mean to be wealthy, high recent income or lifetime accumulated assets?

How should the largess be distributed? Equally to everyone below a certain threshold? Should those who are poorer receive more? What does it mean to be poor, low recent income or lifetime accumulated debt?

How often should the redistribution took place? Once, to account for past injustices, or repeatedly, like clockwork?

Most importantly, how can we objectively think about these questions without resorting to character accusations?

One approach is to proceed by analogy. Start with your body. Just about everybody has extra blood. By all of the standard arguments for redistribution – need, excess wealth, not the result of hard work, fairness – People need blood. According to America's Blood Centers, someone needs blood every two seconds. One in seven people entering a hospital will need blood. One pint of blood can save up to three lives. Here, the redistribution questions are easy: everybody who needs blood for medical reasons should get all that they need, whenever they need it.

Only a small minority have the appropriate blood. Only 38 percent of the U.S. population is eligible. And everybody in that blood-wealthy group can spare a little. The amount of blood to be redistributed depends only on the amount needed to save people, not on the amount the donors can spare.

Your blood type is not the result of hard work or ingenuity. Taking some of your blood, unlike taking some of your money, won't affect your incentive to work. Therefore, we could redistribute this repeatedly.

It is only fair that those who have better blood through no credit of their own and who could safely give some of it up, be forced to do so, to redistribute it to those who need blood through no fault of their own and whose lives could be saved.

Blood is better than money because politicians can't even pocket any. All of it goes to the intended recipients.

Do you support forced redistribution of money? Do you support forced redistribution of blood? If your answers to the two questions are not the same, you have a problem on your hands.

THE WAR ON RISK: OBAMA WANTS TO END CHANCE ITSELF

April 29, 2010

America's wars have become increasingly abstract. First we fought the British. Then we fought ourselves. Then the Germans. Then the Germans and Japanese. Then the Koreans and Vietnamese. Somewhere along the way we found nonhuman enemies. We started fighting drugs. At least that was still alive, albeit in the vegetable kingdom. But then we declared war on poverty, an economic condition. Then terror, a contingent emotion. Now we have declared our final war against risk itself.

If we win this war, then we will have won all wars. No enemy would be able to take us by surprise. Terror would be a thing of the past, generating academic curiosity and smug contempt, much like slavery does now. We will shake our heads and wonder how people could possibly have lived like that when there was this better way.

Illegal drug use would be out of the question and all approved drugs would have no random side effects. Life would be nice and steady. Our economy would grow at a constant two percent per year. The options markets would be shut down and the stock market would be replaced with a chalkboard since all stock prices would merely grow at the same rate as the economy.

We would never have another bubble, in any assets, ever again. We would never have any car accidents or delayed flights or natural disasters. We would have tamed risk, and the universe itself. Electrons would no longer randomly and bizarrely live in a probabilistic world: Heisenberg's uncertainty principle would be outlawed and we would know the exact position and momentum of every single particle in the universe.

Innovation and creativity do not have to wither and die. They could be managed and expected. It sounds like fantasy but it is not really that outlandish. Creative people constantly develop brand new ideas on a deadline. We will, as a society, plan our future inventions. The patent office would be able to predict future products Last week, President Obama launched the opening salvo in our new war against risk with a specific, 89-page description of financial reform. Financial firms would be more regulated so they could never again fail. Financial markets would be more transparent so they could never again cause losses. Consumers and investors would have government protection. The government would have a broad range of new powers, of course, because after all, this is war. And the international community would be organized into a community with a common enemy: the unknown.

Obama praised his own proposal as being "by all accounts... a commonsense, reasonable, non-ideological approach."

Well, he was already wrong on one thing. It is not "by all accounts." Hi there! I disagree.

My father and I recently proved in a research article that any regulation of risk actually increases risk. Moreover, any objective regulatory algorithm to measure and manage risk capital will always result in independent banks simultaneously choosing to invest in securities that appear to be low risk based on the particular algorithm, but which in fact have higher risk. We proved this both mathematically and empirically, and it holds for any regulation where the measure of risk is objective. In other words, Obama's proposal is doomed to fail. What's worse is that the introduction of new regulations will only increase the probability and severity of future financial crises.

Does that mean we are doomed to a life of chaos? That risk itself has won?

There are two ways out of the risk-increasing regulatory morass, and they both work by making risk management a subjective rather than an objective process. One way is to fully nationalize all financial firms. We can then just focus on finding good quality regulators to run them. They will be able to make subjective decisions about each bank's portfolio and lending decisions without the handcuffs of an objective rule. Perhaps this is Obama's ultimate goal. But of course then risk does not disappear but merely lie in wait as economic and financial decisions get made for political purposes, and any tiny loss can become a collapse of the entire system, since they are all integrated.

The only other possible solution is a complete deregulation of all financial entities. That would mean shutting down the Federal Reserve, America's central bank. It would also mean ending the FDIC, federal deposit insurance. When you put money in a bank, you would have to be confident in that bank, just like when you invest money in a stock, you have to be confident in that stock. After all, a bank is nothing more than a company that takes your money, hands out long term loans, and tries repay you on demand.

This is not as radical as it seems. Indeed, perhaps counter-intuitively, allowing risk to reign free would reduce risk. In a free market, when a bank fails, only that bank fails, and at worst a handful of others who depended on it to their detriment. The system remains. The possibility of a financial crisis lessens.

We have tried the approach that has been billed as commonsense and middle-of-the-road. We may disagree whether we should veer off the cliff to full nationalization or pull over to complete deregulation, but one thing is clear: when you are fighting against risk, the one place you don't want to be left standing is in the middle of the road.

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THE GREAT MANCESSION JUST GOT EVEN WORSE

September 4, 2009

Chart available in online version

Despite some recent signs that the recession probably ended this summer, the employment news for men sure hasn't gotten any better, and actually continued to worsen in August. The BLS employment report today shows that the Great Mancession deepened to an unprecedented level in August, as male unemployment jumped by almost a half percent to 10.9% (from 10.5% in July) compared to the .10% increase for women, from 8.1% in July to 8.2% in August.

The new male-female jobless rate gap of 2.7% in August (10.9% male vs. 8.2% female) sets a new record for the highest gender jobless rate gap in either direction, as well a record for the highest male-female gap in BLS history back to 1948 (see chart below). There were some months in the 1960s and 1970s when the female jobless rate exceeded the male jobless rate by 2.5%, and there was a 2.5% male-female jobless rate gap in May, but the 2.7% male-female gap in August sets a new historical record.

The chart above shows how the male-female jobless rate gap during the most recent recession compares to the 1990–91 and 2001 recessions, and it's not even close. Following the 2001 recession the male-female jobless rate gap reached a peak of 0.9% in July 2003, and following the 1990–91 recession the maximum gap was 1.1% in January 1992. Therefore, the 2.7% gap in August is exactly 3 times the .90% gap in 2002, almost 3 times the 1992 gap.

Another way to see how bad the current employment situation is for men is that the August jobless rate of 10.9% is just slightly below the highest-ever male rate of 11.2% in December 1982 by only 0.30%. For women, the current rate of 8.2% isn't even close yet to the highest-ever female jobless rate of 10.4% in December 1982.

"AMERICANS SLAPPED IN STEEL DISPUTE" (Rewrite)

December 31, 2009

WALL STREET JOURNAL – ~~U.S. steelmakers won~~ ***U.S. consumers who purchase products made with steel and American companies (and their employees) that purchase steel as an input lost*** *a case over Chinese steel imports, as the U.S. International Trade Commission voted that the domestic ~~industry has been damaged~~* ***industries that use steel have been subsidized too generously*** *by* ***cheap*** *steel from ~~China~~* ***Chinese producers***.

The ruling Wednesday will result in ~~duties of~~ ***taxes on American companies (and their shareholders, employees and consumers) of*** *between 10% and 16% on future imports of Chinese steel pipes used to extract natural gas and oil. It is the latest in a string of trade decisions against ~~China, the U.S.'s largest trading partner~~* ***the American consumer and U.S. companies that voluntarily purchase products from China for their low cost and high quality***.

On Tuesday, the U.S. imposed preliminary ~~antidumping duties~~ ***taxes on Americans who purchase*** *steel-grate products imported from China, prompting strong reaction from the Chinese, who said it sent a "wrong, protectionist signal." Earlier this year, the Obama administration imposed ~~tariffs~~* ***taxes*** *of 35% on* ***middle- and lower-income American consumers who purchase*** *tires from China, which was answered by a Chinese probe into* *whether U.S.-made autos were being dumped in China at unfairly low prices.*

"IF ECONOMISTS COULD WRITE THE NEWS ON TRADE PROTECTION…" (Rewrite)

January 4, 2010

WASHINGTON POST (Reuters) – A U.S. trade panel gave final approval on Wednesday to ~~duties~~ **taxes** ranging from 10 to 16 percent on **cost-conscious firms in the U.S. who purchase low-priced** Chinese-made steel pipe **rather than high-price domestic pipe**, in the biggest U.S. trade case to date against ~~China~~ **American companies (and their shareholders, employees, and customers) who shop globally for their inputs and find the best value in China.**

Companies in ~~T~~the U.S. ~~imported~~ **searching worldwide for the best value purchased** $2.74 billion of **low-priced** "oil country tubular goods" from China in 2008, more than triple the previous year, as a surge in oil prices led to increased demand for the oil well tubing and casing.

Buoyed by success **against American steel-using companies and their employees** in the tubing case, the Steelworkers union and a number of companies are filing a new petition on Wednesday asking for anti-dumping and countervailing ~~duties~~ **taxes** on **American companies, their employees, and customers that** purchase drill pipe used to drill oil wells.

U.S. companies and unions brought about a dozen trade cases in 2009 against **American industries that shopped globally and decided to purchase cheap goods from** China **rather than expensive goods from domestic producers**, alleging **overly generous** ~~government~~ subsidies **from the Chinese people** and ~~unfair~~ pricing **practices that directly benefited American steel-using companies and their employees, and ultimately benefited U.S. consumers with lower prices**.

President Barack Obama also angered Beijing in September by slapping a 35 percent ~~duty~~ **tax** on **thrifty, cost-conscious middle- and lower-class American consumers who willingly bought** imports of about $1.85 billion of **inexpensive** Chinese-made tires. The United Steelworkers union, which was the driving force behind the tires case, joined with Maverick Tube Corp, United States Steel Corp and other U.S. manufacturers in asking for import ~~duties~~ **taxes** on **American companies (and their employees, shareholders, and customers) that decide to purchase low-priced** Chinese-made pipe **rather than high-priced domestic pipe.**

GOVERNMENT FUNDING INCREASES HEALTHCARE COSTS

January 6, 2010

Chart available in online version

The Department of Health and Human Services released *new data this week* on healthcare spending and it reported that total health expenditures reached $2.3 trillion in 2008, or $7,681 per person. As a share of GDP, healthcare expenditures set a new record of 16.2 percent, which is double the 8.1 percent share of GDP in 1975, and more than three times the 5.2 percent share in 1960 (see chart below).

There are many reasons for the threefold increase in healthcare spending since 1960: an aging population demands more healthcare over increasing periods of life expectancy, higher real incomes over time increase the demand for medical care, and life-saving medical advances that are increasingly more available but expensive have all certainly contributed to rising medical costs.

But the chart above (*data here*) shows what might be the two most important reasons for rising healthcare costs over the last 50 years: a) declining out-of-pocket payments for medical expenses, which have fallen from 47 percent of total health spending in 1960 to a record low of only 11.9 percent in 2008, and b) expanding public funding of healthcare, which reached a record high of 47.3 percent in 2008. There's now been a complete reversal – whereas consumers paid 47 percent of total medical costs in 1960, it's now the government paying 47 percent of health spending, while consumers pay less than 12 percent out of pocket for healthcare. That reversal is a guaranteed prescription for rising healthcare expenditures.

As consumers have relied more and more on employer-provided healthcare and government programs such as Medicare and Medicaid, they have become less and less conscious of healthcare costs because they have been increasingly spending somebody else's money, and not their own. Just imagine what would happen over time to the cost of food, clothing, or automobiles if consumers paid only 12 percent of the total bill, with the other 88 percent paid by employers or the government, and it's easy to understand why healthcare spending goes up year after year.

Unfortunately, under the proposed healthcare overhaul we'll likely see a continuation of the trends displayed in the graphs – more government funding of the nation's healthcare expenditures, less out-of-pocket spending by consumers, and rising healthcare costs as a share of GDP. If you think healthcare is expensive now, just wait until you see what happens after 2,000 pages of healthcare "reform."

"U.S. CONSUMERS, AMERICAN COMPANIES SLAMMED WITH NEW STEEL TAXES" (Rewrite)

February 26, 2010

Business Insider: "~~U.S. Steel Unions Score~~ **American Consumers and Steel-Using Companies Dealt** Yet Another Huge ~~Victory~~ **Loss** As ~~China~~ **They Are** Slammed with New Steel ~~Tariffs~~ **Taxes"**

One has to ~~envy~~ **pity** the **insignificant** amount of pull U.S. ~~steel workers~~ **consumers and steel-using companies** have. The majority of U.S.-China trade agitation ~~is caused by~~ **imposes significant costs on** this ~~one~~ relatively ~~tiny~~ **huge** part of the U.S. economy.

From *China Daily*:
"The United States **government** on Wednesday imposed preliminary ~~duties~~ **taxes** ranging from 11 to 13 percent on **its own companies (and their employees, customers and shareholders) that purchase** steel pipe from China to offset government subsidies, the Commerce Department said.

The decision puts further strain on US-China trade relations, already tested by disputes over other US trade actions and China's currency policy.

It is a victory for US Steel Corp and the United Steelworkers union, which filed a petition in October asking for protection against **the more efficiently produced and lower-priced**

Chinese imports, **but a huge loss for American companies that purchase steel and U.S. consumers who purchase products made from steel."**

CHINA AND U.S.: THERE REALLY IS NO TRADE IMBALANCE

March 21, 2009

Graph available in online version

Don Boudreaux picks a nit about "trade imbalances" with Jeremy Warner, who writes an otherwise excellent article in the London Telegraph about Paul Krugman's misguided suggestion of a 25% ~~surcharge~~ **tax** on ~~China's imports~~ **American consumers and U.S. companies who buy goods from China for their low prices and great value:**

"You write as if the alleged trade imbalances between the U.S. and China are real. They are not. The Chinese sell Americans goods; we pay with dollars; the Chinese then use many of these dollars to buy IOUs issued by Uncle Sam. Although the result is a measured U.S. current-account deficit with China, there's no more any economically meaningful "imbalance" in such a result than there would be if, say, Texans lent a lot more of their dollars to Uncle Sam.

Talk of imbalances in trade diverts attention from the real problem: Uncle Sam's gargantuan debt. That fast-accumulating debt is a huge problem. It is caused, though, not by trade with China but, rather, by Washington's lack of fiscal discipline. Unless you believe that protectionism (and only protectionism) would induce Congress to be more fiscally disciplined, you should avoid all talk of imbalances in trade and instead talk of imbalances in political institutions that encourage politicians to give disproportionate weight to the demands of current voters and to ignore the resulting ill-consequences that will curse future generations."

MP: The graph above illustrates Don's point that there is no "trade imbalance" once all international transactions are accounted for:

1. In 2009, the U.S. imported more from China ($354 billion) than it exported ($93 billion), resulting in a "trade deficit" of -$263 billion on our "current account". But that is only part of the international trade story, since there are also financial transactions that have to be accounted for, and that deficit on the current account has to be offset somehow, since all international trade has to balance (it's based on double-entry bookkeeping).

2. The offsetting balance came from the $263 billion capital account surplus in 2009, as a result of $263 billion of net capital inflow to the U.S. from China to buy our Treasury bonds and other financial assets.

3. The $263 billion capital account surplus exactly offsets the current account deficit.

Bottom Line: As Don correctly points out, there really is NO trade imbalance, when we account for: a) exports and imports of goods and services, AND b) capital inflows/outflows. Stated differently, the balance of payments is always ZERO. We buy more of China's goods than they buy of ours, but then China buys more of our financial assets (bonds and stocks) than we buy of theirs. So in the end, international trade with China is ***balanced***, not ***imbalanced***.

MAKING MORE WITH LESS: U.S. MANUFACTURING EFFICIENCY

April 7, 2010

Chart available in online version

According to Bureau of Labor Statistics data, employment in the U.S. manufacturing sector has fallen steadily since the 1979 peak of 19.5 million jobs to a 69-year low of only 11.5 million manufacturing jobs today. Eight million factory jobs have been eliminated in the last 30 years, and we now employ fewer American workers in manufacturing than at any time since 1941.

It would be easy to assume that manufacturing output in the U.S. was also shrinking, but that's not the case. Federal Reserve data on the gross value of manufacturing output produced in the United States shows that despite a contraction in output during the 2008–2009 recession, manufacturing production has continued on an upward, long-term trend at the same time that manufacturing employment has been falling to record-low levels (see chart below).

Because the huge declines in manufacturing employment over time have been more than offset by even greater increases in manufacturing output, manufacturing output per worker has skyrocketed to record-high levels (see chart below). Workers today produce twice as much manufacturing output as their counterparts did in the early 1990s, and three times as much as in the early 1980s, thanks to innovation and advances in technology that have made today's factory workers the most productive in history. Simply put, we're producing more and more manufacturing output with fewer and fewer workers, and the increase in worker productivity is one of the main reasons that 8 million manufacturing jobs in the U.S. have been eliminated since the late 1970s.

With that background, consider this rewrite of a recent news story about China:

"The ~~continuing trade imbalance with China~~ **increases in worker productivity** ~~has~~ **have** contributed to the loss of more than 5.3 million U.S. manufacturing jobs in the last decade, 300,000 of those in New York State," said Sen. Charles Schumer, D-N.Y.

"There is no bigger step we can take to promote U.S. job creation, particularly in the manufacturing sector, than to confront ~~China's currency manipulation,~~ **our productivity improvements due to advances in technology like robotics**" Sen. Schumer said. "This is not about ~~China~~ **technology or worker productivity** bashing. It's about defending the people of New York and the United States **from the ongoing increases in worker productivity taking place in America's factories that have contributed to the loss of 8 million of manufacturing jobs since 1979**."

"We have a job crisis in upstate New York and in America," Schumer said. "~~China~~ **Technology and increased worker productivity** ~~is~~ **are** fanning the flames." The legislation Schumer proposes would impose new penalties on ~~countries who manipulate their currency,~~ **manufacturers who introduce productivity-enhancing technologies as a way to increase their output with fewer workers**.

Bottom Line: There's really no difference between: a) producing more manufacturing output in the U.S. due to productivity increases that allow us to employ fewer workers, and b) increasing the amount of manufactured goods available in the United States by taking advantage of low-cost labor in China and employing fewer American workers.

In the first example above we substitute more efficient capital for labor, and in the second example we substitute low-cost Chinese labor for high-cost American labor, but the net result and undeniable benefits are the same: access to more manufacturing output in the United States with fewer American workers. Economist Steven E. Landsburg summed up this point very well when he wrote, "International trade is nothing but a form of technology." And if China's currency policy results in even lower prices for the Americans who buy Chinese imports, we should graciously accept their charity.

Despite all of the political rhetoric about China's currency manipulation, imposing penalties on Americans who buy manufactured goods from China at reduced prices due to a currency policy that does eliminate some U.S. jobs but creates huge net benefits for our country makes as much sense as imposing penalties on American companies that introduce labor-saving technologies that eliminate millions of U.S. jobs but improve our overall standard of living immensely.

CREATING "EQUAL OCCUPATIONAL FATALITY DAY": OCCURS NEXT IN 2021

April 14, 2010

Graph available in online version

The recent deaths of 29 men in a West Virginia coal mine illustrate an important point about the labor market: men have much greater exposure than women to work-related fatalities because men are overrepresented in the most dangerous, high-risk jobs like coal mining (almost 100 percent male), fire fighters (97 percent), police officers (84 percent), correctional officers (73 percent), and construction (97 percent), according to Bureau of Labor Statistics (BLS) data.

In 2008 (most recent year available), men were 13 times more likely than women to get killed on the job – 4,703 men died in work-related accidents compared to only 368 women (see chart below). Workplace safety improvements have reduced the annual number of fatal occupational injuries in the United States by almost 25 percent since the early 1990s, but the share of male deaths has remained constant at about 93 percent for the last several decades (*BLS data here*).

Economics tells us that total worker compensation takes the form of both monetary and non-monetary factors. The less favorable the non-monetary factors of a job are (e.g., physically demanding labor in relatively dangerous work conditions), the more monetary compensation is required to offset those undesirable job characteristics. Because male workers are disproportionately exposed to dangerous work conditions, the wages in many male-dominated professions reflect a wage premium to compensate for the higher occupational risk, and this is one reason for a gender wage gap.

This has nothing to do with discrimination, but can be explained by gender differences in workplace risk tolerance. On average, men are more willing than women to accept higher compensation for a higher risk of work-related death or injury.

For those groups that support gender pay equity, like the National Committee on Pay Equity (NCPE), they have to also be simultaneously advocating increasing the number of women in higher-risk occupations like coal mining. That will reduce the gender pay gap, but it will come at a huge cost: thousands of additional women every year will face certain work-related deaths.

Interestingly, groups like the NCPE never mention the issue of worker safety when they explain differences in pay, but instead *claim* that:

> Part of the wage gap results from differences in education, experience or time in the workforce. But a significant portion cannot be explained by any of those factors; it is attributable to discrimination. In other words, certain jobs pay less because they are held by women and people of color.

To promote its position of gender pay equity, the NCPE annually publicizes "Equal Pay Day," upcoming next week on Tuesday, April 20. According to the NCPE:

> This date symbolizes how far into 2010 women must work to earn what men earned in 2009. Because women earn less, on average, than men, they must work longer for the same amount of pay. Equal Pay Day was originated by the National Committee on Pay Equity (NCPE) in 1996 as a public awareness event to illustrate the gap between men's and women's wages.

Inspired by Equal Pay Day, and in recognition of the significant gender differences in workplace deaths, let me propose the creation of "Equal Occupational Fatality Day," which will occur next on October 11, 2021. That date symbolizes how long women will have to work before they experience the same loss of life from work-related deaths that men experienced in 2008. Because most women work in much safer occupations than men, they must work about 13 years longer than men to experience the same number of occupational fatalities. Equal Occupational Fatality Day is being originated to illustrate the gap between men's and women's occupational deaths, and bring awareness to the fact that closing the pay gap would also close the work-related death gap and expose thousands of women to occupational fatalities each year.

HUGE COLLEGE DEGREE GAP FOR CLASS OF 2010

May 11, 2010

Table and video link available in online version

WILX-TV LANSING, MI – For last year's graduating Class of 2009, women dominated at every level of higher education. Here's the national breakdown: for every 100 men, 142 women graduated with a bachelor's, 159 women completed a master's and 107 women got a doctoral degree. University of Michigan Economics Professor Dr. Mark Perry says similar numbers are in tow this year (see chart above for the Class of 2010).

"What's happening is historic and unprecedented and we're seeing this huge structural change in higher education," says Perry. "When it happens year by year, we just don't pay as close attention." But Perry says attention now must be paid. According to the U.S. Department of Education, in 1971, the percentage of men outnumbered women in degrees conferred 61 to 39, but by 2017, expect a complete reversal.

"It's really this complete domination now by women in higher education and the fact that men have fallen behind and have become the second sex in higher ed," Perry says.

Perry tells us this gender degree gap has translated into what's been coined as "The Great Mancession," which refers to the huge gap in unemployment rates between men and women.

"People with college degrees have the lowest level of unemployment, so as women get an increasing share of college degrees, that's also the most protected and less vulnerable in downturns of the economy," Perry explains.

"TEENAGERS: SILENT VICTIMS OF MINIMUM WAGE LAWS" (Rewrite)

June 1, 2010

Chart available in online version

The New York Times has a long article today in its Business Section about the dismal job market for teenagers this summer, here are some excerpts from "*Job Outlook for Teenagers Worsens*":

"This year is shaping up to be even worse than last for the millions of high school and college students looking for summer jobs. With so many people competing for so few jobs, unemployed youth "are the silent victims of the economy," said Adele McKeon, a career specialist with the Boston Private Industry Council who counsels students on matters like workplace etiquette, professionalism and résumé writing.

Getting the first job "is an accomplishment, and it's independence, Ms. McKeon said. If you don't have it, where are you going to learn that stuff?"

The unemployment rate for the 16-to-24 age group reached a record 19.6 percent in April, double the national average. For those job seekers, said Heidi Shierholz, an economist at the Economic Policy Institute, "This is the worst year, definitely since the early '80s recession and very likely since the Great Depression."

MP: Not once in the 1,300 word article does the writer discuss the devastating effects on teenage employment of the 41% increase in the minimum wage from $5.15 per hour in early 2007 to $7.25 by the summer of 2009.

Thanks to Jeff at the *Added-Value Blog* for pointing this out. Here's my re-write:

This year is shaping up to be even worse than last for the millions of high school and college students looking for summer jobs. With so many people competing for so few jobs, unemployed youth "are the silent victims of the ~~economy~~ **minimum wage legislation**" said **Mark Perry, professor of economics at the Flint campus of the University of Michigan.**

Getting that first job "is an accomplishment, and it's independence. If you don't have it, where are you going to learn that stuff?" said a career specialist. **According to Perry, "With a 41% increase in the minimum wage between 2007 and 2009 from $5.15 to $7.25 per hour, the chances of getting that first job, along with valuable experience, on-the-job training and independence will now be more difficult than ever before.**

Especially during an economic downturn, unskilled workers have a potentially powerful weapon and advantage that can give them a competitive edge over skilled workers in a weak labor market – low wages. But between 2007 and 2009, politicians took away the competitive advantage of unskilled workers at the time they needed it most, by boosting the minimum wage for unskilled workers by 41%, and essentially pricing them right out of the worst economy and labor market since the early 1980s."

The unemployment rate for the 16-to-19 age group reached 25.4 percent in April, 15.5 points higher than the national average of 9.9% (see chart above). For those job seekers, said Heidi Shierholz, an economist at the Economic Policy Institute, "This is the worst year, definitely since the early '80s recession and very likely since the Great Depression, **in large part due to the increase in the minimum wage increases in 2007 (13.6%), 2008 (12%), and 2009 (10.7%)."**

As researchers at Northeastern University, who issued a report in April on youth unemployment, put it, "The summer job outlook does not appear to be very bright in the absence of a massive new summer jobs intervention, **or a repeal of the minimum wage legislation.**"

The poor numbers this year are not solely a symptom of the continued weak economy, **but have been made far worse by the recent hikes in the minimum wage.** For generations, government data shows, at least half of all teenagers were in the labor force in June, July and August. Starting this decade, though, the number of employed teenagers began to drop, and by 2009, less than a third of teenagers had jobs. This year, the number could fall below 30 percent, **and teenagers have the minimum wage to thank for the worst job prospects in a generation for their age group.**

The forecast for this summer is so dire that high school students took to the streets this year in Washington, Boston and New York to push lawmakers to ~~come up with money for summer youth jobs programs as Congress did last year, allocating $1.2 billion for a program for low-income youths.~~ **repeal the minimum wage law that students refer to as the "teenage job killer."**

Update from *Don Boudreaux***:** "Suppose Uncle Sam orders you (The New York Times) to raise by 41 percent the price you charge for subscriptions to your newspaper. Would you be surprised to find a subsequent fall in the number of subscribers? If you assigned a reporter to investigate the reasons for this decline in subscriptions, would you be impressed if that reporter files a story offering several possible explanations for the fall in subscriptions without, however, once mentioning the mandated 41 percent price hike?

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John Hasnas
For article written in *The Wall Street Journal*

2008

Barton Hinkle
For opinion columns written for *Richmond Times-Dispatch*

2007

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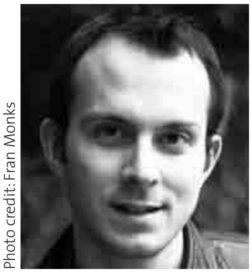

2006

Tim Harford (co-winner)
UK
For opinion columns written in the *Financial Times* and *New York Times*

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Jamie Whyte (co-winner)
UK
For opinion columns written in *The Times*

2005

Mary Anastasia O'Grady
For opinion columns written as Latin American Editor of *The Wall Street Journal*

2004

Robert Guest
For essay written as Africa Editor of *The Economist*

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Brian Carney
For opinion columns written as editorial writer for *The Wall Street Journal Europe*

2002

Amity Shlaes (co-winner)
For opinion columns written as senior columnist on political economy for the *Financial Times*

2002

Sauvik Chakraverti
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For opinion columns written as editorial writer for *The Economic Times*, India

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