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Today's Tabbloid

PERSONAL NEWS FOR Ign@limitedgovernmentnetwork.com

FISCALLY CONSERVATIVE BLOG FEEDS

Putting “Holds” on Hold [Cato at Liberty “Holds” on Hold]

FEB 18, 2010 06:46P.M.

By Mark A. Calabria


Recent weeks have witnessed considerable media attention on a fairly obscure Senate practice: that of Senators placing a “hold” on a nomination. Holds are essentially a method for Senators to tell the Majority Leader that if the Leader were to try to move a nomination by unanimous consent, that Senator would object on the Senate floor.

Much of the attention has unsurprisingly come from Democrats, who see the use of holds as obstructing President Obama’s ability to get in place his preferred personnel. Perhaps getting the most attention was Senator Richard Shelby’s placing a hold on 70 some nominations (full disclosure: I spent seven years working for Shelby).

What is missed in the debate over holds is whether the Senate should be moving nominations by unanimous consent in the first place. President Obama’s supporters contend that his nominees deserve an up or down vote. Yet that is exactly what is required by a hold: an up or down vote. Holds do not have to be honored by the Majority Leader (else why doesn’t someone just place a hold on health care?). In fact, nominations are privileged motions, meaning the Majority Leader can bring up a nomination for debate and vote at any time.

Moving a nomination (or even legislation) by unanimous consent all but guarantees that the nomination in question will receive *zero* deliberation or debate by the full Senate. Whether a particular position is subject to Senate confirmation is almost completely up to Congress. So if Congress decides that a position is important enough to demand the “advice and consent” of the Senate, then one would assume that such a position would also merit deliberation and debate by the Senate. In passing so many nominations (and legislation) by unanimous consent, the Senate fails in its responsibilities.

Congress finds itself in this bind because of its own doing. In desiring to have government intrude in some many aspects of our lives, Congress has decided that thousands of political appointees are needed to run those intrusions. But with so many appointees subject to confirmation, the Senate has no choice by to move nominations without debate for deliberation, for there is not enough time in the day to do so, especially when the Senate prefers to sending its time on grand policies, rather than the business of simply governing.

The solution is not to get rid of holds. The solution is to reduce the involvement of government in our lives, so that the Senate does not have to process thousands of nominations every year. 

FISCALLY CONSERVATIVE BLOG FEEDS

Correcting Klein on Competitive Insurance Regulation [Cato at Liberty]

FEB 18, 2010 06:45P.M.

By Michael F. Cannon

Washington Post blogger Ezra Klein critiques the idea of allowing individuals and employers to purchase health insurance regulated by states other than their own.

I preemptively correct his post in this Cato paper, published four months prior.

For more, see this *Regulation* article by Henry Butler and Larry Ribstein. 

FISCALLY CONSERVATIVE BLOG FEEDS

More on the Disconnect between IR Academics and Beltway People [Cato at Liberty]

FEB 18, 2010 06:44P.M.

By Justin Logan

Back in September I puzzled over the disconnect between international relations academics and the Washington foreign-policy establishment. Back then, I wrote that

the two groups have been wildly at variance in terms of their views on important public policy issues. Take the Iraq war, for example. As anyone who was in Washington at the time knows, the [Foreign Policy Community] was extremely fond

of the idea of invading Iraq. To oppose it was to marginalize oneself for years. Indeed, those who promoted the disastrous adventure have prospered, while those who (bravely or stupidly, depending on your point of view) opposed it remain huddled in the chilly, dusty alcoves of popular debate.

In the academy, meanwhile, there was hardly any debate over Iraq—almost 80 percent of IR academics opposed the war. [.pdf] To the extent academics did enter the public debate on the issue, it was to pay for an advertisement in the *New York Times* warning against the war. [.pdf] The only academics who spoke out in favor of the war (to my knowledge, anyway) were IR liberals like Anne-Marie Slaughter, who sought policy positions in Washington. (Slaughter, of course, was rewarded with a spot as Director of Policy Planning at the State Department, while to my knowledge none of the academic opponents of the war have gained Washington policy jobs.)

Today, Daniel Drezner describes his experience at

a small conference devoted to the idea of getting scholars and policymakers in the same room to talk about U.S. policy towards a Great Power That Shall Remain Nameless. The idea was that policymakers could highlight issues that professors might have overlooked and vice versa.

Everything was going along swimmingly until one of the policymakers in the room complained that some of the academic memos that had been prepared for the conference were too long to be read by policymakers — which was true, except that wasn't the purpose of these memos. In response, a Smart and Well Respected Political Scientist went off on a serious and righteous rant. Why didn't policymakers or staffers in DC actually read what experts thought about a particular issue? It wasn't just that political scientists were being put on the sidelines — we were being completely ignored.

While Drezner's post centers on the blame senior academics deserve for stigmatizing policy pronouncement from untenured political scientists, I think it's worth revisiting the fact that policymakers and IR academics just don't agree about much, as I highlighted above. And, as if on cue, Steven K. Metz of the Army War College crops up in comments (you have to scroll down), writing in part that:

I really believe the key is for academics to learn how to express themselves in a policy relevant way rather than expecting policymakers to work through academic style analysis and writing. Heck, *I remember participating in a workshop early in the Bush administration that brought together the elite of security studies professors. The stated purpose was to develop policy relevant analysis. But all I heard over two days was that the Bush administration needed to jettison its worldview and adopt the one*

advocated by the speaker. (emphasis mine)

That is, when you got “the elite of security studies professors” in a room with senior policy people in DC, they wanted to use the opportunity to warn the DC people that their expertise led them to the conclusion that the policies we were following were, in fact, dumb. I think everybody complaining about the gulf between the fields needs to come to some sort of grips with the fact that there are just big disagreements between the Beltway consensus and the IR academic views on many, many issues. And unless and until either a) policymakers feel inclined to listen to scholars on those subjects or b) academics lose their interest in warning the policy community about their policies, just pushing them together in various arenas is not going to do much good. 🗑️

FISCALLY CONSERVATIVE BLOG FEEDS

The Maytag Repair Man Would Make a Better USTR [Cato at Liberty]

FEB 18, 2010 04:57P.M.

By Daniel Ikenson

Ron Kirk hasn't exactly been burning the candles at both ends as U.S. Trade Representative. And I don't expect he'll be racking up the frequent flier miles anytime soon, given his recent assessment of the trade policy scene. Here's what he had to say, as reported by Jerry Hagstrom of *Congress Daily*:

Speaking at the USDA Annual Outlook Forum, Kirk said members of Congress “are more open and receptive” to the idea of creating a trans-Pacific agreement because it could be written from scratch.


The Trans-Pacific Partnership comes “without any of the biases of the three [agreements] under consideration,” he said. Kirk added members of Congress also like it because it would take 18 to 24 months to develop and would not come up for approval until after the 2010 elections.

Basically, Kirk's planning to hang his trade expansion hat on some future trade agreement that's still in the conception phase and years away from a shot at reality, while giving up on the already-signed agreements with Korea, Colombia and Panama because those agreements are too much of a burden politically for Congress, who would prefer to start from scratch.

That's trade leadership from the Obama administration!

At this point, though, likening Kirk to the Maytag repair man might be too optimistic an analogy. The USTR hinted that he might find

something to do on the enforcement side of his job description. According to Hagstrom:

Kirk stressed the administration's commitment to enforcing trade agreements, saying that "enforcement is not protectionist." 

FISCALLY CONSERVATIVE BLOG FEEDS

A Value-Added Tax Is Not the Answer...Unless the Question Is How to Finance Bigger Government [Cato at Liberty...Unless the Question Is How to Finance Bigger Government]

FEB 18, 2010 04:39P.M.

By Daniel J. Mitchell

While admitting that spending restraint is the ideal approach, Tyler Cowen of Marginal Revolution asks whether a value-added tax (VAT) might be the most desirable of all realistic options for dealing with an unsustainable budget situation.

Read his post for yourself, but I think a fair summary is that he is basically saying that a) there will be a crisis if we don't do something about future deficits, b) a crisis will result in very bad policy, and c) if we support a VAT now, we will at least be able to extract concessions from the other side.

I have no idea whether there will be a future crisis, but I think the rest of Tyler's argument is wrong.

But before explaining my position, let's start by stating what I assume to be our mutual objective, which is to control the size of government. We all agree that there is a problem because government is too big now, and it is projected to get even bigger because of the built-in growth of entitlement programs. One symptom of growing government is deficits, which are very large today and will be even bigger in the near future as more and more baby boomers retire and push up costs for Social Security, Medicare, and Medicaid.

Our side (broadly speaking) wants to solve the budgetary situation by restraining the growth of government. One proposed solution is Congressman Paul Ryan's Roadmap Plan, which would reform entitlements and curtail other programs so that the long-term burden

of federal spending is reduced to less than 20 percent of GDP. Since long-term federal tax revenues under current law – even if the 2001 and 2003 tax cuts are made permanent – are expected to be about 19 percent of GDP, this solves the budget problem (the tax reform component of the Roadmap includes a VAT, which is a poison pill in an otherwise excellent plan, but let's set that aside for another day).

The left, by contrast, generally wants to let federal spending consume ever-larger shares of economic output, and they believe that increasing the tax burden is the right way of keeping the deficit from getting too large. No statist has put forth a detailed plan to match Rep. Ryan, but several high-ranking Democrats have made no secret about their desire for a VAT (see [here](#), [here](#), and [here](#)). And everyone agrees that a VAT is capable of extracting a lot of money from the productive sector of the economy.

These two visions are fundamentally incompatible, which helps to explain why there is a standoff. The bad guys do not want to control the size of government and the good guys do not want to raise taxes. But now we have to add one more piece to the puzzle. While gridlock normally is a good result, inaction to some degree favors the other side because entitlement programs automatically expand. This helps to explain why Tyler (with reluctance) thinks that it may be best to acquiesce to a VAT now rather than to wait for a fiscal crisis.

Now, let's explain why Tyler is wrong. First, it is far from clear that surrendering to a VAT now will result in better (less worse) policy than what will happen during a crisis. It certainly is true that some past crises have led to terrible policy, such as the failed policies of Hoover and Roosevelt in the 1930s or the more recent Bush-Paulson-Obama-Geithner TARP debacle. But at other points in time, a crisis atmosphere has paved the way for better policy, with Reagan's presidency being the most obvious example.

The wait-for-a-crisis strategy clearly is a bit of a gamble, but even if we lose, we get a VAT in the future rather than a VAT today. So what's the downside? Tyler and others might say that the future legislation in the midst of a crisis could be a vehicle for other bad provisions, but he offers no evidence for this proposition. And it may be the case that the other side would be forced to add good provisions instead. Moreover, the lack of a VAT in the period between today and the future crisis might help lead to some much-needed spending restraint.

What about Tyler's argument that the good guys could extract some concessions from the other side by putting a VAT on the table. This is horribly naive. Even though George Mason University is less than 20 miles from Washington, and even though Tyler is a renaissance man with many talents, he does not understand how Washington really works.


Imagine there is a budget summit where politicians from both sides get together to work on this supposed deal. Here are the inevitable ground rules – and the consequences they will produce:

1. The deal will be 50 percent spending cuts and 50 percent tax increases,

but the supposed spending “cuts” will be nothing more than reductions in already-legislated increases. The tax increases, by contrast, will be on top of all the additional revenue that is already expected under current law (not a trivial matter since receipts will be \$1.5 trillion higher in 2015 than they are today according to OMB). For proponents of limited government, using the “current services baseline” as a benchmark in budget negotiations is like playing a five-minute basketball game after spotting the other team a 20-point lead.

2. All spending and revenue decisions will be examined through the prism of CBO income distribution tables, and the left will successfully insist that nothing is done to make the tax code less progressive. But since a VAT is a proportional tax, the only way of preserving overall progressivity is to raise tax rates on those wicked and evil rich people and/or to massively increase “refundable” tax credits (what normal people call income redistribution). Any proposal to lower income tax rates or eliminate the corporate income tax, as Tyler envisions, would be laughed out of the room (though Democrats will offer a fig leaf or two in order to seduce a sufficient number of gullible Republicans into supporting a terrible agreement, and that might include a cosmetic change to the corporate tax regime).

3. Many of the supposed spending cuts, for all intents and purposes, will be back-door tax increases on saving and investment. More specifically, a big chunk of the supposed spending cut portion of a budget deal will be from means-testing entitlement programs. This sounds good. After all, who wants to send a Social Security check to Bill Gates when he retires? But consider how such a system actually will work. The government will say that people with income (and/or assets) above a certain level are ineligible for some or all of the benefits available to less-fortunate retirees. From an economic perspective, this is very much akin to a higher tax rate on people who save and invest during their working years. And since means testing would only generate substantial budgetary savings if it applied to millions of regular people in addition to Bill Gates, we would wind up with a system that created big penalties on middle-class families who were dumb enough to save and invest.

I've already pontificated enough for one blog post, so let me summarize by stating that Tyler's approach, while not unreasonable, is about how to lose gracefully. Even if his strategy works perfectly, the result is bigger government. I'd much rather fight. If you want some inspiration for the battle, watch this video. If you haven't had enough of me already, here's my video explaining why the VAT is a horrible idea. 

FISCALLY CONSERVATIVE BLOG FEEDS

Big Teacher Is Watching [Cato at Liberty]

FEB 18, 2010 02:45P.M.

By Julian Sanchez

Researching government invasions of privacy all day, I come across my fair share of incredibly creepy stories, but this one may just take the cake. A lawsuit alleges that the Lower Merion School District in suburban Pennsylvania used laptops issued to each student to spy on the kids at home by remotely and surreptitiously activating the webcam built into the bezel of each one. The horrified parents of one student apparently learned about this capability when their son was called in to the assistant principal's office and accused of “inappropriate behavior while at home.” The evidence? A still photograph taken by the laptop camera in the student's home.

I'll admit, at first I was somewhat skeptical—if only because this kind of spying is in such flagrant violation of so many statutes that I thought surely *one* of the dozens of people involved in setting it up would have piped up and said: “You know, we could all go to jail for this.” But then one of the commenters over at *Boing Boing* reminded me that I'd seen something like this before, in a clip from *Frontline* documentary about the use of technology in one Bronx school. Scroll ahead to 4:37 and you'll see a school administrator explain how he can monitor what the kids are up to on their laptops in class. When he sees students using the built-in Photo Booth software to check their hair instead of paying attention, he remotely triggers it to snap a picture, then laughs as the kids realize they're under observation and scurry back to approved activities.

I'll admit, when I first saw that documentary—it aired this past summer—that scene didn't especially jump out at me. The kids were, after all, in class, where we expect them to be under the teacher's watchful eye most of the time anyway. The now obvious question, of course, is: What prevents someone from activating precisely the same monitoring software when the kids take the laptops home, provided they're still connected to the Internet? Still more chilling: What use is being made of these capabilities by administrators who know better than to disclose their extracurricular surveillance to the students? Are we confident that none of these schools employ anyone who might succumb to the temptation to check in on teenagers getting out of the shower in the morning? How would we ever know?

I dwell on this because it's a powerful illustration of a more general point that can't be made often enough about surveillance: Architecture is everything. The monitoring software on these laptops was installed with an arguably legitimate educational purpose, but once the architecture of surveillance is in place, abuse becomes practically inevitable. Imagine that, instead of being allowed to *install* a bug in someone's home after obtaining a warrant, the government placed bugs in all homes—promising to *activate* them only pursuant to a judicial order. Even if we assume the promise were always kept and the system were

unhackable—both wildly implausible suppositions—the amount of surveillance would surely spike, because the ease of resorting to it would be much greater even if the formal legal prerequisites remained the same. And, of course, the existence of the mics would have a psychological effect of making surveillance seem like a default.

You can see this effect in law enforcement demands for data retention laws, which would require Internet Service Providers to keep at least customer transactional logs for a period of years. In face-to-face interactions, of course, our default assumption is that no record at all exists of the great majority of our conversations. Law enforcement accepts this as a fact of nature. But with digital communication, the *default* is that just about every activity creates a record of some sort, and so police come to see it as outrageous that a potentially useful piece of evidence might be deleted.

Unfortunately, we tend to discuss surveillance in myopically narrow terms. Should the government be able to listen in on the phone conversations of known terrorists? To pose the question is to answer it. What kind of technological architecture is required to reliably sweep up all the communications an intelligence agency might want—for perfectly legitimate reasons—and what kind of institutional incentives and inertia does that architecture create? A far more complicated question—and one likely to seem too abstract to bother about for legislators focused on the threat of the week. 

FISCALLY CONSERVATIVE BLOG FEEDS

Radioactive Corporate Welfare [Cato at Liberty]

FEB 18, 2010 02:17P.M.

By Jerry Taylor

A good default proposition regarding the government's role in the economy would state that the government should not loan money to an enterprise if the enterprise in question cannot find one single market actor anywhere in the universe to loan said enterprise a single red cent. It might suggest – I don't know – that the investment is rather ... dubious.

Alas, like all good propositions regarding the government's role in the economy, this one is being left by the roadside by the Obama administration. Unfortunately, the only complaint being made by a not insubstantial segment of the political Right – frequently, the political crowd that is busy decrying “Bailout Nation” – is that the loan guarantees are not fat enough.

I write, of course, about the \$8.3 billion federal loan guarantee announced by President Obama this week for Southern Company to build two new nuclear power plants. The money will be used to guarantee the loans being made by the federal government (via the

Federal Financing Bank) to partially cover the cost of Southern's projected \$14 billion nuclear construction project at their Vogtle plant near Waynesboro, Georgia. The loan guarantees were authorized by Congress in the 2005 Energy Policy Act and, we are told, are the first installment on a total package of \$54 billion that the President would like to hand out to facilitate the construction of 7-10 new nuclear power plants (Congress, however, has only authorized \$18.5 billion to this point).

The claim being made by some – that the loan guarantees are necessary to jump-start investor interest in new nuclear power plant construction – is not quite correct. Even *these* lavish loan guarantees aren't enough to do *that*. In a letter to the U.S. Department of Energy dated July 2, 2007, six of Wall Street's then-largest investment banks – Citigroup, Credit Suisse, Goldman Sachs, Lehman Brothers, Merrill Lynch, and Morgan Stanley – informed the administration that, contrary to the government's expectations, anything short of a 100 percent unconditional guarantee would be insufficient to induce private lending.

Why is it risky to build nuclear power plants? Because new nuclear projects tie up more capital for longer periods of time than its main competitor, natural-gas fired generation. Nuclear power makes economic sense only if natural gas prices are very high. Then, over time, the high initial costs of nuclear power would be offset by nuclear power's lower fuel costs. Moreover, as noted by Moody's in an analysis published in July of last year, there is uncertainty associated with construction costs, regulatory oversight, technological developments that might reduce the cost of rival facilities, and the ability of utilities to recover costs and make a profit over the lifetime of the plant – a risk tied up in the economic prospects of the region being served by the plant. And those risks have been increasing, not decreasing, as time has gone on.

In short, even during the go-go days prior to the September 2008 crash – a time when Wall Street was allegedly throwing around money left and right to all sorts of dubious borrowers – the banks that stand accused of recklessly endangering their shareholders on other fronts were telling utility companies that they would not loan them anything for new nuclear power plant construction unless the feds unconditionally guaranteed every last penny of those loans. That's how risky market actors think it is to build nuclear power plants.

And it's not as if the federal government disagrees completely. The Congressional Budget Office pegs the chance of default (program-wide) at 50 percent or better and the Government Accountability Office likewise thinks that default risks are quite high. Energy Secretary Stephen Chu says that he thinks the chance of default is much lower. We can only speculate about who's right given that no one has tried to build a nuclear power plant in the United States for over 30 years.

Regardless of what the risk actually is, the loan guarantees do not reduce that risk. They simply transfer the risk from the bank to taxpayer. In this particular case, however, the loan guarantee transfers risk from one arm of the state to the other, so it doesn't really count. But if such loan guarantees *ever* were to induce actual private lending for plant construction, that's how it would work.

Plenty of arguments have been offered to justify these loan guarantees. Most of them are flimsy on their face.

For instance, we're often told that we "need" new power plants. But with electricity demand declining over the past couple of years, it is unclear when that need might arise.

Regardless, when the market "needs" more electricity, that need will be manifested in price signals that will carry with them profit opportunities. Profit-hungry investors will be willing and able to meet that need without the help of government. Of course, if market conditions don't radically change, those needs will be met with gas-fired power plants, but hey, if that bothers you, take it up with someone else.

Others argue that we need the jobs that will be produced by new nuclear power plants. Well, building big new reactors will certainly employ a lot of (largely unionized) construction workers. But that's one reason why building a nuclear power plant is not very economic compared to building gas-fired generators. If creating jobs is the idea whether the project makes any economic sense or not, then let's just ban food imports and farm equipment and put everyone to work with hand plows and scythes.

Two somewhat more serious arguments have been offered to justify these loan guarantees. Neither of them stands up to much scrutiny either.

The first argument – the argument most often heard from the nuclear power industry and some segments of the political Left – is that we need nuclear power to reduce greenhouse gas emissions. Of course, the best (that is, most efficient) way to reduce greenhouse gas emissions is to internalize the cost of greenhouse gas emissions in the retail price of electricity and then allow market actors to adjust their production and consumption decisions accordingly. That price internalization exercise, however (whether directly through a carbon tax or indirectly through a cap-and-trade program), does not appear to be in the cards in the foreseeable future. Hence, the loan guarantees are advanced as a "second-best" solution, one that will get us the technology and economic efficiency that would be delivered by a properly crafted carbon tax or cap-and-trade program without the retail price increases associated with either.

One of several problems with this argument is that it would take one hell of a carbon tax – or one hell of an onerous cap-and-trade program – to get anyone interested in building nuclear power plants. If natural gas prices remained roughly where they are at present (that is, if they were to remain at historical norms) then it would take a \$90 per ton carbon tax or a cap-and-trade program that delivered carbon emission credits at \$90 per ton on the open market to induce investment in nuclear power plants. Few economists who study climate policy believe that a carbon tax of that size is defensible given what we know about climate change.

And that's if construction costs are as low as advertised. Were they to double (as they did from 2003 to 2009) – either because of endogenous increases in the cost of capital, labor, or construction-related resources

or because of cost overruns – then it would take at least a \$150 per ton carbon tax (or a cap-and-trade program that delivered \$150 carbon credits to the market) to induce investment.

You might ask yourself what the historical relationship is between final (inflation-adjusted) nuclear power plant construction costs in the United States and construction costs as projected at the onset of the project. Happily, the CBO has done your homework for you. They found that final construction costs averaged 207 percent of projected costs. Hence, a doubling of construction costs is probably more likely than not once a project is underway ... if past is prologue.

The upshot is that there are many more efficient ways to respond to greenhouse gas emission constraints than to go on a nuclear power bender. This observation is heresy on the Right, but almost every credible analysis of the matter backs up that observation.

The second argument one hears to justify federal loan guarantees is that they are necessary to counter-balance the excessive regulatory costs associated with new plant construction. Now, put aside the fact that the Nuclear Energy Institute – the trade association of the nuclear power industry – has often expressed near-total satisfaction with the current federal regulatory regime. If the regulatory regime is truly "bad" and, accordingly, is imposing steep and unnecessary costs on the industry, then the correct remedy is to improve said regulatory regime, not to subsidize the industry.

The counter-complaint that positive regulatory reforms are impossible is difficult to swallow. After all, if there is sufficient political will to bestow tens of billions of dollars worth of tax money on this industry, then surely there is enough political will to reform the bad and unnecessarily costly regulations allegedly bedeviling the object of those very same legislative affections.

I will confess to being skeptical about the argument that high construction costs are largely the fault of regulators. Building a light water breeder reactor is a technologically challenging and costly undertaking whether regulators are on the scene or not. Moreover, it is not obvious to me that the regulations that *are* in place are *a priori* objectionable from a libertarian perspective.

One rarely, if ever, hears of particulars in this bill of complaint offered about nuclear regulation. But if a persuasive bill of complaints is ever presented, then the appropriate response is regulatory reform and then to leave the decision to build or not to build to markets.

In the course of announcing these loan guarantees, President Obama said this week that "The fact is, changing the ways we produce and use energy requires us to think anew. It requires us to act anew." Well, there's nothing new about throwing subsidies at nuclear power. Economist Douglas Koplou calculates that federal nuclear subsidies have totaled \$178 billion from 1947-1999. The promise of a nuclear economy with rates too cheap to meter has been made for over half a century. What would be new would be a policy of "just saying no" to industries with their hands out in Washington.

[Cross-posted at MasterResource] 

FISCALLY CONSERVATIVE BLOG FEEDS

UN Climate Official Steps In It, Then Aside [Cato at Liberty]


FEB 18, 2010 01:54P.M.

By Patrick J. Michaels

There are numerous possible reasons for UN climate chief Yvo de Boer's decision to resign—from his inability to cobble together a new climate treaty last December in Copenhagen (where he wept on the podium), to recent revelations of his agency's mishandling of climate change data.

What the climate science community and the public should focus on now are the ramifications of de Boer's resignation. For one thing, it signals that hope is dead for a UN-brokered global treaty that would have any meaningful effect on global temperatures. It also means that the UN intends to keep its Intergovernmental Panel on Climate Change pretty much intact under the leadership of the scientifically compromised Rajendra Pauchari, who should have resigned along with de Boer.

This development guarantees that the Obama administration will have an unmitigated mess on its hands when signatories to the Framework Convention sit down in Mexico City this November in yet another meeting intended to produce a climate treaty. The Mexico City meeting convenes six days after U.S. midterm elections, in which American voters are fully expected to rebuke Obama for policies including economy-crippling proposals to combat climate change.

In short, Mexico City is about as likely to produce substantive policy decisions as the TV show 'The View.' Backers of radical climate change measures are now paying the price for over two decades of telling the public—in this case literally—that the sky is falling. 


FISCALLY CONSERVATIVE BLOG FEEDS

The Paucity of Poor Kids in Many Public Schools [Cato at Liberty]

FEB 18, 2010 01:16P.M.

By Andrew J. Coulson


There's a widespread belief that public schools are homogeneous and all inclusive while private schools are bastions of the elite. This was proven to be a myth decades ago by the renowned sociologist James Coleman, and as far as I know, that pattern of findings hasn't changed in recent years.

Nevertheless, the myth continues. A new Fordham Institute paper provides a partial antidote, pointing out that quite a few public schools enroll virtually no low-income kids, making them bastions of the elite. Where the Fordham paper trips up a bit is in calling these elite public schools "private public schools." As already noted above, private schools are, on average, *better* economically integrated than their government counterparts, so this phrase is exactly backwards and, as Sara Mead points out, is quite a slap in the face to the many private schools that do yeoman's work serving large numbers of low-income students. Still, good to have folks taking note of these data. 

FISCALLY CONSERVATIVE BLOG FEEDS

The Top Earmarkers in Congress Are Republicans [The Club for Growth]


FEB 18, 2010 12:42P.M.

The GOP From the Politico: The top earmarkers in both the House and Senate are Republicans, even after the GOP has spent much of the past year making fiscal restraint and runaway government spending the centerpiece of its political message. Young, the ranking member on the Defense Appropriations Subcommittee, helped secure 63 earmarks worth \$128 million. Cochran, his counterpart in the Senate, had his hand in 242 earmarks worth nearly \$498 million. In the House, Young was followed by Reps. Earl Pomeroy (D-N.D.) with \$121 million, Mazie Hirono (D-Hawaii) with \$116 million and Jim Moran (D-Va.) with \$107 million. After Cochran, Sen. Daniel Inouye (D-Hawaii) was No. 2 in earmarks with \$392 million, Sen. Roger Wicker (R-Miss.) received \$368 million in earmarks and Robert Byrd (D-W.Va.) grabbed \$292 million for his home state. 

FISCALLY CONSERVATIVE BLOG FEEDS

Why Tyler Cowen is Wrong About a VAT [Americans for Tax Reform]

FEB 18, 2010 11:53A.M.


Tyler Cowen from Marginal Revolution wrote a much-discussed piece this week (“Is There a Case for a VAT?”) about a value-added tax (VAT). I would read that first before continuing to r... 

FISCALLY CONSERVATIVE BLOG FEEDS

Thursday Links [Cato at Liberty]

FEB 18, 2010 11:42A.M.


By Chris Moody

- A few things you might not know about rail travel: “Automobiles in intercity travel are as energy efficient as Amtrak. Cars are getting more energy efficient, while boosting Amtrak trains to higher speeds will make them less energy efficient.” The list goes on...
- Quiz Time! Which was the only country in the 27-nation European Union to register economic growth without going through a recession last year? The answer might surprise you.
- Unionized teachers refuse to work 25 minutes more a day, so Rhode Island town fires all of them.
- Arnold Kling on Haiti, poverty, and capitalism.
- Podcast: This is what happens to American jobs when you have one of the highest corporate tax rates in the world. 

FISCALLY CONSERVATIVE BLOG FEEDS

Tax Hikes a Foregone Conclusion Under Obama’s Tax-and-Spend Commission [Americans for Tax Reform]

FEB 18, 2010 11:23A.M.

Today, President Barack Obama signed an executive order announcing the creation of his “debt commission,” modeled after the infamous “Conrad-Gregg commission” plan the Senate v... 

FISCALLY CONSERVATIVE BLOG FEEDS

Mandating Coverage of Pre-Existing Conditions = Price Controls [Cato at Liberty]

FEB 18, 2010 11:02A.M.

By Michael F. Cannon

Kevin Williamson’s article “Priceless Is Worthless” from the December 21 issue of *National Review* sat on my nightstand for two months. When I finally read it, I was glad I hadn’t pitched it. It was like someone had taken Friedrich Hayek’s “The Use of Knowledge in Society” and made it accessible and entertaining:


For the Soviets, there were no real prices, so there was no feedback loop between producers and consumers: If we’d had that model for soft drinks, we’d still be drinking New Coke, and the cola executives in Atlanta would be strutting around in their nifty military uniforms, with epaulets and braid, telling us to drink our New Coke and like it, because they had determined, RATIONALLY, that this is what we want. **A good rule of thumb: Fear the man who says he will make things rational by ignoring reality—and ignoring prices is ignoring reality.**

Williamson warms my libertarian heart when he exposes laws requiring insurers to cover pre-existing medical conditions as *price controls*:

You’d never take a bet that you knew you were going to lose, right? Insurance companies won’t do that, either, unless they get paid to do so—specifically, unless they are allowed to charge at least as much for covering Preexisting Condition X as it’s going to cost them to treat Preexisting Condition X. **Ignoring the reality of prices—waving the magic wand and saying: “There shall be no price put on**

preexisting conditions”—does not solve the problem.

Health care costs money. The price is right, and you cannot politically engineer your way out of that reality, no matter how many sickly toddlers you parade around on CNN.


Free-market health care reforms would take a great leap forward if all conservatives and libertarians would just start calling such laws what they are: *price controls*. 

And the Department of Transportation is proposing \$527 million to promote “livable communities” through grants to states and cities. Transportation secretary Ray LaHood says those grants, too, must meet the goals of his partner agencies.

LaHood: “It supports any new initiatives we develop on our own like expanding transit in low-income neighborhoods, or what our friends at HUD and EPA are working on in collaboration.”

Local coalitions are already forming to seek those federal dollars.

Let the rent-seeking begin.

The merits of Portland’s urban planning can be debated all day. But it stands federalism on its head when the federal government takes a particular city’s policies and then tries to shove it down the throats of the rest of the country. Based on what I know of Portland’s planning, I certainly wouldn’t want it where I live. Other cities, like Houston, have reached the same conclusion. But, I guess if Shaun Donovan likes it, then damnit, we’re all going to like it. 

FISCALLY CONSERVATIVE BLOG FEEDS

“Smart Growth” from a Dumb Agency [“Cato at Liberty” from a Dumb Agency]

FEB 18, 2010 08:50A.M.

By Tad DeHaven

The same federal agency that brought us monumental failures like public housing wants to play a bigger role in fostering so-called regional “smart growth.” HUD secretary Shaun Donovan recently traveled to Portland, Oregon to announce the Obama administration’s new Office of Sustainable Housing and Communities.

This new bureaucracy will distribute \$140 million in grants for regional “smart growth” planning:

With OSHC’s grant programs, HUD will provide funding to a wide variety of multi-jurisdictional and multi-sector partnerships and consortia, from Metropolitan Planning Organizations and State governments, to non-profit and philanthropic organizations. These grants will be designed to encourage regions to build their capacity to integrate economic development, land use, transportation, and water infrastructure investments, and to integrate workforce development with transit-oriented development. Accordingly, OSHC’s grants will be coordinated closely with the Department of Transportation (DOT) and Environmental Protection Agency (EPA).

Donovan told a Portland State University crowd that “We at HUD are big admirers of what you’re doing here.” However, Randal O’Toole’s dismantling of the Portland planning utopia myth in a Cato Policy Analysis shows that the city is nothing to be emulated. That is unless other cities want less affordable housing, more congestion, higher taxes, and businesses relocating elsewhere.

Donovan then met up with his EPA and DOT colleagues in Seattle at smart growth conference. HUD isn’t the only one opening up the taxpayer’s wallet:

FISCALLY CONSERVATIVE BLOG FEEDS

When they Give You “Anti-Lemons” ... [Cato at Liberty “Anti-Lemons” ...]

FEB 18, 2010 08:45A.M.

By Andrew J. Coulson

On Tuesday, I criticized a new economic modeling paper (“Anti-Lemons”) purporting to show that unfettered education markets are bad and that government can fix them with the right regulations.

Andrew Gillen comes to the study’s defense, and I’m delighted that he’s taken the trouble to reflect on it rather than just saying “I like it.” But there are problems with his analysis. First, he faults me for dismissing the “Anti-Lemons” models for being based on false assumptions, citing Paul Krugman:

I am a strong believer in the importance of models, which are to our minds what spear-throwers were to stone age arms: they greatly extend the power and range of our insight. In particular, I have no sympathy for those people who criticize the unrealistic simplifications of model-builders.

Even if we put aside the fact that Paul Krugman is at times less reliable than the Daily Show website, there is an important difference between assumptions that are “unrealistically simplified” and those that are

patently wrong. With the former, your model might still huck its intellectual spear somewhere in the general vicinity of the truth, with the latter, you're just going to put your eye out.

“Anti-Lemons” is in the put-your-eye-out camp. Among other things, it assumes the productivity of all schools is equal. This is both totally false and highly germane — efficiency varies dramatically among schools, and private schools as a whole are consistently more efficient than government schools (as we will see below). Failing to recognize that reality will lead to incorrect results from the model, and this is just one of the false assumptions the paper adopts (see my previous post for others).

Second, Gillen writes that

going by Coulson's numbers in figure 2 here, we would expect to find a positive impact of markets over government on achievement in slightly less than 2 out of 3 studies (with insignificant findings making up the majority of the others). If the case for free markets over government schools is really so clear cut (and I lean strongly in this direction), than why isn't this 3 out of 3?

There are many plausible reasons for this result (lack of statistical power, omitted variable bias, other misspecification errors, etc.), but one is particularly worth raising here: government schools in many parts of the world *spend several times as much per pupil* as their private sector counterparts. This is true in most developing countries, from which a great deal of the inter-sectoral research hails. And when I looked at statewide data from Arizona in 2006 I found that government schools spend roughly 50 percent more than private schools. While it's true that *government* school outcomes tend not to improve much as spending rises, the same cannot be said of private schools.

If this is true, you might ask, then wouldn't the inter-sectoral research on school *efficiency* be more stark than the research on achievement (that fails to take spending levels into account)? The answer is yes. In fact, if you examine the efficiency bar in the same figure 2 cited by Gillen above, you will see that *every single one* of the efficiency comparisons between market and monopoly schools is *significant and favors the market schools*.



So, not only is the “Anti-Lemons” model useless, it is worse than useless: it seems to mislead even intelligent readers into believing that there is some mystery in the literature that needs to be solved by blindly waiving a spear around.

“Anti-Lemons” is neither Camelot, as I said yesterday, nor is it Sparta as Andrew implied. It's the kid from *Christmas Story* who nearly puts his eye out by the cavalier application of a potentially powerful tool. 🇺🇸