

January 6, 2010

[Thomas Sowell](#) writes about the corrosive effects of intellectuals. His latest book, [Intellectuals and Society](#), has just been released.

...Some of the most distinguished intellectuals in the Western world in the 1930s gave ringing praise to the Soviet Union, while millions of people there were literally starved to death and vast numbers of others were being shipped off to slave labor camps.

Many of those same distinguished intellectuals of the 1930s were urging their own countries to disarm while Hitler was rapidly arming Germany for wars of conquest that would have, among other things, put many of those intellectuals in concentration camps — slated for extermination — if he had succeeded.

The 1930s were by no means unique. In too many other eras — including our own today — intellectuals of unquestionable brilliance have advocated similarly childish and dangerous notions. How and why such patterns have existed among intellectuals is a challenging question, whose answer can determine the fate of millions of other people.

[Sarah Palin's](#) ability to turn a phrase is still working. She says, "We need a commander in chief, not a law professor."

President Obama's meeting with his top national security advisers does nothing to change the fact that his fundamental approach to terrorism is fatally flawed. We are at war with radical Islamic extremists and treating this threat as a law enforcement issue is dangerous for our nation's security. That's what happened in the 1990s and we saw the result on September 11, 2001. This is a war on terror not an "overseas contingency operation." Acts of terrorism are just that, not "man caused disasters." The system did not work. Abdulmutallab was a child of privilege radicalized and trained by organized jihadists, not an "isolated extremist" who traveled to a land of "crushing poverty." He is an enemy of the United States, not just another criminal defendant. ...

In [Powerline](#), **[John Hinderaker](#)** comments on a [Telegraph](#) article that is sure to cause the Obami pain: the UK had warned the US about Abdulmutallab.

The Obama administration has gone out of its way to poison relationships with traditional allies such as Great Britain, and it seems that the favor is now being returned, as the Prime Minister's office has disclosed publicly that British intelligence, MI5, warned the US about Umar Abdulmutallab. The [Telegraph](#) reports:

Umar Farouk Abdulmutallab was named in a file of people based in Britain who had made contact with radical Muslim preachers. The file was sent to the US authorities in 2008. ...

... in an official briefing, the Prime Minister's spokesman said that British intelligence was shared with the Americans. He said: "Clearly there was security information about this individual's activities and that was information that was shared with the US authorities. That is the key point." ...

[Christopher Hitchens](#) discusses what we know about Iran's progress towards developing nuclear weapons. Here is the opening:

Some distance into Sunday's New York Times [report](#) on the Obama administration's increasingly worried internal discussions about Iran, there came a couple of paragraphs that repaid closer scrutiny:

Mr. Obama's top advisers say they no longer believe the key finding of a much disputed National Intelligence Estimate about Iran, published a year before President George W. Bush left office, which said that Iranian scientists ended all work on designing a nuclear warhead in late 2003.

After reviewing new documents that have leaked out of Iran and debriefing defectors lured to the West, Mr. Obama's advisers say they believe the work on weapons design is continuing on a smaller scale. [Italics mine.]

Leaving to one side the alarming possibility that any of Obama's people ever did believe the preposterous arguments of that [National Intelligence Estimate](#) (denounced by your humble servant [in this space](#) on Dec. 10, 2007), one must wonder what sort of scale is implied by "smaller." That ostensibly reassuring usage might, in fact, be accurate. The new documents alluded to in the article were [published](#) in the Times of London in the second and third weeks of December and have been extensively reviewed by numerous authorities, none of whom have chosen to challenge their authenticity. And the documents do, in point of fact, throw light upon something "smaller scale." To be precise, they show the internal memoranda of the dictatorship as they bear on the crucial question of a "neutron initiator." Small as this device may be, it is the technical expression used for the "trigger" mechanism of a workable nuclear weapon. The critical element of the "trigger" is uranium deuteride or UD3. And uranium deuteride has no other purpose. To quote David Albright, the president of the Institute for Science and International Security in Washington: "Although Iran might claim that this work is for civil purposes, there is no civil application. This is a very strong indicator of weapons work."

That would be to phrase it mildly. ...

[John Fund](#) focuses our attention on the Senate race that could, if we are very lucky, be the undoing of Obamacare.

In the two months since voters gave Republican candidates impressive wins in the New Jersey and Virginia governor's races, unemployment has increased to 10% under a Democratic White House, and Democrats have focused on jamming an increasingly unpopular health care bill through Congress. Now comes another statewide race this month that will likely be read as a follow-up referendum on the Obama administration. Massachusetts holds a special election on January 19 to fill the U.S. Senate seat left open by the death of Ted Kennedy, and even in this bluest of states it may not be a cakewalk for the Democrat.

At first glance, the chances of an anti-Democratic tide here appear remote. The Bay State gave Barack Obama 62% of its vote last year, the state hasn't elected a Republican to the Senate since 1972, and Democrats hold seven out of every eight seats in the state legislature. But one of the few Republicans in that legislature, State Senator Scott Brown, is making a serious play to upset the conventional wisdom, which holds that Democratic Attorney General Martha Coakley is a shoo-in for the Kennedy seat. In the process, Mr. Brown is irritating Democrats to distraction.

His first TV ad begins in black and white with John F. Kennedy describing his 1962 tax cut bill: "The billions of dollars this bill will place in the hands of the consumer and our businessmen will have both immediate and permanent benefits to our economy." The screen slowly morphs into an image of Mr. Brown as he calls for a new tax cut by finishing Kennedy's remarks: "Every dollar released from taxation that is spent or invested will help create a new job and a new salary. And these new jobs and new salaries can create other jobs and other salaries, and more customers and more growth for an expanding American economy." ...

Comments on the same race from [John Steele Gordon](#) in Contentions.

...But Brown is certainly making a game try. This [commercial](#) is, I think, nothing short of brilliant. It invokes the magic Kennedy name and uses John F. Kennedy's own words, calling for tax reductions as a way to

boost the economy and create jobs. Democrats, naturally, are screaming bloody murder, probably because the ad is so effective, especially since the Democratic candidate, Martha Coakley, recently said on record, "We need to get taxes up."

The odds are still against Brown, but given the prospect of a low-turnout election, nervousness regarding Obama's tax plans, ever-rising opposition to the health-care bill, knowledge that Brown would be in office for less than three years until the expiration of the late Ted Kennedy's term, and a sense that there is too much power in the hands of one party in Washington, it's by no means impossible. I'm not [the only one who thinks so](#).

If a Republican were to win Ted Kennedy's old seat in ultra liberal Massachusetts, the political fallout would be huge. Every Democrat in Washington up for election in November would be reaching for the Maalox — or perhaps the Scotch bottle — and those in marginal districts or states might well begin to peel off the official line to save their own hides. Equally important, the balance in the Senate would shift from 60-40 to 59-41, and the filibuster-proof majority would be gone. The people of Massachusetts thus have it in their power to derail the health-care bill.

[Mr. Jordan](#) also posts on some interesting items in the Obamacare bills, and recounts a government overreach during the Depression that was eventually overturned by the Supreme Court.

The Times this morning ran a story on yet another fiddle that has been uncovered from the depths of the health-reform bill that passed in the Senate on Christmas Eve. [This one](#) favors construction unions. While, under the act, most companies with fewer than 50 employees would not have to provide government-mandated health insurance or pay a tax, those in the construction business would be exempt only if they have fewer than five employees. At least the Times notes that:

The construction industry provision is receiving a second look as work begins in earnest this week to resolve differences in bills passed by the Senate and the House to remake the nation's health care system. Other provisions sure to be scrutinized include a tax break for the Blue Cross and Blue Shield plan in Nebraska; Medicare coverage for residents of Libby, Mont., sickened by a mineral mine; extra Medicaid money for Massachusetts, Nebraska and Vermont; and a special dispensation for a handful of doctor-owned hospitals.

One would hope that the endless number of [constitutionally dubious provisions](#), including such lulus as requiring a supermajority in the Senate to repeal certain portions of the act, will also get a second look. ...

In the [WSJ](#), [Conor Dougherty](#) reports on continued decreasing government revenues.

...Sales taxes declined 9% to \$70 billion in the third quarter compared with the year-ago period, the Census Bureau said. Income taxes plunged 12% to about \$58 billion. Together, sales and income taxes make up roughly half of state and local tax revenue.

..."At minimum, cities will be working through the catastrophic drops in revenue for the next 18 months to two years," said Mark Muro of the Brookings Institution's Metropolitan Policy Program. ...

...State and local tax revenues tend to lag behind the downturns as well as the upturns in the economy because of the time it takes for collections to catch up with depressed store sales and diminished incomes. The third quarter was the fourth consecutive quarter in which tax collections were below year-ago levels. Through the first three quarters of 2009 state and local tax revenues totaled \$875 billion, nearly 8% below the \$951 billion collected in the first three quarters of 2008. In the same period, federal receipts were down nearly 19%.

While the recession appears to have ended during the summer, government revenues are expected to continue to be weak. State and local governments employ 15% of American workers outside of agriculture.

...

Richard Epstein gives examples of ways that governments can help the economy and increase their tax base. And they don't require stimulus pork.

...On taxation, don't play the mug's game of imposing ever higher marginal tax rates on ever lower amounts of income. Play it smart for the long haul. Low-income tax rates (and no estate taxes) will attract into states and communities energetic individuals who would otherwise choose to live and work elsewhere. Treasure their efforts to grow the overall pie. Don't resent their great wealth, but remember the benefits their successes generate for their employees, customers and suppliers. Repudiate the politics of envy for the social destruction it creates. Don't fret about the states and communities left behind. Let them adopt the same sound policies to keep people at home. The outcome won't be a zero-sum game. Enterprise is infectious. Open markets are the rising tide that raises all ships. High taxation is the tsunami that sinks them.

On real estate, change the culture so that getting permits for yourself and blocking them for everyone else is no longer the preeminent developer's skill. The government can still prevent buildings from falling down and fund infrastructure through general taxation. But don't let entrenched landowners and businesses raise NIMBY politics to a fine art. Today our dysfunctional land-use processes too often build thousands of dollars and years of delay into the price of every square foot of new construction. The instructive requirements on aesthetics and handicap access should be junked, along with the crazy-quilt system of real estate exactions that asks new developments to fund improvements whose benefit largely belongs to incumbent landowners. And for heaven's sake, learn the lesson of Kelo and stop using the state's power of condemnation for the benefit of private developers.

On labor, state and local governments have to junk the progressive mindset in both the public and the private sector. State and local governments should never, repeat never, be forced to negotiate with local unions. The huge pensions garnered by prison guards in California or transportation workers in New York present the intolerable spectacle of requiring ordinary citizens to pay huge subsidies to union workers far richer than themselves. On the private side, don't force developers to hire union workers on construction sites or to block the construction of new facilities that hire nonunion labor. If unions are really efficient--and they aren't--let them compete like everyone else. ...

Daron Acemoglu, in *Esquire*, reviews how capitalism benefits societies. Capitalism and governments that are under control.

We are the rich, the haves, the developed. And most of the rest — in Africa, South Asia, and South America, the Somalias and Bolivias and Bangladeshes of the world — are the nots. It's always been this way, a globe divided by wealth and poverty, health and sickness, food and famine, though the extent of inequality across nations today is unprecedented: The average citizen of the United States is ten times as prosperous as the average Guatemalan, more than twenty times as prosperous as the average North Korean, and more than forty times as prosperous as those living in Mali, Ethiopia, Congo, or Sierra Leone.

The question social scientists have unsuccessfully wrestled with for centuries is, Why? But the question they should have been asking is, How? Because inequality is not predetermined. Nations are not like children — they are not born rich or poor. Their governments make them that way.

...People need incentives to invest and prosper; they need to know that if they work hard, they can make money and actually keep that money. And the key to ensuring those incentives is sound institutions — the rule of law and security and a governing system that offers opportunities to achieve and innovate. That's

what determines the haves from the have-nots — not geography or weather or technology or disease or ethnicity.

Put simply: Fix incentives and you will fix poverty. And if you wish to fix institutions, you have to fix governments. ...

Jewish World Review **Intellectuals and society**

by Thomas Sowell

There has probably never been an era in history when intellectuals have played a larger role in society. When intellectuals who generate ideas are surrounded by a wide range of others who disseminate those ideas — whether as journalists, teachers, staffers to legislators or clerks to judges — the influence of intellectuals on the way a society evolves can be huge. Trying for years to understand the nature of that influence eventually led me to write the book "Intellectuals and Society," which has just been published.

Intellectuals generate ideas and ideas matter, whether those ideas are right or wrong, and they matter far beyond the small segment of society who are intellectuals. Ideas affect the fate of whole nations and civilizations. Nowhere is that more true than in our own times, when some people make suicidal attacks to kill strangers who have done nothing to them, as on 9/11, because the attackers are consumed with a set of ideas — a vision — and driven by the emotions generated by those ideas and that vision.

Whether in war or peace, and whether in economics or religion, something as intangible as ideas can dominate the most concrete things in our lives. What Karl Marx called "the blaze of ideas" has set whole nations on fire and consumed whole generations.

Those whose careers are built on the creation and dissemination of ideas — the intellectuals — have played a role in many societies out of all proportion to their numbers. Whether that role has, on net balance, made those around them better off or worse off is one of the key questions of our times.

The quick answer is that intellectuals have done both. But certainly, for the 20th century, it is hard to escape the conclusion that intellectuals have on net balance made the world a worse and more dangerous place. Scarcely a mass-murdering dictator of the 20th century was without his supporters, admirers or apologists among the leading intellectuals — not only within his own country, but in foreign democracies, where intellectuals were free to say whatever they wanted to.

Given the enormous progress made during the 20th century, it may seem hard to believe that intellectuals did so little good as to have that good outweighed by particular wrong-headed notions. But most of those who promoted the scientific, economic and social advances of the 20th century were not really intellectuals in the sense in which that term is most often used.

The Wright brothers, who fulfilled the centuries-old dream of human beings flying, were by no means intellectuals. Nor were those who conquered the scourge of polio and other diseases, or who created the electronic marvels that we now take for granted.

All these people produced a tangible product or service and they were judged by whether those products and services worked. But intellectuals are people whose end products are intangible ideas, and they are usually judged by whether those ideas sound good to other intellectuals or resonate with the public.

Whether their ideas turn out to work — whether they make life better or worse for others — is another question entirely.

The ideas that Karl Marx created in the 19th century dominated the course of events over wide portions of the world in the 20th century. Whole generations suffered, and millions were killed, as a result of those ideas. This was not Marx's intention, nor the intentions of many supporters of Marxian ideas in countries around the world. But it is what happened.

Some of the most distinguished intellectuals in the Western world in the 1930s gave ringing praise to the Soviet Union, while millions of people there were literally starved to death and vast numbers of others were being shipped off to slave labor camps.

Many of those same distinguished intellectuals of the 1930s were urging their own countries to disarm while Hitler was rapidly arming Germany for wars of conquest that would have, among other things, put many of those intellectuals in concentration camps — slated for extermination — if he had succeeded.

The 1930s were by no means unique. In too many other eras — including our own today — intellectuals of unquestionable brilliance have advocated similarly childish and dangerous notions. How and why such patterns have existed among intellectuals is a challenging question, whose answer can determine the fate of millions of other people.

The Corner

[Palin: We Need 'A Commander-in-Chief, Not a Law Professor'](#) [Daniel Foster]

Sarah Palin's latest from Facebook:

President Obama's meeting with his top national security advisers does nothing to change the fact that his fundamental approach to terrorism is fatally flawed. We are at war with radical Islamic extremists and treating this threat as a law enforcement issue is dangerous for our nation's security. That's what happened in the 1990s and we saw the result on September 11, 2001. This is a war on terror not an "overseas contingency operation." Acts of terrorism are just that, not "man caused disasters." The system did *not* work. Abdulmutallab was a child of privilege radicalized and trained by organized jihadists, not an "isolated extremist" who traveled to a land of "crushing poverty." He is an enemy of the United States, not just another criminal defendant.

It simply makes no sense to treat an al Qaeda-trained operative willing to die in the course of massacring hundreds of people as a common criminal. Reports indicate that Abdulmutallab stated there were many more like him in Yemen but that he stopped talking once he was read his Miranda rights. President Obama's advisers lamely claim Abdulmutallab might be willing to agree to a plea bargain — pretty doubtful you can cut a deal with a suicide bomber. John Brennan, the President's top counterterrorism adviser, bizarrely claimed "there are no downsides or upsides" to treating terrorists as enemy combatants. That is absurd. There is a very serious downside to treating them as criminals: terrorists invoke their "right" to remain silent and stop talking. Terrorists don't tell us where they were trained, what they were trained in, who they were trained by, and who they were trained with. Giving foreign-born, foreign-trained terrorists the right to remain silent does nothing to keep Americans safe from terrorist threats. It only gives our enemies access to courtrooms where they can publicly grandstand, and to defense attorneys who can manipulate the legal process to gain access to classified information.

President Obama was right to change his policy and decide to send no more detainees to Yemen where they can be free to rejoin their war on America. Now he must back off his reckless plan to close Guantanamo, begin treating terrorists as wartime enemies not suspects alleged to have committed crimes, and recognize that the real nature of the terrorist threat requires a commander-in-chief, not a constitutional law professor.

Power Line

Chickens Come Home, Roost

by John Hinderaker

The Obama administration has gone out of its way to poison relationships with traditional allies such as Great Britain, and it seems that the favor is now being returned, as the Prime Minister's office has disclosed publicly that British intelligence, MI5, warned the US about Umar Abdulmutallab. The [Telegraph](#) reports:

Umar Farouk Abdulmutallab was named in a file of people based in Britain who had made contact with radical Muslim preachers. The file was sent to the US authorities in 2008.

The disclosure will embarrass President Barack Obama, who is already under pressure after failures by US intelligence to identify the bomber. ...

It is extremely unusual for the Prime Minister's office to comment on intelligence matters. The move could be seen as an attempt to rebuff criticism from senior American figures who claimed that Britain had nurtured Islamic extremism.

At first it was thought that MI5 gathered only limited information on Abdulmutallab and had therefore not alerted the US.

However, in an official briefing, the Prime Minister's spokesman said that British intelligence was shared with the Americans. He said: "Clearly there was security information about this individual's activities and that was information that was shared with the US authorities. That is the key point." ...

The decision by Downing Street to give details of the shared intelligence was unlikely to be welcomed by the White House. It was the latest in a series of incidents, which have strained relations between Britain and America.

Slate's fighting words

Trigger Mechanism

Iran inches closer to acquiring nuclear weapons.

by Christopher Hitchens

Some distance into Sunday's *New York Times* [report](#) on the Obama administration's increasingly worried internal discussions about Iran, there came a couple of paragraphs that repaid closer scrutiny:

Mr. Obama's top advisers say *they no longer believe* the key finding of a much disputed National Intelligence Estimate about Iran, published a year before President George W. Bush left office, which said that Iranian scientists ended all work on designing a nuclear warhead in late 2003.

After reviewing new documents that have leaked out of Iran and debriefing defectors lured to the West, Mr. Obama's advisers say they believe the work on weapons design is continuing on a smaller scale. [Italics mine.]

Leaving to one side the alarming possibility that any of Obama's people ever did believe the preposterous arguments of that [National Intelligence Estimate](#) (denounced by your humble servant [in this space](#) on Dec. 10, 2007), one must wonder what sort of scale is implied by "smaller." That ostensibly reassuring usage might, in fact, be accurate. The new documents alluded to in the article were [published](#) in the *Times* of

London in the second and third weeks of December and have been extensively reviewed by numerous authorities, none of whom have chosen to challenge their authenticity. And the documents do, in point of fact, throw light upon something "smaller scale." To be precise, they show the internal memoranda of the dictatorship as they bear on the crucial question of a "neutron initiator." Small as this device may be, it is the technical expression used for the "trigger" mechanism of a workable nuclear weapon. The critical element of the "trigger" is uranium deuteride or UD₃. And uranium deuteride has no other purpose. To quote David Albright, the president of the Institute for Science and International Security in Washington: "Although Iran might claim that this work is for civil purposes, there is no civil application. This is a very strong indicator of weapons work."

That would be to phrase it mildly. It has been only three months, after all, since the theocracy was compelled to admit that it had [constructed a covert facility for the enrichment of uranium](#) just outside the supposedly holy city of Qum. We have no assurance that this is the only such undisclosed site, and on past form that seems distinctly improbable. Remember the other long-concealed enrichment site at [Natanz](#) and also the [heavy-water plant at Arak](#). And remember, too, that this is not information that derives from possibly self-interested defectors or bickering intelligence services—even the most cautious spokesmen from the [International Atomic Energy Agency](#) have been confident enough to make public criticisms of Iran's self-evident duplicity. The signature of the Ahmadinejad-Khamenei despotism on the [Non-Proliferation Treaty](#), as well as its supposed adherence to a whole thesaurus of agreements with the United Nations and the European Union, has long been shown to be as cynical and worthless as its claims to have held a free election. The regime's Revolutionary Guards, now engaged in still another bloody battle with unarmed Iranian civilians, are increasingly emerging as the proprietors of the secret nuclear arsenal. The enemy is in plain view.

I encourage you to view the Iranian documents for yourselves: The *Times* subjected them to considerable expertise before publishing them and is confident of their provenance. I quote here from [an excellent summary](#) by the newspaper's diplomatic correspondent Catherine Philp:

UD₃, when used in a neutron initiator, emits a stream of neutrons that ignite the core of a bomb, either weapons-grade uranium or plutonium. The stream of neutrons is released using high explosives to compress a core of solid UD₃, creating fusion.

But this in turn presents a difficulty for the surreptitious bomb-makers, because the testing of such a trigger could not be explained away as a detonation of a conventional high-explosive weapon. In other words, it would allow monitors to detect the traces of UD₃. The whole interest of the newly leaked documents lies precisely in the way in which a further level of cheating is therefore so carefully discussed. A smaller scale of test, according to the regime's scientists, could be attempted using titanium deuteride instead. By this means, a useful flow of neutrons could still be produced but without the incriminating trace elements. The apparent idea, according to one quoted expert, was "to test the match without burning it."

The chance that this is *not* a militaristic and messianic design intended to harden the carapace of the dictatorship and help extend its powers of regional blackmail seem ridiculously close to zero. Iran has had numberless offers from the West to help it acquire the faculties of peaceful nuclear energy and reduce its wasteful use of oil and gas. If it would permit the most elementary transparency, it could also be enabled to purchase uranium at far less cost on the open market, as other nations do. But the mullahs prefer to risk isolation and sanctions in order to construct off-the-record sites and to conduct deception operations that would be almost pathetically crude if they were not so self-evidently sinister. (It also disdains to hide its real intentions from its clients and surrogates: At a Hezbollah rally in Beirut last year, I was impressed to see that the brand-new poster of the Party of God is a mushroom cloud; officials from the Iranian Embassy were openly on the podium at this uplifting event.)

How fascinating it is to sit at home and watch while this menace is permitted to reach the point of no return. Almost as gripping, in fact, as following the jaunty itineraries of suicide-murderers as they calmly buy their one-way tickets, in cash, on airplanes bound for our cities. The similarity between these two passive experiences is quite riveting as well: In both instances, we lavish billions of dollars on intelligence agencies

that cannot make sense of elementary forensic evidence, that coddle and excuse our enemies and treat us like criminals as we try to travel ourselves, that meanwhile leave us unprotected under open skies, and that run a full-employment bureaucracy from which, it seems, nobody can be, or ever has been fired.

John Fund

The Dream Will Never Die

In the two months since voters gave Republican candidates impressive wins in the New Jersey and Virginia governor's races, unemployment has increased to 10% under a Democratic White House, and Democrats have focused on jamming an increasingly unpopular health care bill through Congress. Now comes another statewide race this month that will likely be read as a follow-up referendum on the Obama administration. Massachusetts holds a special election on January 19 to fill the U.S. Senate seat left open by the death of Ted Kennedy, and even in this bluest of states it may not be a cakewalk for the Democrat.

At first glance, the chances of an anti-Democratic tide here appear remote. The Bay State gave Barack Obama 62% of its vote last year, the state hasn't elected a Republican to the Senate since 1972, and Democrats hold seven out of every eight seats in the state legislature. But one of the few Republicans in that legislature, State Senator Scott Brown, is making a serious play to upset the conventional wisdom, which holds that Democratic Attorney General Martha Coakley is a shoo-in for the Kennedy seat. In the process, Mr. Brown is irritating Democrats to distraction.

His first TV ad begins in black and white with John F. Kennedy describing his 1962 tax cut bill: "The billions of dollars this bill will place in the hands of the consumer and our businessmen will have both immediate and permanent benefits to our economy." The screen slowly morphs into an image of Mr. Brown as he calls for a new tax cut by finishing Kennedy's remarks: "Every dollar released from taxation that is spent or invested will help create a new job and a new salary. And these new jobs and new salaries can create other jobs and other salaries, and more customers and more growth for an expanding American economy."

Democrats immediately squawked. Kennedy family friend Philip Johnston called any suggestion that the family would agree with Mr. Brown's statement "highly misleading." Mr. Brown responded that the reaction simply showed how today's Democratic Party differs from that of JFK, noting that the late president "was the president of everybody, and was the first person to call for across-the-board tax cuts." He points to the strong contrast with Ms. Coakley's position on taxes. During a November 30 appearance at Suffolk University, she had what Mr. Brown calls a "Walter Mondale" moment in which she flatly stated: "We need to get taxes up."

Surprisingly, no official polls have been taken in the race yet, though few are betting on a Brown victory. But an upset in a low-turnout election is always a possibility. Consider that in 2007, when support for the GOP was at dismal levels, Republican Jim Ogonowski was still able to hold the winning Democrat to 51% in a special election for a Massachusetts Congressional seat. A year later that same district gave Barack Obama 59% of its votes.

Independent groups are mulling plans to drive down Ms. Coakley's numbers by running ads that would point out that if she loses and Mr. Brown wins, Democrats would then be deprived of the 60th vote they need to pass a final health care bill. Candidate Brown is encouraging such thinking. "I could be the 41st senator that could stop the Obama proposal that's being pushed right now through Congress," he told reporters last week. Even holding Ms. Coakley to a narrow victory in uber-liberal Massachusetts would rattle Democratic cages and give members of Congress pause before a final health care vote.

Marty Peretz, the editor-in-chief of the liberal New Republic magazine and a Coakley supporter, nonetheless thinks Mr. Brown "might actually defeat" the Democrat because "voters are scared." He notes that Democrats have gone "hysterical" over the Kennedy tax cut ad Mr. Brown is running. "Maybe their panic is apt," he notes.

Contentions

Could Massachusetts Save Us From Obamacare?

by John Steele Gordon

[Scott Brown](#) has the unenviable task of running for the U.S. Senate in Massachusetts as a Republican on Jan. 19. No Republican has won a Senate seat from that state since 1972. Massachusetts went 62 percent for Barack Obama in 2008.

But Brown is certainly making a game try. This [commercial](#) is, I think, nothing short of brilliant. It invokes the magic Kennedy name and uses John F. Kennedy's own words, calling for tax reductions as a way to boost the economy and create jobs. Democrats, naturally, are screaming bloody murder, probably because the ad is so effective, especially since the Democratic candidate, Martha Coakley, recently said on record, "We need to get taxes up."

The odds are still against Brown, but given the prospect of a low-turnout election, nervousness regarding Obama's tax plans, ever-rising opposition to the health-care bill, knowledge that Brown would be in office for less than three years until the expiration of the late Ted Kennedy's term, and a sense that there is too much power in the hands of one party in Washington, it's by no means impossible. I'm not [the only one who thinks so](#).

If a Republican were to win Ted Kennedy's old seat in ultra liberal Massachusetts, the political fallout would be huge. Every Democrat in Washington up for election in November would be reaching for the Maalox — or perhaps the Scotch bottle — and those in marginal districts or states might well begin to peel off the official line to save their own hides. Equally important, the balance in the Senate would shift from 60-40 to 59-41, and the filibuster-proof majority would be gone. The people of Massachusetts thus have it in their power to derail the health-care bill.

Contentions

Justice Brandeis, Call Your Office

by John Steele Gordon

The *Times* this morning ran a story on yet another fiddle that has been uncovered from the depths of the health-reform bill that passed in the Senate on Christmas Eve. [This one](#) favors construction unions. While, under the act, most companies with fewer than 50 employees would not have to provide government-mandated health insurance or pay a tax, those in the construction business would be exempt only if they have fewer than five employees. At least the *Times* notes that:

The construction industry provision is receiving a second look as work begins in earnest this week to resolve differences in bills passed by the Senate and the House to remake the nation's health care system. Other provisions sure to be scrutinized include a tax break for the Blue Cross and Blue Shield plan in Nebraska; Medicare coverage for residents of Libby, Mont., sickened by a mineral mine; extra Medicaid money for Massachusetts, Nebraska and Vermont; and a special dispensation for a handful of doctor-owned hospitals.

One would hope that the endless number of [constitutionally dubious provisions](#), including such lusus as requiring a supermajority in the Senate to repeal certain portions of the act, will also get a second look.

Of course, it may be that these provisions end up rescuing the country from this dreadful legislation. In 1933, at the very end of his 100 days, Franklin Roosevelt signed into law the National Industrial Recovery Act. Title II of that act established one of the New Deal's most famous agencies, the Public Works Administration (PWA), which would build across the country post offices, highways, dams, etc. But Title I of the NIRA established the National Recovery Administration (NRA). It authorized the president to regulate industry,

including the establishment of cartels and monopolies, to set prices, and, in effect, oversee the entire American economy, much as today's health bill would regulate the health-care industry.

It was a breathtaking expansion of federal power and, for a while, the NRA's symbol — a blue eagle with a gear wheel in one claw and lightning bolts in the other — and its slogan, "We Do Our Part," were everywhere. But two years later, the Supreme Court ruled in a famous case, [*Schechter Poultry Corp v. United States*](#), that the bill violated both the separation of powers doctrine by delegating legislative authority to the president and the commerce clause.

While the court at that point had a majority of conservative justices (two years later FDR would try to pack the court to get rid of it), the decision was unanimous. Justice Louis Brandeis, no conservative, told aides of the president, "This is the end of this business of centralization, and I want you to go back and tell the president that we're not going to let this government centralize everything."

Where is Justice Brandeis now that we really need him?

WSJ

State, Local Tax Revenues Decline 7%

by Conor Dougherty

State and local tax revenues fell 7% in the third quarter of 2009 from a year ago, the Census Bureau said in a report underscoring how the economic downturn is stressing government collections.

Sales taxes declined 9% to \$70 billion in the third quarter compared with the year-ago period, the Census Bureau said. Income taxes plunged 12% to about \$58 billion. Together, sales and income taxes make up roughly half of state and local tax revenue.

"We expect continued weakness well into 2010 if not further," said Lucy Dadayan, an analyst at the Rockefeller Institute of Government at the State University of New York.

Property taxes increased 3.6% in the third quarter compared with a year ago. But as property assessments catch up with falling residential and commercial real-estate values, property-tax revenues are expected to be weak. That will have a particularly severe impact on local governments, which fund much of their operations from property taxes.

"At minimum, cities will be working through the catastrophic drops in revenue for the next 18 months to two years," said Mark Muro of the Brookings Institution's Metropolitan Policy Program.

Total State Tax Collections

See total state tax collections for the third quarter of 2008 and the third quarter of 2009.

State and local tax revenues tend to lag behind the downturns as well as the upturns in the economy because of the time it takes for collections to catch up with depressed store sales and diminished incomes. The third quarter was the fourth consecutive quarter in which tax collections were below year-ago levels. Through the first three quarters of 2009 state and local tax revenues totaled \$875 billion, nearly 8% below the \$951 billion collected in the first three quarters of 2008. In the same period, federal receipts were down nearly 19%.

While the recession appears to have ended during the summer, government revenues are expected to continue to be weak. State and local governments employ 15% of American workers outside of agriculture.

Twenty-two states -- including Connecticut, Illinois and Oregon -- saw third-quarter revenues decline more than 10%. Alaska saw the biggest percentage decrease in revenues -- 65% -- a decline that reflects falling energy prices. Several other energy-heavy states saw big decreases in tax revenue: Wyoming, Texas and Oklahoma saw overall tax revenues decline between 19% and 26%. Only three states -- Nevada, New Hampshire and Rhode Island -- saw quarterly increases.

With tax revenues continuing to fall, several states are grappling to plug budget holes. Unlike the federal government, most states are required to balance their budgets.

State and local quarterly revenues, which vary considerably by the time of year because of the tax calendar, peaked at \$359.1 billion in the fourth quarter of 2007; the fourth quarter usually brings the biggest collections. Total third-quarter 2009 receipts were \$266.5 billion.

Forbes

Deregulation Now

by Richard A. Epstein

As we enter a new decade, the political mood of the country can be captured in one word: glum. In particular, there is widespread recognition at the state level that conditions have reached near crisis proportions. In states like California, Illinois and New York, large deficits and service cutbacks loom everywhere, as traditional tax bases can no longer support the ambitious entitlement programs that rest precariously upon them. Tax revenues are down 10% across all states, even as taxes are raised in half of them.

The consequences are serious. Just look at the implosion in higher education now taking place at the University of California. State revenues have gone dry and budgets are slashed, yet student and labor protests make it difficult to raise tuition and fees needed to maintain a strong institutional base. More and more students cannot complete their education in four years, as unpaid furloughs will drive the best professors, administrators and students elsewhere.

Tragically, this lesson often goes unheeded. Too many faculty and students link arms with union organizers in the naïve hope of extracting blood from a stone. A bankrupt state cannot increase allocations to the university. But affluent citizens pack their bags to move to low-tax jurisdictions. And those who stay do more tax-free work at home or participate more heavily in the underground economy.

At this point, it won't work to reaffirm the deadly triumvirate that drives this misery: tax the rich, greater local control over real estate development and special privileges for organized labor. What's needed is to break from the past with some unimaginative, but necessary, New Year's resolutions in the areas of taxation, real estate and labor.

On taxation, don't play the mug's game of imposing ever higher marginal tax rates on ever lower amounts of income. Play it smart for the long haul. Low-income tax rates (and no estate taxes) will attract into states and communities energetic individuals who would otherwise choose to live and work elsewhere. Treasure their efforts to grow the overall pie. Don't resent their great wealth, but remember the benefits their successes generate for their employees, customers and suppliers. Repudiate the politics of envy for the social destruction it creates. Don't fret about the states and communities left behind. Let them adopt the same sound policies to keep people at home. The outcome won't be a zero-sum game. Enterprise is infectious. Open markets are the rising tide that raises all ships. High taxation is the tsunami that sinks them.

On real estate, change the culture so that getting permits for yourself and blocking them for everyone else is no longer the preeminent developer's skill. The government can still prevent buildings from falling down and fund infrastructure through general taxation. But don't let entrenched landowners and businesses raise

NIMBY politics to a fine art. Today our dysfunctional land-use processes too often build thousands of dollars and years of delay into the price of every square foot of new construction. The instructive requirements on aesthetics and handicap access should be junked, along with the crazy-quilt system of real estate exactions that asks new developments to fund improvements whose benefit largely belongs to incumbent landowners. And for heaven's sake, learn the lesson of *Kelo* and stop using the state's power of condemnation for the benefit of private developers.

On labor, state and local governments have to junk the progressive mindset in both the public and the private sector. State and local governments should never, repeat never, be forced to negotiate with local unions. The huge pensions garnered by prison guards in California or transportation workers in New York present the intolerable spectacle of requiring ordinary citizens to pay huge subsidies to union workers far richer than themselves. On the private side, don't force developers to hire union workers on construction sites or to block the construction of new facilities that hire nonunion labor. If unions are really efficient--and they aren't--let them compete like everyone else.

On other labor fronts, we should kill off minimum wage laws that reduce opportunities for youthful employees and overtime legislation that distorts labor markets. And yes, take on the sacred cow by repealing the antidiscrimination laws on race and sex, and especially age.

None of this activity costs the public a dime. All of it will increase tax revenues and reduce administrative expenses. The best test of a good policy is whether it is sustainable over the long haul. We know now that the progressive regime flunks this key test. At this point, all good libertarians can only take cold comfort that they have fought these destructive policies tooth and nail. In today's overheated environment, our New Year's resolution can be summed up in two words: deregulation now.

Richard A. Epstein is the James Parker Hall Distinguished Service Professor of Law, The University of Chicago; the Peter and Kirsten Bedford Senior Fellow, the Hoover Institution; and a visiting professor at New York University Law School

Esquire

[What Makes a Nation Rich? One Economist's Big Answer](#)

Say you're a world leader and you want your country's economy to prosper. According to this Clark Medal winner from MIT, there's a simple solution: start with free elections.

by Daron Acemoglu

We are the rich, the haves, the developed. And most of the rest — in Africa, South Asia, and South America, the Somalias and Bolivias and Bangladeshes of the world — are the nots. It's always been this way, a globe divided by wealth and poverty, health and sickness, food and famine, though the extent of inequality across nations today is unprecedented: The average citizen of the United States is ten times as prosperous as the average Guatemalan, more than twenty times as prosperous as the average North Korean, and more than forty times as prosperous as those living in Mali, Ethiopia, Congo, or Sierra Leone.

The question social scientists have unsuccessfully wrestled with for centuries is, Why? But the question they should have been asking is, How? Because inequality is not predetermined. Nations are not like children — they are not born rich or poor. Their governments make them that way.

You can chart the search for a theory of inequality to the French political philosopher Montesquieu, who in the mid-eighteenth century came up with a very simple explanation: People in hot places are inherently lazy. Other no less sweeping explanations soon followed: Could it be that Max Weber's Protestant work ethic is

the true driver of economic success? Or perhaps the richest countries are those that were former British colonies? Or maybe it's as simple as tracing which nations have the largest populations of European descent? The problem with all of these theories is that while they superficially fit some specific cases, others radically disprove them.

It's the same with the theories put forth today. Economist Jeffrey Sachs, director of Columbia University's Earth Institute, attributes the relative success of nations to geography and weather: In the poorest parts of the world, he argues, nutrient-starved tropical soil makes agriculture a challenge, and tropical climates foment disease, particularly malaria. Perhaps if we were to fix these problems, teach the citizens of these nations better farming techniques, eliminate malaria, or at the very least equip them with artemisinin to fight this deadly disease, we could eliminate poverty. Or better yet, perhaps we just move these people and abandon their inhospitable land altogether.

Jared Diamond, the famous ecologist and best-selling author, has a different theory: The origin of world inequality stems from the historical endowment of plant and animal species and the advancement of technology. In Diamond's telling, the cultures that first learned to plant crops were the first to learn how to use a plow, and thus were first to adopt other technologies, the engine of every successful economy. Perhaps then the solution to world inequality rests in technology — wiring the developing world with Internet and cell phones.

And yet while Sachs and Diamond offer good insight into certain aspects of poverty, they share something in common with Montesquieu and others who followed: They ignore incentives. People need incentives to invest and prosper; they need to know that if they work hard, they can make money and actually keep that money. And the key to ensuring those incentives is sound institutions — the rule of law and security and a governing system that offers opportunities to achieve and innovate. That's what determines the haves from the have-nots — not geography or weather or technology or disease or ethnicity.

Put simply: Fix incentives and you will fix poverty. And if you wish to fix institutions, you have to fix governments.

How do we know that institutions are so central to the wealth and poverty of nations? Start in Nogales, a city cut in half by the Mexican-American border fence. There is no difference in geography between the two halves of Nogales. The weather is the same. The winds are the same, as are the soils. The types of diseases prevalent in the area given its geography and climate are the same, as is the ethnic, cultural, and linguistic background of the residents. By logic, both sides of the city should be identical economically.

And yet they are far from the same.

On one side of the border fence, in Santa Cruz County, Arizona, the median household income is \$30,000. A few feet away, it's \$10,000. On one side, most of the teenagers are in public high school, and the majority of the adults are high school graduates. On the other side, few of the residents have gone to high school, let alone college. Those in Arizona enjoy relatively good health and Medicare for those over sixty-five, not to mention an efficient road network, electricity, telephone service, and a dependable sewage and public-health system. None of those things are a given across the border. There, the roads are bad, the infant-mortality rate high, electricity and phone service expensive and spotty.

The key difference is that those on the north side of the border enjoy law and order and dependable government services — they can go about their daily activities and jobs without fear for their life or safety or property rights. On the other side, the inhabitants have institutions that perpetuate crime, graft, and insecurity.

Nogales may be the most obvious example, but it's far from the only one. Take Singapore, a once-impooverished tropical island that became the richest nation in Asia after British colonialists enshrined property rights and encouraged trade. Or China, where decades of stagnation and famine were reversed only after Deng Xiaoping began introducing private-property rights in agriculture, and later in industry. Or

Botswana, whose economy has flourished over the past forty years while the rest of Africa has withered, thanks to strong tribal institutions and farsighted nation building by its early elected leaders.

Now look at the economic and political failures. You can begin in Sierra Leone, where a lack of functioning institutions and an overabundance of diamonds have fueled decades of civil war and strife and corruption that continue unchecked today. Or take communist North Korea, a geographical, ethnic, and cultural mirror of its capitalist neighbor to the south, yet ten times poorer. Or Egypt, cradle of one of the world's great civilizations yet stagnant economically ever since its colonization by the Ottomans and then the Europeans, only made worse by its post-independence governments, which have restricted all economic activities and markets. In fact, the theory can be used to shed light on the patterns of inequality for much of the world.

If we know why nations are poor, the resulting question is what can we do to help them. Our ability to impose institutions from the outside is limited, as the recent U. S. experiences in Afghanistan and Iraq demonstrate. But we are not helpless, and in many instances, there is a lot to be done. Even the most repressed citizens of the world will stand up to tyrants when given the opportunity. We saw this recently in Iran and a few years ago in Ukraine during the Orange Revolution.

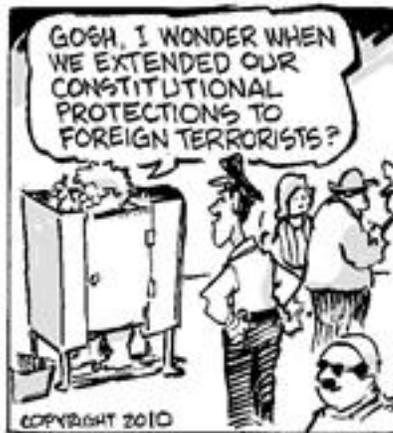
The U. S. must not take a passive role in encouraging these types of movements. Our foreign policy should encourage them by punishing repressive regimes through trade embargoes and diplomacy. The days of supporting dictators because they bolster America's short-term foreign-policy goals, like our implicit support of Muhammad Zia-ul-Haq in Pakistan starting in the 1970s, and our illicit deals with Mobutu's kleptocratic regime in the Congo from 1965 to 1997, must end. Because the long-term consequences — entire nations of impoverished citizens, malnourished and hungry children, restive, discontented youngsters ripe to be drawn toward terrorism — are too costly. Today that means pushing countries such as Pakistan, Georgia, Saudi Arabia, Nigeria, and countless others in Africa toward greater transparency, more openness, and greater democracy, regardless of whether they are our short-term allies in the war on terror.

At the microlevel, we can help foreign citizens by educating them and arming them with the modern tools of activism, most notably the Internet, and perhaps even encryption technology and cell-phone platforms that can evade firewalls and censorship put in place by repressive governments, such as those in China or Iran, that fear the power of information.

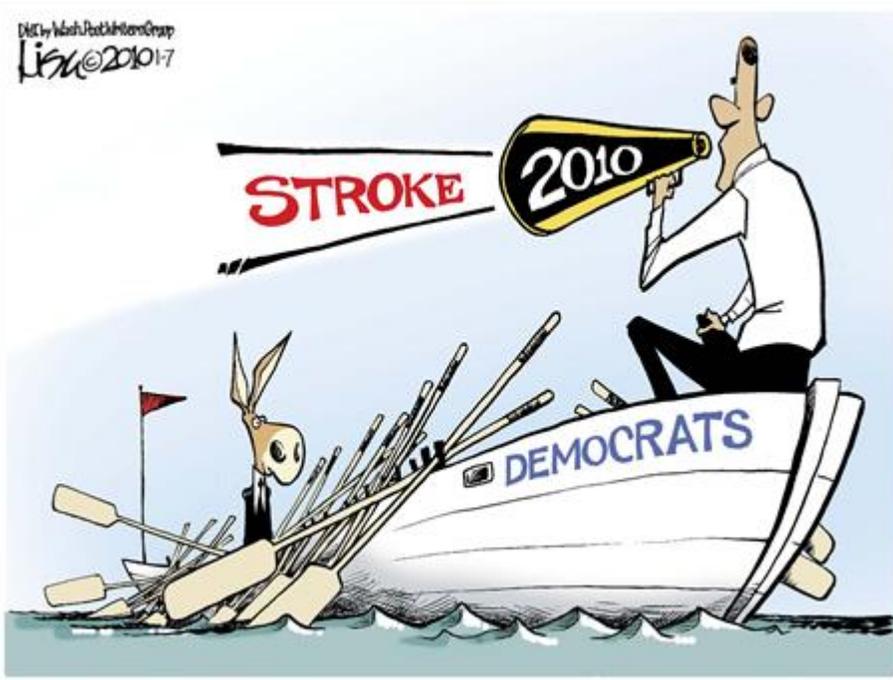
There's no doubt that erasing global inequality, which has been with us for millennia and has expanded to unprecedented levels over the past century and a half, won't be easy. But by accepting the role of failed governments and institutions in causing poverty, we have a fighting chance of reversing it.

Acemoglu is currently writing a book about his theory of inequality with James Robinson, a Harvard government professor, from which this essay was adapted.

Read more: <http://www.esquire.com/features/best-and-brightest-2009/world-poverty-map-1209#ixzz0bfBQZEL1>



Dick by Michael Fitzpatrick © 2010
Lisak © 2010-17



STANLEY CHICAGO TRIBUNE
STANLEY

