

2007 Bastiat Prize for Journalism

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International Policy Network
Century House, 2nd Floor
100 Oxford Street
London W1D 1LN
United Kingdom

e: info@policynetwork.net
w: www.policynetwork.net

Clive Crook

The Fruitful Lie | *Atlantic Monthly* | October 2006

On Milton Friedman's Unfinished Work | *National Journal* | 8 December 2006

The Ten-Cent Solution | *Atlantic Monthly* | March 2007



CLIVE CROOK is a senior editor of *The Atlantic Monthly*. In addition to his work for the magazine, he writes a column for *National Journal* and serves as chief editorial adviser to David Bradley, the chairman of Atlantic Media Group. He is also chief Washington commentator and Associate Editor for the *Financial Times*. He was formerly on the staff of *The Economist*, latterly (from 1993 to 2005) as deputy editor. A graduate of Oxford and the London School of Economics, he has served as a consultant to the World Bank and worked as an official in the British Treasury. He lives in Washington, DC.

THE FRUITFUL LIE

October 2006

Trade agreements have always been greased by deception about who benefits. Now they're failing because leaders have come to believe their own lies.

Apparently, it was everybody else's fault. After almost five years of grinding negotiations, the Doha Round of global trade talks was suspended this summer, amid a flurry of reciprocal finger-pointing by many of the world's leaders. Almost certainly, this round – which once promised to significantly reduce barriers to trade in agriculture, manufactured goods, and services – is dead.

It shouldn't have played out like this. When the talks were launched, in November 2001, the world's governments called them a response to 9/11 – the Doha Round would demonstrate a new ambition to work together for the common good. This time, the developing countries, especially, would benefit. Indeed, this was to be the "Development Round." Economic gains alone had been enough to ensure the success of prior rounds. This round was buttressed by geopolitical concerns as well,

and by humanitarian purpose. Why, then, did it all go wrong?

The United States mainly blamed the European Union, for its reluctance to cut tariffs on farm imports. The European Union mainly blamed the United States, for its reluctance to cut farm subsidies. America and Europe wanted developing countries to lower their barriers to imports of manufactured goods. Many of those countries, led by Brazil and India, said they wouldn't unless Europe and America conceded more on farm trade.

Whichever side you take, this kind of explanation only makes the impasse more mysterious. The United States would, after all, be better off if it cut its farm subsidies. Those subsidies cause waste, and it is Americans, not foreigners, who pay for them. Ditto for the European Union and its farm-import tariffs. Citizens of the EU would be better off if they could buy cheap imported food; the main victims of Europe's farm policies are Europeans. And the same goes for Brazil and India, and their tariffs on manufactured imports. If they lowered these fees, both countries would enjoy a higher standard of living, and their economies would eventually grow faster because their producers would be forced to greater efficiency by foreign competition.

There are short-term adjustment costs to consider, but the case for free trade that you read about in economics textbooks is the case for unilateral free trade. The real mystery is why complex rounds of reciprocal trade-policy promises – "We'll concede this if you concede that" – should ever have been necessary in the first place.

The standard answer is politics. The gains from freer trade – cheaper imports, mainly – are big, but they're thinly spread and hard for individual consumers to see. The losses are smaller than the gains, but they're concentrated in particular industries and thus more keenly felt. The losers – people who own or work for companies facing foreign competition – get organized and resist. To face them down, governments have to build opposing coalitions of winners – classically, exporters seeking lower trade barriers overseas. Starting in the 1940s, this is how successive rounds of trade talks worked. And they really did work. Again and again, the export interest defeated the protectionist interest, and trade surged. Few would deny that every participating nation benefited greatly.

It was a fruitful lie, this idea that the gains from trade come mainly from the exports you sell, not the imports you buy. But it was still a lie; the textbook case for free trade really is correct.

The interesting question is why has the lie stopped working? It may be that governments have just become more stupid about trade. Perhaps they've forgotten that the whole process – the General Agreement on Tariffs and Trade, the World Trade Organization, all that stuff – was just a ruse. They have come to believe their own mercantilist propaganda, and have embraced the misconception that their countries' interests are served only if they can get the other guy to make concessions bigger than their own. Look at the way they walked away from the Doha Round – regretful, but with comical pride, heads held high. (India's commerce minister said, "We don't mind competing with American farmers, but we cannot take on the U.S. Treasury" – which subsidizes them.) All sides stood firm. Well, of course they did: they had forgotten why they were there.

And the Doha Round failed for another reason. Global trade talks are extremely complex, and a single government can veto the whole deal. So the proceedings need to be firmly led. They used to be – by America – but for a variety of reasons the task has become more difficult, and Washington no longer brings as much energy to it. Recent administrations developed an alternative: hub-and-spoke trade pacts like the North American Free Trade Agreement. Again, the thinking behind this strategy is purely mercantilist: maximize exports for any given increase in imports. Regional trade deals serve that purpose because they let the United States use the bargaining power of its huge domestic market more effectively, and thereby wring bigger concessions from its trading partners.

This local activity drains commitment from the wider global process. Worse, it creates new interests opposed to global liberalization. Mexico extracted hard-won privileges to sell goods on favorable terms in the United States as part of the NAFTA talks (at the "cost," remember, of opening its own markets to American exports). Universal trade liberalization would diminish the value of those privileges by sharing them more widely – America would turn to other developing countries for some of the imports it currently buys from Mexico under those special arrangements. In effect, NAFTA has given Mexican exporters an interest in resisting a

generalized lowering of trade barriers. And NAFTA is only one of many regional free-trade agreements that have the United States at the center.

How much does it matter that the Doha Round has failed? It depends on what happens next. The failure to liberalize is certainly expensive: estimates of the worldwide losses stemming from trade barriers vary, but over time the cost will surely run into the trillions of dollars. And the biggest losers will be developing countries, including Brazil and India. That is the saddest aspect of this breakdown. The United States and other rich countries have already opened most of their markets to trade; their remaining protection, costly as it is, is mostly confined to particular industries, like farming and textiles. For the most part, that's not true of developing countries. Their tariffs and other import barriers are still relatively comprehensive and high, keeping imports expensive and sheltering manufacturers from the foreign competition that would raise productivity and growth.

The global cost of the Doha Round's collapse will be even greater if previous commitments to liberal trade start to unwind. Up to now, the World Trade Organization has acted as an obstacle to backsliding, by policing the promises made by members and arbitrating frequent disputes. Its ability to do that is not yet in question, but it soon might be. At a minimum, the use of global treaties to spur further liberalization looks unlikely at the moment.

So are we at an impasse, or even a breaking point? We need not be. The end of the Doha Round doesn't force any country to maintain its trade barriers. There is no law against lowering barriers unilaterally. That would be a great idea, and now would be a good time for it to catch on. But it would also require political courage of a sort we've not seen lately – from any country – and greater honesty about the true nature of trade's benefits.

ON MILTON FRIEDMAN'S UNFINISHED WORK

8 December 2006

My previous column had closed and gone to press when I heard that Milton Friedman had died. I hesitate to add to the many excellent admiring articles that appeared in the following few days – by now there cannot be much else to say – but please indulge me. I could not forgive myself for letting the event pass without adding my own words of appreciation, however inadequate or superfluous.

Friedman was the formative intellectual influence of my life. I started out loathing the man (or what I thought he stood for) and ended up idolizing him. As a schoolboy I was aware of his reputation as the leading apologist for evil capitalism, supreme academic commander of the enemy forces. And not much changed in that when I first began to study economics properly, reading Friedman for the first time and having to acknowledge that he was a brilliant scholar. None of that disturbed my militant levelling instincts.

Economics was one thing, "political economy" quite another. Friedman could have been right or wrong about monetary-base control, or about consumption and saving, or about the non-accelerating inflation rate of unemployment, and so forth, without those views implying much, one way or the other, about capitalism and socialism as rival systems of organization. In other words, it was possible to recognize, grudgingly of course, Friedman's brilliance as a pure and applied economist, while putting his larger views about society to one side. And that is what I did.

If I recall correctly, what first unsettled me at this deeper level was watching a recording of a televised debate between Friedman and John Kenneth Galbraith on the respective roles of state and market. In those days I admired Galbraith, had read all of his books, and reveled in his every wise pronouncement about the deficiencies of Western capitalism and the unacknowledged virtues of Soviet central planning. I remember excitedly tuning in to this program, avid to see all that superior understanding, human empathy, and

magisterial disdain pour down on poor old Friedman's head. Well, Friedman quietly, courteously, and good-humouredly tore Galbraith to shreds – or so it seemed to me.

Being a lethal debater – which Friedman certainly was; nobody else came close – does not make you right. But after this encounter I was more receptive to Friedman's broader economic philosophy. I admit I still took a while to come around: Even when I read *Capitalism and Freedom* (Friedman's best book, in my view), it didn't so much change my mind as open it. It took a few more years, and a job in government, to complete my education and convince me that Friedman had been right all along about the main thing – right to argue that, when it comes to advancing social welfare, free markets are capable of very much more, and governments very much less, than is almost universally supposed.

Much of what is wrong with popular attitudes to capitalism comes down to one thing: a lack of wonder at what uncoordinated markets can achieve. Going to a grocery store for the hundredth or thousandth time is a pretty humdrum experience. As a rule it isn't going to elicit much of an intellectual response – though if it does, the response might be one of two kinds. The commentator Robert Kuttner once wrote of his dismay at the great number of breakfast cereals on offer in his local grocery. What a waste, was his point; who could possibly need all these different cereals? Can't we arrange things more intelligently? This is a leftist kind of response: "Put somebody sensible in charge and plan things better." The liberal response (in the proper sense of "liberal") is different: "How amazing that all these choices are available, so that every taste is catered to, and it's all so cheap."

In his best-seller *Free to Choose*, a more popular version of *Capitalism and Freedom*, and in the television series of the same name that Friedman did for PBS, this necessary sense of wonder is often at the fore. In one memorable segment, talking straight to the camera, he explains how the pencil he's holding is itself a small miracle of spontaneous economic cooperation. Governments struggle to do the simplest things competently. In so many instances, markets do impossibly complex things – yet so smoothly and efficiently that we do not

even notice. And when we do notice, it is usually to complain. (You can watch the clip of Friedman and the pencil on YouTube.)

That flair for debate and expression made him a superb print and television journalist, whenever he could be prized away from his day job. *The Wall Street Journal* ran a well chosen selection of his popular writing on November 18. Every snippet is a gem. Pure Friedman, for instance, are the observations on Social Security. This is a program of two parts, he explained. The first part is a high and steeply regressive income tax, levied with no exemption up to a fixed ceiling. The second part is a welfare subsidy paid without regard to need, based on marital status, longevity, and recent earnings. Nobody in his right mind would support either of these ideas taken one at a time. (Isn't Friedman right about that?) Yet in combination, see what happened. These two wrongs have become the holiest of sacred cows: "What a triumph of imaginative packaging and Madison Avenue advertising," Friedman said.

Enormously influential as he was, and triumph as he invariably did in debate with his intellectual opponents, I don't know if you could say that Friedman was on the winning side in the 20th century's great battle of ideas. Communism collapsed, to be sure, but in Europe and the United States, economists like Friedman saw a lot of ground surrendered to higher taxes and public spending, and to an ever-proliferating web of economic regulation. There were interruptions now and then (notably Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom), but interruptions is all they were. Over recent decades the trend in America has been toward gradually diminishing economic freedom.

And I don't know if the most important thing that Friedman had to say – the cornerstone of his intellectual system – has any more adherents in the West now than it did 40 years ago. This basic idea is the subject of *Capitalism and Freedom*. One of *The Wall Street Journal's* selections sums it up well:

It is important to emphasize that economic arrangements play a dual role in the promotion of a free society. On the one hand, "freedom" in economic arrangements is itself

a component of freedom broadly understood, so "economic freedom" is an end in itself to a believer in freedom. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom.

It is still true, despite Friedman's best efforts, that economic liberty is widely regarded as very much a second-class kind of freedom – if it counts as freedom at all. When the government infringes on civil liberties – to help it prosecute the war on terror, let's say – there is an outcry, and rightly so. In this country, most infringements of free speech are simply unthinkable. But a tax increase (a confiscation of private property), or an import quota (a prohibition to spend your money as you wish), or a mandated company benefit, or any number of other economic directives and interventions, whether justified on balance or not, are infringements of liberty too.

Even to point this out (which one must be careful to do only now and then) stains you as a libertarian zealot, somebody quite beyond the normal realm of political discourse. A tax increase might be bad if it harms incentives to work, or if it unduly burdens the poor; an import quota might be costly and inefficient; and so forth. But how often does it occur to anybody to object to such policies as simple infringements of one's freedom – not all that different, in some ways, from the infringements of civil liberty that respectable opinion finds so scandalous?

There is no great mystery about the reason for this double standard. Freedoms that express themselves through market relations – the freedom to buy and sell – are widely regarded as ethically compromised. This is the freedom to gratify one's greed, to exploit others, to con and be conned, where the market is a jungle, a war of all against all. There is a germ of truth in all that, of course, enough to lend it plausibility. But it misses the larger truth, of the market as an astoundingly productive system of voluntary cooperation, in which people of myriad beliefs, loyalties, and faiths can engage with others, freely, and to their enormous mutual benefit. If Friedman, with all his powers of persuasion, could not convince people of that larger truth, it is hard to say what will.

THE TEN-CENT SOLUTION

March 2007

Cheap private schools are educating poor children across the developing world – but without much encouragement from the international aid establishment.

If good ideas were all that mattered, everybody who has heard of Jeffrey Sachs would have heard of James Tooley as well – but they aren't, and you almost certainly haven't. In fact, even if you are keenly interested in education, aid, or Third World development, which are Tooley's areas of research, you still probably haven't heard of him.

This is not because his work is dull or unimportant. His findings are surprising, and they bear directly and profoundly on the relief of extreme poverty all over the world. (Name me a more important issue than that.) The reason you haven't heard of James Tooley is that his work is something of an embarrassment to the official aid and development industry. He has demonstrated something that many development professionals would rather not know – and would prefer that you not know, either.

Tooley is a professor of education policy at England's University of Newcastle upon Tyne. Several years ago he was working as a consultant in Hyderabad, India, for the International Finance Corporation, an arm of the World Bank. One afternoon, while wandering around the alleys beside the Charminar (a sixteenth-century monument and Hyderabad's best-known tourist attraction), he came across a school for the children of slum dwellers. To his surprise, he found that this was not a state school but a private one – providing education to the extremely poor and collecting fees (of a few rupees a day, or less than a dime) for its services. Intrigued, he kept looking, and found other, similar schools. They were typically small and shabby operations, sometimes occupying a single classroom, staffed in some cases by just the teacher-proprietor and an assistant. Yet they were busy – crowded with eager pupils – and the teacher was actually teaching. (This, Tooley knew, was not something you could take for granted in the classrooms of Indian public schools.)

For years education officials in most developing countries (and workers in international aid agencies, too) have talked as though private education for the very poor barely existed. The only hope for equipping these unfortunate people with basic literacy and numeracy, they've said, was to improve the reach and quality of free, compulsory, state-provided schooling.

But that hope appears dim at the moment. Public schools in most poor countries, where they operate at all, have long been recognized to be ineffective. Teachers are frequently unqualified for their work. Perhaps worse, they are often uninterested in it: In many poor countries, teaching jobs are viewed as sinecures, and many teachers are disinclined to show up for work at all. They do tend to organize, however. Their salaries add up, and public schools in most developing countries make heavy demands on the public purse. The whole issue has therefore been seen as a daunting question of resources: Vast sums will be required to provide free universal education of tolerable quality in Africa and South Asia; there is no cheap alternative; and the help of foreign donors will be essential.

The many fee-based slum schools that Tooley saw within a few minutes' walk of the Charminar made him wonder about all this. So he began researching the reach and performance of private schools for the extremely poor in India and elsewhere, supported not by an official agency but by the private Templeton Foundation. What he found was startling.

In Hyderabad, a city of more than 6 million people, Tooley and his team – confining their search to poor areas lacking amenities such as running water, electricity, and paved roads – counted 918 schools. Only about 40 percent were run or financed by the government; 60 percent were private. Of those, some were "recognized" by the government, but most were officially unknown to the authorities. These black-market private schools were smaller on average than the other kinds – but they still accounted for about a quarter of all the children in any sort of school. Remarkably, some of the slots in these private slum schools were offered free or at reduced rates: The parents of full-fee students, desperately poor themselves, willingly subsidized those in direst need.

This flourishing educational enterprise is all the more surprising once you understand that India has deliberately discriminated against private education – forbidding for-profit schools, for instance, and requiring schools to be run as trusts rather than proprietorships, and limiting their ability to borrow. Despite these handicaps, private education for the very poor has evidently thrived.

What Tooley stumbled onto in Hyderabad turns out to be typical not just of India but of all the other places he subsequently researched – including parts of China, Ghana, Kenya, and Nigeria. In every case, private education is a principal lifeline for the abjectly poor. In the areas of Ghana and Nigeria that Tooley's team has canvassed, an outright majority of poor children are attending private schools run without support from the government. Often, the schools are run by just a few teachers. They put out shingles in the way that physicians do in the United States, and are paid directly by their charges.

As Tooley relates it, the response of the international development community to his research has been less than enthusiastic. Even if private schools are much more prevalent than we had previously thought, he's been told, they are obviously no good. Standards in such schools are bound to be low.

But the development community seems to be wrong about that, too. On the whole, dime-a-day for-profit schools are doing a better job of teaching the poorest children than the far more expensive state schools. In many localities, private schools operate alongside a free, government-run alternative. Many parents, poor as they may be, have chosen to reject it and to pay perhaps a tenth of their meager incomes to educate their children privately. They would hardly do that unless they expected better results.

Better results are what they get. After comparing test scores for literacy and basic math, Tooley has shown that pupils in private schools do better than their state-school equivalents – at between a half and a quarter of the per-pupil teacher cost. In some places, such as Gansu, China, the researchers found that private schools serving the poor had worse facilities than

comparable state schools; in Hyderabad, they were better equipped (with blackboards, desks, toilets, drinking water, and so on). Regardless, the tests so far show that private-school students do better across the board.

Why have these findings been so reluctantly received? The answer is politics. The consensus on economic development – specifically, on the role of the state in promoting growth – cycles to and fro. At the moment, orthodox thinking embraces a leading role for the market in most areas of economic life. But in most developing countries, as in many rich ones (including the United States), schooling is widely regarded as quite another matter. Children's education is higher than commerce. These realms must not be allowed to mix. Many development and education officials wish to enshrine free education as a universal human right. Education, in other words, is too important to be left to the market.

In this view, if state schools are failing, which nobody denies, they need to be fixed, whatever the cost. And this is how the challenge of education in developing countries is currently framed: Governments need to spend more on their schools. One could more easily sympathize with that view if the state systems were easily fixable. In many developing countries, certainly in India, it would be unrealistic to think so, even if one could say, "Hang the expense." The problems seem systemic, not fiscal.

Most of those who campaign for greatly increased aid to poor countries would wish to see governments spend much of that money on state-run schools. The goal is admirable, but the method may be counterproductive. Tooley's research suggests that small-scale support for private slum schools – through scholarship programs, backing for school-voucher schemes, or subsidized microfinance – might do far more good than a big aid push directed at government-run education.

Tooley has been publishing his research in education journals but has also written for libertarian and conservative think tanks. Unfortunately, these associations have pushed him further outside the development mainstream. Perhaps most alienating, his findings (as he notes)

conform very well to the views of the late Milton Friedman, who spent the last years of his life arguing that publicly funded vouchers and a market of privately run competing schools were the way to fix another education system in urgent need of repair: America's. All the more reason why, so far as some development officials are concerned, Tooley's obscurity is welcome.

As for Tooley himself, he is now moving beyond research alone, preparing to embark on a new project: the management of a new \$100 million fund to invest in private schools for the very poor in developing countries. Development professionals need not be concerned, however. The money is from a private foundation. It won't waste any country's aid budget.

Jonah Goldberg

Welfare Kings | *Los Angeles Times* | 3 August 2006

Islamists as Run-of-the-Mill Socialists or, what I learned at my Oxford Union debate | *National Review* | 28 May 2007

Going to War over Wine | *Orlando Sentinel/syndicated* | 9 June 2007



JONAH GOLDBERG is a contributing editor to *National Review* and was the founding editor of “National Review Online.” He is a weekly columnist for the *Los Angeles Times* and his syndicated column appears regularly in the *Chicago Tribune*, *Philadelphia Inquirer*, *San Francisco Chronicle*, *Washington Examiner* and scores of other newspapers. Goldberg is currently a member of the Board of Contributors to *USA Today*. He is the 2001 winner of the Lowell Thomas Award. He is married and has one daughter. He is currently at work on a book about Fascism, to be published by Random House in 2007.

WELFARE KINGS

3 August 2006

For the fifth summer in six years, I’m driving across the country. Aside from the country’s immense beauty, the decency of its people, and the relative impossibility of finding a good cup of coffee near the interstate, one of the things you start to appreciate when you’ve seen a lot of America is how sparsely populated it is in the middle. It seems the welfare recipients need a lot of room.

I’m referring, of course, to American farmers. Or, more precisely, American farm owners, a.k.a. Welfare Kings.

There are few issues for which the political consensus is so distant from both common sense and expert opinion. Right-wing economists, left-wing environmentalists and almost anybody in between who doesn’t receive a check from the department of Agriculture or depend on a political donation from said recipients understand that Americans are spending billions to prop up the last of the horse-and-buggy industries.

At this nation’s founding, nearly nine out of ten workers were employed in agriculture. By 1900 that fell to fewer than four in ten.

Today, fewer than one in every 100 workers is in agriculture, and less than one percent of gross domestic product is attributable to agriculture. Yet America spends billions upon billions of dollars subsidizing a system that makes almost everyone in the world worse off.

Our system is so complicated – i.e., rigged – that it’s almost impossible to know how much agricultural subsidies cost U.S. taxpayers. But we know from the *Washington Post*’s recent reporting that since 2000 the U.S. government paid out \$1.3 billion to “farmers” who don’t farm. They were simply “compensated” for owning land previously used for farming. A Houston surgeon received nearly \$500,000 for, literally, nothing. Cash payments for agricultural purposes have cost the government \$172 billion over the last decade, and \$25 billion in 2005 alone. This is nearly 50 percent more than what was paid to families receiving welfare.

But those sorts of numbers barely tell the story of our appallingly immoral agricultural corporatism. Subsidies combined with trade barriers (another term for subsidy) prop up the price of agricultural commodities for consumers at home while hurting farmers abroad. This is repugnant because agriculture is a keystone industry for developing nations and a luxury for

developed ones. Hence we keep third-world nations impoverished, economically dependent, and politically unstable. Our farm subsidies alone – forget trade barriers – cost developing countries \$24 billion every year, according to the National Center for Policy Analysis. Letting poor nations prosper would be worth a lot more than the equivalent amount in foreign aid. But Big Agriculture likes foreign aid because it allows for the dumping of wheat and other crops on the world market, which perpetuates the cycle of dependency.

Then, of course, there’s the environment. Subsidies savage the ecosystem. One small example: There’s a 6,000-square-mile dead zone in the Gulf of Mexico, larger than Connecticut. It’s so depleted of oxygen from algae blooms caused by fertilizer runoff that the shrimp and crabs at the Louisiana shore literally try to leap from the water to breathe, imperiling the profitable Gulf fishing industry. Most of the fertilizer comes from a few Midwestern counties that receive billions in subsidies (more than \$30 billion from 1997 to 2002, according to the Environmental Working Group).

But, again, the full environmental costs are incalculable. If global warming concerns you, consider that American farming is hugely energy intensive. Those energy costs are offset by Uncle Sam, so taxpayers are

buying greenhouse-gas emissions. Moreover, across the U.S., swaths of forests and wetlands (including the Florida everglades) have been cleared or drained to make room for farmland that would never earn a buck were it not for welfare support. Who knows how much cleaner the air and water would be with those resources intact? And who knows how many more dubious “wetlands” would be free for productive economic development?

There’s a lot of romance about the family farm in this country. But that’s what it is: romance. Most of the Welfare Kings are rich men – buffalo farmer and CNN founder Ted Turner is one of the richest. Of course, there are small farmers out there, but they have no more right to live off the government teat than the corner bakery I so loved as a child but that couldn’t keep up with the times. We don’t have a political system addicted to keeping bakers rich.

Meanwhile, our system – chiefly the Senate, which gives rural states outsized power, and the Iowa presidential caucus, which forces politicians to whore themselves to agricultural welfare – is rigged to prevent real free-market reform.

I’m all in favor of farming when it’s economically feasible. And while many of these folks I meet on my adventures are the salt of the earth, I don’t see why they shouldn’t pull their own weight.

ISLAMISTS AS RUN-OF-THE-MILL SOCIALISTS OR, WHAT I LEARNED AT MY OXFORD UNION DEBATE

28 May 2007

Last month, I participated in a debate at the Oxford Union. It was a delightful affair. I stayed in a lovely hotel. The debate was black tie, preceded by a cocktail party and a formal dinner with “freedom fries” on the menu (a nod to the visiting Americans in the last days before the Sarkozy Restoration). The whole place swarmed with comely British lasses in evening dresses and earnest, larval Tony Blairs eagerly calling me “sir.” Everything was

wonderful, except of course that I was there only because the Oxford Union was questioning whether my country should ever have been born. The proposition that night: “This House regrets the founding of the United States of America.”

The other speakers taking my side were Peter Rodman, until recently an assistant secretary of defense, and Matt Frei, BBC’s Washington correspondent. Our opponents included two prominent Islamists – Jamal Harwood, the chairman of Hizb ut-Tahrir in Britain, and David Pidcock, head of Britain’s Islamic party. The head of the UK Communist party was supposed to debate as well, but he apparently chickened out for fear of losing. The irony of a Communist’s being afraid to fight a lost cause seemed lost on just about everyone.

The forces of truth and light won the day. You can read a summary of all that, and a version of my remarks, at National Review Online. But there is an aspect of the debate worth revisiting. One of the most striking things about the Islamists’ speeches was that they barely invoked Islam. Both men believe in imposing a worldwide caliphate where apostates would be put to death and Jews and Christians ghettoized. But they kept that stuff on the QT. Instead, Pidcock’s indictment of America hinged largely on a string of conspiratorial non-sequiturs: George W. Bush’s grandfather funded Hitler, the Napoleonic Code was 95 percent Islamic, and Woodrow Wilson, at the behest of oligarchic overlords, threw away the American Constitution when he created the Federal Reserve.

Harwood’s speech was more serious, which makes sense in that Hizb ut-Tahrir is a serious – and dangerous – organization. His chief indictment was that America represents and champions individualism, and individualism is bad. Therefore, America is bad. Q.E.D. He cited America’s high suicide rate as evidence of the dangers of runaway individualism. It was a curious metric, given that when Americans commit suicide they at least tend to do it by themselves. Islamists on the other hand like to take a great many people with them. This would seem to be one case where the American way is something to be celebrated.

As the vaporous indictments wafted up to the rafters in the Union’s magisterial hall, I

detected a familiar odor. Indeed, close inspection made it almost impossible not to draw the conclusion that this was the same nose-curling manure that has been wheelbarrowed into the Oxford Union for a century. Same S**t, Different Day, as the bumper sticker says.

These supposedly daunting Islamists were simply run-of-the-mill socialists. Or Marxists. Or fascists. Or whatever the fashionable name for collectivists is at a given moment. Spend a few minutes on the Islamic party’s website and it quickly becomes clear that this is what H. G. Wells called “Gas, Water and School-Board Socialism” with a flattering hijab draped over it. Harwood’s indictment seemed interesting because he was a fearsome “extremist.” But had it come from an assistant editor at *Mother Jones* – and it certainly could have – it would have been a complete yawner.

It’s a bit like an episode of *Seinfeld* where Jerry is excited to date a woman named “Donna Chang” he met by accident on the phone. He’s jazzed because he thinks she’s Asian. “I love Chinese women,” Jerry says. George Costanza’s mother is eager to take marriage counseling from the wise woman of the Orient. But then they find out that Chang is actually short for “Donna Changstein” – of the Long Island, not Shanghai, Changsteins. Jerry complains of “false advertising,” and Mrs. Costanza cries, “I’m not taking advice from some girl from Long Island!”

Now I’m not saying Harwood and Pidcock aren’t real Muslims, though it’s revealing that they’re both converts. But perhaps – just perhaps – these guys are like Jerry Seinfeld’s dentist who converted to Judaism “for the jokes,” and switched to Islam so they could spout indictments of usury and capitalism.

That’s not a particularly novel insight. Many scholarly observers have chronicled how jihadism recycles all sorts of European intellectual trash. Osama bin Laden’s version of the Crusades seems to have been lifted from a Marxist’s salon. His understanding of American politics looks suspiciously cribbed from Michael Moore’s op-eds. Sometimes it seems like Middle Eastern anti-Semitism is the result of poor Arab states’ buying used Nazi textbooks off

Amazon.com. And in Europe, Islamism appears to be this season's radical chic. Olivier Roy writes of Europe's radicalized Muslim youth: "They are 'born-again Muslims.' It's here that they are Islamicized... Their dispute with the world isn't imported from the Middle East: It is truly modern, aimed against American imperialism, capitalism, etc. In other words, they occupy the same space that the proletarian left had thirty years ago, that Action Directe had twenty years ago... They exist in a militant reality abandoned by the extreme left, where the young live only to destroy the system ..."

The Islamists can't even come up with their own conspiracy theories. The Protocols of the Elders of Zion is the only most glaring example of how even their paranoia is secondhand. Al-Qaeda is convinced that the Freemasons are out to get it. The Hamas Charter also warns about the Freemason (and Rotary Club) threat. Meanwhile, I learned from the Islamic party's website that Gordon Brown, Tony Blair's successor as British prime minister, attended the "Super Masonic One World Government Bilderberger Conference held at Baden-Baden" in 1991. I bet he got a great tote bag.

This is all encouraging for two reasons. First, once you realize that many of these people are simply Muslim Changsteins who adopt Islam as multicultural armor to protect themselves from ridicule, it becomes easier to criticize them. They aren't radical, inscrutable, and exotic "Others"; they're Fabian socialist losers who speak Arabic. I've long believed that our most underutilized "soft power" weapon against jihadism is mockery. We're afraid to use it because we need to maintain a deadly serious attitude toward the enemy while not seeming to make fun of our moderate Muslim allies. And, yes, we're also afraid of ginning up another Danish-cartoon rebellion. I understand the calculation. But we could still use a few more jokes about how Mohamed Atta was afraid a girl might touch his man-panties. And if they protest, make fun of them for that too.

Indeed, even the fact that Islamists are on the side of mass murder has its reassurances. Conservatives have long argued that socialism is oppressive and tyrannical by its very nature. Not all socialists are totalitarians, of course. But all

totalitarians must be socialists. So when we see that Islamists have nothing to offer but the thin, recycled gruel of yesteryear, it confirms we're on the right side of history. I mean even the Communist knew that junk has no resale value.

GOING TO WAR OVER WINE

9 June 2007

The British government recently unveiled plans for a massive crackdown on "excessive drinking," particularly among the middle class. It will include all of the familiar tactics of public health officials: dire new warnings on wine bottles, public-awareness campaigns, scolding from men and women in lab coats.

But the public response has been a bit more strident than what we're used to over here. Boris Johnson, a Member of Parliament and a conservative journalist, writes in *The [Daily] Telegraph*: "I am told that the drinks industry is in two minds. Some say capitulate and agree to the 'voluntary' code; some say fight and force (the government) to try to bring forward legislation. I say fight, fight, fight. Fight against these insulting, ugly and otiose labels."

Sarah Vine, writing in *The Times*, is even more passionate, decrying a:

... pernicious new Puritanism that is slowly squeezing the life and soul out of Britain. Ye gods, as my grandmother used to say, almost all the middle classes have left is their glass of wine in the evening. ... Because let's face it, this Government is doing its best to make our lives about as miserable as any pox-raddled Hogarthian whore's. Utter the word 'middle class' in Whitehall and watch their greedy little pimps' eyes light up with pound signs. Behold the British middle-classes – a docile, law-abiding army of tax slaves. Hurrah, let's blow it all on some more social workers in Newcastle.

As blessedly entertaining as all this is, some might wonder why the Brits are so exercised about a bunch of warning labels. After all, political correctness has been worse over there for quite a while. Police have been known to arrest school kids for

insulting their friends. All of England is preparing for a smoking ban that will include "smoking police" making raids on establishments violating the law. The streets of Old Blighty are festooned with hundreds of thousands of closed-circuit television cameras. And, whereas once these cameras were used for antiterrorism, police in some jurisdictions have actually outfitted them with loudspeakers so they can, like the voice of God, tell pedestrians to pick up their litter and generally behave like good "tax slaves." You'd think warning labels on vino would seem as uncontroversial as adding green vegetables to the prison cafeteria menu.

One answer might be that this is merely the straw that breaks the camel's already strained back. Another might be rage at a late hit from the exiting government of British Prime Minister Tony Blair. Another might be that the Brits can take "nanny state" intrusions in the name of law and order, but if you go after their booze, it's time for a glorious revolution. Yet another might be that Britain's underclass seems increasingly unredeemable, and rather than give up on it, the government feels the need to ratchet up the infantilization of the many in order to fix the few.

All of these, and many other interpretations, have merit. But there's another explanation with some salience for Americans bemusedly – or enviously – watching Britain turn into a penal colony with whacky TV and a line of heredity wardens called monarchs.

Britain still subscribes to a system where health care is for the most part socialized. When the bureaucrat-priesthood of the National Health Service decides that a certain behavior is unacceptable, the consequences potentially involve more than scolding. For example, in 2005, Britain's health service started refusing certain surgeries for fat people. An official behind the decision conceded that one of the considerations was cost. Fat people would benefit from the surgery less, and so they deserved it less. As Tony Harrison, a British health-care expert, explained to the *Toronto Sun* at the time, "Rationing is a reality when funding is limited."

But it's impossible to distinguish such cost-cutting judgments from moral ones. The

reasoning is obvious: Fat people, smokers and – soon – drinkers deserve less health care because they bring their problems on themselves. In short, they deserve it. This is a perfectly logical perspective, and if I were in charge of everybody's health care, I would probably resort to similar logic.

But I'm not in charge of everybody's health care. Nor should anyone else be. In a free-market system, bad behavior will still have high costs personally and financially, but those costs are more likely to be borne by you and you alone. The more you socialize the costs of personal liberty, the more license you give others to regulate it.

Universal health care, once again all the rage in the United States, is an invitation for scolds to become nannies. I think many Brits understand this all too well, which is one reason why they want to fight the scolds here and now.

A. Barton Hinkle

[For Fishes' Sake, Study the Examples of Rhino and Tigers](#) | *Richmond Times-Dispatch* | 17 November 2006

[Earth to Herndon: The Cold War is over; the Free World Won](#) | *Richmond Times-Dispatch* | 23 January 2007

[Shoe Tariff Amounts to a Hidden Tax on Poor Families](#) | *Richmond Times-Dispatch* | 15 June 2007



A. BARTON HINKLE is deputy editorial page editor of the Richmond (Virginia) *Times-Dispatch*, where he writes a twice-weekly column and a blog, *Barticles*. He is a past recipient of the Pulliam Fellowship from the Society of Professional Journalists. He also has written for *The American Enterprise* magazine (now *The American*). A graduate of the University of Virginia, he lives in Richmond with his wife Dawn, son Alex, and a growing number of dogs and cats.

FOR FISHES' SAKE, STUDY THE EXAMPLES OF RHINOS AND TIGERS

17 November 2006

A recent and alarming analysis in *Science* magazine suggests that, within a few decades, you might need a loan from the bank to buy a can of tuna. The reason: Overfishing, pollution, and habitat degradation have taxed the oceans to such an extent that, if current trends continue, by 2048 fish stocks will be so depleted seafood will be scarce as hen's teeth.

Overfishing represents a classic case of the tragedy of the commons. The expression describes situations in which individuals have an incentive to exploit a commonly held resource but no one has an incentive to preserve it. When a pasture is held in common, it costs a shepherd almost nothing to add sheep to his herd – but he gets to keep all the benefits. When everyone acts rationally, the pasture soon is destroyed by overgrazing. Then everyone suffers.

Real-life examples occur frequently. One is the rhinoceros. A kilogram of rhino horn can fetch \$40,000 on the black market. But

rhinos are a protected species; almost nobody owns them the way ranchers own cattle. So while poachers make money from rhino poaching, almost nobody makes money from rhino preservation. Guess who's winning?

There are some exceptions. South Africa has had success in protecting rhinos through partial privatization, chiefly tourism. The World Wildlife Fund's Tom Dillon says the "value from [rhino] tourism is so high that people are investing in rhinos rather than stocks."

Much the same lesson applies to another endangered creature, the tiger. As Barun Mitra of India's Liberty Institute noted recently, "In pragmatic terms, this is an extremely valuable animal. Given the growing popularity of traditional Chinese medicines...the tiger can in effect pay for its own survival. A single farmed specimen might fetch as much as \$40,000; the retail value of all the tiger products might be three to five times that amount. Yet for the last 30 years or so, the tiger has been priced at zero."

Mitra points out that China has about 4,000 tigers in captivity, and has perfected breeding. It could produce 100,000 tigers in the next decade if it wanted to. By contrast, in India – "which, like most nations, believes

that commerce and conservation are incompatible" – zoos "are constantly told by the Central Zoo Authority not to breed tigers because they are expensive to maintain" – and there's no profit in them. Farming tigers, Mitra writes, would do far more to protect them than simply banning the trade in tiger parts has: "Despite the growing environmental bureaucracy and budgets," tigers now are as endangered as they ever were.

What has any of this to do with the price of tuna in Charlotte? Answer: The way to reverse the overfishing of the oceans is not to impose tighter command-and-control restrictions, but to apply the dynamics of market economics to the commons.

At present, most nations treat fishing as something like a free-for-all derby: Each year they try to prevent overfishing within their own nautical zones by, for instance, imposing limits on the fishing season. Then they set fishermen free in an every-man-for-himself, devil-take-the-hindmost race. The system encourages fast, dangerous fishing methods, as well as inefficiency (the vacuuming up of "by-catch," or fish that just happen to get caught in the net). And because estimates of the total allowable catch often are (a) overly generous or (b) violated – or (c) both – overfishing results.

Efforts to restrain the process have had some success through, for instance, transferable individual fishing quotas – which are broadly analogous to the pollution trading credits that have helped reduce air pollution. Such quotas have enabled countries such as New Zealand and Iceland vastly to improve their fisheries management.

Fishermen like them, too, because the quotas give them more flexibility about when to fish – making them less subject to the whims of the weather – and create incentives not to overfish. As a Florida fisherman wrote to *The Washington Post* two years ago: “Flawed management rules – some of which allow red snapper catches only at the beginning of the month and require that only fish of certain size be kept – force fishermen to kill and discard millions of fish. Rather than putting out self-aggrandizing reports, [Washington] should be working to implement individual fishing quotas in the snapper fishery. This would free fishermen from the rules that waste fish, give everyone a stake in rebuilding the stock, and improve our chances of earning a decent income.”

Transferable quotas also can be bought by conservationists interested in sustaining the ecosystem – much as the Nature Conservancy buys the rights to parcels of land to keep them from being developed.

Unfortunately, there are large roadblocks to applying rational market rules to Nature. The largest, perhaps, is simple ideological distaste – expressed by one critic of Mitra’s tiger-farming proposal, who found the concept “morally odious.”

Yet isn’t the alternative even more odious? There’s a powerful reason chickens, cows, and pigs aren’t endangered: People make good money raising them. Scientists who study ecosystems should not forget to apply the lessons of the social sciences – in particular, economics – as well.

EARTH TO HERNDON: THE COLD WAR IS OVER; THE FREE WORLD WON

23 January 2007

Underlying most arguments against the free market is a lack of belief in freedom itself.

– Milton Friedman

It is better for someone to support himself by working, if possible, than to rely on handouts. On this point, just about everyone agrees. But one person’s finding a job requires that someone else offer it. This is where you can run into trouble – at least in Herndon.

Stephen Thomas ran into trouble back in September, when he drove into a 7-Eleven parking lot and offered two men there some yard work. As *The Washington Post* reports, he arrived at terms with one of them and gave him a lift – whereupon he was stopped by a Herndon police officer and cited for violating the town’s anti-solicitation ordinance. The ordinance forbids anyone in a vehicle to try to hire someone standing on the sidewalk or in the street, and it forbids anyone on the street to ask for work from someone in (or recently emerged from) a vehicle.

Thomas could get up to six months in jail. He’s fighting the charge. Good for him.

Herndon’s ordinance is mixed up in a big hairball involving immigration, illegal immigration, a day-labor center, traffic safety, and whatnot. But if you pick away the extraneous matter, the town doesn’t seem to have much of a defense to make. Herndon doesn’t forbid soliciting for charity. It doesn’t forbid selling things on the street. It forbids only soliciting for work (or hiring someone doing that).

So you can stand on the corner and ask someone to give you money – without offering anything in return. You can stand on the corner and ask for money in return for products you already have labored to produce. You just can’t stand on the corner and ask for money in return for the promise of labor.

That seems an open-and-shut case of violating free speech. Indeed, a similar ordinance in Redondo Beach, California, was struck down last May on free-speech grounds after a sting operation nailed 60 day laborers. According to news coverage, “city officials said they were responding to complaints of blocked traffic, drinking and urinating in public, and disrupting local businesses by loitering.”

Talk about teaching a dog to lie down by shooting it.

If someone is blocking traffic, then cite him for blocking traffic. If he’s whizzing in the right-of-way, bust him for that. There’s no need to stop free and mutually beneficial trade between two willing parties because someone else is causing a stir. (Likewise, the ordinance passed here in Richmond that prohibits panhandling within 20 feet of certain establishments seems overkill as well – the equivalent of giving the whole class detention because one or two pupils wouldn’t behave.)

If the day laborer is an illegal immigrant, the anti-solicitation ordinance won’t send him home. It won’t even discourage illegal immigration – unless you think illegal immigrants pick their destination city ahead of time based on an encyclopedic knowledge of local restrictions: Helena, sí... Herndon, no... High Point, sí....

But even if the ordinance could discourage fence-jumpers, that wouldn’t make it right. The ends don’t justify the means. Gut-shooting illegal immigrants’ children would discourage fence-jumping, too. Doesn’t make it a good idea.

Besides, the ordinance doesn’t distinguish between illegal immigrants and U.S. citizens. It forbids anyone to ask for a job, and forbids anyone to do any curbside hiring.

This kind of ordinance boggles the freedom-fightin’ mind. Who gets hurt when one person gives another person a job? Nobody. Whose rights are violated? No one’s. As Uncle Miltie – Friedman – said: “The most important single central fact about a free market is that no exchange takes place unless both parties benefit.”

One could argue that the day laborer doesn't really benefit, if (say) he takes the job at less than minimum wage. But it's exceedingly presumptuous to tell someone he doesn't know what's good for him.

One could argue – as many do – that if the day laborer is an immigrant, he is “taking jobs away from” folks already here. That presumes the individuals who were here first have some sort of cosmic first claim on any job that comes up – the First Dibsies Rule, call it – regardless of whether they're better qualified, or available, or anything else. And where does that rule come from? Go figure.

One could play around with far-fetched hypotheticals, but those are red herrings. Thomas didn't get in trouble for trying to hire a hooker or a hit man. He could end up behind bars because he offered to pay someone for some yard work.

Earth to Herndon: The Cold War is over – and the Free World won. What Thomas did isn't criminal. The fact that he got busted for it is.

SHOE TARIFF AMOUNTS TO A HIDDEN TAX ON POOR FAMILIES

15 June 2007

Rep. Joe Crowley, who represents the Bronx, has come up with an idea so reasonable, so helpful, and so ethical that it will almost certainly die of neglect. Crowley's proposal is simple: Repeal the tariffs that jack up the price of inexpensive shoes.

The case for repealing the tariffs is, to borrow a term, overdetermined: There are several reasons to do so, any one of which ought to suffice. The tariffs are regressive: They apply to \$15-a-pair generic-brand shoes, but not to \$300-a-pair Ferragamos or Jimmy Choos. They reach as high as 67.5 percent, and cost consumers – mostly low-income families – more than \$4 billion annually.

What's more, although in theory a tariff protects an industry in the country that

imposes the tariff, that is not the case with the shoe import duty. The vast majority of shoes worn by Americans – 98.5 percent, according to the American Apparel and Footwear Association – are made overseas. The shoes made domestically, such as New Balance running shoes, are not what anyone would consider cheap, and their makers are not threatened by foreign competitors. So the tariffs do protect a domestic industry that doesn't exist – and don't protect a domestic industry that does.

But even if a large domestic shoe manufacturing industry did exist, tariffs still would be a lousy idea. Protecting an industry from competition insulates it from consumer demand and puts distance between what consumers want and manufacturers produce. By muffling market signals and tilting the playing field, tariffs give mediocrity breathing room and punish striving competitors.

Not only that – they're just plain wrong. Coercion has no place in a free market. A willing buyer should be able to purchase goods from a willing seller at a price they both can live with. There is no good reason for a third party – the government – to step in and insist the price the other two agree on is wrong and should be higher.

Unfortunately, government does things like that all the time. And once Washington starts interfering, it almost never stops. The shoe import duty began in the 1930s, and continues today long after it outlived whatever dubious justification gave it life. The federal government began subsidizing wool and mohair back in the 1950s to ensure an adequate supply of material to make uniforms for American soldiers. Uniforms aren't made out of wool any longer. But despite attempts to kill the mohair subsidy – Bill Clinton zeroed it out, to his credit – it keeps coming back to life like the undead bad guy in a horror flick.

Politics often plays a role – as in 2002, when the Bush administration imposed import tariffs on foreign steel in a clever move to build support for the GOP in Democratic strongholds such as Pennsylvania and West Virginia. (The threat of retaliatory tariffs against Florida goods forced the White House to back down.)

Such distortions in the market often have tragic consequences largely hidden from American view. Cotton subsidies in the U.S. have so depressed the price for cotton on the global market that cotton farmers in Uganda, Burkina Faso, and other nations who could compete on a level playing field are undersold. In blunt terms, U.S. taxpayers pay to help U.S. farmers cheat.

The system persists because of a phenomenon Jonathan Rauch has termed, in a book of the same name, demoscclerosis. The benefits of government interference in the market are concentrated, while the costs are dispersed. So a few thousand beneficiaries have a strong incentive to lobby for tariffs and subsidies, while the millions of consumers who pay more as a result don't have much incentive to lobby against them.

That's assuming, of course, that consumers even know the tariffs and subsidies exist, which they usually don't. Why should they – when even Washington experts don't know for sure what trade controls apply to which products? In an interview earlier this week on *National Public Radio*, Ed Gresser – former policy adviser to the U.S. Trade Representative during the Clinton years – said: “There [is] no one who is assigned to look at the [tariff] system as a whole.” So Heaven only knows how many other programs like the shoe tariff are still out there, flying on autopilot and costing U.S. consumers billions a year.

Crowley's bill doesn't face outright opposition (at least not yet), but he doesn't hold high hopes for its passage, either. Shoe fashions come and go – but shoe tariffs might last forever.

Dominic Lawson

You don't have to make lots of money in the City to be despised, but it helps | *The Independent* | 22 December 2006

What fearful hypocrites ministers are when it comes to applying the rule of law | *The Independent* | 9 February 2007

Tolerance, liberty and hypocrisy | *The Independent* | 1 May 2007



DOMINIC LAWSON writes a twice-weekly column for *The Independent* and once monthly for the *Mail on Sunday*. He is also a Visiting Fellow of the Reuters Institute for the Study of Journalism and Green College, Oxford. He was previously Editor of the *Sunday Telegraph* and *The Spectator*. He began his career in newspapers in 1981, when he joined the *Financial Times*, ending up as Lex columnist. He is the author of two books on chess, but does not propose to write a third.

YOU DON'T HAVE TO MAKE LOTS OF MONEY IN THE CITY TO BE DESPISED, BUT IT HELPS

22 December 2006

In this, my last column before Christmas, I invite readers to think about those among us who are most shunned and despised, the social outcasts for whom no one seems to have a kind word. I refer, of course, to the directors of Goldman Sachs.

Last week the London-based workforce of the financial firm were allocated their share in the record bonuses awarded after Goldman's most successful year of trading: on average, the managing directors received about \$5m (£2.54m) each. That is a great deal of money, but not enough to satisfy the vicarious appetites of the press. So somehow it was invented that one particular Goldman director, Driss Ben-Brahim, the head of its London "proprietary" trading operations, got a bonus of £50m – almost \$100m.

Cue outrage. The Bishop of Worcester emerged from his 13th century palace to describe such payments as "insulting"; and it was not just the usual suspects, such as Ken Livingstone, who fulminated against

Goldman Sachs. Hard-bitten financial journalists professed themselves to be almost as outraged as the Bishop of Worcester. The *Daily Mail* produced a leading article as scandalised as only it can, accusing the likes of Mr Ben-Brahim of "distorting the housing market, particularly in the South-east, where hard-working families can't get a toehold on the bottom rung of the ladder" and "presenting a revolting spectacle of greed and self-indulgence".

The *Mail* also sent its reporters in hot pursuit of Mr Ben-Brahim, although, perhaps disappointingly, neighbours said that the 42-year-old Moroccan "is not showy. He doesn't have a chauffeur. He gets cabs to work. He keeps a very low profile."

Against this, the only whiff of decadence that the *Mail* could establish was that Mr and Mrs Ben-Brahim "live close to the financier and historian Robert Lloyd-George, a great-grandson of the former Prime Minister David Lloyd George". Cor.

Let us now assist Mr Ben-Brahim in regaining the obscurity to which he wants to return by pointing out that he did not receive a bonus of £50m, or anything like it. Goldman Sachs' chief executive, Mr Lloyd Blankfein, received emoluments amounting to \$53.4m. He is the highest paid executive

officer; although a handful of traders are thought to have earned slightly more than Mr Blankfein, their number does not include Driss Ben-Brahim. When you consider that Goldman's traders were the men primarily responsible for the company's earnings of \$14.56bn in 2006, it's hardly surprising that a few of them would be paid even more than Mr Blankfein.

What makes these profits so astonishing is that they were achieved in a ferociously competitive environment; but it was also turbulent, which tends to lead to the most dramatic gulf between winners and losers. This, after all, was the year in which one American hedge fund, Amaranth, managed to lose its backers their entire investment, amounting to \$9bn. If you had entrusted the management of your assets to Goldman Sachs, rather than Amaranth, you would not be complaining that a small percentage of your capital gains was paid as a bonus to the traders who had made such brilliant decisions with your money.

My oldest friend has recently retired after many years at Goldman Sachs, and so I have observed a little of the culture of this most mysterious of firms: its employees tend to be ferociously driven people, who typically work 100 hour weeks across a bewildering range of time-zones; it is intensely meritocratic, although it is true that the

vast majority of its staff will have had the benefit of a good education. Lloyd Blankfein is an archetypal Goldman Sachs man: his father was a postman, his mother a school dinner lady. He was born and brought up in public housing, and scholarships paid his way through Harvard.

Such a career path is less esteemed in this country. One successful British investment banker of my acquaintance had noticed that he appeared to be considered socially undesirable by his neighbours in a prime Notting Hill garden square. So he delicately, if dishonestly, let it be known that it was inheritance, rather than his own work, that had bought him his fine house. After that, he was treated with much more respect.

It is bizarre that luck should be considered more honourable than skill or hard work; but such a warped view of society is reflected in the British tax system. A Goldman Sachs partner who earns a bonus of £5m will pay £2m in tax on it. Someone who wins £5m in the National Lottery will pay no tax on it – and yet will receive none of the sneers that are directed at the one who has generated wealth both for his family and for society as a whole, through his or her own efforts.

It amazes me that some government politicians, who spend their waking hours dreaming up new ways of spending the £20bn a year or so that the City hands over by way of tax, are so resentful about their benefactors.

At the last Labour Party Conference, Ms Harriet Harman, who thinks she should be the deputy leader of the party, called for action to “stop these excessive, ridiculous bonuses”. Mr Charles Clark accepted that the bonuses were a reflection of the City’s success, but complained about “the conspicuous consumption of some of the people who get these bonuses. I think it is deplorable and dreadful.”

As it happens, Goldman Sachs – perhaps out of an almost genetic Jewish fear of being a target of envy – strongly disapproves of conspicuous consumption by its employees; one of the characteristics of the long-time Goldman Sachs man (although few last at the firm beyond their late 40s) is a cultivated anonymity. Even if other City firms are less po-faced, why

should it be any concern of politicians how such people spend their money?

Premier League footballers are not stigmatised by the Labour Party for driving Ferraris; why should 25-year-old bond dealers be treated differently?

It is true that many of the people who chose a career in the City were principally motivated by the desire to make as much money as possible. Compared to people whose ambition was to have as much power as possible, theirs is a fundamentally harmless ambition. If those whose original career aim was to achieve some sort of power or public recognition – politicians and journalists – now feel vicarious envy at the riches of those who wanted only financial success and made it – well, that is their problem.

When such people irrelevantly cite their sympathy for underpaid nurses and pensioners as vindication for their feelings, we should realise that this is just to disguise their misery at the fact that they can’t afford to buy a house in Chelsea and someone they went to school with can: or to put it in another way, this is not the season to be envious.

WHAT FEARFUL HYPOCRITES MINISTERS ARE WHEN IT COMES TO APPLYING THE RULE OF LAW

9 February 2007

You can see why the Government feels that the House of Lords, in its current form, should be abolished. It does its job of revising legislation much too thoroughly for this executive’s liking.

On Monday, the Upper House produced its most recent improvement of a sub-standard Bill by amending “corporate manslaughter” measures to remove the exemption for deaths in police and prison cells. The Home Secretary, John Reid, whose resemblance to a sitcom prison warden has been remarked upon rather too often for his liking, warned the peers that if they passed this amendment, then the

Government would scrap the entire Bill. This clumsy attempt at blackmail had the obvious effect: the Government was overwhelmingly defeated.

The Lower House has an irritating habit of living down to its name. On Wednesday, one of its committees approved a two-clause Bill which would prevent the public from using the Freedom of Information Act to secure information contained in correspondence and e-mails sent to public bodies by MPs on behalf of their constituents. The Lords have already indicated their disquiet at this peculiarly self-serving exemption.

During the recent fracas over the Catholic Church’s attempt to gain an exemption from aspects of the Equality Bill which would otherwise prevent Catholic adoption agencies from rejecting applicants from same-sex couples, ministers were adamant that any exception would be most improper. Harriet Harman, the Constitutional Affairs Minister, declared that: “You can either be against discrimination or you can allow for it. You can’t be a little bit against discrimination.”

Mr Peter Hain, like Ms Harman a candidate for the deputy leadership of the Labour Party, also criticised the Catholics’ attempts to gain an exemption from a specific aspect of the anti-discrimination legislation. This was “a fundamental principle”, he said, which should allow for no organisation to be exempt. Charles Falconer, Ms Harman’s immediate superior, stated definitively that: “the law applies to everybody”.

Only, it doesn’t. This is clear from Section 54 of the Equality Bill, which is headed “Public Authorities”. Subsection 1 states that: “It is unlawful for a public authority exercising a function to do any act which constitutes discrimination or harassment”; but Subsection 3 immediately declares that: “The prohibition in Subsection 1 shall not apply to the House of Commons, the House of Lords, the authorities of either House of Parliament, the Security Service, the Secret Intelligence Service, the Government Communications Headquarters or a part of the armed forces of the Crown which is, in accordance with a requirement of the Secretary of State, assisting the Government Communications Headquarters.”

When I inquired about these exemptions I was told by a government official that, at least in respect of MI5, MI6 and GCHQ, they were made “on grounds of national security”. The official wasn’t immediately able to explain why the Houses of Parliament were exempt. The point is, however, that if this law, as Falconer states, “applies to everybody” then “everybody” cannot mean “everybody except us and the spooks”. It is also not clear, to me at least, why it is perfectly proper for national security to be used as a reason for special treatment, but outrageous for religious conscience to be put forward as an argument.

As a matter of fact, I do agree with Lord Falconer’s general proposition that laws should apply to everyone without exception. The very idea of the rule of law carries within it such a presumption. That is why, while having great sympathy for the Catholic adoption agencies, I wrote in this column last month that “Cardinal Murphy-O’Connor is wrong when he argues that this legislation is ‘unjust discrimination against Catholics’: what he is, in fact, objecting to is that Catholics are being treated just like everybody else.”

Unfortunately, the Cardinal Archbishop of Westminster and his colleagues did not mount a public campaign against the Equality Bill when it was before Parliament. They waited until it was already law and then declared their right to be exempt from some of its provisions.

There is an obvious reason why they took this ill-advised approach. The Catholic Church, with some reason, is extremely anxious not to appear reactionary or fuddy-duddy. So it wanted to say that it welcomed the Equality Bill in general and that it set its face against what it called “unjust discrimination”. Indeed, the Shadow Cabinet under David Cameron has a very similar desire to appear enlightened, and therefore has welcomed the Equality Bill in its entirety.

No one, it seems, is willing to argue the fundamental point that the entire Bill may be misconceived. There are, after all, already laws on the statute book which ban discrimination on grounds of sex and race. The Equality Bill – as Cardinal Murphy-O’Connor will doubtless be aware –

introduces the idea of banning harassment on grounds of religion.

This was not, however, a sop to the Catholics, but came out of a pre-election pledge by Blair, designed to appease British Muslims furious about the war in Iraq. The measure is entirely otiose. There are already laws against harassment, which, especially in the workplace, exist to protect people from being bullied in the manner envisaged by this highly political piece of legislation.

The Equality Act seems designed not so much to stamp out practices which are causing great public disquiet – I am not aware, for example, that gay couples claim to be suffering greatly because a handful of Catholic adoption agencies insist on referring them to other organisations which do not share those religious scruples. No, the Act, in the words of its supporters, is designed to “send a message”. Laws, however, are not suited to sending messages. Indeed, those that do are usually very bad laws. If politicians wish to “send a message” then they should use their powers of persuasion – such as they have – not brute legislative force.

This point was expressed most clearly by the barrister Neil Addison at a seminar organised last week by Civitas. Addison, the author of a standard textbook, *The Religious Discrimination and Hatred Law*, remarked that the proponents of the Equality Bill were “intense, well meaning-people” who wanted to use the law to change the way people think. He likened them, provocatively in the circumstances, to the Inquisition of the Catholic Church, which was led, not by sadists, but men who wanted to save as many people as possible from damnation.

To pursue that analogy further, we can see that New Labour appears to believe that they are not just “the Elect” politically, but also in the religious sense: they are excused from the burdens which the rest of us must overcome in order to be judged fit for the kingdom of heaven. What unholly hypocrites they are.

TOLERANCE, LIBERTY AND HYPOCRISY

1 May 2007

If you didn’t already know that Jack Straw is organising Gordon Brown’s leadership campaign, then his remarks yesterday on the need to create a new sense of “British identity” gave the game away. For at least the past three years this has been Brown’s refrain, now given added urgency by the imminent electoral triumph of the Scottish National Party. With a devolved Scottish Parliament, Gordon Brown’s position is already tricky; with an independent Scotland his position would be impossible.

Jack Straw has his own particular sensitivity on the topic: he is the MP for Blackburn, where, as he pointed out in his Chatham House article “The Way We Are”, “the trend towards greater segregation is most marked in some areas with large Asian, principally Muslim, populations”. Blackburn, however, is not Britain: in the country as a whole the Muslim population is little more than 2 per cent.

In fact, we have a smaller Muslim population, as a percentage of the total, than such countries as France, Germany, the Netherlands and Denmark. It is true that those countries have not endured acts of Islamic terrorism carried out by their own nationals; but no amount of “British citizenship tests”, of the sort almost perpetually promoted by New Labour, will persuade the malevolent and deluded of the virtues of British foreign policy.

Mr Straw nervously hastens to “assure those who may feel detached from the national community ... that nationality does not mean assimilation”. I rather think that it does, actually, Jack. The voluntary segregation that the Leader of the House of Commons complains of in his own constituency is, after all, the opposite of assimilation. Obviously – as he writes – immigrants should never be “required to give up their religion”; but some degree of assimilation is essential if there is to be something approaching the common identity that Mr Straw says he wants.

My own background is an example of assimilation. My paternal grandfather was

the first of his family to be born in this country. He changed his surname to the very English “Lawson” – thus forcing his own father, who had come from Russia towards the end of the 19th century, to do the same. My grandfather was almost exaggeratedly English in his habits: his life essentially revolved around tea, cricket and roast beef. When I think of the prosperity which he managed to create for himself in this country, compared to what his distant relatives had to endure in what became the Soviet Union, I am not surprised that he adored the cosy comfort of the English.

His view of nationhood was, I suppose, close to the much-ridiculed vision conjured up by John Major: “The country of long shadows on cricket grounds, warm beer [and] invincible green suburbs.” It’s true that the then Prime Minister went over the top by quoting George Orwell’s “old maids bicycling to Holy Communion through the morning mist”. It certainly seemed to have provoked Tony Blair, who immediately on becoming Prime Minister himself, attempted to create an entirely new sense of “Britishness”. It has not exactly been an unalloyed success. “Cool Britannia” has long ago been dropped as an embarrassment, while “Rule Britannia” retains its place of honour at the Proms, and is broadcast worldwide.

Mr Blair could claim that the phrase “Cool Britannia” was an invention of the media, but he cannot evade responsibility for the panel he established in 1998 under the ghastly title of “Rebranding Britain”. It was charged with devising a British identity which would be presented to a global audience with the opening of the Millennium Dome on January 1st 2000. I was there on that first night; my teeth still grind at the recollection of its monumental naffness, its complete lack of distinctiveness or distinction. I know the Queen has let it be known she would never abdicate but, as I stared at her face on that appalling evening, I thought I could see an expression of something close to resignation.

Gordon Brown’s hands are clean on that fiasco. His own attempts to redefine Britishness are, as one would expect, less self-consciously trendy than Tony Blair’s. His most recent outpouring on the subject was a couple of months ago at a “seminar on

Britishness” at the Commonwealth Club. The Chancellor told his audience: “When people are asked what they admire about Britain, they usually say it is our values: British tolerance, the British belief in liberty.”

He may well be right; but in that case, what a very unBritish government Mr Brown has been part of this past 10 years. Where does the attempt to introduce the concept of house arrest by ministerial fiat fit into “the British belief in liberty”? Or the plan – thwarted by the “Old Britain” in the Lords – to detain suspects without charge for up to 90 days? Or the identity card? I understand that these measures stem from a legitimate desire to safeguard the public against that ultimate loss of liberty – being blown up by terrorists; but this government has not needed such justifications to destroy long-held liberties.

The law designed to stamp out hunting with hounds is one example. This was a harmless, if somewhat bizarre pursuit. It’s true that foxes can get killed at the end of it – but since they are still legally wiped out by traps and shotguns, that had nothing to do with its banning. What was made illegal was the right of some people to derive pleasure from something which others found objectionable. That is almost a definition of intolerance – and it was regarded with incredulity by those foreigners who, as Mr Brown said, have always admired the alleged British virtue of tolerance.

A more immediate example of New Labour’s unBritish intolerance is the total ban on smoking in public places, which comes into force in Northern Ireland today and in England in two months’ time. As a non-smoker, I suppose I am meant to be grateful; but I am repelled by the thought that it will be illegal for people to smoke even in private clubs, and even if they hire staff who have no objection. Leave aside the fact that there is no proven link between “passive smoking” and lung cancer: it is a pathetic sort of “tolerance” which allows people to smoke only in their own homes, as if what they are doing is an affront to public decency.

I recommend that Mr Brown and Mr Straw reread George Orwell’s “England Your England”, from which Mr Major had quoted

so selectively. Published in 1941, it was, in part, Orwell’s attempt to describe what it was we were fighting for. Unlike much of Europe, wrote Orwell, in this country “The liberty of the individual is still believed in ... the liberty to do what you like in your spare time, to choose your own amusements.” Those were the days.

Patrick McIlheran

Mother, may I have the French fries? | *Milwaukee Journal Sentinel* | 12 December 2006

Smaller lots? Maybe if we offer the neighbors some upside | *Milwaukee Journal Sentinel* | 30 January 2007

How to make gas go away | *Milwaukee Journal Sentinel* | 2 June 2007



PATRICK MCILHERAN writes a thrice-weekly opinion column for the *Milwaukee Journal Sentinel*, is on that newspaper's editorial board and writes a blog on its web site. He is also a frequent guest on a Milwaukee public affairs television program, "Sunday Insight." He previously worked as a news designer, copy editor and reporter for the *Journal Sentinel* and other newspapers. He holds a BA from Winona State University in Minnesota. He lives in Milwaukee with his wife and their three children.

MOTHER, MAY I HAVE THE FRENCH FRIES?

12 December 2006

Thank goodness for Holy Communion. Well, thank God for it, theologically. More mundanely, sacramental wine has moderated my little dinner-time prohibitionists.

"You're gonna get drunk, Daddy," chimed the youngest as I poured a glass of beer. She'd been tipped off to Demon Beer by some cartoon or other.

Her sister came to my rescue: There's alcohol in Communion wine, she reasoned, and people rarely stagger out of church, so it's all right to have some. Besides, Daddy's old, so he can handle it.

In that case, said the former teetotaler, "Can I have a sip?" She did. Verdict: "Ick."

Which also describes partially hydrogenated this and that, apparently. Trans fats, oils made more solid and useful by chemistry, do a number on your cholesterol, say experts, lowering the good and raising the bad. They don't add to flavor so much as make things more crisp, less greasy, less stale. They're cheap.

They're also liable to get banned everywhere, now that New York and all the cool cities are banning them. Culver's stopped frying in them on its own, and Oreos aren't made with them any longer. Crisco, virtually the definition of a trans fat, now comes in a no-trans version because, obviously, if something's been branded as next to poison, it's profitable to boast that you're not feeding it to customers.

That's why fast-food restaurants started frying in shortening anyhow. In the 1980s, the dietary scolds at the Center for Science in the Public Interest – it's the private group that called fettuccine Alfredo "heart attack on a plate" – started saying McDonald's was wicked for frying in beef fat. So everyone switched to partially hydrogenated vegetable oil, which, as late as 1990, the center was vigorously defending as healthy ("Trans, shmans," scoffed its newsletter that year about early danger signs).

This tells us two things: First, self-righteous "public interest" groups ought to show a little more humility. Second, it doesn't take a village's ban to make companies offer healthier things if they think it'll sell. And dumping beef fat sold: Go on; find any place that boasts, "We fry in real lard!"

Still, cities will want to ban. It's cheap grace for officials, more memorable to voters than

debating tax incremental financing districts. Scarcely anyone's going to stand up for a second-rate substitute fat.

What everyone should stand up for is being an adult. Letting our governments ban a fat that's unhealthy in a way obvious to anyone over the age of 12 poses a danger. That danger is that a ban presumes we are incapable of judging what we should eat. It treats us as children in need of tending.

This is made plain by the distinction from green onions. They are momentarily missing because of an *E. coli* scare. That is food safety, properly handled: The problem wasn't green onions, about which adults can make their own decisions. It was that the onions weren't what you expect. They carried a germ not usually present, imperceptible to the layman and harmful even in tiny quantities.

Trans fats may be common, but you can spot them with layman's equipment: your eyes. See "hydrogenated" on the label? Eat accordingly.

And unlike *E. coli*, it's not true that any amount of trans fat sends you to the hospital. So if a pie crust with shortening is your occasional indulgence, that's different from thinking a daily deep-fried diet is OK, which no one in his right mind does.

Yet if adults cannot be trusted to behave sensibly in so plain a case – that is, if impatient food cops feel they must compel our obedience – then our judgment can't be trusted at all on hazier matters.

Alcohol's an obvious next step: Scotch is unnecessary, so you can't have any – while studies show benefits from red wine, so be a good boy and drink up. No, you can't have seconds. Or Chardonnay. Time for your mandatory jog, then off to bed: you've got a long, grim fat-free future to face.

Outsourcing adult judgments about food strengthens the bossiness of bossy experts. They start to presume all others are too lazy or dumb for self-improvement. It teaches the rest of us that life is dangerously opaque to ordinary people, that we can't figure things for ourselves. We'll have to keep it simple and mandatory on ever more matters, especially important ones.

This bodes ill for a self-governing society. If you can't pick your own lunch, how can you pick your own leaders?

SMALLER LOTS? MAYBE IF WE OFFER THE NEIGHBORS SOME UPSIDE

30 January 2007

Ask a builder whether he'd rather build a few big, expensive homes or many more smaller, less expensive ones, and he'll tell you he can make money either way – though as one told me, building more houses is more efficient and profitable.

Ask a builder what's allowed, and the answer's clearer: Local governments don't want smaller and cheaper. "It's like you're speaking a foreign language," says Tim O'Brien of William Ryan Homes.

So in this home-show season, maybe we should be asking how we can make it worth a community's while to change its zoning.

Builders say, and economists confirm, that zoning increases the cost of houses. Rules requiring more land per lot add to costs

directly, and they limit the supply of buildable land, making the price go up. This may underlie what you see in Milwaukee, listed in one January survey as among the least-affordable Midwestern metropolises.

The conspiracy-minded hint that such zoning aims to keep minorities out, though precluding houses under \$300,000 sets the bar pretty high: Suburbanites' own children often can't afford a house in the old hometown. That's a big hole in the they're-all-racists idea.

It's likely suburbs get something from making houses expensive. Suburban officials say so: Residents prefer upscale neighbors or a rural feel, and those wishes carry weight in planning. Or, builders say, some towns have a break-even point in mind. Officials don't believe houses worth less bring in enough tax money to pay for services new families use, builders say, so they don't permit them.

Phil Evenson, who heads the Southeastern Wisconsin Regional Planning Commission, suggests people need to value "economic diversity." Mixing in lower-income people makes places more interesting, he argues.

Or there's an appeal to self-interest. As employers favor suburban sites, their staff will need houses they can afford unless we presume they'll all live somewhere cheaper and commute. That implies unpleasant amounts of pavement and traffic. Far better to offer housing for all ages and incomes.

But these ideas run into a powerful force: Existing homeowners have money on the line in zoning, says François Ortalo-Magné, a real estate economist at the University of Wisconsin-Madison.

For one thing, by making it hard to build, zoning makes existing homes worth more. It raises the value of a homeowner's investment by making it scarce.

It also creates an expectation by home-buyers that land in a community will continue to be scarce. They paid a premium to get into a place whose zoning will make it harder to get into, Ortalo-Magné says. Naturally, they won't favor loosening the zoning and debasing their investment. Of course, they support growth restrictions.

This isn't the same as simply favoring \$600,000 homes nearby as a way of ritzyfying the area or feeling you've lost something when your vista is filled with houses. It's that exclusive zoning is a financial ledge that existing homeowners can't afford to climb off, says Ortalo-Magné. It's part of the value of their homes.

Except he's got an idea. What if, he brainstorms, a community auctioned off building permits? Right now, when a community gives permission to build on vacant land, the land's value shoots up. The landowner gets the windfall, while there's no upside at all for neighbors. If instead the neighbors got some money from a permit auction, "Wouldn't they think about it differently?" he asks.

He knows of no such mechanism used in the United States. That doesn't mean the idea is utterly unknown. Thomas Firey, a policy scholar at the Cato Institute, notes the zoning nightmare faced in suburban Washington when a developer wanted to put dense new development between single-family homes and a subway stop. In the end, the developer bought out nearby homeowners for three times the market value, says Firey, and "everyone was made better off."

"Everyone better off" is key. As suburbs allow too little new housing, it doesn't just hurt would-be suburbanites. Those who can't afford high-end places bid up prices in cheaper areas. Scarcity filters throughout metro Milwaukee.

So as novel or even unfair as it may seem to pay off suburban neighbors to permit growth, the benefits could spread widely. In a metropolis where the price of a big yard is rising beyond the reach of young people, it's worth looking at.

HOW TO MAKE GAS GO AWAY

2 June 2007

Say you buy a Powerball ticket. It wins; you're off to Aruba. The government takes its tax slice, but there's plenty left over.

Suppose further that, because you were the only winner in weeks, your jackpot is

uncommonly huge – say \$50 million, net. That’s an awful lot of money. So the state sticks an extra assessment on you, taking everything above \$2 million. That should be enough for you.

This won’t sink the lottery. But do you think it might have some effect on how many people buy a ticket on the big weeks?

Gov. Jim Doyle’s proposing something totally different, of course, in adding an extra tax on oil sellers’ profits. For starters, your typical Powerball winner is much cuter than an oil company, all of which seem to be headed by jowly guys created by caricaturists. Oil executives’ looks cry out, “Tax me hard.”

And Powerball winners are doing useful things: playing state-run numbers scams. Oil companies are merely finding a scarce resource, building and running complex, costly infrastructure, and supplying you with a product the lack of which would induce riots.

They’re not doing it because they like you. They’re doing it to make a ton of money. Sometimes they do. Sometimes they make pathetically little, as refining operations had for decades, which is why a lot of big companies sold those off or closed them down. Now, companies that did stick billions into costly refinery upgrades for safety, emissions and reformulated gas are seeing a jackpot.

Doyle feels he can skim some, saying the state needs it even though our gas tax is already higher than all but six states.

He also claims his tax won’t raise the price of gas. Accountants and economists say this is nonsense, but Doyle, a lawyer, thinks he knows how to make oil sellers eat the added cost: Really high penalties. The harsher the penalty, he says, the less likely oilmen are to even appear to do the new illegal thing, which is to not accept reduced profits. Besides, it’ll be enforced by regulators who may become the first people, says Doyle, to truly understand oil pricing.

Sure, says Andrew Morriss, an economics and law professor at the University of Illinois. “If he thinks he ... can master their

accounting better than they can, my money is on Exxon,” he says.

Actually, your money is. Stock ownership has broadened, so oil is profitable for millions of retirement plans. ExxonMobil was among the biggest holdings in our main state retirement fund last year. Companies can cut profits to be nice, but if they do, “my pension plan better sue them,” says Morriss. “It’s not Exxon’s money, it’s my money.”

Sue they might. Former Attorney General Peg Lautenschlager was hired by a union to reckon the tax’s odds in court. Her leaked memo says companies are likely to sue, and their case that the tax is unconstitutional is strong.

But grant the governor his accounting and legal miracles. What happens then?

Our gas prices still go up. Selling gas involves a lot of investment, in pipelines, pumps, so on. For instance, a key supplier of our gas and asphalt, the BP refinery in Whiting, Ind., is getting a \$3 billion upgrade to take Alberta crude. All this is paid for by profits and justified by the hope of future profits. If Wisconsin manages to make gas a less profitable business here, companies have plenty of other places to invest, especially if we’re a legally hazardous place to show a profit.

It doesn’t mean Wisconsin goes without gas. Rather, the supply to our growing demand gets tighter, fewer competitors play and prices go up – even if no company here makes as much profit.

It’s profit that signals where oil companies should risk their investments. “It has nothing to do with morality,” says Morriss. It has everything to do with where to put billion-dollar bets. “If I think that game is fixed,” he says, “I’m going to go put my money into some other game.”

Money is mobile in a way that state borders are not. If the governor wins, it’s not necessarily oil companies and their investors who lose. But their customers will.

Amit Varma

Where's the Freedom Party? | *Mint* | 8 February 2007

A Beast Called Government | *Mint* | 15 March 2007

The Devil's Compassion | *Mint* | 3 May 2007



AMIT VARMA is a writer based in Mumbai. He has worked in advertising, television and journalism, and used to be managing editor of the cricket website, Wisden Cricinfo. He has written for publications such as *The Wall Street Journal*, *The Guardian*, *The Observer* and *Wisden*, in addition to numerous Indian newspapers. He writes a weekly column called 'Thinking It Through' for the Indian newspaper, *Mint*. He is best known for his popular blog, India Uncut (www.indiauncut.com). He is working on his first novel.

WHERE'S THE FREEDOM PARTY?

8 February 2007

It's frustrating being a libertarian in India. Libertarians, broadly, believe that every person should be have the freedom to do whatever they want with their person or property as long as they do not infringe on the similar freedoms of others. Surely this would seem a good way for people to live: respecting each other's individuality, and not trying to dictate anyone else's behaviour.

Naturally, libertarians believe in both social and economic freedoms. They believe that what two consenting adults do inside closed doors should not be the state's business. Equally, they believe the state should not interfere when two consenting parties trade with each other, for what is this but an extension of that personal freedom. And yet, despite having gained political freedom 60 years ago, personal and economic freedoms are routinely denied in India. Even worse, there is no political party in the country that speaks up for freedom in all its forms.

Consider our Left parties. They speak up for personal freedoms (though often as a

matter of convenience), such as for free speech and against censorship, but, bound by dogma, they oppose economic freedom. They do not understand that when two people trade with each other, they do so because they both benefit, and that allowing people to trade freely creates prosperity better than government handouts can. They do not see the good that our limited reforms of the last 15 years have done. They point to the existence of poverty as evidence that the reforms have failed, not admitting that the reforms have not been carried out in the areas that affect our poor the most.

The Left claims to speak for the poor, but most of the policies it supports, such as the labour laws and the minimum wage, harm poor people the most. It does not accept that poverty is a result of inadequate employment and insufficient productivity, and that unleashing private enterprise, by removing all the barriers to it that still exist, would solve these problems. It opposes foreign investment, as if anything but employment and prosperity could result from it. It views economics as a zero-sum game, and assumes that the only way to enrich the poor is to steal from the rich.

Then consider the Right. The religious right routinely tramples on personal freedoms in the name of religion and tradition and

suchlike. It takes offence at any criticism, and is an enemy of free speech. The extreme elements of it, which are more common than we acknowledge, and even won a state election resoundingly not long ago, treat an entire minority as subhuman. And yes, inspired by nationalistic fervour, they often oppose economic freedoms as well.

But why blame the political parties? Politics is all about demand and supply: our politicians do not value freedom because our people do not demand it. There are a variety of different reasons for why this is so.

When it comes to economic freedoms, it so happens that many of the great truths of economics are deeply unintuitive. The fact that markets aren't zero-sum, for example, or that the spontaneous order of millions of individuals working separately towards their self-interest can produce and distribute goods far more efficiently than central planning can. Also, most of us have grown up in a socialist framework, and instinctively look to our mai-baap state for solutions. We look to the government to provide jobs, to lift people out of poverty, to provide free education to all, and so on. "What does a poor man care about freedom?" an IAS officer friend recently asked me. "All he wants is food." And indeed,

the connection between economic freedom and jobs and food on the plate is not one that is immediately obvious.

When it comes to personal freedoms, we are so used to living in a country where they are denied to us that we don't even notice their absence. As a matter of routine, films are censored, books are banned, and our personal and sexual preferences are restricted. Free expression is endangered in this country, and whether it's MF Hussain painting a Hindu goddess nude or an Orkut forum about Shivaji or a comedian making fun of Mahatma Gandhi, our default reaction is to ask that it be stopped. How can free speech thrive in a country where giving offence is treated as a crime?

Am I hopeful for things changing? Yes and no. Yes, because as the cause and effect of economic freedom becomes clearer, people will see through socialist rhetoric and realise that only free enterprise can provide jobs, lift our living standards, and raise this country out of poverty. On the other hand, such a clear-cut utilitarian case is harder to make for personal freedoms, and political parties, in any case, thrive on catering to special interest groups. They are, thus, generally likelier to restrict freedom even further instead of removing existing restrictions.

Immense sighs emerge. Perhaps I should simply have been a Communist or a Fascist.

A BEAST CALLED GOVERNMENT

15 March 2007

There is nothing in the world as dangerous as blind faith. No, no, this is not yet another rant against organised religion: there is enough damnation already scheduled upon me. There is another beast that benefits from blind faith quite as much as religion, and that causes as much harm from our lack of questioning: a beast called government.

Don't get me wrong, we need government. We need it to take care of law and order, of defense, and for a handful of other things. (I don't have a very large hand.) But the governments we have, not just in India but

virtually everywhere, are vast, monstrous behemoths that are many multiples of the size they need to be. The cost of this, of course, is borne by us: we pay far more tax than we should need to in order to keep government going, and to justify its size the government clamps down on private enterprise and individual freedoms.

Part of our blind faith in government comes from the way we view it. Governments are not supercomputers programmed to work tirelessly for the public interest, nor are they benevolent, supernatural beings constantly striving to give us what we require. On the contrary, governments are collections of people, individuals like you and me, motivated by self-interest. The actions of government are the actions of these men and women, and the best way to understand how they are likely to behave – and therefore, how governments are likely to behave – is to consider their incentives.

Outside of government, we get ahead, whether in our jobs or doing business, by giving other people goods or services that they require. There is a direct correlation between what we give and what we get, and clear accountability: if I overstep my deadline for this column one more time, for example, *Mint* will surely find another columnist to fill this space!

But the incentives in government are different, and they do not drive a bureaucrat to work in the public interest. This is superbly illustrated in C. Northcote Parkinson's delightful classic, *Parkinson's Law: The Pursuit of Progress*. Parkinson, examining the British civil service, found that it tended to expand by a predictable percentage every year, "irrespective of any variation in the amount of work (if any) to be done." He explained this with "two almost axiomatic sentences": "(1) 'An official wants to multiply subordinates, not rivals' and (2) 'Officials make work for each other.'"

In other words, it is in bureaucrats' interest to expand their departments and get greater budgets allocated to them so as to increase their sphere of power. Indeed, mandarins who solve problems and increase efficiency actually risk making themselves, or their departments, redundant. Do we really expect them to be like the proverbial fool on the tree, who cuts the branch he sits on?

If bureaucrats want to increase the power they have, politicians want to build vote banks. That is how they rise in the political system, and it is silly to expect them to stop when they get to power. This means giving sops to interest groups that have supported them when they come to power, and reaching out to others. One illustration that speaks for itself is the Haj subsidy. Indeed, it would be irrational for a politician to focus on anything else but what will get him elected.

But we're a democracy, so why don't we just vote such politicians out? Well, to begin with, our system of government has what public choice theorists would call "concentrated benefits and diffused costs." In other words, what is hundreds of crores of subsidy for a troubled industry or a free TV to a Tamil Nadu voter is just a few paise a year for you. Who do you think is more likely to lobby a politician or bother to go out and vote?

Of course, a few paise a year for thousands of pointless causes each add up to the majority of your tax money, but now we come to another reason for why people don't vote against government wastage: what economists call 'rational ignorance'. Besides earning a living, there are many good uses of your time, and finding out a break-up of where your tax money goes would simply take too much of your time. This is exacerbated by the fact that many taxes are indirect and hidden away – indeed, inflation often functions as a form of taxation – and that the politicians you have to choose from, all driven by the same impulses and catering to different interest groups, really aren't too different from each other.

I had promised last week to elaborate on how a lot of well-intentioned and seemingly sensible government spending actually harms us all, and I shall do so in the weeks to come. I wanted to first highlight how wastage in government is not an aberration, but is written in the DNA of our system, and is integral to its nature. Thomas Jefferson once wrote: "The natural progress of things is for liberty to yield and government to gain ground." Understanding that process is the first step to turning it around.

THE DEVIL'S COMPASSION

3 May 2007

This is the transcript of a speech given by the demon Beelzebub at the 90th Annual Convention of Demonic Beings.

Comrades and Monsters,

Welcome. I can barely express my joy at the unspeakable horror of being present among such hideous monsters as yourselves – demonic beings dedicated to the ruin and damnation of humanity. In various ways, under the cunning guise of doing good, we have brought sadness and misery upon humanity. We have perpetuated poverty, hatred and ill-health. I wish today, for the sake of the young apprentice beasts present here, to speak about our primary tool of achieving all this: Compassion.

Humans, you see, are fooled by appearances. Come to them as a wrinkled monster with horns, and they recoil. Pretend to be a loving grandpa, and their defences are down. We senior demons realised long ago that to hurt the humans, we have to pretend to care for them. Even as we have nothing but their marination in mind, we must appear compassionate. Stating the most noble intent, we must unleash the very worst of policies. Even better, we must fool some humans, who themselves wish to appear compassionate, into pushing these very policies.

And how we have succeeded! Everywhere there are politicians sincerely pushing well-intentioned policies that are disastrous for the people they are supposed to help. Of course, some people see through our evil designs and protest, but they are dismissed as cruel and uncaring, for they are questioning compassion itself. The irony!

A good example of this comes from Kolkata, a city you must be familiar with. The government there is outlawing all rickshaws pulled by men, because they feel it is “inhuman for a human being to carry another in this day and age,” as their mayor recently said. How caring this seems! And yet, this policy will put 18,000 rickshaw pullers out of a job that they preferred to all other options available to them. Now, that is inhuman. Joy!

Hell be praised, the same logic has long been used to protest sweatshops and call centers and dance bars. The people working there are being “robbed of their dignity,” we are told. Those pretending to care about them would love to deny them of the best options available to them, thus pushing them into a worse existence, and they often succeed. When dance bars were outlawed in Maharashtra – another of my favourite weapons, morality, played a leading role in that decision – many dancers went into prostitution.

Ah, Maharashtra! Mumbai is particularly dear to me as a demonstration of what compassion can achieve: Just see the misery rent control has inflicted there. It was supposed to protect tenants from evil landlords, but by restricting the supply of housing, has driven up rents, made affordable housing scarce, and made slums inevitable. Even more, it has disincentivised landlords from looking after rent-controlled houses, some of which are close to falling apart. Gravity is an invention of hell, I am proud to remind you!

India has many such price controls, which inevitably distort our enemy, the free market. These apply not just to goods but also to labour – how noble these legislators feel when they bring about a minimum wage, or support labour laws that dry up the supply of jobs and hurt the ones they’re supposed to help: the workers.

India’s redistributive schemes are also a devilish masterstroke, based on the principle, “Steal from the Rich and Pretend to Give to the Poor.” Actually our unknowing stooges, India’s well-meaning and compassionate politicians and bureaucrats, steal from everybody, and the money they steal has a cost: It acts as a disincentive to those it is stolen from, and would often have helped the poor more if simply left with the taxpayer.

The social policies we promote are as much of a slow poison as our economics. Why redistribute only wealth when one can redistribute opportunities as well? Consider reservations in India: Under the guise of being compassionate towards castes that have been discriminated against, reservations perpetuate thinking along caste lines, and increase awareness of and animus towards other castes. Some

individuals benefit at the cost of other individuals, and they cancel each other out. But the hatred that is spread at the injustice, ah, priceless! (They even call it social justice! How noble they feel!)

There is lots more to say, and I could speak of India for eons, so much harm has been caused there under the guise of compassion. But I shall end here, for I know that you are looking forward to your repast. Let us move onwards to the dining room, my friends, where India’s poor have been laid out on the dining table. Let us feast!

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