

# Liberty

March 2009

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Promise  
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## Obama: The Audacity of Patronage

*by Bruce Ramsey*

## Bombs Away in Old Bombay

*by Jayant Bhandari*

## Bullet Train to Bankruptcy

*by Randal O'Toole*

## How Psychiatry Serves the State

*by Thomas S. Szasz*

Also: Jo Ann Skousen tracks the Valkyries, James L. Payne investigates who's responsible for 9/11, and Gary Jason wonders why liberals are only charitable with other people's money . . . plus other articles, reviews & humor.

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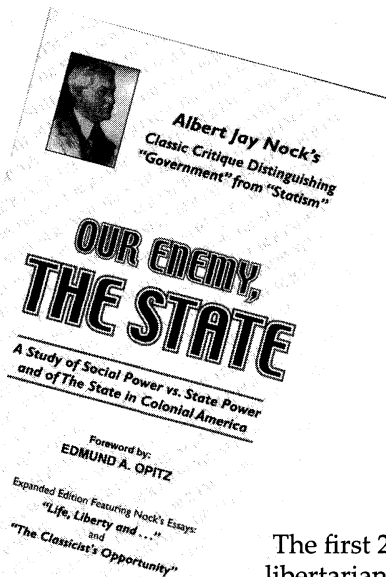
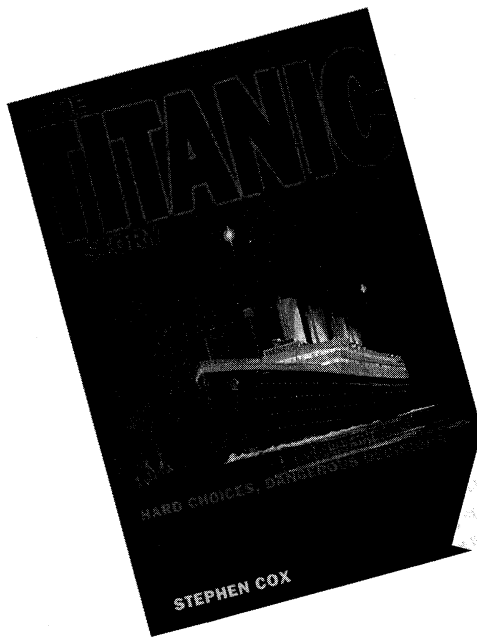
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# Inside Liberty

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## Letters

### CRA-ing Wolf

Jim Walsh in his essay "From Reform to Crisis" (December 2008) puts some of the blame for the subprime crisis on the CRA — the Community Reinvestment Act enacted in 1977, which was to apply to depository banks within said communities. But nowhere in the language of the CRA did it force banks to make risky loans. Nowhere did it force mortgage companies to offer loans for no money down, or throw underwriting standards out the window, or encourage mortgage brokers to aggressively seek out new markets. Nor did the CRA force the credit-rating agencies to slap high-grade ratings on packages of subprime debt.

What it says is each applicant must be taken on his own merits, and people in urban neighborhoods given the same chance at a mortgage that everyone else in their state would. Something that is very important and was missing from your essay was the facts, critical analysis and a correct historical perspective.

An analysis of Home Mortgage Disclosure Act (HMDA) data in the country's 15 largest urban areas found that 84.3% of the high-cost loans made in 2006 were originated by non-CRA lenders including 83% of high cost loans to low and moderate income individuals. The Fed notes that, across the country, non-CRA lenders were twice as likely as CRA lenders to issue subprime loans to vulnerable borrowers. In Massachusetts, for example lenders not subjected to CRA regulations

made 98.4% of sub-prime loans in 2006. In that same year, 24 of the 25 top subprime lenders nationwide were not regulated by the CRA.

Why were the first signs of this mortgage meltdown crisis seen in the million-dollar condominium communities in Florida and California? Nowhere near the CRA. Alan Greenspan gave testimony on the Hill, in front of a Senate committee, and the CRA was not mentioned as a cause of this financial crisis.

CRA was enacted in 1977 and the subprime explosion took place between 2002-7. If it was to blame, why did it take so long?

Andrew Jones  
Killeen, TX

**Walsh responds:** The subprime lending bubble was, like most statist policy disasters, the result of various factors working together to produce unintended consequences. Mr. Jones is correct that the CRA, by itself, didn't force banks to make bad loans. However, its loosening of mortgage underwriting standards combined with the regulatory policies of later administrations did establish the lending practices that put poor credit risks into McMansions. I think that my essay made this chronology clear. And the larger point of the piece remains: well-intended "reforms" lead to unintended "crises" which justify more "reforms." It's a cycle that statists in DC enthusiastically perpetuate.

### Educational Gymnastics

Gary Jason begins "Schools Still at

#### Letters to the editor

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*Liberty* (ISSN 0894-1408) is a libertarian and classical liberal review of thought, culture, and politics, published monthly except February by the Liberty Foundation, 4785 Buckhaven Court, Reno, NV 89519. Periodicals Postage Paid at Reno, NV 89510, and at additional mailing offices.

**POSTMASTER:** Send address changes to Liberty, P.O. Box 20527, Reno, NV 89515.

Subscriptions are \$29.50 for eleven issues. International subscriptions are \$39.50 to Canadian and Mexican addresses. Email subscriptions are available; visit [www.libertyunbound.com](http://www.libertyunbound.com) for details.

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Risk" (December 2008) with an accurate recitation of the failures of public education, citing abysmal test scores and graduation rates of 50% or less for certain socioeconomic groups. Then, in an intellectual somersault, he claims that compulsory education taxes benefit all citizens because, without compulsion, a segment of the population would be poorly educated and thus inflict social and economic cost on everyone else.

Jason goes on to make an unsubstantiated claim that private schools and charities wouldn't educate the poor in the absence of compulsory taxation, despite evidence to the contrary prior to the public education movement of the mid-19th century — a movement that had a goal in the United States of closing "Papist" schools and educating Catholics in WASP values and the King James Bible.

Ah, then Jason admits that his

daughter attends a public charter school, which means that he is subsidized by taxpayers who are childless or have children but don't use public schools. The typical married couple in that situation will pay more than \$170,000 over their adult lives in education taxes in Jason's home state of California. I wonder if Jason sends them a thank-you note for the subsidy.

Even if we assume that Jason is correct about the poor not being educated in the absence of compulsory taxation, why shouldn't tuition subsidies be restricted to the poor instead of being extended to the non-poor like Jason? After all, that's how food stamps work. Is he admitting that he wouldn't educate his kids without other people's money?

Granted, Jason is right about the political reality of compulsory education taxes never going away, but he

## From the Editor

Whenever we get to March, I think about my childhood experience with "The Old Farmer's Almanac." At that time, it was much better than it is today. It had the same daunting displays of astronomical information and the same kind of low-end ads. But it was still, essentially, an 18th-century magazine, fond of sentences like, "Yet in these things, man can only propose; God is the true disposer." In the back of the issue that I pored over for a year or so there was a reprinting of Coleridge's "Rime of the Ancient Mariner," with the strange Doré illustrations — all of it far too mature for me. But that was my first real acquaintance with poetry.

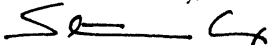
Now, in that same issue, the editor made a big deal out of moving the month of March from the "spring" to the "winter" column. He said that March was traditionally assumed to lie in spring, because that's the month when spring arrives, astronomically. But snow and sleet don't obey the astronomical charts. Up here in New England, he said, the weather in March just gets worse and worse.

I live in California, but I'm beginning to understand what he meant. March 2009 should be a time when the country liquidates its bad investments, puts new roofing on any banks that are still left standing, digs out its copy of the Constitution, and starts to repair the old republic. It's a time to reopen for business. That would make March what it really is, according to the stars: the beginning of spring.

Unfortunately, although every survey reveals that most Americans agree, in general, with the idea just stated, the weather in Washington remains uncertain. Instead of shoveling out, the politicians are still generating blizzards of new debt. Instead of repairing the nation's sound and comfortable 18th-century house, they're adding new wings to the structure, in atrocious taste, and mortgaged to the hilt. They've gone back to the ideas of the past, but only to the discredited ones. From this perspective — this sullen, sludgy, earthborn, political perspective — we appear to remain in the depth of winter.

Yet nothing can change the stars. To paraphrase another Coleridge poem, spring may come slowly up this way, but it will come, as long as anyone still sees the lights of liberty. We do.

For Liberty,



Stephen Cox

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could have skipped the intellectual somersaults in making the point.

Craig J. Cantoni  
Scottsdale, AZ

**Jason responds:** In his reply to my article, Mr. Cantoni objects to my acceptance of the notion that government has a legitimate role in supporting (though in my view, preferably not running) basic education. Cantoni is entitled to his opinion, but not to his own facts.

The first public school in this country was established in 1643, 150 years before we adopted our federal Constitution. From the beginning, the federal government favored partial support of public education. By the 1830s, there was already a major push (led by Horace Mann and other education reformers) to provide universal basic education. While private schools remained the majority up until then, by the mid-1800s public schools became the norm. By 1870, every state in the Union had free elementary schooling. Catholic and Jewish private schools saw their rise in the mid-1800s, in reaction to the (then) Protestant bias of some public (and established private!) schools, but the public school system was well established before that time. (And by the way, one reason I favor vouchers is precisely to encourage private schools).

And keep in mind that in 1800, 95% of all American jobs were tied directly to agriculture. By 1900, that had dropped to 41%. (By 2000, it had dropped to less than 3%). So our founders foresaw the need for a broadly educated populace even in an agricultural economy, and mass public education became established policy by the time we became a manufacturing economy. Does Cantoni think that policy is crazy, now that we have a predominantly knowledge-based economy? Talk about an intellectual somersault!

As to his *ad hominem* dig that, because my daughter went to a public school, I owe my fellow citizens a thank-you note, it is idiotic. My point about vouchers is that they can rebate some of the taxes paid by the middle class, so that they can send their kids to private schools if they wish. But my own self-interest is not the reason I favor this policy. As it happens, my daughter (our only child) attended public school for precisely six years (before that, we sent her to private schools). During that time,

the State of California spent roughly \$9,000 per year for that schooling. Also during that time, my property tax bill alone was \$15,000 each year, even as I also paid much more than that in combined state income taxes (10.3%) and sales taxes (8%). And I paid those taxes long before I had a child, and I am paying now that she is in (private, out-of-state) college. So as it happens, the state has gotten far more in taxes from me than it has paid out to me, and if (God willing) it ever does adopt vouchers, I will not see a penny of the money.

My advice to Cantoni is to be sure of your facts before personally attacking someone. Otherwise, you run the distinct risk of looking like a horse's ass.

### "Saving" Theory

I see that my good friend, Bruce Ramsey, defends the \$850 billion bailout (Reflections, December). Other articles in the same issue explain the folly of this action (notably, Jim Walsh's "From Reform to Crisis"), but I am obliged to point out two conceptual errors in Ramsey's motto: "I don't want all my savings wiped out . . . just to save a theory."

The first error is to think of "theory" as being merely an argumentative contention with no consequence in real affairs. Naturally, why risk anything just to "save" a point of conversation? To the contrary, theories are hard-won descriptions of how the real world works. In the physical sciences and engineering, we commonly use them to design machines and processes upon which people depend for their lives. We utilize Bernoulli's theory, for example, to sustain an airplane in flight. Economics is less scientific, but supposedly the theory of the free market gives us the most realistic and therefore most accurate understanding of how markets work, and of the consequences of market interference. Theories are never actually in danger; they never need to be "saved." If they are true, they will manifest themselves relentlessly, regardless of human opinion. But our lives or livelihoods can be in danger, and when we have no knowledge of the future, we need to employ theory to save ourselves. Otherwise, what good is it? Confronted with a market upset, should we not rely on free market theory? If so, we have deluded ourselves,

and free market theory is a complete fraud. But if it is not a fraud, how can Ramsey abandon it?

The second error is for him to pretend he is abstaining from saving theories. He has actually committed himself to a very particular theory — one that libertarians doth not profess aloud: Keynesianism . . . the idea that government manipulation of the market by deficit spending can promote economic health and prosperity (or, in this case, avert a credit crisis). I should not need to argue against Keynesianism for this readership. When the chips are down, what we do and say reflects our true convictions.

The problem this poses for a business journalist is that it impeaches his credibility regarding a number of important free-market positions. Given this capitulation in extremis to Keynesian manipulation, in order to "save" favored elements of the banking and finance business, Ramsey is very ill-positioned to argue for privatization of Social Security — which would depend on long-term stability and growth of the stock market (and on the long-term stability of underlying financial institutions). "I don't want all my retirement wiped out, just to save a theory." Similarly, he is ill-positioned to oppose government intrusion into medical care, in order to guard against losing medical insurance coverage. "I don't want all my health wiped out, just to save a theory." And, ultimately, he has no defense against government intrusion into any business whatsoever. "I don't want all my livelihood wiped out, just to save a theory." If one's life savings are a value not to be sacrificed "for a theory," how much more important are one's retirement income, health insurance, and working income?

This credibility problem is illustrated by his delusion that the U.S. Treasury would purchase "toxic assets" by paying "what these securities would fetch in a normal market. Not cost. Not a puffed-up value, but a kind of objective value, an estimated normal-market value as distinguished from value during a panic." First of all, we have Mises to thank for the insight that market value is subjective at its root, being a human balance of risk, gain, and loss attending transactions. To speak of "objective value" is to engage in some

other economic theory (perhaps the Marxian labor theory of value, or the Technocratic energy theory of value). Secondly, to suppose an “estimated normal-market value” is definable in the context of a market perturbed by \$850 billion of new capital is, by definition, not possible. Nor are the reflexes of financial panic likely to be soothed in the face of President-elect Obama’s socialist agenda. Finally, when these assets are liquidated in some happier future, to say “the net cost to the public would likely be far less than \$700 billion,” is — I’m sorry to say — dishonest. Ramsey knows that no one will receive a remittance check in the mail. The government only spends, and, so far as I and my fellow citizens are concerned, this vast fortune will have been utterly squandered.

If a theory is true, its predictions cannot be nullified by averting one’s eyes and praying to a golden calf. By embracing a step he hopes will prevent his savings from being wiped out, Ramsey has condoned an increase in inflation that can only destroy everyone’s savings.

Michael J. Dunn  
Federal Way, WA

**Ramsey responds:** Free-market theory is a general theory, applicable in a general way to all firms at all times. It would work here, too, if people were willing to pay the cost: Let the weak fail, let the healthy firms survive, and rebuild from there. But in this case the cost would be larger than any similar event in our lifetimes, because it was spreading from one financial company to another like a venereal disease. A large proportion of the big financial institutions — probably all of the big six Wall Street investment banks — would have been wiped out, along with the largest savings bank in America, the second or third-largest commercial bank in America, the largest insurance company in America, the largest mortgage institutions in America, a bunch of institutions abroad and other stuff we don’t even know about. Theory and experience tell us the downturn would have been even more terrifying than it was. The consequences would have been more than economic. They would have been political, and to the detriment of liberty. In my judgment — and reasonable people can disagree

about this — in September and October the crisis had to be prevented from getting any worse. That said, I think the criticisms of the bailout are mostly true. There are all kinds of problems with it. The crisis being over, I would end the bailouts — now.

## Answers on Abortion

Leland B. Yeager makes a valiant effort (Reflections, November 2008) at illuminating the battlefield upon which the abortion wars have been fought. He starts strong by identifying the three questions that dominate the discussion: (1) When does human life begin?; (2) Does the fetus have rights that may override the rights of the woman carrying it?; and (3) Is abortion murder?

But he fumbles the flashlight with his answers. As to when human life begins, I would submit that a fetus, at any stage of its development, is alive according to any Biology 101 definition of “alive.” Additionally, a human fetus would undeniably be classified as *Homo sapiens*. Ergo, a human fetus is a live human. In reasoning *Roe v. Wade* the U.S. Supreme Court came to the same conclusion, which immediately brought them to Yeager’s second question concerning the rights of the fetus versus the rights of the mother.

The court reasoned that both individuals had equal rights, neither one trumping the other — a Solomonic conundrum if ever there was one. Using the doctrine of conflicting rights, the court arbitrarily declared the mother’s rights to be paramount. They then mitigated the fate of the fetus by requiring that every effort should be made to save the fetus — according to its viability and the state of our technology.

As to Yeager’s third question, concerning murder, again, he starts strong recognizing that not all killing is murder, and, inevitably, raising questions about state vs. federal jurisdiction. I agree that the regulation of abortion ought to be left to the states. But as to the questions of when human life begins and when it has rights, the federal government should weigh in. On the one hand, it is empowered with the duty to protect life; on the other hand, it just wouldn’t do to have different states define “human being” differently.

Robert H. Miller  
Prescott, AZ

**Yeager responds:** I took a stand neither for nor against abortion. (Perhaps *that* is Mr. Miller’s complaint.) I wrote for an election-oriented issue of *Liberty*. In the same issue I also reflected on “Going negative” — on futile and diversionary as well as relatively sound aspects of political campaigning. The question of abortion, as commonly argued, is indeed a diversion. The politically prominent strands of the argument focus on mere words, not substance. The biology of conception, prenatal development, and birth is not seriously doubted. Debate centers on words like “human,” “rights,” and “murder.”

It might usefully narrow the discussion away from empty verbal maneuvering to recognize that the substantive questions are psychological or medical, sociological, and philosophical. I also thought that it might be helpful to respect the constitutional division of powers between the national and state governments.

## Beyond the Palin

I have read Jon Harrison’s columns with great interest for a few years, but his Reflection on Sarah Palin (Jan.-Feb.) moves me to reply. I am a voter of the “yokel variety” originally from New Hampshire and now from Iowa. Incidentally, we in New Hampshire look across the river at Putney and immediately think of yokels where the nearest one room school must be 40 miles away by boat. That said, let’s look at Sarah Palin’s “vast inexperience and mind-numbing banality.” I would imagine that a man with your command of the language would use banality in place of “commonplace” and “vast” in place of none. It becomes obvious to me that you consider Obama and McCain as not commonplace and have vast experience in comparison. This is the point at which I question your ability to accept a woman as equal to a man.

I have lived long and hard as a scientist, a world marketing director for a major company in agriculture, and a business owner selling my business to Cargill, also a large agricultural company. I love agriculture and farmers that work for a living and not on the government dole. (Yes, many farmers in poultry, cattle, fruits, and watermelons receive no subsidies.) I have been elected to several political offices, been

on several boards, developed many budgets and hired many managers. I also have not been elected a time or two, missed a budget or two, and had to fire a few mistakes. After 81 years of treading this globe and gaining some degree of knowledge about evaluating people's ability, I chose Sarah for her commonplace approach to life and her experience in politics. As Adam Smith points out, we learn from others, if we want to learn, by apprenticeship to those of experience. So in science we judge a scientist by who he studied under.

If I were to set up an apprenticeship program for president I would start their early experience in a city government. I would let the citizens grade the apprentice at election time. Personally, I would not say a city like Chicago would be acceptable to me, but many people like yourself think only of size and not of quality. My journeyman years would be at the state level and here again I would let the folks vote to tell me if they are now ready for the big time and to be called a "master." Again I would look to the evaluators to determine if I want that type of master. I would accept the opinion of voters in New Hampshire and Iowa, and I believe Alaska to best represent my libertarian beliefs. I can assure you that Vermont, Massachusetts, and New York do not fit my bill. Sorry, Jon.

I am such a yokel that in my entire life, voting in every election since 1948, I have only voted for a Democrat or Republican presidential candidate once, Bush in 2000. But I would work for Sarah who is commonplace and well-trained, despite the fact she is a woman of beauty.

Just a word for Mark Rand (Reflections, Jan.-Feb.). I was in World War II and called back in the Korean War, but was outspoken against the Vietnam War immediately and also outspoken against Iraq II immediately. Nevertheless, we need to convince people with facts and not scare tactics. We will not lose "thousands of lives" in Iraq in the next couple of years. In the future don't hinder those of us that fight these wars with facts and not fiction.

Courtney P. Allen  
Panora, IA

**Harrison responds:** I'd like to thank Mr. Allen for his letter. It's always a pleasure to learn that one's writing

is taken seriously by another human being. Additionally, let me say that I honor Mr. Allen for his service to our country in two wars.

Just for the record, Mr. Allen, I live in Poultney, not Putney. Poultney, with a population of about 3,600, is a little bigger than Putney. The latter was the hometown of the late George Aiken, who served as U.S. senator from Vermont for over 30 years. Poultney's main claim to fame is that Horace Greeley for a time lived here. It is also the birthplace of William Miller, the founder of Adventism. I quite agree with you that the voters of Vermont are, generally speaking, not to be taken seriously. Rutland County, where Poultney is located, is the most conservative part of the state. I have written in statewide forums that we would be more comfortable as a part of New Hampshire. That of course is not going to happen. In the fullness of time, I hope, reality will set in and Vermonters as a whole will return to the self-reliant ways of their ancestors.

By the way, I'll take quality over size every time. And I too love farmers "that work for a living and not on the government dole." I was attacked in Vermont for advocating the abolition of dairy price supports.

I do not regard everyone who voted for Ms. Palin as a "yokel." I'm sure there are yokels who voted for Obama. But I would venture to guess that the McCain-Palin ticket carried the yokel vote by a wide margin.

I do plead guilty to sexism. I have long considered women to be the superior sex. The longer I live, the more clearly I see this to be true. I just don't see Sarah as having a place in the front rank. I applaud her for looking very beddable in her mid-40s, but as a thinker and a leader on the national scale, she's a joke.

**Rand responds:** "Scare tactics"? There is no definitive source reporting the number of casualties in Iraq, but no credible data undermines my expectation that there will be thousands of casualties in Iraq over the next couple of years. In 2008, according to iCasualties.org there were 322 Coalition military casualties, and the official Iraqi count of civilian deaths was 5,714. (Some estimates are far higher.) While I hope Mr. Allen is correct in his assertion that "we will not

lose 'thousands of lives' in Iraq in the next couple of years," I cannot share his confidence.

## Shifting the Debate

I was lucky enough to see Milton Friedman's "Free to Choose" as a high-school student, which inoculated me from leftist indoctrination during college. Since then I've been a casual libertarian, voting the Libertarian ticket when my vote didn't matter, and Republican when the stakes were higher. The fact that I have so many otherwise intelligent and capable university-educated friends and acquaintances who have absolutely no concept of economics, and therefore no idea of the tragic consequences of their own center-left leanings, shows that my experience was indeed rather unique. I do not believe, however, that one must be treated at 17 years of age to a miniseries featuring Friedman and Thomas Sowell in order to become an enlightened citizen. In fact, I think that we're on the verge of a great teaching moment. Cognitive dissonance is beginning to set in, as well-meaning traditional liberals have to somehow reconcile government growth over the past 50 years with the accelerating breakdown in our economic and social lives. Ron Paul's surprising popularity during the Republican primaries represented, in my opinion, the first manifestation of increased public scrutiny of previously unquestioned leftist doctrine. As typically happens in the evolution of ideas, the work of a few deep thinkers (Rand, etc.) slowly gains acceptance after the truth of it becomes too apparent to ignore. The mainstream media-academic complex will likely be the last to follow.

As someone who doesn't know the players, I was amused to read about the Libertarian presidential convention ("The Battle for the Libertarian Party," August 2008). The intense interest which a few libertarian hobbyists had in the proceedings, which, in the wider world meant very little, reminded me of folks at a comic convention. While Rome is burning, you guys are deciding who gets to wear the Batman suit. If your intention is to sit back and say "tsk, tsk" and "I told you so," then keep doing what you're doing. If, however, you're mostly concerned with the future

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# Reflections

**Stupider still** — I recall a discussion, very sober, with a libertarian friend back in the early '70s, when we were both in high school. Looking out at the vast landscape of regulation and taxation we faced (in what, in retrospect, seems a virtually minimal state), my friend noted, "Most people are so stupid as to not see any problem with this. They deserve the government they get." I noted then, and it is true today, "Sadly, *we* also get the government they deserve."

— Ross Levatter

**Uncle Sam's subprime mortgage** — The total size of the current system of "economic stimulus" programs is almost \$8 trillion. The dollar figures have passed the point of practical comprehension — and that may be partly by design. The best metric of all this Keynesian kerfuffle is that the statist spending is roughly equal to one year's total Gross National Product. And it may be greater than that before the year ends.

This is not sustainable. My own guess is that the current administration has enough political capital to sustain this massive mortgage on the American economy. But this is the last subprime loan Uncle Sam will sign without reading. The next "crisis" is going to require real change . . . and a reckoning beyond the understanding of complacent statist.

— Jim Walsh

**Voodoo redux** — Trickle-down Reaganomics is commonly referred to as a failure. Yet when Ronald Reagan took office, nobody but rich people had VCRs. By the time he left office almost everybody had one. By the time Bill Clinton took over everyone did.

Here's why VCRs became so cheap: rich people bought them. More companies wanted to make money selling these luxury items, so more companies started manufacturing them. Eventually there were so many on the market that the price came down. Middle-class people bought them. When it proved too expensive for the middle class to purchase tapes, the video-rental business was created. Then rentals became cheap enough for poorer people to afford, so even cheaper VCRs were manufactured for that market. The whole thing is repeating now with DVD players, and will again with Blu-Ray or whatever comes next.

Trickle-down proven.

— Tim Slagle

**Banning bad luck** — Three years back, in British Columbia, a young gas-station attendant was run over and killed by a car that had stolen petrol from his station. The

parents of the youth fought for a new regulation, which now requires all gas stations to take payment before you fill up. Who wouldn't feel sorry for the youth who died, or for the parents' suffering? But should the provincial government have passed such a law? Is it trying to fine-tune our lives by preventing one-in-a-million deaths?

— Jayant Bhandari

**Union man** — Obama, the darling of the teachers' unions, repeatedly proclaimed his opposition to vouchers during his campaign. He argued that vouchers would help only a few students at the top, leaving most kids stuck at the bottom. In short, it was the old, lame argument that is trotted out every time to oppose vouchers.

Now that he is moving into the White House, however, he has chosen for his own children the same tony prep school that the Clintons chose for their daughter and Vice President Biden chose for his grandchildren. Naturally, the Clintons and Biden also oppose vouchers.

Wealthy hypocrites are happy to keep their own offspring out of failing public schools; they just don't want poor parents to have the same opportunity. The irony is that Obama, whose education policies will screw over black people, got virtually all their votes.

— Gary Jason

**Enough** — Sixty-one years are enough. (I am counting from 1947–48, particularly from May 14, 1948, although the roots of Israeli-Palestinian conflict date back to Ottoman times.) Hindsight shows that the British ended their mandate over Palestine too soon. If they could no longer bear the military and financial burdens, other countries should have shared them. Now let us at least salvage a lesson from the mistakes of 1947–48.

Too long now the conflict has plagued even countries distant from the Near East — plagued them through diplomatic tensions, military costs, oil insecurity, terrorism, and even complications in domestic politics. The major powers, in the interest of their own peoples, are now entitled to try drastic measures.

Albert Einstein reputedly defined insanity as "doing the same thing over and over again and expecting different results." Well, outside diplomatic pressures have repeatedly brought no better results than fragile cease-fires and occasional photo-ops of Israeli and Palestinian leaders shaking hands. The powers should now impose a solution unless, improbably, the two sides find a definitive one themselves within, say, a year.



A solution should take account of Ludwig von Mises's explanation, in "Nation, State, and Economy," of why democracy cannot function in territories inhabited by disputatious ethnic-linguistic factions. Outside rule should displace democracy in Israel and the rest of Palestine. Suspicion would hamper rule by countries known to be biased toward one side or the other, such as the United States; so a mandate should be entrusted to countries considered relatively benevolent, neutral, and corruption-free. These might be the Scandinavian countries. They would not have to bear all the military and financial burdens themselves, since the major powers would provide the great bulk of the necessary support. The occupying countries would merely enforce peace and security and otherwise administer the territory. Some of their legislators could probably enhance their personal reputations by diligently monitoring how well their fellow countrymen performed.

Democracy is a political arrangement, not a prerequisite for economic and cultural progress and personal happiness; consider Hong Kong during many decades of British rule.

I suppose that most people in Palestine, like people elsewhere, want to get on with their lives and plan their own futures without suffering from fighting among others. Ideally, they are loyal chiefly to themselves, their families, and their friends and close associates, while reaping gains from honorable dealings with others. Devotion, instead, to national or ethnic greatness or purpose, as preached by Theodore Roosevelt, Mussolini, Hitler, Jimmy Carter, and miscellaneous contemporary neoconservatives, is ominous. That doctrine, combined with frustration caused by ongoing conflict, invites joining totalitarian movements and armed factions.

Perhaps foreign rule will not have to last forever. Self-rule and democracy can be introduced gradually as Jews, Arabs, and Christians learn the benefits of living together in peace. This approach may not work, but the one tried so far has notoriously failed. For the sake not only of the local inhabitants but of people throughout the world, the major powers are now entitled to learn from their failures and try a drastically different approach.

— Leland B. Yeager

**Asking price** — Both the media and the government, for slightly different reasons, have a huge stake in keeping the populace terrified. The first headline in the business section of a recent Denver Post reads, "Home prices in record plunge . . . Experts fear it's bound to get worse." Worse? For whom? Am I supposed to be frightened that housing is finally becoming affordable? In the second headline, a couple of pages later, we learn that gas prices have dropped to 2004 levels. And then discover that these low gas prices suggest "the U.S. is headed toward the worst recession in decades." Yep. I'm scared to death that I can now afford to fill my tank.

The truly scary thing is that the government has been working so hard, for so many years, to distort the pricing of everything, that no one knows any longer what anything is worth, particularly the dollar. Is a gallon of gas worth \$1.75 or \$4.75? Is my house worth \$175,000 or \$475,000? Nobody knows. Pricing is information, set most accurately by free men exchanging goods and services for their mutual benefit. We distort that pricing information with a roller coaster of bad regulation, bad policy, and now bailouts, and wonder why

investors are not confident enough to invest, lenders are not confident enough to lend, and consumers are not confident enough to consume.

Yep, I'm terrified, but not by low home prices or low gas prices.

— Doug Gallob

**American Meddling Association** — Have you heard the latest futile crusade being pushed by the AMA? They want the government to outlaw texting while driving.

No reasonable person thinks it's a good idea to text while operating a car, but it takes a special kind of mind — the kind that is used to giving people orders and having them followed — to think that passing a law against it will stop the practice.

The AMA believes it is the perfect lobby to speak out against this, because if people get into a car accident while driving, they will have injuries requiring the skills of a physician, and the AMA generally assumes that anything, no matter how remote, that can lead to an injury constitutes a medical etiology on which it is the expert. The organization sees lobbying Congress as a form of prophylactic therapy.

This is yet one more piece of evidence that Thomas Szasz was right: we live in a therapeutic state, a pharmacocracy run by physicians instead of priests, capable of seeing all the world's problems through the medium of medical-colored Lasik therapy. Whether the issue is secondhand smoke or single-hand texting, physicians stand eager and ready to wipe out the disease that vexes them most: autonomy.

— Ross Levatter

**Remedial education** — Like most libertarians, I have the continuing bailout travesty on my mind. Government's imposing a social engineering project on the housing market caused this mess. Regulating banks and other mortgage institutions into bad lending practices for politically correct goals was a bad decision. Bad consequences, inevitably, followed. Government is the last thing we need to "remedy" the situation.

Letting the market sort it out, as libertarians — and most other Americans — wanted, would have allowed those involved to learn a valuable lesson. Generally, a person, or a group of people, is supposed to learn from the unfortunate consequences of unfortunate decisions.

At least, it used to be that way. Now our free society is freeing its citizens from those consequences. Several factors contribute, but litigation deserves much blame — particularly the idea of remedy. Trust me when I tell you this. I'm a lawyer.

Remedy is defined as "[t]he means of enforcing a right or preventing or redressing a wrong; legal or equitable relief" (Black's Law Dictionary, 8th ed.). In other words, a plaintiff can be made "whole" by recovering monetary or equitable compensation for injuries. More simply, wrongs can be righted — or "remedied."

As litigation has become more commonplace in our society, so has the idea of "remedy." Though it may not have been put in this way before, we know it all too well. It's the increasingly common belief that any problem or inconvenience — even self-imposed — can be compensated for by suing anyone and everyone, based on the depth of their pockets. Litigation contributes to our society's moving from "rule of law" to "Rule of Law" — a condition in which, instead of operating to protect citizens from the caprice of the governing, "law" penetrates and exercises varying degrees of control over every

aspect of their lives. It's a collective belief in "remedy" that is incrementally letting us off the hook for our bad decisions — and, as this bailout mess shows, is letting the government further into our lives.

Friction of daily life produces injuries, harms, and wrongs. Some result from others' actions: e.g., a careless driver runs a stop light and hits your car as you drive through an intersection. Some injuries, however, simply can't, or shouldn't, be remedied. Sometimes, things just happen. Sometimes people make bad decisions that bring unfavorable consequences upon themselves. Yet with ever more litigation, especially class actions (despite some reform), the consequences of one's bad decisions (along with the opportunity to learn from them) are being eliminated. If you smoke and suffer lung disease, litigation has forced cigarette companies to bear the monetary costs of your choice. If you eat a diet of unhealthy foods, you can sue the restaurants that served you. Even if you use a ladder inappropriately, disregarding the warning sticker with simple stick figure illustrations, in English and Spanish, alerting you not to use the wrong side of the ladder, you can threaten litigation and very likely get a settlement out of the company . . . even though you acted stupidly.

Rampant litigation and an increasingly pervasive belief that any problem or inconvenience can be remedied by suing or threatening to sue creates a context in which maintaining a free society is increasingly difficult. The litigation-remedy combination works to absolve individuals or groups from consequences of mistakes. Like other aspects of the "Rule of Law," it discourages them from thinking about their actions by shifting the burden of consequence onto others. Thought becomes unnecessary; no matter what happens, someone else will pay for it. As society becomes inured to this situation, government more easily shifts the consequences of its mistakes onto others — us. And after so long, those tasked with bearing the consequences of others' bad decisions may remedy the situation by taking the possibility of decision away. (Some, no doubt, would give it up very easily.)

But like regulation, litigation "can't fix stupid." Nor should it. A free society allows its citizens to fail or to suffer consequences of their bad decisions, so they can learn. An atmosphere of no consequences rewards childlike behavior; the AIG executives' partying and treating themselves to lavish trips despite the devastation around them is a shameful example. When a citizenry becomes childlike, the government becomes the parent who makes decisions.

So, if you burn yourself as you place your just-purchased hot coffee between your legs as you drive away from the take-out window, don't sue the merchant. Instead, consider it an inopportune improvement on your decision-making skills, teaching you not to repeat that behavior. And, while we still have a government by the people and for the people, let's hold our government to the same standard, insisting that the best remedy is to let those making bad decisions suffer the consequences.

— Marla White

**Whoremonger's progress** — Two days after the November election, the U.S. attorney in Manhattan, Michael J. Garcia, announced that New York's disgraced ex-governor, Eliot Spitzer, would not face charges for his patronage of prostitutes — which included transporting them across state

lines in apparent violation of the Mann Act.

It doesn't require a cynical outlook to perceive that attorney Garcia was reading the election returns. Garcia was doubtless hoping to retain his position under the new Democratic administration in Washington. The prosecutor's public statement on the case was, in any case, remarkable. He first asserted that, "on multiple occasions, Mr. Spitzer arranged for women to travel from one state to another to engage in prostitution." He then went on to say that his office had determined "that there is insufficient evidence to bring charges against Mr. Spitzer." I must say, only a lawyer, a politician, or an idiot would attempt to marry those two statements.

Once the threat of prosecution was removed, Spitzer began reinserting himself (sorry) in public life. In December, he started writing a column for *Slate*, focusing, at least at the outset, on the economic crisis. It remains to be seen if his next step will be to sit down with Katie or Diane or Charlie and bare his soul (assuming he has one), in preparation for an attempt to return to elective or appointive office. The arrogance and presumption of the man is stunning.

I hasten to say that I strongly favor the legalization of prostitution. The law has no place in the sex lives of consenting adults (except, perhaps, to restrain the Larry Craigs of the world from committing sodomy in public). But I worry about a man of Spitzer's mentality regaining influence and power. It has been reported that the "escort service" he patronized charged clients up to \$5,500 an hour. Any man who'll pay that much for a Jersey whore needs to be kept well away from public funds, and public office.

— Jon Harrison

**Sweet Caroline** — There was much tumult on both sides on the prospect of Caroline Kennedy as the replacement for Sen. Hillary Clinton. Those opposed to her argued that if her name were Caroline Schlossberg (as does Hillary Rodham Clinton, Caroline Kennedy Schlossberg changes her name effortlessly, depending on which way the political winds blow) she would never be thought of, much less seriously considered. Those supporting her nomination argued that she was eminently qualified, a graduate of Columbia Law and a coauthor of books on the Constitution. Opponents noted that Sarah Palin had more experience in government (elected mayor, elected governor) than Caroline Kennedy (elected to nothing). They suggested that she knows very little of New York beyond the confines of New York City (which is only 42% of New York). Supporters replied that she was at least more qualified than Hillary Clinton, since Caroline had actually lived in New York before being considered for junior senator from New York. The two groups had different views of what is required to be a good senator. One group thought that past experience — winning elections, prior government service — is needed. The other held out for gravitas — Ivy League law school, book writer. One thought it's a matter of nurture, the other, of nature. One thought it's a matter of what you've done; the other, of who you are. Sadly, no one seemed to believe it's a matter of what you think, of what your views of government are. I haven't seen one Kennedy interviewer, even one knowing that she cowrote books on the Constitution, ask her about her views on the constitutionality of, say, the economic bailout. And of course no one asked her if she thought it constitutional for Clinton to become Secretary of State, in

rather obvious violation of the emoluments clause in Article 1, section 6. It seems to me no one is qualified these days to be a member of the United States Senate — the world's greatest deliberative body, handling powers and making decisions more properly reserved for selfless demigods. In the presence of a raft of poseurs — some convicted of felonies, some under investigation, many unscrupulous, and even more lawyers, people having nothing in common beyond the ability to trick a majority of voters in their respective states into the fantastic belief that they would be less bad than their opponents — I can find no reason why Caroline Kennedy should not be seated.

— Ross Levatter

**Pension peril** — Amidst the hoopla of the election and the stock market turmoil, some recent developments have escaped general notice. But they point to some far more serious problems downstream.

First is the fact (upon which I have reflected before in these pages) that 2008 saw the first Baby Boomers turn 62 and thus become eligible for Social Security. Most of them are taking it,

even though (in theory at least) they would get more if they waited until hitting 65.

Second is the fact that the Social Security Trustees — whose job is to monitor the two biggest entitlement programs, Social Security and Medicare — have recently released the latest estimates of the unfunded liabilities of these programs. In a prior Reflection I reported the figure as about \$74 trillion, but the new estimate raises it to a staggering \$101 trillion. Yes, that's trillion with a T, and that stands for trouble. The liability is seven times our current GDP.

Put in other terms, this means that every citizen of the United States, children included, is on the hook for \$300,000 to cover these liabilities. Please note, the liabilities are obligations for entitlements already in existence, over and above all projected tax revenues.

Things get worse. The projected tax revenues don't factor in a major recession (much less a depression), so the gap between what the programs pay out and what taxes actually come in will likely exceed the projected hundred-plus trillion.

## Word Watch

by Stephen Cox

Washington has a new Capitol Visitors' Center, which for some reason is expected to divert tourists from the real Capitol. At the inauguration of this innovative structure (which like everything else in Washington came in more than 100% over-budget), Senate Majority Leader Reid gave a folksy little speech. In it, however, he candidly said what he thought of the American folk, and of himself.

What! How can that be? A senator confessing the truth?

Yes. Continue.

"In the summertime," Reid said, thinking of the bad old days when tourists just turned up on Capitol Hill, wearing their Hawaiian shirts and everything, and expected to view their national monuments without any ritual ablutions or preliminary instruction by museum guards, "you can literally smell the tourists coming into the Capitol. That's descriptive, but it's true." In other words, Reid is an elected representative of the people who admits he can't stand how the people smell.

Almost equally interesting was Reid's distinction between words that are "true" and words that are "descriptive." He clearly doubts that "truth" can exude from mere "descriptive" facts: "That's descriptive, *but* it's true." I always thought that when somebody succeeded in *describing* something, he or she must also have succeeded in stating the *truth*. So what does the senator mean by contrasting the two? Is he a disciple of Hume's radical skepticism? Of Pyrrho's? Was he trained in the cunning logic of the Buddhist sages? How deep does this go with him?

Not very deep, perhaps. Reid may not have intended to make any metaphysical distinction. He may have just been saying something obvious about Washington politics — specifically, about the gambler's buffet of words and "thoughts" that stays open day and night in the nation's capital, the banquet at which he has been fattening himself these 25 years. For the men and women who frequent Washington's ideological steam tables, description really is quite different from truth. Truth, for them,

is something that can never be seen and described, much less relied upon. Truth is a web of mysterious abstractions — *ethnic diversity, social welfare, fair trade, industrial policy, undocumented workers, the challenge of history, the duties of our elected representatives, the wisdom of the American people* . . . nobody knows what these things mean, though they're the leading items on the menu, every day. Then along comes a *descriptive* phrase. Or along comes a fact, such as the fact that *the people* . . . smell! Oh horror. Get them away from the Capitol. Let them eat the Capitol Visitors' Center.

Well, speaking of the hoi polloi, I must now quote Michael Bloomberg, mayor of the city of New York, who on December 16 was asked to appraise the political qualifications of Caroline Kennedy, then bucking for a Senate appointment. That should have been an easy question to answer: Ms. Kennedy has no qualifications. None at all. But the mayor answered in a more elaborate way. "Caroline Kennedy can do anything," he opined. "She's as smart as anyone." Think about that. Did he mean she's as smart as Sir Isaac Newton — or as smart as A.J. Soprano? In either case, what exactly is meant by "*she can do anything*"? Can she invent a better mousetrap? Can she inadvertently destroy the solar system?

Perhaps she could just destroy Detroit. According to a large segment of the Detroit media, that's what the Senate did when, in early December, it temporarily killed the auto bailout — before George Bush, the greatest "conservative" in history, agreed to give his enemies even more of his supporters' money.

Here is the Detroit Free Press on the night it happened: "The final sticking point apparently was when — not whether — UAW workers would have the same wages as the foreign automakers pay. That will seem like an incredibly minor dispute in the face of an industry collapse, and — in many people's eyes — an anchor to hang around organized labor for the rest of recorded history."

Obviously, the Free Press thought the Senate was engaging in



Moreover, this unfunded liability is for the Medicare and Social Security entitlement programs only. It does not include that other spawn of Leviathan, Medicaid. Nor does it include the pension liabilities of the USPS. Nor does it include the Pension Benefit Guarantee Corporation, the federal program which takes on the pensions of workers from defunct private companies. The PBGC already has a large unfunded liability, which will swell enormously if any of the Big Three automakers fails — as seems increasingly likely.

And of course, the hundred-plus trillion dollar figure doesn't include any new federal programs that the next administration may devise, such as an entitlement program for the 45 million or so Americans currently without health insurance.

Worse yet, all these are just liabilities on the federal level. Most states are looking at huge gaps between foreseeable tax revenues and the estimated costs of the pension and guaranteed health care of state employees.

How will the government pay for all this?

I can think of only two ways.

1. It can simply run the mint's printing presses overtime — i.e., it can inflate the currency. Social Security owes you \$1,500 per month? No problem — here's your \$1,500! Sorry it's only worth \$50 in 2008 dollars.

2. It can massively seize assets, through taxation or other means. Taxation alone seems unlikely to do the trick. To cover the obligations from Social Security and Medicare Part A alone, the current 15.3% payroll tax (half paid by the employee, half by the employer) would have to be raised to about 20%. To cover Medicare Part B as well, it would have to rise to more than 30%. This would be on top of federal income taxes, not to mention state income, sales, and property taxes. A self-employed professional in California might well wind up with a 90% marginal tax rate.

What is more disturbing is the prospect of a future administration pulling what Argentina's President Cristina Kirchner (channeling Evita Perón) did in October. She announced that to "protect" private pensions, her government would move those assets (in the Argentine equivalent of 401k plans) into the public system. Of course, global markets have been down,

an "incredibly minor dispute" when it refused to hand over 34 billion dollars *right now* to the auto companies and the unions — though the same paper didn't think it was "incredibly minor" for the unions to refuse to take a pay cut *in 2009* instead of some hazy future. What impresses me more, however, is the comment about the anchor. Here we see that rare thing, a completely incomprehensible statement. *What* is the anchor? *Who* is "hanging" it? And what does it mean to make forecasts about "the rest of recorded history," when *recorded history* is, by definition, something that is in the past, completed?

The verbal gyrations of the Free Press were truly arresting; those of the Associated Press were merely annoying. "Their efforts in Congress squashed," it said, "U.S. automakers are depending upon a reluctant White House . . ." Picture *efforts* being *squashed*. What do they look like afterward? Mashed potatoes? Chickens that wandered too close to the road? One Detroit car that happened to bump into another at 1 mph?

The word, O highly remunerated journalists, is *quash*, not *squash*.

Word Watch has no desire to *quash* anyone, but if quashing be necessary, let it begin with Nancy Pelosi. My God! I thought that Bush was bad. Every time Pelosi opens her mouth, it's like one of those medieval pictures of the Devil vomiting damned souls. Who knew there were so many bromides in this world, and all of them so bad?

Try this selection, cribbed at random from one or two of Pelosi's recent public statements: "viable option" (a *choice* that is somehow *capable of supporting independent life*), "grow the economy" (as one *grows* rhubarb), "Congress is prepared to hit the ground running" (the last time the members of Congress did that, they were exiting the Capitol on 9/11, and they left a lawnful of shoes behind), "rebuilding our infrastructure" (but what about our *extra*structure?), "jump start industry" (git on yo chopper an ride!), "not in a generation have workers faced such challenges" (come, come, every morning I go to work and *face the challenge* of Highway 5), "tough love for the auto industry" (a good one — picture those CEOs and union execs checking into rehab for their dose of *love*).

Want more? I'm happy to oblige:

"I commend Chairman Frank [who was as much responsible for the current economic mess as anyone else on the planet] for his persistence in bringing a very focused and disciplined [economic bailout] bill to the floor" (ten hut! shape up, you maggot piece a legislashun!).

"As Speaker of the House [gosh, what happened to her role as Cruella de Vil?] I am pleased to rise [what a thrill it is for her to get out of that chair!] to quote another Speaker of the House, Sam Rayburn — a legend [whew! I'm relieved to find that he didn't exist, after all] in our country [as opposed to Latvia], certainly in this Congress [it's a long way down from 'our country' to 'this Congress': maybe the legend of Mr. Sam hasn't been so broadly diffused as folklorist Pelosi would lead us to suppose]. He served here with great distinction [ah! There's the stuff of legend!]."

Now go ahead; I dare you — visit <http://www.house.gov/pelosi/> and enjoy Pelosi's other public utterances. This is the Xanadu, the El Dorado, the Shangri-La, the Cloud-Cuckoo Land, the widow's cruse, the bottomless well, the eternal font, the acme and the aegis, the teacup within the teacup of moronic clichés. There's a peculiar genius here — though not, perhaps, so striking a genius as that of one of Pelosi's non-"legendary" predecessors, Thomas B. Reed (1839–1902), who was Speaker of the House in the 1890s.

So far, the current speaker hasn't mentioned this congressional *legend*, and I think I know why. Reed was a notable wit, and he was said to have "detested shams, humbug, and pretense." You can see he wasn't a politician that Citizen Pelosi would revere. Pelosi, who has been acclaimed as "one of the richest members of Congress" (and that's saying something), is apparently not yet rich enough, because she never speaks on any subject without aligning herself with the downtrodden of the earth, while associating the Other Party with the malevolent rich. Reed, by contrast, refused to cater to the worst of human emotions, envy and spite. And unlike Mr. Rayburn, or Ms. Pelosi, Reed had the quality of self-reflection. He said that when he walked through New York and saw the difference between "the brownstone fronts of the rich merchants" and "the unrewarded virtue of the people on the sidewalk" (he wasn't talking about UAW members, now;

but those pensions had averaged a 13.9% annual return. After Kirchner made her announcement, Argentina's stock market dropped 23% of its value in just two days, for a nearly 60% loss since January.

The Argentine Congress has said it will "guarantee" the pensions after seizure, but the reality is that 3 million Argentineans will see their hard-earned savings spent simply to buy Kirchner some support. Her government increased socialist ("redistributionist") spending by 40% this year alone.

I suggest that this is what a future Democratic administration will try — perhaps very soon. — Gary Jason

**Sun: down** — Though the recent death of the New York Sun is disappointing to anyone doubtful about the venerable New York Times (to whose Sunday sections I have occasionally contributed since 1963), I should confess that this daily newspaper, new to the 21st century, always struck me as insufficient, repeatedly failing to realize its aim as a successful alternative. Mismanaged, the Sun was typically tardy in putting its articles gratis on the internet, which meant that until recently impatient readers went first to the Times site.

Founded by a former editor of the weekly (Jewish) Forward, and funded by rich men, the Sun wanted to be classier than the Times. However, within the subtle demography of Manhattan, it seemed aimed more at the old-rich Upper East Side than at the nouveau Upper West Side, where the Times

holds a monopoly. With the same page size as its antagonist, the Sun was certainly classier than the new, smaller throw-away tabloids that are designed to compete with the Daily News, also venerable, still distributed gratis around the City. For one measure, know that I clipped-and-filed some of the better Sun reviews.

Even though the daily cultural coverage in the Sun was more considered and trusted than the Times', the former failed to attract ads from retailers desiring a classier audience. (Two exceptions were an antiquarian book dealer, which wouldn't advertise, say, in the NYT Book Review, and Victor Niederhoffer's libertarian junto, which would take ads in the Sun to announce its monthly meetings.)

I knew sophisticated readers so distressed by the Sun's support of the Iraq invasion that they would go straight to its second section while chucking its first fold of news and editorials. I usually did. It was quoted by conservatives lacking any other paper to quote. Libertarian this Sun wasn't.

Familiar with gutless wonders, I knew that the Sun would be dead. You can't beat publications that lack respect for their purposes; they eventually beat themselves. Too bad it didn't issue stock that I could have sold short, much as I've successfully shorted the Times recently. (When I read of a postmortem party in which Sun staffers doffed the ties and jackets they were previously required to wear, I recognized a sure sign of lethal CMSA — contemporary misplaced status anxiety.) One truth I learned decades ago from the management consultant

their virtue has been well rewarded), his "gorge" rose: "I do not feel kindly to the people inside. But when I feel that way I know what the feeling is. It is good honest high-minded envy. When the gentlemen across the aisle have the same feeling they think it is political economy."

That says pretty much all that needs to be said about Pelosi, with "gentlemen" changed to "lady," and "think" changed to something more visceral.

Of course, she wasn't the only linguistic horror of the Christmas season. Some of its terrors have become routine. How many times can you hear "at this season of joy and giving" without tearing up your checkbook and smacking the first orphan who crosses your path? Then there's the annual pretense that Christmas is not a religious holiday. Paul Beroza tells me that the pretense seemed even more threadbare than usual during the festivities at his daughter's preschool, where parents and children celebrated "The Twelve Days of Holiday," faithfully eschewing the dreaded C-word ("Christmas"). After that, Paul says, he went about singing "It's beginning to look a lot Like Thursday," and "Good person Wenceslaus went out, on the day of Friday." No "King," of course: too male-hegemonist. And "feast" connotes — nay, denotes — some Christian observance or other. "And all should cry, Beware! Beware!" — et cetera.

Well. One good thing about Christmas is the gifts that readers like Paul give this column. I want to thank Skip Premo, who made a valuable contribution to the great Word Watch campaign against gender abuse. He wrote to say that he'd caught The Week magazine discussing someone's "maternal parent." He's pretty certain that it wasn't a joke, and I have to agree with him. It's serious business, being a parent: you've got to be either maternal or paternal; there are no other options.

Thanks also to James Richardson, who brings before this bar of justice two sets of aberrant usages ("abusages," as he calls them). Both are weird forms of civility. The first appears to have rooted itself into Public Radio, where people who say "thank you" are routinely answered by another "thank you." "What happened," asks Mr. Richardson, "to the simple phrase 'you're welcome'?" Good question. But I think he may be expecting too much. I can go through a whole day of buying things without getting even one "thank you" for my money. If the folks on NPR want to thank me for something, I'll be happy to thank 'em back.

The second set of abusages represents inflated moral currency. As Mr. Richardson observes, death is becoming synonymous with heroism. "When I was in school," he says, "all students who met an untimely death got upgraded to 'honor students,' regardless of their actual grades." I remember something like that too. Tom Wolfe noticed it in his novel, "The Bonfire of the Vanities." It's reminiscent of the Salvation Army's synonym for "death": "promoted to heaven." Mr. Richardson quite sensibly refuses to worry very much about the "honor students"; he knows they won't "be using those grades to get into college." But lately he's noticed "how many adults become heroes when they die," even if they haven't performed any "heroic act" (beyond, perhaps, working for the government). "Heroic" currency has become so "debased," Mr. Richardson says, that he's decided it's no longer worth the effort to become a hero.

I suppose that also makes sense. After all, why should Dorothy Gale go around killing witches, only to "be a bust, be a bust, be a bust" in the Munchkins' Hall of Fame? But I suspect that Mr. Richardson is not completely serious. At the end of his message, he compliments this column's "great work — or should I call it heroic?" Now I know he's kidding.

Bernard Muller-Thym is that people reveal what they think of themselves: don't dispute those revelations.

The New York Review of Books, which began as an alternative to a venerable section of the Times, succeeded precisely because its editors respected their mission. That's always a sure measure.

— Richard Kostelanetz

***Boots on the ground*** — Notwithstanding the hopefulness that greets every new president, the presidency of Barack Obama is not off to an auspicious start. The notion that what the United States needs right now is \$700 billion of public works in the next two years is out of touch with reality.

As a Californian, I recognized that Gray Davis — our former governor, recalled when Arnold Schwarzenegger was elected in 2003 — was out of touch when, upon entering office in 1999, he called for construction of a new University of California campus within 18 months. "Hey Gray," I felt like saying, "you can't add a room to your house or build a garage or deck in 18 months," because of the reviews and regulations through which even tiny building projects must pass. The notion that it was possible to build a whole University of California campus that quickly was, well, simply out of touch.

Unfortunately, it appears the same perspective typifies President Obama. There simply are not \$700 billion of "shovel ready" public works projects across the country. And it's not just that there is an extremely lengthy and expensive development and review process through which every project must pass; it is that public works projects are put out to bid and the workers who are employed on them are paid at "prevailing" (i.e., union) wages.

Government capital projects are generally not run directly by government, but are contracted through a bidding process to private contractors who pay the prevailing wage. Public employee unions generally discourage funding that takes away their jobs. Watch for the funds the Obama administration is requesting to be transferred in time to local and state governments for existing projects and personnel. The notion that it will be possible to get \$700 billion of new projects going in the immediate future is, like Gray Davis's approach, out of touch.

— Lanny Ebenstein

***Will the real abuser please stand up?*** —

Last spring, Texas law enforcement raided the Yearning for Zion ranch, a polygamist community in the little town of Eldorado. Four hundred thirty-nine children were separated from their parents and dispersed far and wide because Child Protective Services claimed that they were being abused physically and sexually. There followed weeks of inflammatory discussion about the case in the media, led by CNN's Nancy Grace. Then it was learned that the raid came about as the result of a crank call placed by an out-of-state individual who had a grudge against Yearning for Zion. As the case began to fall apart, it was dropped from prime time and the front pages.

Just before the presidential election, small notices appeared revealing that the case had, in the words of the Associated Press, "largely evaporated." Only 37 of the children remained under court oversight. All the remaining children, save one who had been returned to foster care, were back with their families. The Texas Supreme Court found that

CPS had exceeded its authority by placing all the children in foster care, when in fact it could only show that a handful might have been abused.

We can be thankful that none of the children died at the hands of the state — unlike at Waco, where dozens of "at risk" children were immolated in a fire provoked by Janet Reno and Bill Clinton. But it's clear that many of the children and their parents were traumatized by the actions of the Texas authorities.

I don't want to be in the position of defending Yearning for Zion, a typical American cult whose beliefs leave me cold, but I find more distasteful the state's willingness to harass and threaten those whose only crime is their rejection of the thinking and lifestyle of the mainstream. In a truly free society, there is no place for morality police, or for those who egg them on to sell advertising.

— Jon Harrison

***Global coal*** — A recent article by Alexis Madrigal on the Wired blog reports some research that creates a new wrinkle in the global warming debate. Dave Rutledge, chairman of engineering and applied sciences at Cal Tech, has issued a controversial calculation of extractable coal reserves. According to his model, man will extract a total of 662 billion tons of coal, including what has been extracted already. That is far less than the most recent estimate from the World Energy Council, which puts the amount of coal remaining to be extracted at 850 billion tons.

Rutledge's work, if accurate, has two clear implications, one of which the article notes, and one of which it doesn't.

The noted implication is that since mankind's use of coal for energy is by far and away the leading cause of global warming, the new low estimate of coal reserves means that there will be much less of an impact of human activity upon the Earth's climate. As Madrigal puts it, "So the new estimate, which opens the slim possibility that humankind could do nothing to mitigate carbon dioxide emissions and still escape some of the impacts of climate change, comes as quite a shock."

Indeed, Rutledge's research has predictably angered the more strident global warming devotees, who desperately want to shut down the coal industry ASAP. If it is accurate, we could burn all the fossil fuels we can ever extract, and the amount of carbon dioxide would only rise from the present level of 380 ppm to about 460 ppm, resulting in a rise in global temperatures of something on the order of 2 degrees Celsius — hardly unmanageable. I suspect that Prof. Rutledge will be subjected to attempted reprisals for this implication of his work.

But the second clear implication is that the world may be closer to exhausting its extractable fossil fuels than both the optimists and the pessimists believe. This means that we would need to promote a reliable, scalable, and realistic alternative to fossil fuels — that being nuclear power. Wind and solar simply can't do the job (as useful as they are in limited contexts).

If in fact the direst predictions of global warming are accurate, we need to move rapidly toward nuclear power, which produces no greenhouse gases. If Rutledge is right and in fact we may run out of fossil fuel before it can destroy the planet's climate, then again the obvious choice is nuclear. Add in the

powerful case for nuclear power based upon national security considerations, and the idea of rapidly ramping up those nukes becomes compelling indeed. — Gary Jason

**On the dole** — More than 30 million Americans are taking food stamps from the federal government. And Obama — whose mother, it is often noted, received food stamps for a while when the Anointed One was a child — is expected to expand the program.

In the aftermath of the “symbolically important” crossing of the 30 million threshold (symbolic how? and to whom?), federal bureaucrats have been scuttling about issuing press releases and holding special briefings for what the Washington Post called “advocates and administrators of state food stamp programs.”

Most of the bureaucrats generating self-propagating data about food stamps are employed by the U.S. Department of Agriculture. It’s important to remember that food stamps are subsidies on two levels: first, of the recipients receiving the aid; and second, of the farms whose products are subsidized and supported by the program. Stamps are a twofer; they’re both individual and corporate welfare.

As the program expands, you won’t read much about the corporate welfare elements of food stamps. You’ll hear a lot about “hunger in America” and little children with large eyes. But keep in mind the logos of Archer Daniels Midland, Tyson Chicken, and ConAgra. — Jim Walsh

**Be afraid** — Despite the groundswell of interest in the Ron Paul effort, despite the Americans’ growing distaste for American troops in Iraq and Afghanistan, the public is always just one small terror tantrum away from being gulled into another war. I doubt that when FDR said that the only thing we have to fear is fear itself he meant that we have to be on guard against our politicians manipulating our fear to expand their power and take away our freedoms, but that would be the most reasonable take on that famous phrase.

— Ross Levatter

**Affirmative inaction** — We have elected a black man as president of the United States, quite possibly the highest accomplishment for a human today. Not the only or best reason to eliminate affirmative action, but certainly the most compelling one. However, rather than a goal accomplished, it will be considered a step made on a never ending journey. The need for AA will be continually redefined, not for the benefit of a minority, but for the benefit of those who gain profit and power from the rancor. If we need AA for any group, it is for people with courage. An obvious minority. — Gregory Nunn

**The thin red line** — The Democratic Party now has a hold on the executive branch and both houses of Congress, not a happy situation for those of us who look to divided government for checks and balances on governmental power. The fools and knaves of the Democratic Party (not to be confused with the fools and knaves of the Republican Party) now have almost unchecked power, save for a divided and erratic Supreme Court which may yet fall under their sway.

Fortunately, the Democrats did not win the 60 Senate seats that would have given them a filibuster-proof majority. This is good. The filibuster may be our last best protection from the worst excesses of the party’s ideologues. But while, at this writ-

ing, the final tally is still incomplete because of recounts and runoffs and the Illinois mess, it appears that the Democrats will be just short of 60, leaving the Republicans with a margin of perhaps two — the Republican thin red line.

The metaphor comes from British army formations of the 19th century. The British line, typically four deep, was designed to withstand warlike hordes of Zulus, Cossacks, Russians, Fuzzie-Wuzzies, the French. The term was coined after the Battle of Balaclava in 1859 when the badly outnumbered British thinned their line to two deep. Discipline and luck saved the day. The line held.

Will a Republican thin red line have the discipline and luck to prevail? The audacity of hope. — Bob Marcus

**Sugar pill** — There are many within my political camp who think that Marxism should be eliminated. Personally, I believe that Marxism is quite necessary. In the medical field, to prove the effectiveness of one treatment, it is imperative to give a different set of patients a completely worthless treatment. Marxism is the placebo that proved the validity of capitalism during the clinical trial known as the Cold War.

— Tim Slagle

**Bailout baloney** — As the auto makers get their bailouts, the government seems intent on proving anew two principles of economics: the law of unintended consequences and the perils of moral hazard. Two recent stories illustrate this amply, if not comically.

We can see unintended consequences already. Bush foolishly gave \$15 billion to GM and Chrysler. GMAC (half owned by the Cerberus Group, which also owns Chrysler) has been infused with \$5 billion in taxpayer money, intended to help boost sales of cars, which have dropped as a consequence of the recession caused by the subprime mortgage meltdown.

But GMAC immediately announced that it will start offering auto loans at 0% for up to 60 months on some of its models, and below-market rates on other models, and give loans to people with lower credit scores. So the taxpayer is paying to create subprime auto loans to clean up the mess caused by the subprime home loans of recent years, which by the way were subsidized by taxpayer-supported Freddie Mac and Fannie Mae.

The brilliant idea here is to fight the consequences of past moral hazard with new moral hazard. Pure genius!

But one unintended consequence is that now Ford (which didn’t take taxpayer cash), not to mention the foreign auto makers who don’t need it, will have its sales pushed down by Uncle Sam’s subsidy of GM and Chrysler. So some auto workers will lose their jobs to help save the jobs of other auto workers, all with taxpayers paying through the nose. Great.

A second unintended consequence is reported by a recent Reuters story (Jan. 2). Seeing the auto makers get bailed out has excited the lust of state governors. Five Democratic governors are now asking Obama to kick down to the states some of this happy cash. The governors of Massachusetts, New Jersey, New York, Ohio, and Wisconsin — states legendary for their fiscal chastity! — have humbly suggested that the federal government give the states \$1 trillion to help bail them out of their individual fiscal problems.

So it is that bailing out one industry has led to a cascade of requests by other industries for taxpayer support, and now to



the request by state governments for the same. No doubt city governments will be next, followed by whoever else is left — the Girl Scouts, perhaps.

— Gary Jason

**The tyranny of options** — Interviewed in front of a Sunoco gas station, Marilyn Cronen of Oaksville, Ohio was beside herself with rage. “This is the fifth gas station I’ve been to this morning,” she fumed. “All of them have plenty of gas at much less than I budgeted. Each station has prices lower than the last!! I don’t know what to do! If I buy this gas, my husband will go out and get drunk on the \$50 I have left after filling the tank. Just when I thought he was finally on the wagon, the wagon became much cheaper to fuel. I’m writing my Congressman!”

Cronen is not alone in her frustration, and Congress is responding. Hearings are being called to search for the causes of the precipitous drop in gasoline prices over the last month, which many congressmen feel is “unnatural” and “due to speculator manipulation of the market.” Prices have unexpectedly and rapidly fallen from over \$4 a gallon to little more than \$2 a gallon in many states, leading to tragic disruptions of family plans throughout the country. Previously unaffordable vacations have had to be scheduled at the last minute. Buyer’s remorse is increasing for new Jetta owners who realize they could have afforded the Hummer after all.

One congressional aide, requesting anonymity, said, “The head of Exxon-Mobil is claiming it is just a matter of supply and demand, but my boss isn’t buying it. We think corporate altruism is at fault. These CEOs think they can drop prices any time they want, without ever thinking about the little guy.

Family after is family having to go through the torturous process of deciding which of the many things they’ve postponed getting they can now have. These decisions are painful, but does Big Oil care?”

Katie Couric’s Special: “Cheap Gas; Why It’s Bad, Who’s At Fault” can be seen at 7 p.m. EST, on March 1. On the same day, Hardball’s Chris Matthews will be interviewing Nobel laureate Paul Krugman as well as an as yet unnamed “opponent of laissez faire.” “We’re hoping for a balanced interview,” Matthews said. Rumor has it that Matthews plans to ask Krugman to explain which of the oil executives is most at fault, and whether or not “jail is too good for him.”

— Ross Levatter

**Saline solution** — For two weeks in December, snow sealed the roads of Seattle. I had 8–10 inches at my house, the largest amount since 1996. This time the city put down no salt on the arterial streets. A bit of sand only — just enough to make the ice look unclean.

The state used salt on the highways, but the city would not. The mayor said it was bad for Puget Sound. The city’s political DNA is anti-car anyway; its major road projects reduce the number of lanes for cars. To say the salt was “bad for Puget Sound” was supposed to end the discussion.

Except that it didn’t. Seattle’s lefty press corps was having a hard time getting to work. From columnists and editorial writers rose a rumble of resentment. I was housebound with an ill spouse and didn’t pay much attention to all this until I had to take a relative to the airport. Then I found out.

I live on top of a ridge. With snow, the way down is on an arterial. It is not that long or steep — hardly noticeable in

normal times. Salted, it would have been fine. This time it was snow compacted into gray ice, rutted like a dirt road through the jungle, and crawling, at about 1 mph, with vehicles, most of them without chains. They slipped in and out of grooves and holes, lurched to the side, rear wheels slamming the curb, desperately trying not to overshoot the stoplight at the bottom of the hill, on old U.S. 99.

Seattle is an 80%-plus Democrat city. A green city. It will do almost anything that’s supposed to be good for salmon, but not this.

On SoundPolitics.com, the city’s conservative political blog, Jim Miller castigated the mayor and a letter writer named Wiggins over the decision not to use salt:

“I don’t understand why they don’t know it already, but here goes: Puget Sound already has salt in it.”

The left-wing blog HorsesAss.org, which disagrees with SoundPolitics on everything, made an exception for this one. Geov Parrish, who lives on the same hill I do, was outraged at being without wheels for ten days:

“I’ve lived in any number of places in the South — Houston, Memphis, South Carolina, Virginia — where it snowed in amounts roughly comparable to Seattle: a couple times a year, maybe, and one big storm a decade. Some of these places have hills, too. They cope.”

Seattle didn’t.

And it wasn’t only the government. I gather that in the East, businesses and homeowners routinely shovel snow off their sidewalks and drives. I’ve heard that kids make money by doing it for others. Not here. I’ve never seen it. Maybe one homeowner in 30 shoveled off the sidewalk in front of his house. Here we accept the snow as an act of Mother Nature, and wait passively until she takes it away. — Bruce Ramsey

**Blood money** — Bernard Madoff ran a \$50 billion Ponzi scam that collapsed in the 2008 financial downturn. His lack of morality is stunning to many. He was considered to be of a better class of people; those who do not conduct their affairs in so shabby a way.

One horrific consequence of Madoff’s scheme was the suicide of Rene-Thierry Magon de la Villehuchet. He lost not only his own money but also that of trusted friends and clients. So on Monday, December 22, Villehuchet went to his Madison Avenue office, took a handful of sleeping pills, then slit his wrists. While Madoff’s behavior may engender feelings of contempt for the upper classes, Villehuchet restored some hope that the elite really deserve to be respected. You see, the press reports said: “A security guard found his body Tuesday morning, next to a garbage can placed to catch the blood.”

— Paul Rako

**Chattering class** — Many of the Democrats who now own Congress have made it clear that they will target “conservative” talk radio when Obama takes office. Specifically, they want to reinstate “the Fairness Doctrine” (ended in 1987), which required radio stations to provide equal time for opposing political views whenever a political opinion was aired. President Obama, no fan of talk radio (and especially of Sean Hannity), may well sign such a bill.

Should the Democrats succeed, it would be clear that they were trying to silence an opposing channel of communication. They already dominate TV and print journalism, the

entertainment industry and academia; without talk radio, they would have to face one less medium of criticism.

But an interesting question is whether it would really be in their best interests to target talk radio. A case can be made that Obama's win was caused in great measure by the so-called "conservative" talkerati.

The fact is that the majority of radio talk show hosts are more populist than conservative. Yes, they typically have socially conservative views, such as opposition to abortion and gay marriage. But they are also often economic populists, opposing immigration and (in many cases) free trade. And they very likely cost McCain the election.

The major stars in talk radio vociferously denounced illegal immigration, screaming endlessly about illegals stealing jobs, driving down wages, and being dangerous criminals. They bashed "Big Business" for trying to get some kind of compromise immigration legislation through Congress in 2007. The proposed compromise would have increased legal immigration, at a time when unemployment was less than 5%, and legal immigration was restricted to less than one-third of 1% of the population annually, a paltry amount in the face of the need for labor. And they turned with fury on McCain, who tried in vain to resolve the issue in 2007.

This set the stage for McCain's loss in 2008. By continuously bashing McCain throughout the primaries, the talkerati helped turn part of the Republican base against him. A significant number of Republicans either stayed home or even voted against him.

The tone on talk radio got very ugly, and explicitly anti-Latino. The harsh attacks gave Obama a decisive edge in that community. Bush, who ran in 2004 as a moderate on immigration and took time to praise legal immigrants, won 44% of the Latino vote. McCain, who was forced to spend much of his time during the primaries trying to prove to the base that he was not weak on illegal immigration, drew only 31% of that vote. It is clear that had an even stauncher opponent of immigration, such as Tom Tancredo, won the nomination, he would have fared far, far worse.

Moreover, the number of Latino voters jumped from 7.8 million in 2004 to 10 million in 2008, a whopping 28% increase. There was an intense anger among them at being unfairly singled out for abuse. Obama cleverly ran ads replaying unfortunate remarks by Rush Limbaugh about Mexican immigrants — remarks taken out of context, but still repellent. Obama picked up southwestern states that had earlier voted Republican, winning 73% of the Latino vote in Colorado and 76% in Nevada.

Populist radio hosts thus deepened divisions among Republicans and alienated Latinos, who are in most regards culturally and economically conservative. With "friends" like the talk show superstars, the Republican Party hardly needs enemies.

Indeed, several of the most popular of them now brag about being "Reagan conservatives," not "Republicans first." That is especially strange to hear, given that Reagan, proud descendant of immigrants, never passed up an opportunity to praise them, and (ironically) signed the last major amnesty bill. He also famously pushed the 11th Republican commandment, "Thou shalt not attack other Republicans."

Democrats are fond of bailing out dysfunctional indus-

tries. Perhaps instead of trying to kill talk radio, they should shovel money at it, with an eye to destroying Republican chances once and for all.

— Gary Jason

**Sentimental monarchism** — The outrage was unanimous after it was reported that the governor of Illinois had put Barack Obama's Senate seat up for private sale. Outrage was less than unanimous, however, when it was reported that Hillary Clinton's Senate seat in New York might be offered to Caroline Kennedy.

The grossest curtsey to this idea came from Ruth Marcus, columnist for the Washington Post. She wrote, "What really draws me to the notion of Caroline as senator, though, is the modern-fairy-tale quality of it all . . .

"In this fairy tale, Caroline is our tragic national princess. She is not locked away in a tower but chooses, for the most part, to closet herself there. Her mother dies, too young. Her impossibly handsome brother crashes his plane, killing himself, his wife and his sister-in-law. She is the last survivor of her immediate family . . . What a fitting coda to this modern fairy tale to have the little princess grow up to be a senator."

But America is a republic, not a monarchy. We don't have princesses here. Offering a U.S. Senate seat to a citizen who has never run for office or achieved any great thing solely because she is of the Kennedy clan is worse even than putting it up for bid. At least in an auction there can be some competition, and an ordinary rich person has a chance for it. And at least then the corruption is obvious, even to newspaper columnists.

— Bruce Ramsey

**Fat chance** — I recently bought a soft drink at McDonald's, when the firm was in the midst of its annual, highly popular Monopoly game.

My soft drink cup was advertising the game. It quoted a \$1 million winner who said, "I was able to purchase my dream house with Monopoly money."

Four possible endings to this Reflection:

1. I'm not used to overt political commentary from McDonald's.
2. Hmmm . . . Freddie Mac . . . McDonald's . . . it's all beginning to make sense.
3. The problem is that this winner wasn't the only one who did that.
4. Sometimes you just can't write funnier commentary than what you're given.

— Ross Levatter

**Stagflation nation** — I'm getting ready for Great Depression number two. But it's kind of hard to prepare for.

First of all, I can't really say what Great Depression number one was like. I know about the pictures of men in bread lines (but prosperous cities have had men in breadlines for decades) and James Agee's compelling portraits of poverty in Appalachia (or was that the 1920s?). In the past, when I asked middle-class people of my parents' generation about the Great Depression, I got mixed comments. "There were no jobs, so you just went to school," said one. "It was the Depression, so everybody had to work," said another.

The prolonged depression of the 1930s was caused (according to the conservative chapbook) by protectionism (especially the Smoot-Hawley tariff), Herbert Hoover's tax cuts of 1931, and, above all, the Fed's decision to make a

drastic cut in the money supply. FDR's policies then prolonged the Depression.

But our coming Depression has been launched by too much liquidity. Apparently what Alan Greenspan and Ben Bernanke learned from the past is that more money never hurts, even if it is printed from thin air.

And this time around, they save banks rather than throwing them to the winds. I remember Milton Friedman saying that a pivotal factor in creating the Depression was the decision to let the New York Bank of the United States fail. It was a private bank, but the name sounded so official that its collapse sent terror through the world.

If the cause of the Great Depression number one was insufficient liquidity (thanks to the Fed), we now have too much liquidity (thanks to the Fed and the Bush administration), or at least too much money floating into questionable places.

Yes, we have commodity prices sinking, consumer spending falling, unemployment rising — all signs of economic decline. But we have hundreds of billions of dollars floating around propping up banks in trouble, plus banks that aren't in trouble: since we're giving out money, why not reward those that were discreet as well? Those funds must either be forked over by the taxpayer or, more likely, paid through inflation (taxation without representation).

So I'm beginning to get the picture. Great Depression number two might be a lot like the 1970s, but done up in a big, global package, complete with gas lines.

The 1970s mystified Keynesians, with inflation and recession occurring at the same time. But eventually everyone came around to agreeing that you could have both if you really messed things up.

And we've really messed things up. So welcome to the Great Stagflation. At least the best minds understand how it happened. Heck, they brought it about. — Jane S. Shaw

**Hailing Caesar** — Why, when the president visits anywhere, is the Constitution suspended? In fact, any and all laws seem to be at the mercy of the traveling executive. Eleven thousand troops at the inauguration? A rather princely life, isn't it? Roads and streets are closed, airspace is closed, vehicles are stopped, people are kept in their respective buildings by armed government agents, snipers look at you through their rifle scopes, gunships ply the skies doing the same. Speak out and you will get a visit by some of the same agents. Offhand comments, anyone? How about detention without arrest? Safety and liberty tradeoffs have been frequent topics in America since the days of Franklin. Should the citizens question the loss of liberty when elected servants to the people drop by, usually for political self-promotion? Dare we ask? — Gregory Nunn

**Pensions and organs** — Two recent articles in *The Wall Street Journal* allow me to revisit topics I have reflected upon before.

The first (Nov. 28) reports on the growing concern at the Pension Benefit Guarantee Corporation (PBGC). Most people in this country have been watching the pathetic attempts by the American auto makers to try to stay in business with taxpayer funds. But the PBGC — the U.S. government agency that guarantees the pensions of workers in private industry — is watching with special interest. The auto makers are

planning to tap their pension funds to "buy out" superfluous workers. That puts the PBGC in considerable danger, because if the companies use up their pension funds on buyouts and then go out of business, the PBGC would be stuck with the pensions of hundreds of thousands of auto workers.

The PBGC already insures the pensions of 44 million Americans, and it ran a \$14 billion deficit last year. We can only guess what the deficit will balloon to if the Big Three fail after draining their own pension funds. It is estimated that if just GM were to fail and lay its pension burden on the PBGC, the deficit would double to \$28 billion. But that estimate is probably low, and anyway, any scenario in which GM fails would likely include the failure of Ford and Chrysler as well.

The second article (Dec. 17) reports the sad news that the number of Americans now waiting for an organ transplant has hit the 100,000 mark for the first time in history. Very likely 6,000 a year will die while waiting. As I wrote in the October, 2007 *Liberty*, this is entirely a result of the crazy National Organ Transplant Act of 1984, the brainchild of the brainless Al Gore, then senator from Tennessee.

This bill threatens potential donors and recipients with a possible \$50,000 fine and 5 years in prison in cases where any "valuable consideration" is given to prompt an organ donation. It is so draconian that when Pennsylvania passed a modest bill that would have paid organ donors' funeral expenses, state workers refused to carry it out for fear that the feds would prosecute them.

The *Journal* advocates that Congress pass a modest law proposed by Sen. Arlen Specter to clarify the federal law to allow small state tax deductions. I think it is time to allow outright sale of organs under reasonable regulation, the kind of policy I sketched in these pages earlier. How many thousands will die before America gets real about organ sales, beginning with repealing Gore's damnable law, God alone knows.

— Gary Jason

**Leviathan promises** — In the weeks before last fall's presidential election, the head of the American Federation of Government Employees requested that Barack Obama write a series of letters to the union's members expanding on campaign trail promises the candidate had made. Obama complied with enthusiasm.

In the letters, Obama promised to scale back contracts with private firms, remove censorship from scientific research, and expand environmental regulations. Of greatest interest to the government employees was what Obama wrote about his intention to "erase the backlog" of Social Security disability claims and grant Transportation Security Administration workers full collective bargaining rights (previously denied them under the guise of national security concerns).

Even some of Obama's supporters worried that his letters to the government-employee unions laid the promises on too thick. Some of the program changes and worker benefits he described are practically impossible to achieve. But porcine statists didn't mind. According to one Jeff Ruch, executive director of a special interest group called Public Employees for Environmental Responsibility, "That strikes me as smart politics."

Public Employees for Environmental Responsibility must use a peculiar definition of "smart."

As I've noted before, Barack Obama is essentially a product of government-employee unions. They are his core constituency. For the first time in American history, the leviathan has elected its own president. We're in an undiscovered country.

— Jim Walsh

**Give them more rope** — Many of us are outraged over the housing crisis and subprime loan atrocity, courtesy of government-backed Fannie Mae and Freddie Mac. We're also worried about the cost and long-term effects of the government bailout. But, you probably did not know that taxpayers have been funding this subprime area for quite some time, courtesy of the United States Department of Housing and Urban Development.

There's more to the subprime mortgage story than has so far been told. And you guessed correctly, it involves government's very visible hand using your tax money to interfere with the housing market.

One of my main assignments as a local government attorney was to advise and assist the locality's community services department, which distributed HUD funding to various recipients. A large part of these funds went to low-income "clients" in the form of down payment-settlement help loans (ranging from \$3,000 to \$5,000) to cover settlement costs for first-time home purchases. In other words, our tax dollars were "loaned" to people to cover settlement costs they otherwise could not afford, for home purchases they otherwise could not afford. How did I know most loans went to people who could not afford the houses they were to inhabit? Because, besides having to read each file, my job was to petition the sheriff's office for remaining proceeds from each weekly sheriff's sale — from bank-initiated foreclosures on many of these same houses.

One day, I questioned the department's program supervisor as to why the locality continued issuing loans when so many ended in foreclosure, especially considering the fact that our sheriff's sale recoveries were usually pennies on the dollar. I was told that all the money had to be distributed, or it would have to go back. To which I responded, you mean back to HUD, or back into my pocket, where this tax money actually belongs? I was met with a blank stare. She muttered something about hoping to increase repayments over the next year. I responded that I didn't think the locality's commitment to collection at foreclosure was going to fix the problem. After doing this job for several years, I can tell you, it didn't.

I would venture that the supervisor with whom I worked is typical. Rather than reworking or jettisoning such an unsound program, her response was to spend all the HUD funds, lest the locality receive less the next year. When the government taxes citizens for programs that are obvious failures, rest assured that the bureaucratic and governing class will not stand in its way. At all levels, it will work tirelessly to keep spending your money.

So, as we citizens rant and rave about the housing crisis, Freddie Mac, Fannie Mae, and the resulting credit crunch, don't forget that for a long time, the nexus of local and federal government, through HUD, has been doing its part to hinder the economy by using your tax dollars to fix socioeconomic inequities of the housing market.

Halloween may be long over, but if you want to give your-

self a scare by seeing just how deep the problem goes, submit an FOIA request to your locality's community service department or housing authority asking how much, and to whom, HUD funds are distributed. Don't say I didn't warn you.

— Marla White

**Nuclear madness** — Every 10 or 15 years, it seems, statesmen in their dotage come out in favor of abolishing nuclear weapons. First, back in the '80s, it was that old war criminal — I mean defense secretary — Robert McNamara. Then, in the '90s, retired general Andrew Goodpaster (a man of honor, by the way) took up the crusade. Last fall, four old Cold Warriors — Henry Kissinger, George Shultz, Sam Nunn, and Bill Perry (the latter three men of honor) have called for a policy of reducing, eventually, the American nuclear arsenal to zero.

Both Barack Obama and John McCain voiced support for the goal, though November's loser, McCain, showed more sense than consistency by stating that our nuclear arsenal should be reduced "to the lowest level we judge necessary." McCain was right, for the simple reason that the abolition of nuclear weapons is nothing more than a pacifist's dream.

Consider a world in which the United States had no nuclear weapons. Even if we assume that Russia and China would honor an agreement to destroy their own arsenals, what would the strategic situation then be? Clearly, China would be the greatest power on earth. With a population more than four times our own, her conventional forces would be able to dominate the area between the Persian Gulf and Hawaii.

Nuclear weapons are nasty things, but they prevented the Cold War from turning into World War III. Many of you reading this page would not be here today otherwise. No other weapon or combination of weapons possesses the deterrent capability of nukes.

Nuclear weapons-making expertise would not vanish from the earth if existing arsenals were destroyed. What would we do if a North Korea or an Iran secretly built up a stockpile of weapons? That is a prospect we need never fear, if we reject the folly of total disarmament.

When Averill Harriman negotiated the Test Ban treaty with the Russians back in 1963, he had a revealing conversation with Soviet leader Nikita Khrushchev. Harriman said to Khrushchev, "Suppose that the United States and the U.S.S.R. came to an agreement to abolish nuclear weapons. Suppose that both sides carried out the agreement in good faith. Suppose, further, that after the United States had destroyed its weapons, the U.S.S.R. found a dozen of its own that it had quite innocently overlooked. What would happen then?"

"Our ultimatum would follow immediately," Khrushchev replied.

Secretary of Defense Gates, in an October 28 speech to the Carnegie Endowment for International Peace, outlined the reasons why the United States must maintain and upgrade its nuclear arsenal. He welcomed the prospect of fewer and better weapons, as opposed to none. The secretary and his boss, the soon to be ex-president Bush, deserve kudos for their realism and refusal to bow before feel-good policy prescriptions for disarmament. Loser McCain also deserves credit for not traveling that primrose path. One hopes winner Obama will not go down it, either.



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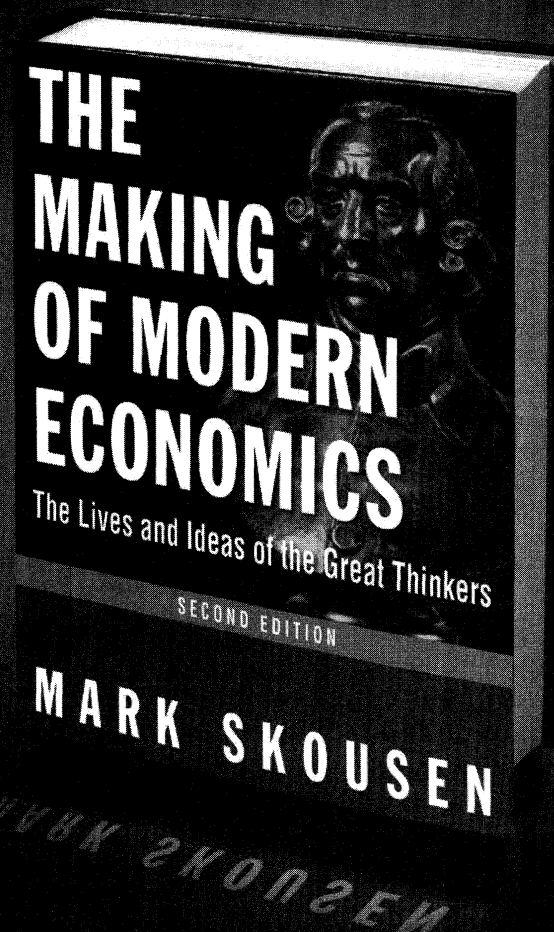
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Why old soldiers and statesmen pursue the will-o'-the-wisp of total nuclear disarmament is beyond me. Perhaps it can be attributed to idealism, though aging is more likely to breed cynicism, I believe. Sad to say, the utter impracticality of the idea makes the onset of senile dementia seem the most likely cause.

— Jon Harrison

**Slash away** — If, as seems likely, the economy continues to tank in 2009 (the only question appears to be how much), get ready for screaming by public employee unions across the land — in every state, municipality, village, and hamlet. By some measures, governments at all levels already employ about one worker in five in the United States.

Government has been a super-growth industry in recent decades. Typical economic growth of 2–3%, plus inflation, new taxes, and fees, has meant that most government agencies have had increases in their nominal budgets of 6–7% a year, every year, for decades. The overwhelming bulk of this new money has not gone toward new services but for more pay and benefits for existing jobs, together with the creation of millions of more administrative, clerical, and bureaucratic positions. As Friedrich Hayek wrote, even in 1979: “It can scarcely be doubted that quite generally politics has become much too important, much too costly and harmful, absorbing much too much mental energy and material resources.” Amen.

The challenge that governments at all levels face is that their employees have become used to almost inevitable 5% per annum raises in pay and benefits. But even the nominal economy may show a decline in the 2008–09 or 2009–10 fiscal years, or both. Rather than a 5% raise, government employees may have to take a 5% cut. That’s a 10% swing.

Expect an outcry from public employee unions as the awful truth dawns that the long expansion in government revenue is over. There will be innumerable calls to raise taxes and fees, and to shift expenses into future fiscal years and income into the current year. The idea that, in the face of a severe economic downturn, government employment and expenditures should be substantially cut, as is the case in the private sector when revenue declines, will hardly be heard.

Now is the time to redouble efforts for less and more effective and efficient government. The exorbitant pay and benefits that many government employees receive have finally become so out of line with the rest of the economy that genuine opportunities for reform exist.

— Lanny Ebenstein

**Thinning the herd** — Over the holidays, my family traveled to visit grandparents and cousins. Because of our older children’s school schedules, we flew in two groups, which meant that my wife and the older kids flew out of Sea-Tac on a red-eye in the midst of a December snow. The Seattle area doesn’t get much snow, so chaos ruled at the airport. (You may have seen a picture of the crowds of stranded passengers that The New York Times ran on its front page.)

With people backing up everywhere, the senior clerk at the customer service desk for one airline made the announcement that Sea-Tac Airport was closed and would remain so until the next morning. She said that there wouldn’t be any seats available out of Sea-Tac until the day after Christmas. Many people, by my wife’s reckoning more than half the crowd, left.

But the announcement wasn’t true. The airport was still

open; only the one airline had canceled its flights for the one night. My wife said it was strange to hear the announcement that Sea-Tac was closed while airplanes were visibly taking off in the background. But many people took the clerk’s word for the truth, because, on a basic level, she was in a position of institutional authority. She wanted to thin out the crowd of disgruntled people, and she saw the crowd as a monolithic unit rather than as individuals who wanted to see family for Christmas.

This is the essence of institutional decadence. People are not treated as individuals.

When the line had thinned, the clerks helped the remaining passengers reschedule their flights. Some were placed on other airlines. My wife and older kids were rescheduled on the first flight out the next morning. Their delay ended up being a few hours — the worst hours, to be sure — but they got to the rest of us later on the day originally planned.

About the same time, my father, who recently had heart bypass surgery, mentioned some shortness of breath to his cardiologist during a regular appointment. The doctor noticed some irregularity in his heartbeat and suggested that he check in at the local hospital for a standard battery of blood tests. (Bypass patients live on a heavy combination of blood thinners and other drugs in the months after their surgeries. Often, the mix of meds needs to be adjusted.) The cardiologist told my father that checking into the hospital would be best for everyone; if he needed to stay in overnight, he could be out in time for Christmas.

Things changed once he was at the hospital. His regular cardiologist was no longer in charge. Instead, the staff heart surgeons at the hospital were the authorities. And they thought my father might need a pacemaker. And this would take a few days to determine.

To the hospital staff, my father wasn’t simply a guy trying to get his shortness of breath resolved quickly. He was more like a fully-insured (even richly-insured) “whale” whose plan would pay all hospital bills in full. He ended up staying in the hospital for five days — through Christmas. The staff specialist in charge of implanting pacemakers wasn’t available until the day after.

Like disassembling airline clerks at Sea-Tac, the staffers at my father’s hospital treated people impersonally.

The United States is in the process of socializing large parts of the economy. Get ready for the impersonal affronts of institutional decadence to proliferate.

— Jim Walsh

**Corruption breeders** — The Democrats captured Congress in 2006 and strengthened their control in 2008, boasting loudly that they were going to clean up Washington. But the last year has revealed that their own house needs to be put in order. Luckily for them, the mainstream media (MSM) are not reporting much of the rampant corruption.

Take the most obvious recent case, that of Governor Blagojevich of Illinois, caught trying to sell President Obama’s vacated Senate seat. While the MSM covered the story — rather hard to ignore, given that the crook was recorded discussing the sale to whomever would take his calls! — the press has generally been as unaggressive as lambs when it comes to demanding from Obama a release of all records on

*continued on page 26*

# Same as the Old Boss?

*by Bruce Ramsey*

Reports of Obama as radical, revolutionary, or  
messianic have turned out to be exaggerated.

Rahm Emanuel, Obama's chief of staff, was reveling in the political possibilities of disorder: "You don't ever want a crisis to go to waste," he said. And in the weeks after the election of Barack Obama, there were thoughts and images of Obama as a 21st century Franklin Roosevelt, who had made the most of a crisis 76 years before.

As 2008 ended, however, the danger seemed somewhat smaller than that. Emanuel is representative of the men and women whom Obama has brought in. They're different from Roosevelt's crew. Emanuel is no Rexford Tugwell, no Henry Wallace, no academic dreamer of the sort that Roosevelt brought to Washington. Emanuel was an investment banker. He was a fixer for President Clinton and a member of the center-left Democratic Leadership Council. The remark about not wasting a crisis was a tactical thought only. Certainly he had an itch to use state power for such things as health insurance, non-petroleum energy, and at least a dozen other things, but his ideas were the mainstream ideas of the Democratic Party.

Republicans had tried to paint Obama as a Marxist. They had made a big deal of the fact that Obama served on the board of trustees of the Woods Fund, a Chicago money pot for "community organizing," "housing advocacy," etc., and had sat on the board simultaneously with one Bill Ayers, who had been a founder of the Weathermen, a seriously radical organization. During Obama's time in elementary school, the

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Weathermen engaged in what Ayers later called "symbolic acts of extreme vandalism [and] . . . attacks on property." But in 1980 Ayers had turned himself in, had not been charged with a crime, and had eventually become a professor of education at the University of Illinois.

Meanwhile, Obama had managed *his* life without blowing things up. Rightists said that Obama's voting record was about as far left as you can get in the United States Senate. This was true enough, but it was a self-limiting statement. Obama was no Dennis Kucinich. He had not run for president on a Left-Democrat platform. Among the main Democratic contenders, John Edwards (he of the enormous mansion and the beloved wife) was the leftiest. And Obama had not run as a candidate of ideas. His slogan had been "Change," a word that he kept purposely vague. In large part, it seemed, the change would simply be Obama himself.

To the nonideological American the main worry about him wasn't socialism but youth and inexperience. The sins of youth are hotheadedness and romanticism. So Obama took

pains to be cool and soothing, as Reagan had done in 1980 when accused of being a warmonger. Having so little experience, Obama surrounded himself with jobholders who had sacks of it. As a junior senator in his first term, he chose a Senate lifer, Joe Biden, to run for vice president on his ticket. As president-elect, he accepted Bush's much praised secretary of defense, Robert Gates, as his own, and Clinton crony Bill Richardson as secretary of commerce. Obama took the Democrats' equivalent of Alan Greenspan, Paul Volcker, out of retirement and named him economic adviser. He took the

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*For Iraq, Obama's intentions were becoming less dramatic. . . . By December, he was talking about "a responsible drawdown."*

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boss of the New York Fed, Timothy Geithner, and named him secretary of the treasury. For secretary of energy, he selected Steven Chu, head of the Lawrence Berkeley Laboratories and winner of a Nobel Prize.

The Left was not happy with these choices. "Liberals are growing increasingly nervous — and some just flat-out angry — that President-elect Barack Obama seems to be stiffing them on Cabinet jobs," wrote Capitol News. "He's stocking his White House with anything but stalwarts of the Left. Now some are shedding a reluctance to puncture the liberal euphoria . . . to say, in effect, that the new boss looks like the old boss."

In the leftist weekly the Nation, Christopher Hayes ruefully noted how often Obama had been labeled with those sandpaper words "pragmatic," and "non-ideological." Hayes went on to recall that others had been called that who really were not: Alan Greenspan, for example, who was a close associate of the ideologist of radical capitalism, Ayn Rand. Maybe there was still a leftist hope. (Hayes did not note the facility with which Greenspan shed Rand's ideas in practice.)

Libertarians, by contrast, were hoping that Obama would be a huge disappointment on the ideological score. But they were hardly sanguine. Fred Smith of the Competitive Enterprise Institute worried about energy and environment. Obama had been promising "an ambitious and complex energy policy" that would really, really, *really* wean America from petroleum. The center of the campaign would be new taxes and rules, with an Obamian team of rulemakers. Smith emphasized the fact that Obama had picked Clinton's Environmental Protection Agency chief, Carol Browner, as his environmental adviser. "Browner's not moderate," he said.

He worried that the EPA could declare carbon dioxide a pollutant, unleashing a soda fizz of regulations. He worried also about cap-and-trade, a system of tradable rights to pollute designed by the regulatory state. "That will be a fight," he said.

As gasoline slid below \$2 a gallon and business conditions worsened, Obama dropped talk of immediate repeal of the Bush tax cuts and of bleeding Big Oil to death. The job

of the day was economic rescue. Bush had done it big and Obama would do it bigger — maybe blasting a trillion paper dollars into the stream of commerce. On the campaign trail, the Democratic nominee had offered a gift package of expensive stuff, including flexible training accounts for workers, a fund to protect homeowners from foreclosure, more after-school programs, more child care, more Head Start, more solar and wind energy, switchgrass energy, a bigger army, more Marines, an expanded Medicaid, an expanded State Children's Health Insurance Program, more Border Patrol agents, more community block grants, more money for farmers, yet more money for *small* farmers, and more services for veterans.

He even suggested a new government program to help entrepreneurs.

For Iraq, the president-elect's intentions were becoming less dramatic. In July 2008 he had said, "I intend to end this war . . . responsibly, deliberately, and decisively." "Decisively" sounded solid, but how much did "responsibly" and "deliberately" liquefy it? Libertarian blogger Justin Raimondo observed on Antiwar.com (Aug. 25, 2008) that Obama's VP pick, Biden, had supported Clinton's air attack on Serbia in 1999 and Bush's invasion of Iraq in 2002. As chairman of the Senate Foreign Relations Committee in 2002, he had allowed no testimony from opponents of Bush's impending war. Wrote Raimondo, "The 'new politics,' it turns out, is pretty much the same as the old politics, of which Biden — a Washington insider for the past 35 years — is the exemplar."

The selection of Gates as defense secretary confirmed this. So did the choice of Biden. The VP choice had been a reliable signal eight years earlier, when George W. Bush had picked Dick Cheney. Bush would go on to talk about a "humble" foreign policy, but the Cheney pick betrayed that as unlikely. Maybe it would be the same with Biden.

And it wasn't just Biden and Gates. It was Hillary Clinton, who had supported the war from the start, and for long after most of her fellow Democrats had given up on it. Hillary was an exception to Obama's pattern on appointments: her experience did not qualify her for the job. Her appointment was designed to keep her "inside the tent." Her appointment suggested that Obama planned to concentrate on domestic, not

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*Long term, health insurance is probably the big thing to worry about. But the worry would have been the same under any Democrat.*

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foreign, issues — though 95 years earlier, when another not-too-experienced Democrat, Woodrow Wilson, had appointed his primary rival, William Jennings Bryan, as secretary of state, it hadn't worked out that way. Bryan had differed with Wilson's fake neutrality in World War I, and had resigned in protest.

We shall see how long Hillary Clinton lasts as Obama's secretary of state.

In any case, the foreign-policy appointments showed that Obama was unlikely to make a quick end to the Iraq occupation, or, as he had said in July, a *decisive* end to it. By December he was talking about “a responsible drawdown” — again a cautious word, *responsible* — that would leave behind an undefined number of forces (military and civilian) to “maintain stability.”

But that was *Bush's* policy.

Obama had said during the campaign that he would renegotiate the North American Free Trade Agreement, presumably more to the benefit of the United States and less to that of Canada and Mexico. His economic adviser, Austan Goolsbee, had whispered to the Canadians not to worry about it, a hint that some dumb Canadian leaked and Obama had to deny. Traders assumed that Goolsbee had been telling the truth, but

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*People forget that Roosevelt did not run on a radical platform in 1932. He reached for power because he sensed the opportunity.*

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it worried them that Obama had voted against the Central American Agreement and had been supported in his election campaign by the unions. George W. Bush had been no purist — his farm subsidies had sabotaged the multilateral negotiations — but his administration had negotiated quite a number of two-country trade and investment deals. The most important was with South Korea, but that agreement remained unratified on either side. Obama was less likely to ratify it and less likely to pursue more two-country deals. Yet he was not fundamentally anti-trade, as Ross Perot had been 16 years before.

In sum, the future was clouded. There seemed to be no revolution in prospect. Nevertheless, the economic earthquake of 2008, the vision of Obama as a messiah, and the Democrats' gain of two-score seats in Congress suggested that the changes could be greater than usual. Evoking modern liberal hopes and libertarian fears, and summoning something like the shade of FDR, the New York Times left-liberal columnist Paul Krugman commented on Nov. 10: “Progressives hope that the Obama administration, like the New Deal, will respond to the current economic and financial crisis by creating institutions, especially a universal health care system, that will change the shape of American society for generations to come.”

Hillary Clinton had been for mandatory health insurance. Obama had been against it. But both had been for extending the offer of subsidized coverage, which already exists for the old and the poor, to every American not otherwise insured. Indeed, Democrats had been preparing the country for this idea for 60 years, and polls suggested that they now had a majority with them. In the matter of medicine, most Americans want to be taken care of. But most of them already are taken care of, either by an employer or by the government, and they don't want to lose what they have. Fomenting fear of such a loss is how the insurance industry killed Bill and Hillary

Clinton's plan for government health insurance in 1993–94.

For that reason, and for financial reasons, the Democrats will likely enact a plan for the uninsured only. Doctors and hospitals, whose interest is in getting paid, will be inclined to support it. Republicans will play from a weak hand. Their alternative, health savings accounts, have been successful only with the self-employed. They are a niche product only. Republicans, too, like to be taken care of.

Among long-term political changes, health insurance is probably the big thing to worry about. But the worry would have been the same under any Democrat, and whether there was an economic crisis or not.

Obama also supported card-check for union representation elections, a scheme to which the Democrats have given the Orwellian name, “The Employee Free Choice Act.” Since the New Deal, the system to unionize workers has been a work-group election with a secret ballot. Libertarians have never approved of union representation by election because elections decide for the group as a whole, winner take all, and the libertarian view of the worker's right of contract is that it is individual and can be delegated only by the individual. To a libertarian, asking each individual to sign a card to accept the union is fine, *if* the workers who signed would be in the union and the workers who refused would not. But that isn't the proposal.

The proposal is for a group election with a non-secret ballot. Because membership of the whole group is potentially at stake with each worker's vote, and the union rep can put the card in the worker's hand and ask that he sign, this system offers *less* freedom of choice than the current one. And so the Republicans will be opposing it *by defending the labor law of the New Deal*.

Expect a big fight over card-check, with Republicans talking about the sacred right of the secret ballot.

The card-check bill also includes another thing that weakens free negotiation: a provision for binding arbitration. That, said Fred Smith, “may be more dangerous than card check.” And there are other proposals that libertarians would fight: bringing back the Fairness Doctrine (another Orwellian name) to kill talk radio, for example. Obama has not endorsed it, but leading Democrats in Congress, such as House Speaker Nancy Pelosi, have done so with enthusiasm.

The degree of boldness of the new administration will depend only partly on what Obama believes. It will also depend on his mantle of sainthood, to what extent it still exists, and how long it may last; on how courageous Republicans are, and how well they fight; on the media; on the public mood; and on events generally. People forget that Roosevelt did not run on a radical platform in 1932, or have a radical vice-president, at that time. He reached for power because he sensed the opportunity, which existed partly in the reigning ideas of the day and partly in the circumstances in which he operated. The ideas are different today — less systematically socialist, though not necessarily less enamored of state power.

Much will depend on how far business falls. In the month before Obama's inaugural there was a feeling that the stock market might be near a bottom and business might be within six months of an upturn. If so, the opportunity Rahm Emanuel spoke of will be nothing special. But if there is another lurch downward, everything will change. □



## Reflections, from page 22

the involvement of his staff, especially that of his chief assistant Rahm Emanuel.

But the scope of Democratic corruption, recently revealed, is much broader and deeper than just the Blago story. Consider next the case of the greatest private Ponzi scheme ever perpetrated, Bernard Madoff's fraudulent investment firm. Now, again, the MSM covered the story, but as simply that of another Wall Street wizard ripping off the public. What the MSM has been virtually silent upon is Madoff's record of campaign contributions.

Despite some early, modest contributions to a few Republicans, Madoff was a major Democrat contributor. During the last four years alone he contributed \$100,000 to the Democratic Senatorial Campaign Committee. At other times he contributed \$8,300 to Senator Chuck Schumer's (D-NY) campaigns and various lesser amounts to such luminaries as Hillary Clinton (D-NY), Jon Corzine (D-NJ), and Frank Lautenberg (D-NJ), not to mention a dozen other prominent Democrats.

Another prominent congressional Democrat who received Mad Madoff Money was Rep. Charles Rangel (D-NY). But Rangel is embroiled in even bigger ethics scandals. First, it turns out that he channeled nearly \$80,000 from his campaign funds to his son's company for "web design." (The company is headquartered in his son's house.) This is the same son for whom Rangel had earlier found a job in the FCC. While these actions may be technically legal, they reek of nepotism at the least.

The ever industrious Rangel is also facing four major House ethics panel investigations on other matters, such as his use of a rent-subsidized New York flat as an office, and his failure to report rental income from a palace he owns in the Dominican Republic.

Then there is the curious case of Ohio's Director of Job and Family Services, one Helen Jones-Kelley. She is just one of apparently a number of high state officials who used their positions to dredge up dirt on Samuel Wurzelbacher, aka "Joe the Plumber." Jones-Kelley, an ardent and unprincipled Obama supporter, was furious at the sight of an ordinary citizen daring to ask Obama a tough question (something the MSM never does). So she took it upon herself to search the state's database to find dirt. She has now resigned, along with the department's assistant director Fred Williams.

The real scandal is that these partisan hacks weren't fired and hit with criminal charges the moment it came to light that they misused their offices to destroy a citizen in an effort to advance their preferred chosen candidate. It appears that Mr. Wurzelbacher was subject to as many as 18 computer checks by various state employees, and unfavorable information given to the press about him, yet Democratic Governor Ted Strickland has been predictably limp about dealing with this blatant abuse of power. Nor has the MSM cared much about the story of a vicious attempt to destroy an ordinary person who dared to speak truth to power. Had he been a terrorist at Guantanamo the press might have cared more about his rights.

Now that the Democrats control Washington completely,

we can expect that corruption will soon reach flood proportions. As Acton famously remarked, absolute power tends to corrupt absolutely. And the MSM will continue to under-report the facts.

— Gary Jason

**Marshall Fritz, R.I.P.** — With his booming voice, towering figure, and rapid-fire mind, Marshall Fritz (1943–2008) was the embodiment of the old Reader's Digest title, "My Most Unforgettable Character." Marshall died of cancer on November 4, a sad loss to the libertarian movement.

I met him in 1987. I was excited by the new organization he had created, the Advocates for Self-Government. Its mission was crucial: to help libertarians successfully communicate the ideas of liberty, avoiding the disastrous communication errors that were hampering the growth of the libertarian movement.

I invited Marshall to use my home as a base when he came to Georgia for the 1987 Democrat National Convention. That weekend, he and his co-conspirators converged on the convention with the newly-invented "World's Smallest Political Quiz," based on a chart created by Libertarian Party co-founder David Nolan. Marshall added ten simple questions on political issues. At the convention, he introduced thousands of people to libertarian ideas.

Marshall's quiz quickly spread around the world. Since 1987, over 10 million card versions of the quiz have been distributed. On the internet, the quiz has been taken over 11.5 million times. It is taken thousands of times every day. It reached still more millions by being reprinted or discussed in newspapers and magazines, including the Washington Post, the Atlanta Journal Constitution, the Miami Herald, and the London Sunday Times.

Marshall became my friend and mentor. He inspired and encouraged and challenged me, as he did countless other libertarians. He traveled around the world sharing his passion for liberty with everyone he met. The quintessential extrovert, he loved people and he loved sharing ideas. Being with Marshall was always an adventure. In a restaurant, you would find yourself in lively conversations with numerous strangers — waiters, fellow diners, the restaurant owner — all irresistibly drawn to this witty and provocative figure. Still others might be sharing in the same conversation long distance, via Marshall's ever-present cell phone. Marshall never missed an opportunity to open minds and hearts to libertarian ideas, and to bring together people to work for liberty.

In 1994 Marshall founded the Alliance for the Separation of School & State. He became a leading spokesman for ending government involvement in education. He was almost single-handedly responsible for bringing the phrase "separation of school and state" into the vernacular.

In reading tributes to Marshall, it is remarkable how many people say he literally changed their lives. His optimism and enthusiasm gave many libertarians hope for the future and encouraged them to stay in the fight.

Texas Representative Ron Paul recently read a moving tribute to Marshall into the Congressional Record. He concluded: "All of us who care about building an effective freedom movement owe a debt of gratitude to Marshall Fritz." Amen.

— Sharon Harris

# Questioning One's Insanity

*by Thomas S. Szasz*

On one thing our authors agree: psychiatry  
can be a dreadful thing, especially when it's  
sponsored by the state.

"The Changeling," the recent Clint Eastwood movie, "reveals the perversity of a system in which it is virtually impossible to prove one's sanity," writes Jo Ann Skousen (Jan.–Feb. 2009). This statement completely misses or avoids the point about the problem psychiatric incarceration poses for many libertarians.

To begin, the term "sanity" ("insanity") refers to a judgment, not a phenomenon or illness or fact. In "The Changeling," Angelina Jolie's character has no trouble proving to her son's dentist and teacher that the boy impersonating the child is not her son. She has trouble proving it to the police and the psychiatric system. Why? Because they are corrupt and destructive, each having its own fish to fry. The police's fish is staging a publicity stunt to enhance its soiled image. Psychiatry's fish is convincing the world and itself of the lie that insanity is an objectively identifiable illness "like any other" is true.

When psychiatrists categorize ("diagnose") an unwanted individual as "mentally ill" or "insane," they do not describe or identify a disease, they delegitimize a person or behavior — formerly homosexuality, now substance abuse. However, our culture and laws authenticate psychiatrists as bona fide medical doctors and define the "conditions" they call "mental illnesses" as diseases on a par with cancer and diabetes. At the same time, psychiatrists continue to incarcerate "mentally sick" persons and possess the power to compel "patients" to submit to unwanted invasions of their bodies with toxic chemicals and electrically induced grand mal seizures.

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How do friends of freedom deal with the conflict between elementary libertarian principles and prevailing psychiatric practices? This is the question I addressed and answered in my book "Faith in Freedom: Libertarian Principles and Psychiatric Practices" (2004). The distinguishing feature of the libertarian philosophy of freedom is the belief that self-ownership is a basic right and initiating violence is a fundamental wrong. In contrast, psychiatric practice is based on the belief that self-ownership — epitomized by suicide — is a medical wrong and that initiating violence against persons called "mental patients" is a medical right.

Are self-medication and self-determined death exercises of rightful self-ownership, or manifestations of mental diseases requiring deprivation of liberty? Does deprivation of liberty under psychiatric auspices constitute odious preventive detention, or is it beneficial, therapeutically justified hospitalization? Should forced psychiatric drugging be interpreted as assault and battery or medical treatment?

These questions point to delicate, embarrassing, uncomfortable human dilemmas that most people prefer to avoid.

Although "Faith in Freedom" received glowing prepublication endorsements from several prominent libertarian scholars, neither Liberty nor Reason reviewed it.

Skousen, describing Jolie's character's psychiatric imprisonment, writes "When she complains to the police and begs them to continue the search [for her kidnapped son], the police chief has her committed." Skousen realizes that there is a problem here that stares us in the face and yet we do not want to look at:

It's a frightening issue, one that hasn't gone away: many states have the equivalent of Florida's Baker Act, under which a person can be committed to 30 days in a mental institution without recourse, if a psychologist [sic, not psychiatrist] deems the person dangerous to himself or others. (And when the psychologist is employed by the police department, it's pretty easy to predict whether the detainee will be so deemed. My own daughter came frighteningly close to being Bakered when she was 17, so I know how quickly it can happen.)

Nevertheless, Skousen avoids a more serious moral engagement with the routine use of psychiatric coercions (and excuses) in the United States. She is not alone.

Deirdre McCloskey — the Tinbergen Distinguished Professor at Erasmus University in Rotterdam — is an internationally recognized economic historian, teacher, and writer. In addition to numerous works on economics, she is the author of "Crossing: A Memoir" (1999), an autobiographical account of her journey from Donald to Deirdre McCloskey. What makes McCloskey's "Memoir" of particular interest and importance is that she is, to my knowledge, the only prominent libertarian who has been personally violated by psychiatrists: she was "hospitalized" — twice — because she "suffered" from a dread disease called "transsexualism." If not for her professional and social status, good attorney, and financial ability to fight the Chicago psychiatric machine, McCloskey might still be languishing in some Illinois state mental hospital. And she, too, probably wisely, chose to not engage the psychiatric Leviathan.

In a review of "Crossing" in The New York Times, the poet and writer Maxine Kumin attributes McCloskey's ordeal in part to mistakes by poor psychiatrists:

His sister and one of her academic colleagues played a sinister role in trying to thwart him. They conspired to have him committed as mentally incompetent — unfit to sign papers for optional surgical procedures. . . . Twice during his determined journey into womanhood, they managed to have him incarcerated — handcuffed, locked away where he could not harm himself, at first in the University of Iowa Hospital's mental ward and later in the University of Chicago Hospital — to await evaluations by psychiatrists whose knowledge of his situation was less than rudimentary.

The shrinks he had the misfortune to encounter seemed still to be operating at a pre '60s level.

The truth is that the psychiatrists McCloskey encountered were among the leaders of the profession. In Iowa, McCloskey's psychiatrists were Raymond Crowe, Professor of Psychiatry, an expert on Genetics and Developmental Neurobiology, a "seasoned, well-funded researcher"; and Robert Robinson, Professor and Chairman of the Department of Psychiatry, a recognized researcher in neuropsychiatry, and

former Chairman of the Neurosciences Review Committee, National Institute of Mental Health. In Chicago, McCloskey's psychiatrist was Fred Ovsiew, a Member of the American Psychoanalytic Association, Associate Professor of Clinical Psychiatry at the University of Chicago, and director of its Inpatient Psychiatric Unit. These men cannot be dismissed in the way Kumin dismisses them. The fact that she assumes the doctors who abused McCloskey were bungling psychiatric troglodytes speaks for itself.

Revealing her inability to see past the psychiatric rhetoric to the psychiatric slavery it conceals, Kumin remarks, "Gender crossers are still waiting for the gender identity disorder to be removed from the list of mental illnesses." After their experiences with the mental health system, I would expect at least some gender crossers to scoff at psychiatric diagnoses and not care what unpopular behaviors psychiatrists classify as diseases. During my own lifetime, psychiatrists have removed masturbation, fellatio, cunnilingus, and homosexuality from the list of mental illnesses, yet managed to triple and quadruple the number of disorders listed in the American Psychiatric Association's (APA) "Diagnostic and Statistical Manual," adding, for example, caffeinism, nicotinism, dysmorphobia, and pathological gambling.

The legitimacy of psychiatry rests entirely on its being a branch of medicine. It has no legitimacy as a quasi-theological system allied with the state for the forcible resolution of family conflicts and social problems. Sadly, there is, in modern society, no legitimate space for thinking and speaking clearly about psychiatry. Even emphasizing the differences between consensual psychiatric practices helping patients and coercive psychiatric practices harming them is now anathema.

The practices of psychiatric slavery are deeply embedded in our society. Even an account as fine as "Crossing," written by so eminent a witness as Deirdre McCloskey, makes no impact on the unquestioning approval of this peculiar institution by bioethicists, journalists, writers — and many libertarians. □

#### Jo Ann Skousen responds:

I appreciate Thomas Szasz's eloquent and informative response to my review of "The Changeling." Although I would not go so far as to agree with him that psychiatry is a "quasi-theological system aligned with the state," or that there is no such phenomenon as mental illness, I don't think we stand in opposite camps on the issue of psychiatric abuse and incarceration.

Szasz writes: "To begin, the term 'sanity' ('insanity') refers to a judgment, not a phenomenon or illness or fact." In my review I wrote: "the doctor has deemed her unbalanced." "Deemed" means "judged," so I don't see where we disagree. The doctors judged her unbalanced. That did not make her so "in fact."

Szasz takes umbrage at my use of the phrase "prove one's sanity" because he does not accept the idea that sanity is a condition that can be proved or disproved. But I used the word "prove" in a legal sense, not a scientific one. Christine Collins was incarcerated by court order, so she would have to be released through a reversal of that order, which meant she

*continued on page 34*

# Promise Now, Pay Later

*by Jim Walsh*

Among the states, the question isn't who is most likely to succeed — it's who is most likely to default.

For a fleeting moment, between tabloid outrage over the crooked Illinois governor and Bernie Madoff's Ponzi scheme, we caught a glimpse of the coming reckoning. Bureaucrats at various levels of American government play a game of hot potato with financial responsibility for the benefits that politicians promise voters. The game involves trick plays — unfunded mandates, off-balance-sheet transactions, and imaginary "trust funds" that don't contain any money. But these tricks won't prevent the potato from dropping to the floor. It may not drop this time. But it will drop.

Already, in September of last year, California's state legislature was struggling to close a \$15 billion budget deficit, one of the largest in state history. But its projections for the troubled 2009 fiscal year proved, almost immediately, to have been too optimistic. State tax revenues — from income taxes, sales taxes, and property taxes — were all down. Substantially. And within 90 days, the state predicted, it was facing an additional \$11.2 billion deficit for 2009. Gov. Arnold Schwarzenegger had run out of jokey references from his old movies. He suggested an increase in the state sales tax; but legislators in his own (nominal) party, the Republicans, rejected the idea. He was left to admit that the Golden State might not be able to pay its bills.

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California wasn't the only state having money troubles. Many states along the east and west coasts were pinned between the Scylla of collapsing real estate values and the Charybdis of constitutional mandates for balanced budgets. Some were reporting that their unemployment insurance reserves were running out, just as claims were starting to spike. They didn't have many options. To balance their books, they had to cut budgets or raise taxes.

So they appealed to the federal government for financial aid. Schwarzenegger spoke openly about his plan to appeal to the incoming president for direct federal support to California's operating budget. His assumption — which seemed to be shared by other state officials — was that the \$720 billion Troubled Asset Recovery Program that Congress had created in the fall of 2008 could be used as a multi-purpose slush fund. (And the Bush Administration's cagey use of TARP money only encouraged these conclusions.)

Some disgruntled Californians blamed the fiscal crisis on state benefits offered to illegal aliens and their “anchor babies” born in the U.S. And that is a major and growing expense. The real flashpoint, however, lies somewhere else. And it doesn’t even show up in the red ink-stained 2009 budget.

During the 13 months ending in early December 2008, the investment portfolio of the California Public Employees’ Retirement System (CALPERS) lost almost a third of its value — an \$81.4 billion drop from just over \$260 billion to just under \$180 billion. CALPERS manages retirement money for a

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*CALPERS fund managers invested in risky ventures. If they screwed up, they could always rely on local governments.*

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range of government employees, including firefighters, police officers, social workers, and some teachers. Fund managers said that capital reserves designed to protect against market downturns were helping offset the losses, but they reserved the right (accorded specially to CALPERS by California law) to require state and local governments to contribute additional cash to support the defined pensions promised to CALPERS beneficiaries.

This statist version of a capital call is unique in the American labor market. Only government entities can do it. But, as CALPERS executives reviewed their investment losses and mulled their options, local government officials insisted they didn’t have any additional cash to contribute. CALPERS’ response was that it would sue local governments that didn’t pay up if the investment portfolio was still in the red by June 30, 2009. In terms of draining resources from the commonweal, illegal aliens are amateurs when compared to CALPERS pensioners.

California Treasurer Bill Lockyer, who sits on the CALPERS board, predicted that if local government agencies had to dig deeper to fund pension obligations, “state and local government employers would be spending more on retirement than on some immediate program needs.” Legacy labor costs were overwhelming current operations. The beleaguered executives at General Motors could tell you about *that*.

It wouldn’t take Friedman or Hayek to see that a rational solution to actuarially-unsound pensions for government workers would be to convert their pensions to a 401(k)-like defined contribution system. In 2005, Schwarzenegger had proposed converting California’s public pensions to just such a system, but government-worker unions (chiefly the Service Employees International Union, but also some teachers’ collectives) went on the warpath against the reforms. The Governor backed down.

Why is CALPERS in such financial trouble? If it funded reserves against market volatility, why does it have to go back to local governments, like a child at summer camp who’s blown through his spending money and is now writing mom and dad, and asking for more?

In part, CALPERS is in a pickle because it didn’t just invest in Treasury securities and index funds. Impaired by moral hazard, its fund managers mistook themselves for Donald Trump; they invested in high-flying real estate projects and other risky ventures. And why not? If they screwed up, they could always rely on the help of local governments.

As day follows night, they did screw up.

In June 2008, southern California-based LandSource Communities Development LLC filed for Chapter 11 bankruptcy protection — another victim of the subprime mortgage market collapse. LandSource’s business plan had been to develop 23,000 houses on 15,000 acres of land it had purchased in the far outskirts of Los Angeles. The houses would be marketed to low- and middle-income buyers, precisely the people pushed out of the homebuying market when easy-credit mortgages disappeared.

But how did this longshot failure affect CALPERS? Badly. Just a year earlier, the pension fund had invested about \$900 million in cash and property in LandSource, receiving in exchange a 62% interest in the development project. The original developers, which included real estate firms LNR Property and Lennar Homes, pocketed CALPERS’ cash. At the time of this investment, LandSource’s property was valued at \$2.6 billion; a little more than a year later, in June 2008, it was valued around \$1.8 billion. If you believe that losses don’t matter, you’re more likely to incur them.

LandSource wasn’t CALPERS’ only bad investment. It had purchased or guaranteed financing on more than \$3 billion of real estate in several California markets. The guarantees had a disastrous impact on its portfolio. In many cases, it had bought undeveloped land using 75–80% debt, and then hired other firms to develop, build, and sell houses on the property. When the single-family home market collapsed, some projects dropped below the value of the underlying loans. Because CALPERS had guaranteed the financing, it risked taking losses on entire projects, not just on its cash investment.

Promiscuous use of the term “guarantee” is something common to CALPERS ventures. In early 2008, CALPERS investment executives started hiding behind money-management jargon that sounded more like sleazy Enron doublespeak than the populist righteousness they’d historically

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*Because CALPERS had guaranteed the financing, it risked taking losses on entire projects, not just on its cash investment.*

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avored. According to one report, they “made [it] clear that those March [2008] valuations did not represent market value and that staff expects to provide net assets at fair market value in its next quarterly real estate report.” And:

The board hired additional real estate consultants and advisers to help assess each project to determine whether to continue holding the property, build smaller homes on some parcels to pay down the debt or sell it off entirely.



Hiring consultants. The last act of desperate people.

For decades, government employee pension funds have been some of the easiest and most reliable sources of capital management fees for Wall Street firms. Despite (or maybe because of) this lucrative connection, many Wall Street sharpies say that the pension funds remain underfunded because the managers are stupid.

In the summer of 2008, CALPERS realized that it was going to have to do something to make up for losses it had suffered in its residential real estate adventures. It needed to maintain an overall investment return of about 7.75% to meet its financial targets. Its real estate projects were deep in the red, and its conventional stock portfolios were struggling. So, it cashed out billions of dollars from its stock portfolios and transferred that money to funds run by legitimate but aggressive investors like Leon Black and Wilbur Ross. In short, it got into the hedge fund market just as *that* market started to drop.

What's the upshot of these money mistakes? Forbes.com quoted one pension expert as predicting that CALPERS might have to cut benefits and payouts by 30% because of investment losses. CALPERS, of course, sees things differently. According to an October 2008 article that CALPERS supplied to a firefighter union website:

The U.S. economy is experiencing the biggest financial crisis since the Great Depression. . . . CALPERS remains financially sound, our members' defined retirement benefits are guaranteed by law, and our highly diversified portfolio and long-term market position will help us weather the storm. We will have a voice in much-needed market reforms.

That "guaranteed by law" part is an urgent theme for CALPERS. It appears three times in the firefighter article alone, and CALPERS repeats the phrase often, as if it has some talismanic quality. It doesn't. Laws have no magic that defies actuarial gravity.

In the article for firefighters, CALPERS went on to offer advice for "steps to fix the market":

- Continuing federal action is needed to restore stability — step by step, market by market — to remove leveraging and take losses.
- The federal rescue plan is a positive first effort of what should be a comprehensive, thoughtful review of the federal role in overseeing the financial markets. The focus should be on solving the problem and implementing the lessons learned.
- There's talk in Washington, D.C., of changing the regulatory environment to eliminate gaps in oversight and make it more comprehensive. These changes might entail stronger capitalization rules, realistic leveraging limits, and better reporting rules.

This was ironic: an insolvent pension fund presuming to recommend financial market reforms.

It's easy to talk about deleveraging and taking losses when your own mistakes are "guaranteed by law." In standard legal contexts, a contractual guarantee from an insolvent party is dismissed in bankruptcy court. But this resolution doesn't apply to the guarantees that local California governments give CALPERS. Those are required by statute. So the proper question is: What happens when one government entity makes a law that involves a "guarantee" by other government entities,

which may not be solvent?

The short answer seems to be that all sides turn to President Obama for financial aid.

While CALPERS positioned itself to make a capital call that local governments couldn't afford, New Jersey's pension fund was creating similar discord in the Garden State. The New Jersey fund had lost more than half its value in the year

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*CALPERS investment executives started hiding behind jargon that sounded more like Enron doublespeak than the populist righteousness they'd historically favored.*

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ending in November 2008, dropping from a value of \$118 billion to just under \$58 billion. (This endowment funds pension payouts of about \$5.2 billion each year.) Some of its bad investments included late purchases of stock in CitiGroup, Merrill Lynch, and several other ill-fated Wall Street firms, just as their troubles were becoming public knowledge.

While New Jersey Division of Investments chief Bill Clark ran through the wretched numbers with the State Investment Council, Gov. Jon Corzine promised a convention of local government officials that he would let them postpone half a billion dollars in payments that they were scheduled to make to the pension fund this spring. The local governments would gradually work their way back to full payments by 2012, the money to come, of course, from taxes. Corzine's proposal was moral hazard run amok. In trouble with bills coming due? Okay. Then stop making *any* payments, until you can find someone else to pay them.

The New Jersey approach seems, at first glance, more supportive of local governments hurt by the recession. Yet it is, ultimately, not very different from the California appeal to Obama. It just gets to the same point in another way. Corzine wasn't as direct as Schwarzenegger; in New Jersey, they'd count on the indirect effects of Obama's massive stimulus package to resuscitate state tax revenues. This was naive, to put it mildly.

The absurdity of New Jersey's situation wasn't lost on anyone. One government bond analyst replied:

The state of New Jersey is insolvent. Bankrupt might be a better word. New Jersey is \$60 billion in the hole on pension funding and the Governor is planning on skipping payments in a "pension payment holiday" until 2012 so as to not increase property taxes. To top it off, the ongoing plan assumptions are 8.25%. Sorry NJ, that simply is not going to happen.

As in California, New Jersey's pension problems follow from bold promises and bad actuarial assumptions. On average, state workers contribute less 4% of their total expected pension return. In other words, some New Jersey employees invest \$80,000 and get back defined benefits of \$2 million over the course of their retirements.

As in California, some serious people suggested moving the New Jersey pension system to a defined contribution program. But others warned that, even if new government employees were given 401(k)-type retirement benefits, the existing employees would remain stuck in an unsound program. And, in many circles, the suggestion of moving existing state employees into 401(k)-type plans was deemed political suicide. Few elected officials in New Jersey will even *discuss* that scenario, at least on the record.

Another budget-buster was health insurance for retirees before they become eligible for Medicare. If New Jersey enacted legislation that required all state and local retirees to

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### *What happens when one government entity makes a law that involves a "guarantee" from a separate, and insolvent, government entity?*

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pay half their health care costs, the other commitments to pensioners would become manageable almost immediately. Few will talk about this. But denial isn't a solution. Pensions built on credit aren't viable in the long run. Supposed "guarantees" can't trump hard numbers.

Even before the investment losses of 2008, two actuarial factors were driving New Jersey's pension costs to unsustainable levels. First, the number of public employees on the pension rolls has increased dramatically in recent years; second, politicians had granted state and local government workers several unscheduled bonuses and cost-of-living raises. Taxpayer income and state revenue didn't keep up with the escalating public employee payroll costs, including guaranteed pension obligations.

State officials should have been honest about their pension obligations and made the necessary payments to fund them fully. Instead, they spent the early- and mid-2000s on a manic spending spree. In late 2008, the bill came due. Corzine recommended hiding it, unopened and unread, at the bottom of the stack, until he talked either New Jersey taxpayers or President Obama into taking care of it.

The thing to keep in mind, despite Corzine's rhetoric, is that the nearly \$60 billion he was seeking was not money owed by New Jersey taxpayers. It was money already paid that government fund manager had lost. So, again, the relevant question: Is a guarantee from an insolvent government worth anything? During the summer of 2008, John Bury, a columnist for the Newark Star-Ledger, wrote:

Will participants in the New Jersey state retirement plan lose their pensions if the plan runs out of money? The answer I kept getting was that they won't because those benefits are safeguarded by the state constitution. After some research, I concluded otherwise.

In the precedent decision *Spina v. Consolidated Police & Firemen's Pension Fund*, the New Jersey state supreme court had declined to apply conventional contract rights to a retire-

ment plan because a defined-benefit plan must, by its nature, assume solvency that a contract doesn't. "We think it more accurate to acknowledge the inadequacy of the contractual concept" as applied to retirement plans, the *Spina* court concluded. In other words, any contractual "guarantee" in a retirement plan is inherently suspect.

This is a key point: if you make a contract with a bankrupt entity, that contract is suspect. There's no guarantee of solvency. Claims of pension moneys being "guaranteed by law" are dubious. If the plan is bankrupt, its solvency is obviously not guaranteed. Public officials (and, for that matter, pensioners) who count on these supposed guarantees are being reckless.

Corzine wasn't alone in his recklessness. He was merely following a rogues' gallery of New Jersey governors in playing games with government employee pension accounting. In the 1990s, Gov. Jim Florio had the assets of the public pension funds reevaluated, since their book values were based on their purchase price, and they'd risen in value. He had fund investments revalued to show a rolling five-year historical average. Florio's adjustment gave the assets a higher value, which allowed any more contributions to be decreased or eliminated.

Five years later, Christie Todd Whitman was governor through the dot.com bubble. During her tenure, the New Jersey pension fund invested heavily in tech stocks. The return on those investments was good, but not good enough for her to keep taxpayer monies away from the pension funds. So she revalued the assets from Florio's five-year average to a market value average that boosted the paper value of the stocks even higher. And she told local governments they could take a holiday from contributing pension money.

Private-sector money managers avoid market-pricing asset models for retirement portfolios that are close to having to distribute funds to owners. The closer you get to needing to take money out of a retirement fund, the less the market value of holdings matters. What matters is the cash flow generated by those assets — which is why conventional money management strategies move retirees into fixed-income securities. Fixed-income investments (including corporate or government bonds) are more about paying dividends than about rising in value. But statist bureaucrats can't resist the go-go allure of booming asset values.

Rather than buying bonds, Christie Todd Whitman sold them. She approved issuance of \$2.2 billion dollars in bonds with a 30-year term, paying 8% interest. Most government bond interest rates at that time were a couple of points lower, but Whitman argued that these bonds were special. They made no payments for the first 12 years and then, during the last 18 years, they paid both the deferred interest and the current interest. She appeared to assume that high interest rates would be no problem because dot.com-type investment returns would go on forever. She was wrong — sort of like the current CALPERS and New Jersey fund managers.

The interim governor who followed Whitman after she joined W. Bush's administration wanted to keep the job, so he kept using Whitman's grand assumptions and even raised government pension payments by about 9% in a shameless attempt to curry favor in and around Trenton. He failed. James McGreevey was elected governor. His treasurer came up with

the idea of privatizing some of the investments to hedge funds, which were doing better at that time than conventional stock investments. This move wasn't immediately catastrophic, but it moved New Jersey several steps down the path to a high-risk pension portfolio. The pension funds dropped in value to \$53 billion in 2003. By the end of fiscal 2007, they'd climbed back to \$82 billion; but realistic actuaries argued that this was still at least \$24 billion below being fully funded.

McGreevey had some personal-life issues and resigned. Corzine won the next election. To his credit, he did try to restore some local government contributions to the underfunded pension fund. But in actuarial terms his efforts were too little, too late . . . and he backed away even from these when the economy turned bad.

In both California and New Jersey, mistakes have been made by various administrations and both major political parties. From the perspective of government workers, Schwarzenegger, Corzine, and the others have all been stealing, because — whatever the mechanics of the various schemes — they haven't put in enough money to fund the supposedly guaranteed payouts. Even if the state of California or the New Jersey pension fund gets direct injection of cash from President Obama, there's little reason to expect that local politicians won't siphon it away again (perhaps indirectly, by putting in less than actuaries would require).

How can Schwarzenegger and Corzine get away with this stuff? What prevents Obama from telling them to solve their own problems?

The answer to both questions is government employee unions. The influence of public-sector unions (specifically, teachers' unions and the SEIU) in California and New Jersey leads to unsustainably generous benefit and pension packages. These have made California, Michigan, and New Jersey the General Motors, Chrysler, and Ford of state governments.

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*State officials spent the early- and mid-2000s on a manic spending spree. In late 2008, the bill came due.*

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Private-sector workers watch their retirements wiped out by Fed-induced market bubbles; financially responsible citizens watch their savings wiped out by Fed-induced inflation. All the while, government workers insist that their money is "guaranteed" by the spendthrift state.

The risks posed by the budget problems in California and New Jersey — which are, particularly, pension problems — are only beginning to surface. Similar issues will occur elsewhere. Limited-government advocates worry that, in the end, the only way Obama can save the pensions of the SEIU member who were his early supporters will be to copy Argentina and seize the savings of those who have saved for themselves.

Ambrose Evans-Pritchard, a tart financial columnist for the English newspaper the Telegraph, wrote a piece in November that looked at speculation among European traders that vari-

ous nations and American states will declare bankruptcy, or default on their debts. These traders had developed markets for derivative securities that set present value on the risks that governments will default. According to British traders, the American states most likely to default, and their relative risk "scores," are:

Michigan	192
California	165
Nevada	164
New Jersey	150
Ohio	104

There were some limits to this exercise. The original models for calculating default risks were designed for sovereign nations. California doesn't print California dollars. (If it did, it

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*Private-sector workers see their retirements wiped out by Fed-induced market bubbles while government employees insist their money is "guaranteed" by the spendthrift state.*

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would probably be debasing that currency even more aggressively than the U.S. is doing now.) Most of the British traders expected that, if an American state went bankrupt, the federal government would intervene.

Evans-Pritchard looked at the prospect of a state bankruptcy in the same way that a rational investor would look at a troubled company. If a company's risk was increasing, as reflected in a share price consistently below industry average and a cost of borrowing consistently above, what would investors want sound management to do? It would probably do five things, in the following order: replace some or all of the firm's directors, cut discretionary and operational expenditures not linked to wealth creation, dispose of assets that don't contribute to immediate wealth creation, pay down debt, innovate and improve performance to regain market share or develop new markets.

How does a financially troubled state government do any of these things? The judgment of governors and state pension managers is often clouded by moral hazard. This is the reason that government-employee pension funds (like some private-sector pension funds) are chronically underfunded. Employers, whether government or private-sector, make the rational decision that childlike demands for "guaranteed" pension benefits will result in some kind of subsidy or bailout at a later date.

The same phenomenon occurs when a young adult spends too much money because he assumes his parents will bail him out. Some young people never make this kind of mistake. Of those who do, most make it only once. A handful, from particularly indulgent families, make the mistake repeatedly. The United States has been particularly indulgent to its government pensioners.

The best solution is to privatize state pension funds and put them in the control of the beneficiaries. It's the only reliable way to keep politicians' hands out of the pension cookie jar and, ultimately, out of the taxpayers' pockets. It would force local governments to budget for and fund (in real time) new benefits granted or new employees hired. If the pensioner hands all of her money over to Bernie Madoff, that's her folly. The current crisis is a joint-and-several folly forced on all of us. It would be a little harder for politicians (the Madoffs of the "guaranteed by law" swindle) to lie to and steal from taxpayers if state employees controlled their own pensions.

Limited government advocates may have a hard time mustering excitement about the issue of government employee pensions. But the death of the leviathan state will start with a pension debate. Already, the post-World War II generations are finding Social Security benefits — which are even less actuarially sound than CALPERS' promises — smaller, and harder to earn for current recipients. If you're under 50, you know the feeling: you're not going to collect the way your

parents have or did. You're going to pay more and longer into the system and you're going to withdraw less for a shorter time.

Inflation-indexed, defined-benefit pension plans and gold plated post-retirement health care benefits for government employers are the greatest off-balance-sheet financing trick of the post-World War II era. These actuarially unsound programs have a corrupting influence on *all* pension programs. They encourage citizens to think in childish terms about financial planning, crying about "guaranteed" benefits whenever times get hard. As the current and wretched state of these pensions suggests, they seem likely to drive all participating states to eventual bankruptcy or default.

Barack Obama probably has the political capital to prevent the current recession from becoming the crisis that kills big government. But a president's political capital is merely a function of America's overall financial capital. Sometime soon . . . maybe next time . . . the hot potato is going to drop and the game is going to end once and for all. □

## Questioning One's Sanity, *from page 28*

had to prove to the court that she was sane. If Szasz does not think it possible to "prove one's sanity," then surely he sees the "perversity of the system," as I described it.

More importantly, I agree with Szasz that psychiatric incarceration is a serious issue, because it gives government agents the power to condemn without trial any behaviors of which they do not approve. That's why I compared Collins' experience to what is happening at Gitmo through Homeland Security today. In short, I did not say the issue isn't important to libertarians or indeed to all people; the point of my review is that I didn't think this particular story, dramatic and emotional though it was, gives us cause for celebration. Collins' tormentors were found guilty, but the practice of psychiatric incarceration did not end with her case, so it was a limited vic-

tory. Moreover, 20 boys were brutally terrified, tortured, and murdered. The film gave audiences plenty of reason to be horrified, but nothing to cheer about, in my opinion.

One final point: Szasz's "sic" notwithstanding, it was indeed a psychologist, not a psychiatrist, who interviewed my daughter in preparation for incarcerating her under the Baker Act. A psychiatrist surely would have been the next step if the police had been successful in their bid, but the initial interview was performed by a psychologist, who sent me a letter later that week informing me that she deemed my daughter a danger to herself. Fortunately, by that time our attorney had secured my daughter's release and we filed the letter under "C" for "Crackpot." But let me warn you: Never throw a water balloon at a parked car in Orlando. □

## Letters, *from page 8*

of our republic, then please, get with Cato and others to start an intensive PR and education effort. As the statists now in power inevitably continue to work to ruin our economy and take our liberty, a focused media campaign might begin to soften up the electorate. How about starting with a remake of "Free to Choose," possibly narrated by John Stossel? With the benefit of such a campaign, a fresh, articulate Republican candidate with a real understanding of the free market and the ability to explain what are actually pretty simple (and at this point, almost self-evident) concepts might shift the debate during the next Republican presidential primary.

William Mostow  
Phoenix, AZ

## Small Change

Ross Levatter quotes an email that

had made the rounds with an argument that instead of a \$700 billion bailout, the Treasury should just cut a check to each of the 200 million American adults in the amount of \$425,000 (Reflections, December 2008). Levatter comments that "the actual result of dividing 700 billion dollars by 200 million Americans is \$425." Not quite. The answer is \$3,500.

Warren C. Gibson  
San Carlos, CA

**The editors respond:** As Mr. Gibson, among others, pointed out, the innu-meracy of the American public found an outlet in this reflection; the error, however, was ours and not Dr. Levatter's. The original calculation in his reflection was based on a different figure for the bailout; when the text changed we failed to change the numbers as well. Our apologies.

## Hot Topic

Jim Lippard engaged in the fallacy of extrapolating past trends indefinitely into the future when he wrote "This helps to further shift the global warming debate out of the realm of 'is warming happening?' to 'how much has it warmed, and how much will it warm in the future?'" (Letters, December.) Just because the cooling trend in the middle of the 1900s turned into a warming trend in the 1970s doesn't mean that this trend can't reverse once again.

Mr. Lippard inadvertently hit on the nub of the debate when he then commented, "Equally valid questions to debate are 'how much of the warmth is manmade?'" Indeed. If most of the observed warming from the 1970s until

*continued on page 54*

# Bullet Train to Bankruptcy

*by Randal O'Toole*

What should people do when their state runs out of money? The answer from California voters is: spend billions on a new rail line.

Having used a number of one-time-only accounting tricks to close a \$15 billion gap in the state's 2009 budget, the California legislature now faces a \$28 billion gap in its 2010 budget. What better time to embark upon a risky megaproject that will likely put the state another \$20–\$30 billion in debt and add several billion dollars to the state's annual deficit?

Incredibly, some 52% of California voters agreed last November when they decided to build the first leg of a high-speed rail project from San Francisco to Los Angeles. Their decision could cost federal taxpayers as much as \$250 billion.

If you live in California, the high-speed rail vote will require increases in your taxes or cuts in other state services. The rest of the country won't be insulated from this: California fully expects the federal government to pay for at least half the cost of its high-speed rail. If Congress agrees to do so, other states are certain to demand matching funds for their own expensive high-speed rail plans.

California's November ballot measure called for selling \$9 billion worth of bonds so the state can start construction on the 220-mile-per-hour San Francisco-to-L.A. line. But the California High-Speed Rail Authority estimates that the total cost of this line will be at least \$33 billion.

A business plan that the Authority did not bother to release until after the election anticipates that the federal government will put up \$12–\$16 billion and local governments \$2–\$3 bil-

lion. That still leaves a gap of at least \$6 billion. The Authority hopes to fill this by enticing private investors to put up the money in exchange for being given exclusive rights to operate and, they hope, profit from the line.

The business plan projects that the line will earn \$1.1–\$1.4 billion in operating profits each year. In exchange for putting up 20% of the costs, the private investors would get to keep 100% of these profits.

Not surprisingly, the Authority has injected a huge amount of wishful thinking into these numbers. To make operations appear profitable, the Authority assumes that 40–55 million people per year will ride the high-speed rail line. Yet Amtrak carries only about 10 million people per year on its Boston-to-Washington high-speed line, which is comparable in length.

California expects to run its trains faster than Amtrak's maximum of 150 miles per hour. But Amtrak's corridor has more people today than the California corridor will have a decade after the high-speed rail line opens for business.

Moreover, most of the people in the Boston-to-Washington



corridor are at intermediate stops, while almost all the people in the California corridor are near the end points. This is important because high-speed rail is far more competitive with airlines at distances of 100–200 miles than at the 400-mile distance from San Francisco to L.A. New York City, Philadelphia, Baltimore, Bridgeport, and Providence are all considerably larger than Fresno, the largest urban area in the California corridor between the San Francisco Bay Area and Los Angeles.

The California High-Speed Rail Authority promises that people will be able to travel from downtown San Francisco to downtown Los Angeles in two hours and 40 minutes. That is also a fantasy, say critics Wendell Cox and Joseph Vranich in a report prepared for the Reason Foundation, because no trains in the world go as fast in regularly scheduled service as California is planning. Vranich should know: he is the former president of the U.S. High-Speed Rail Association.

Even if the under-three-hour time prediction comes true, most people don't live or work in downtowns. Los Angeles has more jobs near its airport than in its downtown, and when all three major Bay Area airports are counted, the same is true for San Francisco. This means that only a small fraction of travelers will actually see any time advantages from rail, especially if airports find ways to speed their security procedures.

If the Authority's ridership numbers are a fairy tale, private investors won't put up billions of dollars to build the line unless the state guarantees them a profit no matter how much the trains lose in operations. Thus, with or without private funding, the state will be on the hook for a lot more money than voters were told about in the November election.

Nor will the Authority stop if it manages to complete construction of the San Francisco-to-L.A. line. Instead, it wants to then build branches to Sacramento, Riverside-San Bernardino, and San Diego. The Authority estimates these branches will cost at least another \$12 billion.

U.S. rail projects go an average of 40% over budget, so Cox and Vranich think a more realistic cost of the entire system will be \$60–\$80 billion. Even at \$45 billion, California's high-speed rail will be the most expensive state-built megaproject ever.

Any share paid by federal taxpayers will be just a downpayment. The Federal Railroad Administration (FRA) has pro-

posed a national high-speed rail network extending more than 9,000 miles and serving more than half the states. If Congress gives California \$12–\$16 billion or more for 220-mph trains, you can bet that Florida, Illinois, New York, Texas, and other states on the FRA network will demand similar amounts of money for trains that are just as fast.

At the costs projected by the California High-Speed Rail Authority, taking into account local topography, construction of the FRA's complete network will cost about \$450 billion. That's more than the inflation-adjusted cost of building the 47,000-mile Interstate Highway System. Yet the interstate highways move several times as many passenger miles, and far more freight, than would ever be carried by a 9,000-mile high-speed rail network.

And the FRA system is not the end of high-speed rail proposals. Rail advocates in Colorado want a high-speed rail line from Albuquerque to Casper, Wyoming, with a branch to Aspen and other Colorado ski areas. Montana rail advocates are pushing for a line from Fargo to Missoula. Given the way we know Congress works, there will be no end to the inane proposals until all 50 states have their share of rail money.

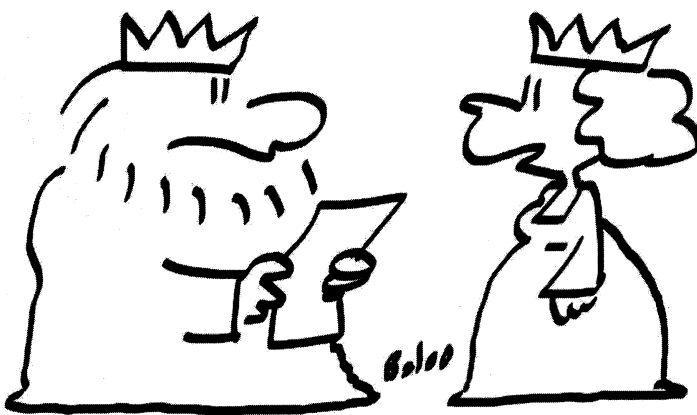
Advocates of California high-speed rail say their plan will reduce traffic congestion, air pollution, and greenhouse gas emissions, and give people alternatives when energy costs rise. In making these claims, they had to hope that few people would carefully read the environmental impact report that the Authority prepared for the project.

The report projected that high-speed rail would take only 3.8% of traffic off parallel freeways. Since California rural highway traffic grows by more than 3.8% every two years, the state would spend nearly a decade constructing a project whose benefits would disappear just two years after opening. High-speed rail would have its biggest effects on air travel, not highways. The environmental impact report projected that, if the high ridership projections were achieved, the heavily subsidized high-speed rail would divert nearly two-thirds of local air travel to the trains, which naturally would lead the airlines to cut service to communities on the rail lines. While rail might benefit downtown-to-downtown travelers, it would reduce the options to the far greater number of travelers who live or work closer to airports.

The environmental impact report estimated that operational energy savings would repay the energy cost of constructing the high-speed rail lines in a mere five years. To reach this conclusion, however, planners assumed that air and auto energy efficiencies would be frozen at current levels. In fact, both planes and autos are expected to become 2% more fuel-efficient per year. After adjusting for this, high-speed rail won't save any energy at all.

The same is true of pollution and greenhouse gas emissions. Even given the Authority's inflated ridership estimates, high-speed rail will simply not carry enough people to have a significant effect on emissions. The introduction of, for example, unsubsidized plug-in hybrid autos will do far more to reduce pollution and greenhouse gases than construction of high-speed rail.

In addition to being a colossal waste of money, high-speed rail gives urban planners greater justification for regulating land uses to try to get more riders. Planners will try to impose high-density developments near rail stations and restrict



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development elsewhere. California already has a surplus of such land-use regulation, but introduction of high-speed rail in relatively unregulated states like Texas, North Carolina, and Illinois will almost certainly lead to a rapid expansion of this sort of intrusive government planning.

Advocates of California's high-speed rail argued that America needs to catch up with the rest of the developed world. Outside of Amtrak's Boston-to-Washington corridor, America has no trains that go more than 90 miles per hour,

*The California legislature faces a \$28 billion budget gap. What better time for a project that will add another \$20–\$30 billion in debt and several billion dollars to the annual deficit?*

and most go less than 80. By comparison, Japan and Europe are well known for their numerous high-speed rail lines that go 180–200 mph.

Some people point out that Japan and Europe are more suited for high-speed rail because they have much higher population densities than the U.S. But the truth is that despite higher densities, high-speed rail doesn't work all that well in Japan or Europe either.

Japan introduced its 130-mph bullet trains to the world in time for the 1964 Tokyo Olympics. While generating lots of favorable publicity, these trains proved a disaster for Japanese National Railways. The state-owned company had earned a profit in every year since its formation in 1949, but it went into the red building the bullet trains.

In 1964, trains carried about 70% of Japanese travel, while autos accounted for only about 10%. The railway company responded to the increased costs of the bullet trains by raising fares, but this merely hastened a shift to the automobile. Meanwhile, local politicians pressured the company to build more high-speed rail lines.

By 1987, bullet trains were going 160 mph, but expansion of bullet-train service had increased the company's debt to more than \$200 billion. Meanwhile, the automobile had captured half of all passenger travel, while rail's share had declined to a third. In the face of an economic crisis, Japan ended up privatizing the railway company, but not before absorbing all of its debt.

Italy, France, and Germany started building high-speed rail lines in the late 1970s and early 1980s. Today, trillions of euros later, Europe has an extensive high-speed rail network connecting London, Paris, Berlin, Brussels, and many other major cities.

Yet construction of this network has not halted the decline of rail's share of European travel. In 1980, when Europe had only one high-speed rail line, intercity rail carried 8.2% of passenger travel in the EU-15 (the 15 members of the European Union in 2000). By 2000, rail's share had declined to 6.3%. Auto's share has grown from 76.4 to 78.3%, and air travel has grown from 2.5 to 5.8%.

Rail has continued to lose share since 2000. In the EU-25 (the 25 members of the European Union in 2005), rail's share fell from 6.2% in 2000 to 5.8% in 2004. At best, high-speed rail has slowed the decline of rail's importance in passenger travel.

Because France and Germany have the most high-speed rail lines, rail has a higher share of travel in those countries than in the rest of Europe. But this is at the expense of buses, not autos: the automobile's share of travel in France and Germany is also higher than in the rest of Europe.

Rail advocates are gleeful to report when opening a new high-speed rail line leads European airlines to reduce or eliminate their parallel service. But just how do taxpayers benefit by replacing a for-profit airline with a heavily subsidized rail service?

Meanwhile, rail has had little effect on European highway traffic. "Not a single high-speed rail track built to date has had any perceptible impact on the road traffic carried by parallel motorways," says Ari Vatanen, a member of the European Parliament.

Americans drive for 85% and use intercity trains for only 0.1% of travel. Europeans drive for 76% of their travel, using intercity trains for 5.8%. This suggests that spending \$450 billion on a high-speed rail network might get, at most, about 5.7% of Americans out of their cars. But it is unlikely to do even that much because, despite massive subsidies, rail's share of European travel continues to decline.

Though there was no organized opposition to the California high-speed rail proposition, proponents of the measure spent \$2.75 million on their campaign. This mostly went for radio and television ads claiming that rail would reduce traffic

*The same is true of pollution and greenhouse gas emissions. Even given the Authority's inflated ridership estimates, high-speed rail will simply not carry enough people to have a significant effect on emissions.*

congestion. The vast majority of campaign contributions came from engineering companies, construction companies, and unions, showing that rail really isn't about transportation; it's about pork.

There is still a good chance of preventing this boondoggle. The November proposition only provides the California Authority with enough money to build high-speed rail from San Francisco to a little beyond San Jose. As I read the proposition, the Authority can go ahead and build that portion even if no matching funds are available.

The big question is whether Congress will give matching funds to the project. Given the current economic situation and the tremendous demands for federal funds for other transportation projects, there may simply be no money available. If there isn't, we might be able to stop high-speed rail in its tracks. □

# India, Behind and Beneath

*by Jayant Bhandari*

Behind the terrorism at Mumbai, and beneath  
the glitter of India's developing economy, lie  
problems that few Westerners understand.

On November 26, terrorists occupied the vast, modern Oberoi-Trident and Taj Hotels, among several other places in Mumbai. Two days later, commandos had retaken the structure. Two days after that, the hotels were already being renovated.

But the end of the terrorists was not the end of India's problems. Few Westerners appreciate how deep those problems go — far deeper than the economic progress that glistens on the nation's surface.

For me, the traffic in India's streets is a metaphor for what is wrong with the country.

India is a place where people simply park, four abreast, in the middle of the street. Even if it makes no rational sense, drivers crowd into every small crevice of a traffic jam — and honk. There is nothing dictating niceties like which side of the road you should be on.

India is a place where policemen park in the fast lane to catch traffic defaulters. When an accident occurs and a policeman gets crushed, it is always the driver's fault. India is a place where pedestrians hover at the side of the road, watching the merciless stream of traffic, which is heedless of their existence. Slowly the group at the side grows larger. When a critical mass is reached, it suddenly starts crossing the road. This is the only sensible way.

It is sad to be handicapped in India. You are as likely to be

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called "crippled" as to be called by your name. On the street, as in other spheres of life, it is not about who is right, but about who has the power. I always dress up well and drive a swanky car in India, to ensure I get respect.

India is a place where road barriers are always made of massive iron. The barriers save money for the police; if they are hit, they can still be used. Of course, many people are killed by the barriers, which are often invisible at night. Hit one, however, and the courts will decide against you. It's a way — a very typical way in India — of externalizing the largest costs on others. Every time you are out on the street, you experience a close encounter with death. You cannot sue anyone if you get hurt.

India is a place where there are hardly sidewalks, anywhere. When they do exist, people find other uses for them. Similarly, when the roads are broadened, people simply use them for parking space. The population density of India is less than that of Japan, Belgium, Holland, South Korea, Singapore, or Hong Kong. But in India, people have a tendency to create congestion.

India is a place where city workers, repairing a traffic roundabout, leave big pieces of concrete lying in the street. Again, if you run into them, it's your mistake. In December, when I visited Delhi, my taxi driver barely managed to avoid such an accident. Meanwhile, young women walk in the street, past the roundabout, with not a care for their lives. India is a place where this is natural. But in the long run you must sync yourself with the system, maneuvering your way when you

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*South India is developing so much faster that it is increasingly worried about the immigration from people in the north.*

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get an opportunity rather than when it is your right to do so — on the road, in society, and at work. That is the only way to get somewhere. It is a sort of Orwellian life, crushing those who want to live a dignified life.

I witnessed several accidents while on my trip. In one of them, in Hyderabad, a bus had crushed someone. There was a lot of blood on the road. I hoped the death was quick; I hoped it was as graceful as possible. Ambulances never get there in time, if they ever come. Most people just watch the scene, obstructing traffic, becoming a part of the problem. Ironically, while the victim bleeds to death, people may beat up the driver.

I do not think that emotions that swept India after the Mumbai event had anything to do with sympathy for the dead. My belief is that the reaction was a hysteria, a way to express people's hatred for Pakistan and hence, in a very warped way, to unite India. But such ways to feel warmth about being Indian cannot last. India is too divided for that.

In my last reports on India (Liberty, May 2006 and March 2007), I mentioned certain social divisions, but there were many divisions that I did not talk about. South Indians mostly do not like north Indians. Even today, a lot of them would not speak in Hindi even if they knew the language. The south is developing so much faster that it is increasingly worried about the "immigration" from people in the north. Just three months back there were widespread riots in Mumbai itself. The riots were conducted by a group of Hindu fanatics to oust people who had come there from Bihar. Bihar is one of the biggest provinces in India and so poor that were it a country, it would be among the world's poorest, even poorer than Zimbabwe. When people call someone Bihari, they usually do not consider the need to put adjectives like "stupid" or "uncivilized" before the noun.

Sikhs are keeping a low profile, but there is still a temptation for them to secede. And, each year, scores of policemen and army people are killed by Naxalites. You wouldn't hear about it because Islam is not involved. The name "Naxalite" is derived from a village in West Bengal, but Naxalism is not a secessionist movement. It is a form of Marxism. It endures.

So do tribal dissensions. Many of the tribal regions in India are off-limits for the state. When India became independent, it

became difficult for tribals to fully use their traditional lands. Even today, confiscating the properties of poor people isn't frowned upon by pseudo-capitalistic urbanites. I have never met an educated person in India who does not support this confiscation, for "the larger good." You may recall that earlier in these pages I said I had never met an Indian who supports the demand of the people of Kashmir to decide their own fate. But more people die of "terrorist" violence in the northeastern provinces of India than in Kashmir.

All in all, India is a very fragmented country, whose people carry strong dislikes of fellow Indians of other religions and regions. When a large disturbance takes place, when people are looking for scapegoats, these stresses always erupt.

In 1991, I went to the UK to study. There, most people talked to me as if I were from a country of snake-charmers and elephant riders. If I tried to explain to them that this was not the case, they thought I was being too defensive. Now, given the wonderful lobbying work that the Indian government and the Indian diaspora have done, and the increased political correctness in America, people seem to think that India has become a country full of software engineers. Nothing could be further from the truth.

Westerners also see India as a frontier in the fight against Islamic terrorism. This is also completely wrong. Fanaticism, whether Hindu or Islamic, is ugly; and there are plenty of Hindu fanatics in India. Not accepting such truths will lead to wrong political decisions. Weren't Afghanistan and Pakistan seen as frontiers in the fight against communism, until a mere two decades back?

Westerners also see India as a frontier in the struggle for economic progress. It's true: 5–10% (or conceivably 20%) of the Indian population has experienced economic improvement during the past two decades. But it seems that the lives of the poorest have actually worsened. Part of the blame goes to Keynesianism. The Indian government prints a lot of money, and the income of poor people does not keep up with inflation. The elites have no problem with inflationary practices; they think that the benefit accrues to them.

Another part of the blame goes to the regulatory morass that India has become, a product of socialist thinking. I recall, only five years back, when I wanted to close a company that I owned in India, and my accounts, submitted to the tax office

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*When people call someone Bihari, they usually do not consider it necessary to add adjectives like "stupid" or "uncivilized."*

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by registered post, were deemed not received because the bureaucracy had as always misplaced the paperwork, for it did not accompany a bribe. I sent it again and it was still deemed not received. In response I received a letter telling me that if I did not submit the documents at a date earlier than the letter was dated, a non-bailable warrant would be issued against me. This was a rather simple matter, in the larger scheme of



things. Those who are brave enough to enter manufacturing have a horrendous time dealing with the obnoxiously petty bureaucrats. The result of the general wastage and chaos of India is that it is cheaper and easier to import manufactured goods from China, which otherwise has a much higher cost base.

On my recent visit to India, a shoe polish bought in a store cost me \$5. A can of Coke cost \$1.25 in a restaurant. A cheap restaurant in Mumbai cost \$10 for a meal. If I had eaten non-vegetarian food, I would have paid twice as much. My hotel in Bangalore cost \$360 per night, after a 30% discount that I was offered because of the recent Mumbai standoff. I bought a pair of casual trousers and a shirt for \$60. Such prices are not much different from what you would pay in America. Sometimes they are higher. Yet in India you can get your shoes polished by a real person for 15 cents. You can take an overnight trip by train for \$5 or so. My clothes got ironed for anything between 1.5 cents and 4 cents — picked up from home and delivered back. The minimum wage is \$1 per day. One must wonder why the prices of some things are the same as or higher than they are in the West. Why for God's sake should clothing be so expensive? What goes wrong when a \$1 per day person tries to add value?

It is hard to explain in numbers why the costs add up the way they do. In a way, economic life is like driving on an Indian road, full of potholes, stones, and dangerous turns. Watching it gives a better sense of what goes wrong in the economy. People take shortcuts, they compromise, they risk their and other people's lives for petty gains. In the end, it is the same kind of thinking, the same kind of mindset that you see in everyday transactions. The result is a pathetically poor existence. Foreign aid and charity of course cannot help, and it is not easy to change the behavior, which is founded on a generous helping of fatalism, apathy, and superstition. You cannot change this merely through regulations, if any sensible regulations can be formulated in such a climate.

A healthy economic system requires a healthy legal framework; but Indian courts, rather than fighting crime, are the centers of crime. Their common law, inherited from the British, is all BS. Even in cases of death and rape, one does one's best to avoid the courts and cops. When Hindus are cremated, all evidence is destroyed within a few hours. A close family doctor certifies the death as cardiac arrest; cremation is performed; no evidence remains.

Nevertheless, the surface legalities are punctiliously observed, especially when they are ridiculous. In Bangalore, I visited the courts and found that manual typewriters are still required. Even if you have prepared your case and type-written it yourself, you must have it redone by the professional typists who congregate around the courthouse (read: pay money to the court mafia) if you want to have your file accepted inside. As they say in India, once raped, the law rapes you again. While I was taking pictures of this operation, an advocate spotted me and rushed to make me stop. After a heated exchange, having understood that I was too much for him, he retreated. He had no authority to stop me. But in this environment what is right and fair has practically no value. What matters is who has more physical and financial power. I cannot but recall why I left India. I knew that to survive, I would eventually need to fall in step with the system. Maybe

as a young man, I could fight. But these are not one-of-a-kind events. When they kept happening, despite my ability to put on a harsh facade, I would eventually give in to the sheer volume of the resistance against me.

From this it isn't much of a digression to discuss another form of power, the power of sexuality. When I first went from Bhopal to the UK in 1991, I had never met anyone who was divorced. You would never see couples walking hand-in-hand in Bhopal, the city where I grew up. Promiscuity, if it existed, was all hidden. A woman in our area who had a child out of marriage was the talk of the town. Women mostly wore clothes that did not show cleavage.

Today, Bhopal is a different place. A relative, who is a pathologist, says that scores of schoolgirls now visit him everyday to be tested for pregnancy. Divorces are very common. Most of these changes have happened in the last five years, as people brought up on high doses of TV mature (there was not much TV until about two decades back). The changes

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*Even in cases of death and rape, one does one's best to avoid the courts and cops. . . . As they say in India, once raped, the law rapes you again.*

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started in cities like Delhi and Mumbai, which is perhaps the reason why, when I returned from Britain, I stayed in Delhi longer than I should have. Now, throughout metropolitan India, there is (as I saw in Delhi then) a huge peer pressure to look "cool" and "modern." Alas, people are exposed more to Hollywood films than to the real life of the West. They are prone to mistake Americans in films for real Americans.

But to return to the economic life of India: I would like to make three points.

1. My immediate view is that apart from certain specific companies who specialize in information technology, this is a very risky place. American companies that started cost centers in India failed to understand the delays and wastages and other problems of operating in India. A lot of the cost centers eventually proved unviable. Also, offshoring is not as easy as it sounds. It entails the costs of maintaining a back office in India and its connection with the front office in the United States, which requires a stream of people travelling between the two countries. And there may be a glut of software engineers developing in India. Increasing competition means that Indian IT companies are now increasing their price cutting. Offshoring will continue to be done, but I don't know whether, going forward, there is a great deal more money to be made in it.

2. Infrastructure will eventually get built, which will be good for the demand of commodities, but the process will be slow and risky. The Indian government runs a very high deficit and must inflate to finance infrastructure. You hardly hear much about the high inflation rate in India, the effect it has on those living on fixed salaries, or the fake boom and the

eventual bust it will cause. Yes, for the so-called urban capitalists, it is all right to screw the poor people, as long as it is for the so-called larger good. The only thing that stops the government from printing too much money is its understanding of the fact that rural people are getting increasingly frustrated. What will generate the real money that is needed to finance large infrastructure projects?

3. The sectors that provide the best fundamentals seem to be education (Indian parents are doing whatever they can do to get their children educated), consumer goods (Indian children prefer to be self-indulgent, operating under peer pressure and that of the media), and health (even the poorest people prefer to go to a private hospital, just as they prefer to educate their children in English-language private schools). In my view, these are currently the best sectors, with very low risks. There is not only a lot of money to be made here, but these sectors will likely be immune to larger social problems and the tensions with Pakistan.

This brings me to India's chronic international conflict, now exacerbated by the actions of the Mumbai terrorists. Indian TV and social talk were all full of Mumbai. There were many bleeding hearts and many busybodies outside

*With the wonderful lobbying work that the Indian government and the Indian diaspora have done, Americans seem to think that India has become a country full of software engineers. Nothing could be further from the truth.*

the terrorized hotels, lighting candles and signing petitions. But why should India be so concerned about a few hundred deaths, when death on this scale happens on a daily basis, on the roads?

Readers who are offended by my question would do well to watch a new movie that is just out, "Slumdog Millionaire." It is a story of life in the slums of Mumbai. Those who didn't grow up in that environment may not have enough hard-wired emotions to react to the scenes in this film, but it will at least give a glimpse of why, in the conflicts, the stress, and the cesspool of violence that India is, Pakistan and the recent Mumbai event are truly insignificant.

My guess is that the current outpouring of sympathy for the dead of Mumbai is merely a facade. What is at play is nationalism. Young Indians are very nationalistic. And nationalism will eventually have very bad consequences for economic and social development. Not unlike fatalism and superstition, nationalism creates a wrong framework for decision making. Today, Indians are vehemently asking for more state control. The state is more than eager to comply. A new law instituting an organization similar to the U.S. Department of Homeland Security has just been passed. The law provides for much increased powers to the security forces. Amazing how short the human memory is! The Indian security forces will now rape and plunder at will. In a way, the terrorists have actually won.

While I was in India, after Mumbai, I found the country deifying its soldiers and commandoes — a very, very serious mistake that will take India on a very wrong path. Ask any Indian if he has personally met anyone in the security forces who conducts himself properly. You will get a response in the negative. But then, Indians have a superstitious belief in people they have never met. Or is it that, despite economic progress, India has failed to learn about critical thinking and belief in oneself? I do wonder how many of the 500 people shot in Mumbai (of whom about 170 died) were hit by the bullets and bombs of the security forces.

I think of my hotel in Mumbai. It was earlier a government hotel — not an oxymoron in India. The structure is like that of a stadium, with rooms in the periphery. I am told that it is the biggest structure of its kind in the world. In fact, it is an obscene waste of energy and space, something only the government would do. But despite the government's abject failures, Indians continue to have very high expectations of it. They recognize that politicians are bad, but somehow think that bureaucrats and the soldiers are great. The current crisis has made them strong believers in government intervention. Girls now look for men working in the public sector. Even Indian girls living in America are looking for such partners in India. People are craving public sector jobs.

My own experience is that politicians are usually much better than bureaucrats. The former have to go back to the market once every five years; the latter have no feedback system. They have lifelong jobs, further secured by the labor unions. It is hard to believe that Indians have forgotten so quickly how bad their bureaucrats and security forces are.

Here's a clue: Indians never really believed in capitalism; they merely accepted it as long as it was making them money. Those who think that the shift in India from socialism to capitalism was a one-way street could be proven very wrong.

Many things come to mind.

The colors, smells, and noises of India, so celebrated by foreign visitors: I wonder if they are simply a way to escape from inner turmoil.

A policeman, directing traffic. No one pays the least attention to him. Can you blame everything on the government?

Pedestrians, never looking when they cross the street. They are fatalists — and for some, looking around would be too girlish. This attitude is not going to change quickly, despite the waste of lives, property, and time that it entails. It shows the compromises that people make, the shortcuts they take. It shows their lack of basic discipline. The net effect is that the productivity in India is very low. This cannot be changed by changing the laws. Nothing in India is ever clean and properly done. People are exasperated. But what is their own contribution to the predicament?

And I don't think the security situation will improve. Guards are not properly trained, and it is very easy to play with their minds. At most government facilities that I visited recently, I avoided being checked. Not that checking IDs make any difference; I entered the airports simply by using my Hostelling International card as identification. In India, entropy commonly sets in once the initial euphoria is over.

Somehow, I think, it is not infrastructure that India needs, but a lesson on how to use it well. □

# Reviews

**"Who Really Cares? The Surprising Truth About Compassionate Conservatism," by Arthur C. Brooks. Basic Books, 2006, 250 pages.**

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## *Who Gives, and Why It Matters*

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Gary Jason

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Arthur Brooks, professor of public administration at Syracuse University, is a rare scholar. He is astonishingly prolific, his research topics are of broad interest in social science, public policy, and philosophy, and he has an exceptional degree of intellectual honesty: while he is inclined towards modern liberalism, he will tell you what his data tell him.

In "Who Really Cares," he surveys the data on American charitable giving, and he has much to report — much, he admits, that surprised him, going against his own cultural prejudices. The facts show that all the common myths about giving are exactly opposite to reality.

Take the perception that Americans are generally indifferent to other people's suffering, a view that St. Jimmy Carter once trumpeted. The reality is that around 75% of American families give to charity annually, to the tune of an average of 3.5% of their household

income. Only a third of this largess goes to churches; the rest goes to secular charities. All this giving adds up to \$250 billion a year in private giving, a figure that exceeds the GDP of Sweden or Denmark. And more than half of American families give their time as well as their money. This is, please note, over and above the copious amounts of aid (including foreign aid) that the government gives at all levels.

But, Brooks notes, there is a major difference between the charitable and the noncharitable. The majority of Americans, the charitable, the ones who give time and money, give a lot. They also give in other ways, such as donating blood. Moreover, the donors are three times more likely to help strangers than nondonors are, and they are less likely to harbor prejudices against other people. The noncharitable are just the reverse.

By charity, Brooks quite rightly means giving that is consensual, rather than coerced, on both the giving and the receiving end. As he puts it, taxing people to pay for public services, or jail-

ing the criminally insane may be good policy, but in neither case is it charity (7).

Among those who give to charity, the most commonly cited reason (80%) is a sense of duty. The least common is the tax deduction (only 20%). Among those who don't give, the main reason cited is that they don't have the money (roughly 66%). That this is most likely an excuse is indicated by the fact that the working poor give more of their income to charity than do people in the middle class.

While race and ethnicity are not predictors of charity in isolation from the other factors, age and gender are. Older women are more likely than the general population to give to charity, while young males are less likely. Brooks urges that far and away the biggest predictors of charitableness are religious belief, skepticism about powerful government, strength of family, and personal entrepreneurship. The bulk of his book is devoted to an exhaustive analysis of the data demonstrating this. Along the way, he refutes some of

his own most deeply held prior beliefs — that the rich want tax cuts because they lack charity, that Americans are less charitable than Europeans, and that American liberals are more compassionate than conservatives. He goes farther, arguing that charity is associated with personal responsibility, prosperity, happiness, and even health, so that “the policies, politics and cultural forces that compromise the willingness and ability of people to give charitably induce a personal flaw into citizens that impoverishes them, stunts their opportunities, and has negative repercussions for our communities” (13). Here he strikes a note of virtue economics — the idea that the virtue of charity is tied to other virtues conducive to human flourishing.

Brooks’ first chapter debunks the common myth that people who are politically “progressive” are more charitable than others, a myth endlessly promoted by the Left. The data show that at every income level, self-identified conservatives donate more than self-identified liberals, despite the fact that liberals average 6% more income. The difference remains even if we look at registered party affiliation rather than self-identification. And this difference holds for nonmonetary donation, such as donations of blood. Young liberals turn out to be one of the least generous groups of people. Liberals younger than 30 belong to roughly a third fewer community organizations, give about a third less blood, and donate over a tenth less to charity than young conservatives.

To put it bluntly: red-state America is more charitable than blue-state America. States that voted for Bush by 60% or better gave an average of 3.5% of household income to charity; states that voted for Kerry by 60% or more gave 1.9%. People in the top five Bush states were more than 50% more likely to volunteer to help others, and twice as likely to volunteer to help the poor, than people in the top five Kerry states.

Brooks then takes up the issue of religion. In theory, being religious might either increase charitableness (because all major faiths enjoin their followers to be charitable) or decrease it (by encouraging tribal animosity toward those of different faiths). But the facts speak unequivocally: religious people are more prone to giving than others, even

when the recipients are not members of their faith.

This difference continues when we take out of the comparison donations made to religious causes. The religious are more likely to give to non-religious charities (such as the United Way) than are the secular (71% to 61%) and are more likely to volunteer (60% to 39%). They give 14% more money. They are also more likely to give to family and friends, and give in much higher amounts (46% higher). When asked, secularists often give implausible excuses for their meanness (“I gave at the office,” “I was never asked,” or “I can’t afford it.”)

Next, Brooks considers differences in charitableness as it relates to ideology. Specifically, he raises the question of whether people who favor the forced redistribution of income by government (“redistributionists,” estimated by one large 1996 survey at 33%) give more to charity than people who oppose government redistribution (“nonredistributionists,” about 43% in the same survey). The answer is — drum roll, please! — Hell, no!

Nonredistributionists give four times more money to charity than redistributionists. The gap remains even when you look at donations to nonreligious charities. Nonredistributionists

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give three and a half times more to such charities than do redistributionists. The gap persists even if you use a more favorable definition of “redistributionist” (as did a 2001 survey). And it persists if you correct for the fact that redistributionists earn about 13% less than nonredistributionists.

Indeed, if you hold income as well as age, ethnicity, religion, gender, marital status, and political affiliation constant, you find the redistributionists less likely to give to charity, to volunteer, to give directions to someone on the street, and even to return extra change to a cashier. If everyone in the general population gave blood at the same rate that redistributionists do, the national supply of blood would drop by 30%.

Brooks asks whether the reason for this disparity between redistributionists and nonredistributionists can be attributed to what economists call “the public goods crowding out effect,” which means that when the government spends for a public good, private citizens cut back their own spending on it. Many studies suggest that two dollars spent by government for a given public good results in up to a dollar less in private giving. But while Brooks’ studies empirically confirm that public spending for eleemosynary purposes does indeed crowd out private charity, if one holds that constant, it is still the case that the redistributionist mentality discourages charitableness.

Brooks notes that in the first two years of the Bush presidency, when one would have expected the Left to increase its giving (in the face of a president perceived by them to be insensitive to the poor), charitable giving by the Left dropped 10%, while giving by the general public went up by 5%. He quotes John Steinbeck to the effect that charity makes the giver feel superior and reinforces social hierarchy, and recalls the standard Marxist line that charity is actually intended to hurt the poor. He suggests that from the Left’s point of view, charity is, at worst, a definite evil, and at best, in a “just” society (one with lots of income redistribution), it is unnecessary.

Brooks then turns to the relationship between work and charity. While wealthy donors give more to charity in absolute terms, the poor actually give a higher proportion of their income (4%

to 5%) than the rich (3% to 4%), and both the rich and the poor give more to charity than the middle class. But the situation is more complicated than that. As one might expect, the poor are divided into the givers and the non-givers. While some of them are very charitable, others give virtually nothing. Those who donate to charity give 7% of their income. But the poor are also four times more likely not to give than are the rich.

The difference between the charitable poor and the uncharitable poor appears to result from the origins of their incomes. People who have earned their money tend to be more generous with it than those who got their money through welfare. The working poor give three times as much money to charity as welfare recipients at the same income level, and they are twice as likely to give and to volunteer. In essence, welfare tends to make people less self-sufficient and responsible, and creates communities where people have no models of hard-working people striving to improve their lives. In short, welfare programs impede virtue in both the person and the community.

This analysis is corroborated by the fact that the rate of giving among people who were on welfare in 2001 but left it after 2003 (the year of the major welfare reform legislation passed by Congress) was a third higher in 2003 than it was among those who stayed on welfare. The implication, again, is that redistribution is a charity-killer.

Brooks also examines the interrelation between family structure and charitableness. If you hold all other relevant variables — age, gender, income level, party affiliation, etc. — the same, people with kids are more likely to give to charity than those without. At first glance, this is surprising, because kids take up time and money. But, as Brooks nicely puts it, “We have already seen that charity is *not* just a by-product of income or wealth — it is not primarily a financial phenomenon at all.” Instead, it is a “human value” (98).

Having shown that religion, a non-redistributionist mindset, a strong family, and working for your own income are strongly associated with charitableness in America, Brooks asks how America compares with other countries. He recalls UN bureaucrat Jan Egeland,

who labeled America “stingy” because it didn’t give 0.7% of its GDP to foreign aid. (That mysterious percentage was conjured up by a group of other bureaucrats called the Commission on Sustainable Development.) But Egeland was simply ignorant: he didn’t count private charity. When you do that, America is close to the bureaucrats’ arbitrary goal: the combined private and governmental international aid given by Americans totals \$73 billion a year, or about 0.5% of our GDP. And that \$73 billion, please note, represents only 2% of all American charitable giving.

The misperception by Europeans that Americans are uncharitable results primarily to the fact that there is very little private charity in Europe. Per person, *even after one adjusts for differences in incomes*, Americans donate twice as much of their income as the Dutch, three times as much as the French, five times as much as the Germans, and ten times as much as the Italians. The disparity remains when you look at nonmonetary gifts, such as volunteer work.

Of course, Europeans have a reply: we pay higher taxes, and those taxes fund what you Americans use charity to cover. But that won’t wash. The average tax burden on Americans (counting federal, state, and local taxes) isn’t generally lower than the burden on Europeans. And the underground economy in Europe is double what it is in America, meaning that much of European income isn’t taxed at all.

How does charity relates to prosperity? Brooks argues that J.D. Rockefeller was right to view them as closely related. As he puts it, “Without prosperity, large-scale charity is impossible. And without consistent and responsible charity, prosperity will not continue” (139).

That prosperity enables charity seems obvious. But why suppose that charity causes or leads to prosperity? Here Brooks cites the research of Robert Putnam, who has detailed how “social capital” promotes health, wealth, and happiness. Charitable acts promote social bonds. He also cites some possible reasons for the charity-prosperity association. Perhaps those who feel impelled to give money then feel impelled to work harder to recoup the expenditure. Perhaps being charitable

gives people more self-esteem, which leads to greater success. Perhaps being charitable gives people a sense that they have the power to help improve the world, which increases their happiness, which increases their industriousness.

Brooks offers the virtue-libertarian argument that despite the seductive appeal of redistributive government, big government hurts us. Welfare makes people less charitable, hurting their communities, and government subsidization of nonprofit organizations "crowds out" personal charity, reducing people's happiness and prosperity. Only libertarians who believe in "the virtue of selfishness," and interpret the phrase very narrowly, will be opposed to the act of giving to people and causes in aid of one's own values.

Turning to taxation, he proposes that we consider ending the built-in bias in our tax system against charitable giving by poor people. Poor folk seldom itemize deductions. He suggests giving tax credits for donations, or (better in my view) just adopting a flat income tax.

The implications of Brooks' work are important. Antiredistributionists should use his data to combat the pernicious lie that only liberals are "generous." Brooks makes it clear that those who scream loudest for redistributionist policies are likely to be hypocrites. People are, and should be, averse to hypocrisy. The aversion is built into us. Our evolution as an extremely social hominid species means that maintenance of social norms has survival value, and we maintain those norms by detecting cheaters — hypocrites.

The first thing that any free-market candidate should do is check the tax returns of his or her opponent for charitable donations, and hammer away if there are few or none. I was amazed, watching the Palin-Biden debate, that Palin didn't twit Biden about the fact that while he loudly proclaimed that rich people should welcome being fleeced because it is the "patriotic" thing to do, he himself was as niggardly as a miser. In a decade in which he earned nearly \$3 million, he gave a lousy *three grand* to charity. Holy skinflint, Batman, how miserably cheap can you get?

A modest criticism I have about Brooks' book is that while it establishes brilliantly the virtue-ethical point that

charitable giving improves the character of the givers, in a way that high social welfare spending by government does not, it overlooks important consequentialist reasons to favor private charity over public social welfare. One big issue is efficiency. Public charities, which have to answer in a direct and immediate way to donors, and have to compete with other charities for donor support, are better able to spend the money wisely. They are closer to the ground and freer to make important distinctions than government generally is. I have in mind the distinction between people who can't find a job because they need more training, and people who simply need to get off drugs.

Moreover, just as pricing is an

information mechanism, so is labeling. Private charity, labeled as charity and understood by the recipients as charity, tells those recipients important things. It tells them that the money comes from people who are entitled to keep it, so some gratitude is appropriate. It tells them that they need to address some issues in their lives. It tells them that resources are limited. Government redistributionist giving tends to be interpreted as a right, as a natural consequence of living in society, and as indication that resources are endless.

Brooks has written a clear, empirically well-grounded, intellectually honest work. It should appeal to people who are as intellectually curious as he is. □

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**"Your Government Failed You: Breaking the Cycle of National Security Disasters,"** by Richard A. Clarke. Harper-Collins, 2008, 408 pages.

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# Why Don't They Resign?

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James L. Payne

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On April 19, 1993, Attorney General Janet Reno ordered the FBI to make a tank and chemical warfare assault on the Branch Dravidian compound in Waco, Texas. It was a misguided, bumbling attack that resulted in the deaths of 76 people, including 21 children. When she learned of the disastrous outcome, Reno's reaction was significant: verbally, she took "full responsibility" for the episode, but *she did not resign*.

This has become a frequent pattern for federal officials in positions of responsibility during serious blunders: they concede the miscues but they do not resign, and thus pay no penalty in terms of their position, income, or career.

Richard Clarke's book on govern-

ment failure is something of an unintentional study of this disturbing pattern. When the Twin Towers attack occurred, Clarke was National Coordinator for Security and Counterterrorism, a position he had held since 1998. So if there is anyone who should have offered a mea culpa for 9/11, it is Clarke, the government's "terrorism czar." And Clarke did offer an apology, telling the victims of the attack, "I failed you." But words are cheap. Clarke felt it unnecessary to back up his apology with any material sacrifice. He did not resign, but continued to collect his government paycheck for over a year. When he did step down, it was not in shame, but in arrogance. He went onto the book and TV circuit, turning himself into a commercially successful talking head whose stock in trade is criticizing public officials for their misjudgments.



While Clarke, a 30-year veteran of executive branch employment, was unwilling to sacrifice his position, he doesn't hesitate to condemn others for not risking theirs. He castigates top military leaders of the Iraq invasion, Generals Richard Myers and Tommy Franks, for being "silent or complicit" about the inadequacy of invasion plans. He also faults General Ricardo Sanchez, top Iraq commander in 2003–4. After he retired, Sanchez called the Iraq war plan "catastrophically flawed," but he didn't say so at the time, taking the position that active-duty officers are obligated to endorse lawful orders. Clarke finds that no defense: "He could have resigned his command."

It may be amusing to watch the pot call the kettle black, but we are still left with the puzzle of officials who don't feel any real responsibility for failures on their watch. To understand their attitude, one needs to begin with the observation that government is a horrendously complicated enterprise that no one controls. It involves a multitude of players with different values and perspectives, each of whom plays only a small part in the decision-making process. Government thus epitomizes the classic problem of too many cooks spoiling the broth.

Clarke draws this picture of policy-making confusion very well. He takes us through "mind-boggling and inexplicable" errors in the CIA and FBI; he reviews the multitude of cross purposes that paralyze action in fields such as immigration and border control; and he excoriates the "bloated counterterrorism bureaucracy" that has grown up as diverse participants irresponsibly shovel money at pet causes. In the field of cyberterrorism, he finds "a crazy-quilt hodgepodge of government regulation [that] has been largely unsuccessful at dealing with the epidemic of hacking, identity theft, data loss, fraud, and espionage."

Beyond particular failures, he notes systemic weakness. These include the tendency of government agencies to distort information in their favor, and their tendency to engage in "group-think," that is, to reject contrary views. He also points out that politicians and administrators often adopt wasteful and ineffective measures simply to look good. Finally, he recognizes that "there

are no market forces in government," and hence no economic penalty for failure. An agency can become ineffective or even counterproductive, but it will not die because the tax dollars keep flowing in.

So Clarke knows that government is flawed and complicated. If you asked him why he didn't rend his garments in response to his "failure" over 9/11, he could say that it really wasn't his fault: he was merely a cog in a giant, blundering machine. In fact, this is how he does excuse himself: "I could see a 'clear and present danger' to the United States but, despite my warnings and those of others, the U.S. government remained complacent until it was too late."

It's a fair defense as far as it goes, but it leaves unanswered a deeper question: if officials know government is flawed, why do they continue working for it? Surely Clarke knew in, say, January of 2001 that the federal government was too complex and disorganized to listen to his "warnings." So why didn't he resign then? Many other officials have been in the same position: they witness, and complain about, government incapacity, but they continue to be a part of the system. Why?

The explanation, I think, is that they have an underlying confidence in government, and this leads them to overlook the failure they observe with their own eyes. It's like the attachment some sports fans have for their hapless home team. They see it lose game after game, but refuse to draw the conclusion that it is a bad team. They still believe it can come back and win the pennant.

This primitive faith in government is widespread in this country, and, indeed, in the world. It is the product of wishful thinking, economic illusions of the "free lunch" variety, and centuries of pro-government propaganda bought and paid for by rulers to boost their stature. The fallacies and brainwashing lead most people to believe that government could fix all our problems if it would just try hard enough, or if the right people were in power. It should not surprise us to find that officials share this belief.

Clarke exemplifies this shallow thinking and vague optimism. He makes dozens of policy recommendations without analyzing whether they would ever be adopted, or would make

any difference if they were. Some of his proposals are embarrassingly contradictory. For example, he scorns the creation of new governmental units ("creating new organizations generally diverts attention of personnel who should be working on the substance of the issue"), yet advocates the formation of many new governmental units, including a "National Security University System," a new domestic security agency to be split off the FBI, and three new agencies to be broken out of the Department of Homeland Security. He urges setting up "czars" to oversee policy areas, naively hoping that they would have more power than he had as terrorism czar. Often he lapses into simple platitudes, such as, "We need to organize our government to be efficient and effective . . . in reducing vulnerabilities."

Another sign that Clarke's mind drifts with the zeitgeist is his easy acceptance of media bromides. One notes, for example, that he uncritically adopts the entire Gore global warming position, unaware of the staggering uncertainties at many levels of this policy issue.

Revealing his shallow grasp of history, Clarke accepts the belief — taught to him by his parents, he says — that "government had ended the Great Depression" through its "regulation and targeted investment." As generations of economic historians have pointed out, this view turns reality upside down. Government didn't cure the Depression; it caused it through "an almost incredible stream of wrong-headed, harmful policy moves," as economists John Makin and Norman Ornstein ("Debt and Taxes," 1994) put it. Amity Shlaes summarizes her study of the period saying, "Government intervention helped to make the Depression Great" ("The Forgotten Man" 2007).

Misinformation, wishful thinking, and superstition have led generations of Americans to believe that government is vastly more capable than it really is. It is mainly this blind faith, I believe, that leads embarrassed public officials to continue to serve in office even as they sit in the middle of fiasco. It also prompts them to propose reams of shallow and ineffective reforms to address past miscues. They just can't believe that the government failures they bemoan are par for the course. □

**"The Encyclopedia of Libertarianism,"** edited by Ronald Hamowy. Cato Institute and SAGE, 2008, 623 pages.

# Liberty in 623 Pages

Ross Levatter

How does one review an encyclopedia? Well, at only 623 pages, in this case one could actually read it from cover to cover. This encyclopedia concisely considers hundreds of topics related to the history and nature of libertarian thought. It runs from an entry on Abolitionism, contributed by libertarian autodidact George H. Smith, to an entry on Mary Wollstonecraft, by libertarian feminist Wendy McElroy. Smith and McElroy are separated by 325 other entries and an additional 163 authors. The volume begins with a wonderful essay by Manchester historian Stephen Davies, laying out the development of libertarian ideas from the 16th century to the present. It concludes with a detailed 76-page index.

The "Encyclopedia" has been gestating for many years. Hamowy, a brilliant and sardonic historian who earned his degree under Hayek at Chicago, was not its first chief editor, and this shows in a number of ways. For example, the entry on Roy Childs (1949–1992) was written by Joan Kennedy Taylor, who herself died in 2005. The entry on philosopher Robert Nozick (1938–2002), by Ellen Frankel Paul, purports to list all of Nozick's books, but it doesn't include his last one, "Invariances: The Structure of the Objective World" (2001). The entry on Liberty, Presumption of, by Anthony de Jasay, does not list under "Further Readings" any work by libertarian legal theorist Randy Barnett, himself another contributor, despite

the fact that the presumption of liberty was the ground for his theory of constitutional interpretation (best captured in his "Restoring the Lost Constitution" [2003]). The entry on Thomas Szasz states that he has written "two dozen books (the number increases almost yearly)." And that is true; in 2008 the number reached 33. The entry on "Right to Bear Arms" has no mention of the 2008 *Heller* case, not even as something scheduled to come before the Supreme Court, saying instead, in the final paragraph, "The future of the right to arms is in considerable doubt as a matter of constitutional doctrine." I do note several entries with Further Readings that include material as recent as 2007, despite the understandable problem of keeping a work up to date when it requires much time to produce and covers a rapidly developing field.

The contributors constitute a veritable Who's Who of modern libertarian academic thought, from Anthony Flew to Alan Charles Kors; from Robert Poole to Richard Epstein; from Robert Higgs to Jeff Hummel. And Cato is so catholic as to include among the contributors David Gordon of the Mises Institute. Among the contributors from various disciplines are philosophers Douglas Den Uyl, David Kelley, Roderick Long, Jan Narveson, and Eric Mack; historians David Hart, Leonard Liggio, and David Beito, in addition to Hamowy and Davies; legal scholars Nelson Lund, Bradley Smith, Alexander Volokh, Clint Bolick, and Randy Barnett; economists Bryan Caplan, Bruce Benson, Daniel

Klein, Larry H. White, Don Boudreaux, Michael Munger, Mark Skousen, Peter Boettke, Deirdre McCloskey, Leland Yeager, Israel Kirzner, and Tyler Cowen, as well as Nobel laureates James Buchanan (1986) and Vernon L. Smith (2002).

Cato's own analysts contribute: David Boaz, Tom Palmer, Gene Healy, Dan Griswold, Christopher Preble, Brink Lindsey, James Dorn, Ian Vásquez, Johan Norberg, Will Wilkinson, William Niskanen, Ted Galen Carpenter, Michael Cannon, and Michael Tanner. Contributors as obscure as Stephen Cox, a professor of literature at UC San Diego, are also included.

Unfortunately, the book has no separate index of contributors, so one cannot easily determine which, or how many, essays one's favorite libertarian writer has generated, though there is, of course, a list of contributors.

The individual entries are concise. The entry on World Slavery by Stephen Davies appears to be the longest (four and a half pages). Few offerings (e.g., Spontaneous Order and French Revolution) are longer than three full pages. The entries for Classical Liberal, Murray Rothbard, Ayn Rand, Milton Friedman, and Ludwig von Mises are each about two pages, those for Friedrich Hayek and Henry Hazlitt each about a page and a half. The biographical essays seem slightly shorter than the topical or policy-related articles.

There is an entry on Islam, but none on Israel. There is an entry on Military-Industrial Complex, but no entries on Standing Armies or Militias. There are entries on Pornography and Sexuality, but not on Prostitution or Sex Workers. There is an essay on George Washington, but not on Abraham Lincoln; an essay on Thomas Jefferson, but not on Theodore Roosevelt (only the more libertarian half of Mount Rushmore finds its way in). There is an article on William Wilberforce, a member of Parliament involved in the British abolitionist movement, but no article on the more libertarian Thomas Clarkson, who, while a private figure, had perhaps more influence in that movement. At first glance, I thought that writing an entry might preclude an author from having one, and that this explained why David Friedman was not a contributor, but I found that at least Richard

Epstein, James Buchanan, and Israel Kirzner both contributed essays and had essays written about them.

The article on the Great Depression follows immediately after the article on Government. The editor alleges that this is simply due to alphabetization, but the implication is there to consider.

Let me mention three of my favorite essays:

David Beito, author of "From Mutual Aid to the Welfare State: Fraternal Societies and Social Services, 1890–1967" (2000), wrote the contribution on Charity/Friendly Societies. Many current writers caricature libertarians as curmudgeonly Scrooges who care nothing for the poor; this essay is therefore must reading for those unaware of the extensive, spontaneously developed network of mutual aid that developed in America before being crowded out by the welfare state, a web of institutions that has, sadly, been less interested in offering true aid and more successful in fostering dependence. In analyzing the differences between mutual aid and the welfare state, Beito distinguishes "reciprocal relief [decentralized, spontaneous, and informal] from "hierarchical relief" [large, bureaucratic, and formalized]. Referencing de Tocqueville's writings, Beito notes, "With the possible exception of churches, more Americans in the mid-19th century belonged to fraternal societies than any other kind of volunteer organization." Tax-financed welfare undermined one of these organizations' most important reasons for existing. Yet they had been both feasible and flourishing alternatives to the state, as well as a method of social cohesion and networking that made American life much better for many people.

Christopher Preble's essay on the Military-Industrial Complex notes the famous warning passage from Eisenhower's "farewell address" but correctly points out that the intimate relationship between industry and the military did not start with World War II, the conflict with which Eisenhower was so intimately familiar. In fact, he says, "many trace the development of interlocking political and economic interests among the military and leading industrialists to World War I, when the Council of National Defense and its successor, the War Industries Board . . . mobilized billions of dollars for the war

effort." Preble notes that analysts on the Left, who flourished during Vietnam, incorrectly link crony capitalism with the free market; he argues that leftist class analysis completely overlooks labor's role in the defense industry, observing that "defense workers are by far the largest, and therefore the most powerful, constituency driving the military-industrial complex . . . [D]efense workers fight to protect their jobs by supporting politicians who steer money to their employers . . . [D]efense spending has served as a thinly veiled jobs

program that has created powerful, entrenched political constituencies who oppose reductions in military spending in peacetime."

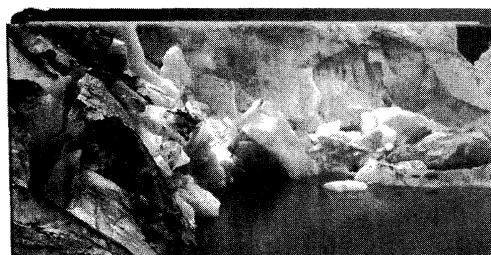
George Smith's essay on "Religion and Liberty" is erudite. While I cannot do justice to his discussion in a brief summary, he recalls that the case for liberty of conscience, including religious toleration, was among the first liberties historically fought for and established. He also discusses Lord Acton's argument that by establishing a second and competing source of power, the church

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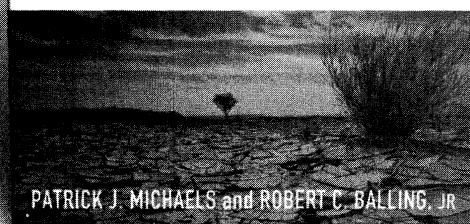
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forced the state to compete with it for the favors of the people. "While competing for allies, they [church and state] granted sundry immunities and privileges to towns, parliaments, universities, guilds, and other corporations. These institutions were eventually able to resist the power of both church and state, so there evolved a decentralized system of power unknown to the ancient world and the East." In that decentralization, liberty could grow.

Entries that would surprise no libertarian include (glancing just at the "A" list): Abolitionism, Affirmative Action, American Revolution, and Anarcho-capitalism. Some that you might not know to find in an encyclo-

pedia of libertarianism are Children, Cities, Conscience, Culture, Dutch Republic, Epicureanism, Evolutionary Psychology, Family, Internet, Italian Fiscal Theorists, Vincent and Elinor Ostrom, Roscoe Pound, and Progress. The less familiar topics add to the reader's depth of understanding and appreciation of libertarianism, showing the many intertwining historical and philosophical roots of liberty.

The encyclopedia is beautifully produced, though not inexpensive at \$125. It is a worthy addition to the library of Liberty readers, a coffee-table book that will likely stimulate your caffeine intake as you read one wonderful essay after another. □

**"Valkyrie," directed by Bryan Singer. United Artists, 2008, 120 minutes.**

# Cruising Hitler

Jo Ann Skousen

In Norse mythology the Valkyries are warrior maidens who gather the souls of fallen heroes and bear them to Valhalla, the Hall of the Slain. "Die Walküre" is also the title of an opera by Richard Wagner. In the film "Valkyrie," Adolf Hitler describes them as "handmaidens of the gods choosing who will live and who will die." As leader of the National Socialist party, Hitler considered himself a protected hero, and in some unfortunate ways, he was. As a soldier during World War I, he claimed, he was eating lunch with his platoon when he heard a voice telling him to cross to the other side of the road. Within moments a mortar hit the exact area where he had been sitting, killing his comrades. During World War II, at least 15 assassination attempts were made on his life, and he survived them all, only to die by his own hand in a bunker in Berlin, when the city was about to fall.

"Valkyrie" tells the story of the final known attempt to assassinate him, an attempt that, of course, failed. The plot was organized by a German underground movement that was about as above ground as possible — a group of officers in Hitler's highest command. One of its leaders was Colonel Claus von Stauffenberg (Tom Cruise, in this film), a German war hero and chief of staff for the reserve army. This was not an easy choice for men who had risen to power with the belief that they were members of a chosen race, following an almost godlike leader. It took courage to realize that "in serving my country, I have betrayed my conscience," as Stauffenberg says. "My duty now is not to my country but to save human lives." Such libertarian ideas are unexpected from German soldiers, and they keep this otherwise ordinary film interesting.

Early in the film Hitler says to Stauffenberg, "One cannot understand national socialism, if one does not

understand Wagner." I have continued to reflect on that remark, and offer you no pat explanations. In fact, I welcome your reflections on what it means. Partly, I think, the meaning lies in the Wagnerian idea that heroes are more important than normal mortals, partly in Wagner's belief in the superiority of the Aryan race, and partly in Wagner's music itself, so heroic and stirring that it evokes emotional heroism and national pride. In the opera, Siegmund's father, Wotan (interestingly, a one-eyed character like Stauffenberg), acquiesces in his son's death. Fittingly, "Operation Valkyrie" was the name given to Hitler's backup plan for putting down an uprising among his erstwhile followers in the event that the Secret Service or someone else in his inner circle rose up against him.

Like Stauffenberg, most of the plotters are motivated by conscience. Bound by oath to "render unconditional obedience to Adolf Hitler," by 1944 they have come to realize that they are following a madman. "We have to show the world that not all of us are like him," Henning von Tresckow (Kenneth Branagh) urges the others. "Otherwise, this will always be Hitler's Germany." Their goal is to restore Germany to the Germans.

But some members of the group are motivated by self-preservation rather than conscience. "I always come down on the right side," General Friederich Fromm (Tom Wilkinson) warns the conspirators when they carefully suggest their plan without revealing the plot. For the resistance movement, the "right side" is the side of conscience, but for Fromm and military careerists like him it is simply the side that will win. He tells them he will support the plotters or arrest them, depending on the outcome.

Originally the role of Stauffenberg was offered to Patrick Wilson. Tom Cruise became interested when he noticed the similarity between Stauffenberg's physical profile and his own, and the film became a Tom Cruise project. Cruise has the star power to carry a film, but he doesn't do accents. Rather than make him struggle with clunky Germanic sounds, director Singer decided to film in what he calls a "neutral English," which unfortunately sounds very British and upper crust. Terence Stamp in particular,

dressed in a suit rather than a uniform “to look more like a man of the people,” seems as if he ought to be judging an episode of *Project Runway* instead of running a plot against a head of state. Pragmatically “neutral English” was a good idea — no one wants to endure a bad accent, à la Brad Pitt in “*The Devil’s Own*” or Kevin Costner in “*Robin Hood*.” But symbolically, the decision negates the point of this story, which is that the Germans themselves began to turn on Hitler.

I would have preferred to see the movie filmed in German with English subtitles, so as to create the full effect of Germans taking charge of their future and resisting their government. But that would have required a different cast, with a lower budget. Moreover, it is often difficult to keep the minor characters straight in the film. They all wear the same uniforms and speak with the same British accent. Often the camera focuses meaningfully on a soldier’s face, but we aren’t sure what the meaning is. Is the character about to betray the plotters? Is he about to be betrayed himself? I’d like to say that the director

is deliberately creating the same uneasy suspense the conspirators feel as the plot unfolds, but unfortunately I think it’s an example of inadequate editing that slows the film and distracts from the forward action of the story.

The magnificent strains of “*The Ride of the Valkyries*” that open the third act of “*Die Walküre*” has been trivialized in popular culture. It brings to mind Petunia Pig in Viking horns and Elmer Fudd singing, “Kill the wabbit, kill the wabbit.” Ironically, in the movie “*Valkyrie*,” killing the wabbit is the plan. Like all opera goers, we know that tragedy is the inevitable conclusion, but we watch because we care about the characters and what the story reveals about human nature.

Meanwhile, the Valkyries wait in the wings to take the fallen heroes to Valhalla, where, after martyrdom, they lead the fight posthumously to restore Germany to free Germans. They did indeed show the world that “not all of [them] were like [him].” Today the spot where they were executed is a revered national memorial. It is no longer in “Hitler’s Germany.” □

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**“Quantum of Solace,” directed by Marc Forster. EON Productions, 2008, 105 minutes.**

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## Bond-Aid

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Ross Levatter

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Why do libertarians enjoy James Bond movies? I’m assuming I’m not alone in that regard. When you analyze it coolly (and isn’t that just what Bond would do, perhaps while enjoying a Vesper martini?), there really is no reason to admire a paid government assassin who brashly destroys people and property, motivated only by “duty” without giving much thought to what precisely that duty entails.

Nonetheless, we love the character. I suspect it is one part emotional enjoy-

ment of the thrill and excitement; one part admiration for the autonomy represented by a man who can casually incapacitate four highly trained enemy agents between floors in a crowded elevator; and, of course, one part the alpha male ease with which he moves through the world, never at a loss as to what to do. More intoxicating than a Vesper martini. More dangerous.

But there it is: even libertarians are entranced by this character. That’s why it’s sad to announce that this sequel to 2006’s “*Casino Royale*” doesn’t live up to its predecessor. That’s frequently the

case with sequels. Here the problem involves both technique and plot.

“*Quantum of Solace*” picks up literally within hours of the end of “*Casino*.” But immediately one can see a cinematographic difference that mars the entire movie. Director Forster, who did not direct “*Casino*,” films action and fight scenes with rapid-fire closeup shots, using what one friend calls “shaky camera” technique: so close and so fast that one can hardly distinguish the flow and action of the scene. This was true of the initial car chase, true of the fight scenes, true of the airplane scene. It was much harder to understand, and consequently enjoy, the action here than in “*Casino*.”

Further, the action scenes lose their sense of realism in “*Quantum*.” “*Casino*’s” fight scenes were fairly realistic. People got banged up when they had significant injuries. In “*Quantum*,” Bond (Daniel Craig) falls more than 20 feet with his ankle entangled in a rope, ending suddenly as his entire body weight comes to an abrupt stop when the rope becomes taut. Yet he maintains his wits sufficiently to grab a gun lying at the base of his fall, twist, aim, and dispatch his opponent, and walk away, without a limp, into the next scene. In fact, such a fall would likely lead to a fracture and dislocation of hip and ankle. This is but one example among many of directorial ignorance of physiology and, often, physics. For example, opening a parachute a few hundred feet above the ground does not typically lead to a survivable landing, to say nothing of a walk-away-unharmd landing.

Then there was the change in Bond’s enemy. In “*Casino*,” it was a vague international terrorist organization, financing military actions through manipulations of the stock market. Now Bond’s main enemy is Dominic Greene (Mathieu Amalric), CEO of Greene Planet. This big businessman — ooh, I wonder if he’s going to be a villain? — is assisting in a military takeover of Bolivia so that the newly installed military dictator will cede to Greene’s company barren land that, unbeknownst to the Bolivian but not to Greene, contains 60% of the country’s water supply. Now the Bolivians can be held for ransom, water being a necessity of life. It seems Greene lives in a world where

one can become the CEO of a multinational company without any sound understanding of basic economics.

Greene's goal, you see, is not to monopolize oil, but to capture majority holdings in the much more valuable product, *water*. Water is required for life; therefore water must, by Greene's thinking, be worth more than diamonds. Greene hasn't kept up on his economics reading, or he would be aware of the marginal revolution of the 1870s that explained the diamond-water paradox.

Once acquiring this incredibly valuable monopoly, Greene seems unworried that water could be purchased and transported from Peru, Brazil, Chile, Paraguay, or Argentina, all of which border Bolivia. Although I've not heard of Bolivia pulling out of the world market, it seems their stores, unlike ours, do not offer bottled water for purchase. We have desert nomads throughout the world able to afford sufficient water to live, but a country in the middle of South America will dehydrate en masse if they don't give in to a company that presumably can forever charge a supra-marginal fee for *water*?

I also found amusing that one can acquire major assets of this sort by having a newly-installed Bolivian dictator sign a piece of paper, which seems to constitute a valid contract, solemnly upheld by the Bolivian judicial system as people throughout the country pay or die.

By movie's end, Greene himself is left to die of dehydration in the middle of a desert (though Quantum, the secret international cartel that Greene works for, apparently finds him first and shoots him dead, which seems a waste of bullets), and water flows again for the poor Bolivians, courtesy of the British Secret Service. This movie is far less realistic in plot and tone than its predecessor.

The movie plot does do justice to Bond's conflicted feelings of love, betrayal, and shame over his inability to save Vesper. That was resolved nicely. Though Greene is dead, White, captured by Bond at the end of "Casino" and escaping at the beginning of "Quantum," is still on the loose, and the organization, Quantum, is still functioning. So there will be further adventures of 007. I hope they are better written, plotted, filmed, and staged. □

**"Slumdog Millionaire,"** directed by Danny Boyle. Fox Searchlight, 2008, 120 minutes.

# Rags to Rupees

Jo Ann Skousen

In 1951 Ray Bradbury wrote a collection of short stories entitled "The Illustrated Man" in which a vagrant man is completely covered with tattoos. These tattoos come to life as the foundation for each of the stories in the collection. It was a clever and creative gimmick that united several unrelated stories examining technology and psychology. I've never forgotten it.

"Slumdog Millionaire" uses a similar storytelling device to unite several stories in the life of a young street urchin growing up in the slums of India. I deliberately avoid the word "gimmick" here, because there is nothing slick or gimmicky about this fine film, rich in culture and deep in emotion, with its Dickensian atmosphere and Faganesque mentor (Ankur Vikal).

When 18-year-old Jamal Malik (Dev Patel; also played at different ages by Tanay Chheda and Ayush Mahesh Khedekar) a virtually homeless and unschooled street orphan, manages to work his way up to the final question on India's version of the TV game show "Who Wants to be a Millionaire?" he is accused of cheating. After all, the show's emcee reasons, an impoverished ignorant boy from the slums can't possibly accomplish a feat that no privileged, educated contestant has been able to do. So the emcee calls in the goons.

Similar questions have been asked about other seemingly impossible accomplishments in history. How could

the son of a glover in rural England with a minimal primary school education have written the most profound plays in all literature, for example? How could a man of ordinary background and education have become the greatest statesman, philosopher, scientist, and diplomat in American history? Innate genius seems to be the answer.

But Jamal is no genius. So how does this uneducated street urchin correctly identify an obscure poet, the face on a foreign currency, the holder of an obscure record in cricket? How does he know the inventor of the revolver, or the items held in the hand of one of hundreds of obscure mythological gods? Surely he is cheating. His interrogators beat him up as they try to elicit a confession of outside help or find a listening device or microchip.

Instead, while his tormentors review video tape of the show and focus jeeringly on each question, the boy relates the stories that explain why these particular objects are seared into his memory. Like Bradbury's "Illustrated Man," Jamal's trivial pursuit questions becomes the backdrop for his own "Thousand and One Nights," a collection of stunning, horrifying, uplifting, and ultimately indelible stories about survival on the streets of Bombay and Delhi. There are stories of brotherhood, betrayal, sacrifice, determination, and the indefatigable search for his one true love. The juxtaposition of this nightmarish childhood against the backdrop of a meaningless game show of trivial



pursuit for idle entertainment highlights what it means to be educated. It also elevates this film above the genre of underdog-wins-the-game movies.

Coincidentally, when I returned home from seeing this film on November 26, I watched the news reports of the terrorist attacks on Mumbai that killed

over 100 and injured hundreds more. My first reaction was a horrified, "I was just there!" That's how powerful this film is. You will feel as though you are there with this little boy, running from his tormentors, digging through sludge, sleeping on trash heaps, and never, never, never giving up. □

**"The Curious Case of Benjamin Button,"** directed by David Fincher. Kennedy-Marshall, 2008, 159 minutes.

**"The Curious Case of Benjamin Button,"** by F. Scott Fitzgerald, 1921.

**"The Confessions of Max Tivoli,"** by Andrew Sean Greer. Farrar, Strauss and Giroux, 2004, 288 pages.

# Curiouser and Curiouser

Jo Ann Skousen

Have you ever wished you could go back to your childhood, especially your adolescence, and do it over again, using the wisdom you have acquired through age and experience? What would you do if you were born old and then became progressively younger? In 1921, F. Scott Fitzgerald, musing on Mark Twain's observation that "It's a pity that the best parts of life come at the beginning, the worst parts at the end," wrote a short story called "The Curious Case of Benjamin Button," exploring this very issue. David Fincher has turned it into a remarkable film. But several works have examined the prospect of aging backward, and each has focused on a different effect of the condition.

In Fitzgerald's short story, the unfortunate man is born nearly full-sized, with normal speech, reading skills, and wisdom. As he devolves in

age, his mind devolves too; as a 60-year-old in a 20-year-old body he can discuss philosophy, but by the age of 3 he is unable to count. Most interesting about this version of the story is the father's insistence on raising his son "by the rules." The old man must therefore drink milk when he would prefer to smoke a cigar, and play with a rattle when he would prefer to read the newspaper, simply because he is, chronologically, a baby.

I like this approach, because it demonstrates the absurdity of categorizing people by such arbitrary measures as age or gender. "There's a right way of doing things and a wrong way," Benjamin is scolded in the Fitzgerald story. "If you've made up your mind to be different from everybody else, I don't suppose I can stop you, but I really don't think it's very considerate" — as though he has any choice in the way he was born.

Like all good fantasies, Fitzgerald's story is meant to be read metaphorically rather than literally. Many people do things backwards — or at least differently from the norm. When I met my husband, he was the right man at the wrong time. I was 18, a freshman in college, and he was completing his master's degree and leaving for a career in Washington, DC. I chose to go with the man rather than the age, and virtually skipped a decade, moving into his world and leaving mine behind. I raised children in my 20s, went to college in my 30s, and began a career in my 50s. I understand a character who lives life backward.

But Fitzgerald's "Curious Case of Benjamin Button" bears very little resemblance to the film of the same name, other than the protagonist who ages backward. In the film, Benjamin is born the size of a baby, but with the wrinkled skin and arthritic bones of an old man. Now everyone knows that babies are born with wrinkled skin, absurdly shaped heads, wispy hair, and rickety curved legs, so this alone should not terrify the father. But it does. This Benjamin cries like a baby and suckles like a baby. Fitzgerald's idea of the baby spilling out of the bassinet and asking for a cigar is much more shockingly satisfying.

What is shockingly satisfying about the film is watching Brad Pitt age and then grow young. We've come to expect actors to age believably through skillfully applied makeup and prosthetic wrinkles. Pitt adds to the effect with a marvelous ability to blend the physicality of an old man with the exuberance and wonder of youth. His body and facial expressions work perfectly against each other. But to see him continue regressing past his current (and handsome) 45 to the breathtakingly gorgeous youth we saw 16 years ago in "A River Runs Through it" and, even younger, to a lanky, carefree youth of 17, is nothing short of amazing. It was worth the three-hour movie just to see the beefcake — er, I mean, to observe the computer technology.

The film is also a beautiful work of cinematography. The lighting is exquisitely natural, the costumes are perfect for the time and financial status of the characters, and the minor characters are well cast. The setting envelops you,

and the story moves surprisingly fast. In this version, Benjamin is abandoned by his horrified father on the steps of an old-folks home where he is rescued, like Moses from the bulrushes, and raised by a childless woman named Queenie (Taraji P. Henson). At the home, where "death and old age felt normal," he fits right in.

Daisy (Cate Blanchett), the love of his life, is the granddaughter of one of the residents. She comes and goes in his life until that magical moment when they "meet in the middle" and are the precise age to fall in love with each other. But this is Hollywood, where relationships last only as long as they are mutually satisfying. When Benjamin grows too young and Daisy grows too old, Benjamin leaves, "for the sake of their daughter," so Daisy can find another man to marry and become a father figure to their child(!). He narrates in voice-over: "We're meant to lose the people we love. How else are we supposed to know how important they are to us?" (Huh?)

The film version focuses more on the cycle of aging than on the stages of life. "We start out in diapers and we end up in diapers," Queenie says pragmatically. Benjamin starts out in an old-folks home, and he ends up there as well. As

he becomes younger and younger, he loses his memory, very much like a victim of Alzheimer's. It's a sad thought, losing a loved one to dementia, and I have heard more than one caretaker of a parent stricken with Alzheimer's describe it as "caring for a baby." In that respect, the film is philosophically sound and emotionally moving.

The movie's storyline is more closely linked to Andrew Sean Greer's best-selling novel, "The Confession of Max Tivoli," than to Fitzgerald's "Curious Case of Benjamin Button." In Greer's story, an age-reversing man meets the love of his life three times, at three different ages, just as the film character does. And like the movie, which unfolds as a diary written to Benjamin's daughter, "Max Tivoli" is a memoir written to Max's son.

Greer's book uses the story indirectly to examine the Oedipus-Electra complex. Max meets his Alice first when she is a young teen turning to him for fatherly comfort, then as a woman who marries him, and finally as a mother who adopts him. At each stage she loves him, but in a different way. Max, however, loves her the same way every time — as an old man he wants to kiss her, and as a young boy he wants to zip her dress. Kind of creepy, actually, when

seen from her point of view.

Interesting though each version is, none of these stories allows the protagonist to take advantage of the wisdom of age. There are so many things I have wished I could redo in childhood and especially adolescence, using the wisdom I have gained over five decades. Benjamin has that chance. I wanted to see the early Benjamin make a bad choice in his aged body and then use that wisdom to make the right choice in his youth. But he doesn't. In fact, the later Benjamin's decisions are as shallow and self-serving as those of any teenager I've met. Daisy, by contrast, develops a much clearer understanding of love and devotion as she ages.

Twain and Shaw both jokingly suggested that youth is wasted on the young. But as Henry David Thoreau observed in "Walden," "age is no better, hardly so well, qualified for an instructor as youth, for it has not profited so much as it has lost." Each of these stories about reversed aging ends in a profound sense of loss. People meet loved ones in the middle of their lives, then veer off in different directions. If anything is learned from their stories, it is the importance of staying on the same path with those we love, and walking hand in hand into the distance. □

## Letters, from page 34

recently was due to greenhouse gas emissions, then we could confidently predict that this portion of the trend would continue, albeit modified by the underlying nonhuman warming and cooling fluctuations that would occur. But if, for example, 1% of the warming was due to human activities, and 99% due to nonhuman causes such as variations in solar output, then it would be the height of folly to conclude that temperatures in the future will rise because of increasing greenhouse gas emissions, since that slight increase would be little better than background noise in the much larger temperature fluctuations due to nonhuman causes.

The reality is that if you try to google scientific studies that try to quantify this ratio of human to nonhuman influences, you come up with no credible estimates. We simply don't understand the underlying natural forces well enough to have

reliable computer models that would accurately tease out the relative importance of these different forces underlying climate variations. And so it would be a terrible and unnecessary blow to liberty to use government coercion to reduce greenhouse gas emissions when we don't know whether this would significantly affect climate.

Jim Henshaw  
Kailua, HI

## Still Burning

Bill Merritt says of 1968 that "Robert Kennedy had been murdered and, a few weeks later, Martin Luther King" (Reflections, Jan.-Feb.). Merritt has it reversed: King was shot in early April of 1968 and Kennedy was shot in early June of 1968, two months apart. This writer was 14 years old at the time and in the 8th grade. I recall discussing it in class under "current events" — I shocked the living hell out of my lib-

eral teachers when I said that the loss of King and Kennedy was nothing to be upset over, since they both believed in an expanded welfare state here at home. I still feel that way 40 years later; those two scumbags weren't heroes and shouldn't be treated as such. My youthful involvement with the John Birch Society and the Wallace-for-president movement around that time is what eventually led me to libertarianism in high school and college.

While Merritt was dodging Commie bullets in Vietnam, I was saying let's win it and get the hell out and don't ever go back! I was against the war because our country was led by traitors (then as now) who were getting our forces killed for nothing in a war they had no intention of winning. I'm 54 now and it still pisses me off!

Mark Richards  
West Milford, NJ

### *Morrisville, N.Y.*

Laudable effort in the perpetuation of a stereotype, from the *Syracuse Post-Herald*:

State police say an upstate New York college campus policeman was helping himself to free pastries at a local convenience store.

Sgt. Steve Brody of the Morrisville State College University Police stopped daily to buy a newspaper and pick up the free coffee offered by the store. He also routinely stuffed a pastry into his coat.

Brody, 55, of Morrisville, was ticketed for petit larceny.

### *70 Mile House, Canada*

Animal activists find a new *bête noire*, from *The B.C. Province*:

A B.C. man who clubbed a bear to death in self-defense is now defending himself from a smear campaign.

Jim West says angry animal-rights crusaders have been harassing him at home and impersonating him in emails to media outlets. "I figure this is someone from PETA because I've had some people tracking me down and giving me the gears," said West, 45.

West says he's also been receiving phone calls. "One woman asked me why I killed the bear and why I didn't run away. Well, you can't outrun a mother bear," said West who is recovering from the 60 stitches to his skull, upper lip and left arm he received in the attack.

### *Las Vegas*

Legal note, from a report from *Courthouse News*:

A man claims Simon & Schuster defamed him in the book "Hot Chicks with Douchebags." Michael Minelli says two pages of the book are dedicated to him illustrated with a photo, but the douchebag label is "false as it pertains to plaintiff."

Minelli says he "has been, is now and continues to be called a douchebag by friends, acquaintances, coworkers, employers and strangers alike." Minelli seeks damages and attorney's fees.

### *Boston*

The thin blue line separating society from chaos, in the *Boston Herald*:

Jennifer Davis was stuck in bumper-to-bumper traffic, her contractions just 3 minutes apart. Her husband, John, was trying to appear calm for his wife's sake, driving in the breakdown lane of Route 2. They pulled up behind a state trooper to ask whether they could continue using the lane to reach the next exit, near Alewife Station.

Not only did the trooper say no, he gave them a \$100 citation for driving in the breakdown lane, made them wait for their citation while he finished writing someone else's ticket, and even seemed to ask for proof of pregnancy, Davis said.

State Police spokesman David Procopio noted that state law prohibits driving in breakdown lanes on Route 2. "The trooper made a judgment call to enforce the law governing the use of the breakdown lane," said Procopio. "If the couple does choose to submit a letter of complaint, we'll review it in accordance with our procedure."

### *Subkowy, Poland*

Defending nature from itself, in the *Austrian Times*:

Green campaigners called police after discovering an illegal logging site in a nature reserve — only to find the culprits were a gang of beavers.

Environmentalists found 20 neatly stacked tree trunks and others marked with notches for felling at a beauty-spot in Subkowy, northern Poland. But when officers followed a trail left by a tree which had been dragged away, they found a beaver dam right across the river. A police spokesman said: "The campaigners are feeling pretty stupid. There's nothing more natural than a beaver."

### *Detroit*

Petition the Lord with prayer, from the *Detroit Free Press*:

With sport-utility vehicles at the altar and auto workers in the pews, one of Detroit's largest churches on Sunday offered up prayers for Congress to bail out the struggling auto industry.

"We have never seen as midnight an hour as we face this week," the Rev. Charles Ellis told several thousand congregants at a rousing service at Detroit's Greater Grace Temple. "Lives are hanging above an abyss of uncertainty as both houses of Congress decide whether to extend a helping hand."

Local car dealerships donated three hybrid SUVs to be displayed during the service, one from each of the Big Three.

A Ford Escape, Chevy Tahoe, and a Chrysler Aspen were parked just

in front of the choir, behind the pulpit. At one point, Ellis summoned up hundreds of auto workers and retirees in the congregation to come forward toward the vehicles on the altar to be anointed with oil.

### *Willich, Germany*

New definition for "going postal," in the *Stuttgarter Zeitung*:

A manhunt is underway near Dusseldorf for a convicted drug dealer who escaped by mailing himself out of jail.

The 42-year-old Turkish citizen had been making stationery with other prisoners destined for the shops. At the end of his shift, the inmate climbed into a cardboard box and was taken out of prison by express courier. His whereabouts are still unknown.

### *Anchorage, Alaska*

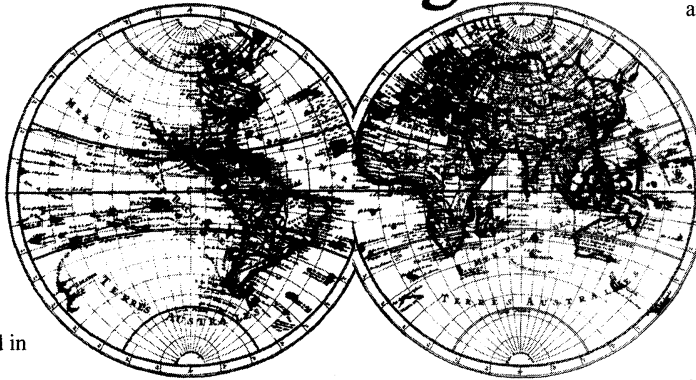
A new civil rights movement gets its start, reported in the *Anchorage Daily News*:

A giant snowman named Snowzilla has appeared again this year — despite the city's cease-and-desist order. For the last three years, Snowzilla has been a very large feature in Billy Powers' yard. This year, Snowzilla is estimated to be 25 feet tall. He's wearing a black stovepipe hat and scarf.

City officials deemed Snowzilla a public nuisance and safety hazard. A cease-and-desist order was issued. The city tacked a public notice on Powers' door.

In response, a group of snowman protesters appeared on Christmas Day in front of City Hall. They carried signs that read "Snowzilla needs a bailout" and "Snowmen have rights too."

## *Terra Incognita*



Special thanks to Russell Garrard and Tom Isenberg for contributions to Terra Incognita.

(Readers are invited to forward news clippings or other items for publication in Terra Incognita, or email to [terraincognita@libertyunbound.com](mailto:terraincognita@libertyunbound.com).)

Like any small business, my family's furniture store depends on effective advertising.

But the City of Lynnwood told me I couldn't use portable signs that it allowed others to use.

I fought back for free speech.

And I won.

*I am IJ.*



*John DeRaspe  
Lynnwood, WA*

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