

June 8, 2011

In the Weekly Standard blog, [Mark Hemingway](#) says the jobs number is even more dismal than you think.

According to the unemployment data released this morning, the [economy added only 54,000 jobs](#), pushing the unemployment rate up to 9.1 percent. However, [this report from MarketWatch](#) suggests the data is much worse than that:

"McDonald's ran a big hiring day on April 19 — after the Labor Department's April survey for the payrolls report was conducted — in which 62,000 jobs were added. That's not a net number, of course, and seasonal adjustment will reduce the Hamburglar impact on payrolls. (In simpler terms — restaurants always staff up for the summer; the Labor Department makes allowance for this effect.) Morgan Stanley estimates McDonald's hiring will boost the overall number by 25,000 to 30,000. The Labor Department won't detail an exact McDonald's figure — they won't identify any company they survey — but there will be data in the report to give a rough estimate."

If Morgan Stanley is correct, about half of last month's job growth came from the venerable fast-food chain. That is hardly the sign of a healthy economy.

[Craig Pirrong](#), The Streetwise Professor, strikes at the heart of the problem with our current gangster government. Equal treatment under law is replaced with arbitrary rulings based on the political whims of the government class. In the instance Pirrong relates, the DOE warns (threatens) a company that has been given license to export natural gas. ...*Greg Meyer of the FT, who wrote a [good article on the company's change in fortune](#), pointed out to me this language in the Department of Energy's decision approving Cheniere's application to export gas:*

"We intend to monitor those conditions in the future to ensure that the exports of LNG authorized herein and in any future authorizations of natural gas exports do not subsequently lead to a reduction in the supply of natural gas needed to meet essential domestic needs. The cumulative impact of these export authorizations could pose a threat to the public interest. DOE is authorized, after opportunity for a hearing and for good cause shown, to take action as is necessary or appropriate should circumstances warrant it. Furthermore, DOE/FE will evaluate the cumulative impact of the instant authorization and any future authorizations for export authority when considering any subsequent application for such authority."

...It is a threat to micromanage trade...through coercion. ...

It is also a piece with this administration's modus operandi—[what Richard Epstein calls "government by waiver" in this typically incisive article](#). A government agency arrogates to itself the discretion to permit or disallow individuals and firms to engage in voluntary transactions, with only the vaguest statement of the criteria it will use to make these decisions. ...Note that there is not even an assertion—let alone a proof—of a real externality (as opposed to a pecuniary, distributive one) to justify this threat of intervention. This is purely a threat to use coercion to achieve a politically desirable distribution of wealth between producers and consumers of natural gas.

...All this really means is: we will do what we want when we want for whatever damn reason we want. It is, as Epstein argues, the antithesis of the rule of law...

...When every regulator at every government agency has the power—and the active encouragement of the political authorities—to say “Nice little business you got here. Wouldn’t want anything to happen to it, would you?” one should not be surprised that these businesses are reluctant to invest or hire. Not in Putin’s Russia. Not in Obama’s United States. ...

In the [Telegraph Blogs](#), UK, [Nile Gardiner](#) posts that listening to Paul Ryan speak reminds him of another great optimist who had faith in the greatness of America.

...Like Reagan, Ryan is driven by a deep-seated belief in free market conservatism, in addition to a powerful sense of American greatness and exceptionalism. He also shares Reagan’s mantra that America’s prosperity and projection of power in the world can only rest upon a sound national defence, with the strong investment in the nation’s military that entails.

...No doubt in response to President Obama’s penchant for apologising for America’s past and his “leading from behind” foreign policy, Ryan also made a Reagan-like [tribute to American exceptionalism, and a firm defence of Western civilisation](#):

“Today, some in this country relish the idea of America’s retreat from our role in the world. ...

This view applies moral relativism on a global scale. Western civilization and its founding moral principles might be good for the West, but who are we to suggest that other systems are any worse? – or so the thinking goes.

Instead of heeding these calls to surrender, we must renew our commitment to the idea that America is the greatest force for human freedom the world has ever seen; a country whose devotion to free enterprise has lifted more people out of poverty than any economic system ever designed; and a nation whose best days still lie ahead of us, if we make the necessary choices today. ...”

[Jennifer Rubin](#) comments on various topics in Representative Ryan's recent speech.

...And finally on defense spending, he rejects the sort of penny-pinching isolationism of Jon Huntsman or Rep. Ron Paul (R-Tex.):

'A more prosperous economy enables us to afford a modernized military that is properly sized for the breadth of the challenges we face. Such a military must also be an efficient and responsible steward of taxpayer dollars in order to maintain the confidence of the American people. The House-passed budget recognizes this, which is why it includes the \$78 billion in defense efficiency savings identified by Secretary Gates.

By contrast, President Obama has announced \$400 billion in new defense cuts, saying in effect he’ll figure out what those cuts mean for America’s security later. Indiscriminate cuts that are budget-driven and not strategy-driven are dangerous to America and America’s interests in the world. Secretary Gates put it well: “That’s math, not strategy.” '

This should dispel any doubts as to whether Ryan is simply a “budget guy.” He is, rather, one of the few politicians on the national stage who can weave specific policy themes with particulars and can demonstrate the connection (misunderstood or entirely missed by some of the GOP contenders or former contenders) between conservative economic principles and American foreign policy and values. And who else could get the support of the Hamilton Society and Tea Partyers?

[Alana Goodman](#), in [Contentions](#), highlights quotes from Ryan's speech.

...On American exceptionalism. "America's 'exceptionalism' is just this—while most nations at most times have claimed their own history or culture to be exclusive, America's foundations are not our own—they belong equally to every person everywhere. The truth that all human beings are created equal in their natural rights is the most "inclusive" social truth ever discovered as a foundation for a free society. 'All' means 'all'! You can't get more 'inclusive' than that!"

...On human rights. "Now, if you believe these rights are universal human rights, then that clearly forms the basis of your views on foreign policy. It leads you to reject moral relativism. It causes you to recoil at the idea of persistent moral indifference toward any nation that stifles and denies liberty, no matter how friendly and accommodating its rulers are to American interests. . . .

On the policy of appeasement. "We have a responsibility to speak boldly for those whose voices are denied by the jackbooted thugs of the tired tyrants of Syria and Iran." ...

In the [Weekly Standard](#), [Christopher Caldwell](#) discusses declining housing values and criticizes the homebuyer's tax credit.

... You can see why the market for poor people's homes might be weaker than the market for rich people's. The less well-off get punished on both the supply side and the demand side. On the supply side there is an overhang of about 4 million homes that have either been foreclosed on or are severely delinquent. Of these about 2 million are foreclosed properties, according to Zillow. (A Wells Fargo expert quoted in the Washington Post puts the figure somewhat higher, at 2.2 million.) On the demand side, almost every month sees a retreat in the percentage of homes that are owner-occupied. It reached close to 70 percent in the middle years of the Bush administration. It now stands at 66.2 percent, roughly where it was midway through the Clinton administration. One can assume that poorer buyers are leaving the market disproportionately.

This is how we know that this recent collapse in house prices was not anticipated, at least not by anyone in a position of authority. Right now, the real estate market is a mighty engine of regressivity. The government, following its familiar model, has used an \$8,000 tax credit to lure the poor into the market and saddle them with an asset that is rapidly losing value.

This is a model that goes beyond real estate. It was also the philosophy of the cash-for-clunkers program. At vast expense, the government creates a tiny bit of consumer demand that fizzes and sparkles for a few months and then disappears without leaving a trace—except in the federal deficit.

We have more commentary on [David Mamet's new book](#) and new views; this time from Kurt Loder, in [Reason](#).

...Now, his migration complete, Mamet says, "I look back upon my Liberal political beliefs with a sort of wonder—as another exercise in self-involvement—rewarding myself for some superiority I could not logically describe."

...it is exhilarating to hear so much common sense expressed with such forceful eloquence: "The honest man might observe...that no one gets something for nothing; that politicians go in poor and go out rich; that the Government screws up everything it touches; and that the Will to Believe is best confined to the Religious Venue, as to practice it elsewhere is just too damned expensive."

Mamet is not a man with a plan. Neither the right nor the left is to be entirely trusted, and a complete national salvation may remain forever beyond our grasp. "We are a democracy," he writes, "and as such do not generally elect our best people to office. How could we? They weren't running."

Andrew Malcolm rounds up late-night, in the LA Times.

...Fallon: Herman Cain, former CEO of Godfather's Pizza, says he's running for president. And this is cool -- if his campaign isn't over in 30 minutes or less, you get your pizza for free!

...Conan: Over 6 million people attended Cuba's International Book Fair a while back. As usual, the most popular book sold was "How to Build a Raft Out of This Book."

...Fallon: Today is National Hug Your Cat Day! Or as cats call it, "Yeah, don't do that."

Weekly Standard Blog

[Half of Last Month's New Jobs Came from a Single Employer — McDonald's](#)

by Mark Hemingway

According to the unemployment data released this morning, the [economy added only 54,000 jobs](#), pushing the unemployment rate up to 9.1 percent. However, [this report from MarketWatch](#) suggests the data is much worse than that:

McDonald's ran a big hiring day on April 19 — after the Labor Department's April survey for the payrolls report was conducted — in which 62,000 jobs were added. That's not a net number, of course, and seasonal adjustment will reduce the Hamburglar impact on payrolls. (In simpler terms — restaurants always staff up for the summer; the Labor Department makes allowance for this effect.) Morgan Stanley estimates McDonald's hiring will boost the overall number by 25,000 to 30,000. The Labor Department won't detail an exact McDonald's figure — they won't identify any company they survey — but there will be data in the report to give a rough estimate.

If Morgan Stanley is correct, about half of last month's job growth came from the venerable fast-food chain. That is hardly the sign of a healthy economy.

Streetwise Professor

[If You're Wondering About That Slow Recovery](#)

by Craig Pirrong

Cheniere Energy is back in the news—and arguably, back from the dead. Cheniere has been on a roller coaster for about 5 years—right along with the gas market. In the mid-2000s, when the conventional forecast was that the US was facing gas shortages and persistently high prices, Cheniere was investing in facilities to import liquified natural gas and re-gasify it. But then the financial crisis and the shale boom caused gas prices to crater, and Cheniere's import terminal at Sabine Pass looked to be a white elephant. But prices fell so far in the US relative to the rest of the world that the opposite play appeared promising. And indeed, a couple of weeks back the company received permission to export LNG. Its stock price doubled on the news.

Cheniere is looking to configure its facility to be capable of importing or exporting gas. Like many physical assets, Cheniere's facility is a real option. Under the original plan, it was an option to transform foreign gas into domestic gas with a strike price equal to transportation and gasification costs. With the ability to import or export, it is an option to transform foreign gas into domestic gas, or domestic gas into foreign gas, again with a strike price determined by transportation and transformation costs.

These options can be quite valuable given the volatility of relative prices in the US and elsewhere, with relative price volatility being driven by technology shocks, the development of new fields—and notably, politics. Developments like Germany's shutting down of its nukes or the [UK's imposition of punishing taxes on North Sea extraction](#) can have profound effects on relative prices that affect the profitability of real options like those possessed by Cheniere.

Although political developments and uncertainties generate volatility that enhances the value of real options like Cheniere's facility, politics may also pose its greatest challenge. Greg Meyer of the FT, who wrote a [good article on the company's change in fortune](#), pointed out to me this language in the Department of Energy's decision approving Cheniere's application to export gas:

We intend to monitor those conditions in the future to ensure that the exports of LNG authorized herein and in any future authorizations of natural gas exports do not subsequently lead to a reduction in the supply of natural gas needed to meet essential domestic needs. The cumulative impact of these export authorizations could pose a threat to the public interest. DOE is authorized, after opportunity for a hearing and for good cause shown, to take action as is necessary or appropriate should circumstances warrant it. Furthermore, DOE/FE will evaluate the cumulative impact of the instant authorization and any future authorizations for export authority when considering any subsequent application for such authority.

This is mercantilist. No—it is Putinist. It is a threat to do in the US gas market what Putin did with the Russian grain market—cut off exports in order to depress domestic prices in order to favor particular domestic constituencies. It is a threat to micromanage trade—transactions undertaken by consenting adults for mutual advantage—through coercion. It is contrary to free trade principles that the US often piously promotes in lectures to others, but all too often flouts in practice itself.

It is also a piece with this administration's *modus operandi*—[what Richard Epstein calls "government by waiver" in this typically incisive article](#). A government agency arrogates to itself the discretion to permit or disallow individuals and firms to engage in voluntary transactions, with only the vaguest statement of the criteria it will use to make these decisions. Decisions that can make someone wealthy—or ruin them. Note that there is not even an assertion—let alone a proof—of a real externality

(as opposed to a pecuniary, distributive one) to justify this threat of intervention. This is purely a threat to use coercion to achieve a politically desirable distribution of wealth between producers and consumers of natural gas.

“Good cause.” “Threat to the public interest.” “Essential domestic needs.” In whose eyes? Under what criteria? What public?

All this *really* means is: we will do what we want when we want for whatever damn reason we want. It is, as Epstein argues, the antithesis of the rule of law in which general principles are applied uniformly and impersonally; it is a return to the personalized, arbitrary, natural state. It bears creepy similarities to Putinism.

And as such, it will have—is having—the same consequences. The DOE’s ominous statement puts Cheniere and any other company thinking about exporting natural gas on notice that a sword of Damocles hangs by a hair over its head. But this is just one company, one hair, one sword. There are tens of thousands of swords, tens of thousands of hairs, tens of thousands of companies. More even: as Epstein notes, Obamacare dangles a sword over every company—and every person—in the US. Dodd-Frank does the same in financial markets.

The threat of arbitrary government action poses grave risks to every company subject to it. Which is to say every company, with the risks becoming greater by the day.

This cannot fail to have a depressing effect on investment and hiring. Given the moribund recovery from the Great Recession—a recovery that was never robust, and which is sputtering noticeably today—it is reasonable to conjecture that there is a link between the hyperactive regulatory policies of this administration and anemic economic performance. Robert Lucas notes that what made the Great Depression great was not its initial severity, but the failure to recover from it, a failure that persisted for almost a decade. Lucas conjectures (and he is not alone in this*) that the hyperactivity of the Roosevelt administration—and yes, the Hoover administration before it, conventional wisdom on this score being laughably wrong—prevented recovery from a crash initially caused by faulty monetary policy. He further conjectures that the eerily similar failure of the US economy to bounce back from the Great Recession is the direct result of “harmful real policies” and “the demonization of business.”

His list of destructive policies, which mirror’s Epstein’s, makes depressing reading:

- Believe it is more accurate to say that the problem is government is doing too much
- Again, I see analogies to the U.S. of the 1930s
- Likelihood of much higher taxes, focused on the “rich”
- Medical legislation that promises large increase in role of government
- Financial legislation that assigns vast, poorly-defined responsibilities to Fed, others [this is another example of the Epstein discretion point]
- Are these conditions that foster a revival in business investment, consumer spending?*

Are they indeed.

When every regulator at every government agency has the power—and the active encouragement of the political authorities—to say “Nice little business you got here. Wouldn’t want anything to happen to it, would you?” one should not be surprised that these businesses are reluctant to invest or hire. Not in Putin’s Russia. Not in Obama’s United States.

* Robert Higgs has been the most forceful advocate of this view. [Harold Cole and Lee Ohanian have performed substantial empirical research that supports this contention.](#) With respect to the L-shaped “recovery” in the US, I argued here on SWP early in the Obama administration that its regulatory onslaught would lead to such an outcome.

** The list could, of course, be expanded dramatically. It could include, for instance, the flouting of bankruptcy law and the expropriation of creditors as with Chrysler and GM, and the outrageous decision of the NLRB to prevent Boeing from opening an assembly line in South Carolina.

Telegraph Blogs, UK

[Paul Ryan has a touch of Ronald Reagan about him. He could well end up in the Oval Office](#)

by Nile Gardiner



Paul Ryan as pictured by iOwnTheWorld.com

Paul Ryan, [the charismatic Congressman from Wisconsin](#), says he isn't running for the presidency in 2012, but I wouldn't be surprised to see him eventually land in the Oval Office. At the age of just 41 he has several decades of public life ahead of him, and as the new chairman of the powerful House of Representatives Budget Committee he is already making his mark on Washington, entrusted with confronting the nation's massive public debts and reining in out of control federal spending. In a short period of time, he has become the public face of fiscal conservatism on Capitol Hill, and a budget cutting nemesis for the Obama administration.

I've seen Ryan speak twice in Washington, most recently delivering [an address on foreign policy to the Alexander Hamilton Society](#) last week. On both occasions he came across as a well-spoken and highly articulate conviction politician, with a strong grasp of complex policy issues as well as big picture strategic thinking. He is undeniably Reagan-esque in terms of ideology and message, and he possesses the same kind of sunny optimism that was the hallmark of the greatest US president of the 20th Century.

Like Reagan, Ryan is driven by a deep-seated belief in free market conservatism, in addition to a powerful sense of American greatness and exceptionalism. He also shares Reagan's mantra that America's prosperity and projection of power in the world can only rest upon a sound national defence, with the strong investment in the nation's military that entails.

Just as Reagan had defied the doom-mongers of the Carter era who warned that in the wake of the Vietnam War America was a spent global power, Ryan's speech last Thursday was a sharp rejection of the idea that America's leaders should accept the "inevitability" of US decline and an emphatic appeal for renewed, powerful US leadership on the world stage. In reference to America's unsustainable debt-fueled economic crisis, [Ryan declared](#):

Some hear these facts and conclude that the sun is setting on America... that our problems are bigger than we are... that our competitors will soon outrun us... and that the choice we face is over how, not whether, to manage our nation's decline.

It's inevitable, they seem to say, so let's just get on with it... Look – our fiscal problems are real, and the need to address them is urgent. But I'm here to tell you that decline is not a certainty for America. Rather, as Charles Krauthammer put it, "decline is a choice."

A world without U.S. leadership will be a more chaotic place, a place where we have less influence, and a place where our citizens face more dangers and fewer opportunities. Take a moment and imagine a world led by China or by Russia.

No doubt in response to President Obama's penchant for apologising for America's past and his "leading from behind" foreign policy, Ryan also made a Reagan-like [tribute to American exceptionalism, and a firm defence of Western civilisation](#):

Today, some in this country relish the idea of America's retreat from our role in the world. They say that it's about time for other nations to take over; that we should turn inward; that we should reduce ourselves to membership on a long list of mediocre has-beens.

This view applies moral relativism on a global scale. Western civilization and its founding moral principles might be good for the West, but who are we to suggest that other systems are any worse? – or so the thinking goes.

Instead of heeding these calls to surrender, we must renew our commitment to the idea that America is the greatest force for human freedom the world has ever seen; a country whose devotion to free

enterprise has lifted more people out of poverty than any economic system ever designed; and a nation whose best days still lie ahead of us, if we make the necessary choices today.

These were stirring words from a serious politician who is committed to getting America back on its feet. Only time will tell whether Paul Ryan does lead another conservative revolution. But one thing is certain – he is a politician of tremendous conviction and vision, determined to see the preservation of America as a superpower, with more than a touch of the Gipper about him.

Right Turn

[Paul Ryan's foreign policy vision](#)

by Jennifer Rubin

Rep. Paul Ryan (R-Wis.) gave a speech Thursday to the Alexander Hamilton Society in Washington. If one is looking for clues as to Ryan's interests beyond chairing the House Budget Committee, a speech, as he put it, to "a room full of national security experts about American foreign policy" would merit attention.

A fair amount of commentary on presidential prospects has been dopey or exaggerated, as was [the Democratic National Committee chairwoman's indictment](#) of the entire GOP field. By contrast, Ryan delivered an above-the-fray talk on the subject of American uniqueness (a less loaded term) and the myth that American decline is inevitable. He posited, "Our fiscal policy and our foreign policy are on a collision course; and if we fail to put our budget on a sustainable path, then we are choosing decline as a world power."

Ryan contends that the debt crisis is not a bookkeeping problem or even simply a domestic problem; it is about maintaining our status as a superpower and about American values. He explained:

Our fiscal crisis is above all a spending crisis that is being driven by the growth of our major entitlement programs: Social Security, Medicare, and Medicaid. In 1970, these programs consumed about 20 percent of the budget. Today that number has grown to over 40 percent.

Over the same period, defense spending has shrunk as a share of the federal budget from about 39 percent to just under 16 percent — even as we conduct an ambitious global war on terrorism. The fact is, defense consumes a smaller share of the national economy today than it did throughout the Cold War.

If we continue on our current path, the rapid rise of health care costs will crowd out all areas of the budget, including defense.

He rejects the notion that "exceptionalism" is provincialism or braggadocio:

There are very good people who are uncomfortable with the idea that America is an "exceptional" nation. But it happens that America was the first in the world to make the universal principle of human freedom into a "credo," a commitment to all mankind, and it has been our honor to be freedom's beacon for millions around the world.

America's "exceptionalism" is just this — while most nations at most times have claimed their own history or culture to be exclusive, America's foundations are not our own — they belong equally to every person everywhere. The truth that all human beings are created equal in their natural rights is

the most “inclusive” social truth ever discovered as a foundation for a free society. “All” means “all”! You can’t get more “inclusive” than that!

He is not Pollyannish and readily conceded that principles and immediate strategic interests don’t go hand in hand in all instances; he pointed specifically to Saudi Arabia. “There is a sharp divide between the principles around which they have organized their state and the principles that guide the United States. . . . We should help our allies effect a transition that fulfills the aspirations of their people. About the Arab Spring he said:

In the Arab Spring we are seeing long-repressed populations give voice to the fundamental desire for liberty. But we are also seeing the risks that emerge when the advancement of freedom is stunted for want of the right institutions. In such societies, the most organized factions often lack tolerance and reject pluralism. Decades without a free press have led many to treat conspiracy theories as fact.

It is too soon to tell whether these revolutions will result in governments that respect the rights of their citizens, or if one form of autocracy will be supplanted by another. While we work to assure the former, American policy should be realistic about our ability to avert the latter.

He plainly is not with the cut-and-run set on Afghanistan. “Although the war has been long and the human costs high, failure would be a blow to American prestige and would reinvigorate al-Qaeda, which is reeling from the death of its leader. Now is the time to lock in the success that is within reach.” Nor can he be accused of wanting to “go it alone.” “The Obama administration has taken our allies for granted and accepted too willingly the decline of their capacity for international action. Our alliances were vital to our victory in the Cold War, and they need to be revitalized to see us through the 21st century.”

As for China, he bats down the idea that we should go along to get along. “We should welcome the contributions and strengths that over one billion people can offer and push for the government of China to give those people space to express their personal, religious, economic and civil ambitions. A liberalizing China is not only in the interests of the world, but also in China’s own best interest as it copes with the tremendous challenges it faces over the next couple of decades.” He’s clear that China has “very different values and interests from our own.”

And finally on defense spending, he rejects the sort of penny-pinching isolationism of Jon Huntsman or Rep. Ron Paul (R-Tex.):

A more prosperous economy enables us to afford a modernized military that is properly sized for the breadth of the challenges we face. Such a military must also be an efficient and responsible steward of taxpayer dollars in order to maintain the confidence of the American people. The House-passed budget recognizes this, which is why it includes the \$78 billion in defense efficiency savings identified by Secretary Gates.

By contrast, President Obama has announced \$400 billion in new defense cuts, saying in effect he’ll figure out what those cuts mean for America’s security later. Indiscriminate cuts that are budget-driven and not strategy-driven are dangerous to America and America’s interests in the world. Secretary Gates put it well: “That’s math, not strategy.”

This should dispel any doubts as to whether Ryan is simply a “budget guy.” He is, rather, one of the few politicians on the national stage who can weave specific policy themes with particulars and can demonstrate the connection (misunderstood or entirely missed by some of the GOP contenders or former contenders) between conservative economic principles and American foreign policy and values. And who else could get the support of the Hamilton Society and Tea Partiers?

Contentions

Paul Ryan Rejects Realism in Major Foreign Policy Speech

by Alana Goodman

Rep. Paul Ryan—who may or may not have [hinted](#) at a presidential run on Fox's *Your World with Neil Cavuto* yesterday evening—addressed the [Alexander Hamilton Society](#) last night, and spoke about the “choice” of American decline.

The congressman, who rarely delves into foreign policy issues, outlined his views on American exceptionalism, democracy promotion, and the national security implications of our deficit crisis. “I’m here to tell you that decline is not a certainty for America,” Ryan told the audience. Quoting Charles Krauthammer, he asserted that “Decline is a choice.”

Here are some of the highlights of the speech:

On American exceptionalism. “America’s ‘exceptionalism’ is just this—while most nations at most times have claimed their own history or culture to be exclusive, America’s foundations are not our own—they belong equally to every person everywhere. The truth that all human beings are created equal in their natural rights is the most “inclusive” social truth ever discovered as a foundation for a free society. ‘All’ means ‘all’! You can’t get more ‘inclusive’ than that!”

On American leadership. “A world without U.S. leadership will be a more chaotic place, a place where we have less influence, and a place where our citizens face more dangers and fewer opportunities. Take a moment and imagine a world led by China or by Russia.”

On the trade-off between our values and our interests. “According to some, we will never be able to resolve this tension, and we must occasionally suspend our principles in pursuit of our interests. I don’t see it that way. We have to be consistent and clear in the promotion of our principles, while recognizing that different situations will require different tools for achieving that end.”

On human rights. “Now, if you believe these rights are universal human rights, then that clearly forms the basis of your views on foreign policy. It leads you to reject moral relativism. It causes you to recoil at the idea of persistent moral indifference toward any nation that stifles and denies liberty, no matter how friendly and accommodating its rulers are to American interests. . . .

On the policy of appeasement. “We have a responsibility to speak boldly for those whose voices are denied by the jackbooted thugs of the tired tyrants of Syria and Iran.”

On promoting free market values abroad. “An expanding community of nations that shares our economic values as well as our political values would ensure a more prosperous world . . . a world with more opportunity for mutually beneficial trade . . . and a world with fewer economic disruptions caused by violent conflict.”

On China. “A liberalizing China is not only in the interests of the world, but also in China’s own best interest as it copes with the tremendous challenges it faces over the next couple of decades. Just as America faces an entitlement crisis driven in part by the aging of our population, China faces an even more severe demographic crisis driven by years of coercive population controls.”

On the choice of American decline. “Instead of heeding these calls to surrender, we must renew our commitment to the idea that America is the greatest force for human freedom the world has ever seen; a country whose devotion to free enterprise has lifted more people out of poverty than any economic system ever designed; and a nation whose best days still lie ahead of us, if we make the necessary choices today.”

Paul’s speech wasn’t just a great introduction to his foreign policy views. It was also important because the congressman gave the national security argument for dealing with our deficit—a line of reasoning that needs to have a more prominent place in the debate.

Weekly Standard

Houses of Pain

The crumbling real estate market.

by Christopher Caldwell

There was supposed to be some good news amidst the dismal report card the U.S. real estate market got last week. On average, houses have lost a third of their value since their peak in 2006. Blighted Detroit has seen home prices fall to half their old level, and overbuilt Las Vegas is off by 60 percent. Standard & Poor’s Case-Shiller index showed that home prices are falling again, at their fastest rate since the days of the financial crash. Minneapolis real estate has lost 10 percent of its value over the past year.



The good news is that these declines were “widely anticipated.” But all this means is that there is a two-month lag between most housing statistics and those of Case-Shiller, whose latest numbers date only from March. It decidedly does not mean that anyone in the government has a clear idea of how the real estate market works or a sense of what it will do next.

We can tell this by looking at the First Time Homebuyer Tax Credit, which stabilized the market for a while between 2008 and 2010. Its withdrawal is being blamed for the new softening of home prices. The tax credit was launched in 2008 as part of the Housing and Economic Recovery Act that President Bush signed a little more than a month before the collapse of Lehman Brothers. HERA offered a \$7,500 tax credit that took the form of an interest-free loan, to be paid back in 15 installments of \$500 each, after a two-year grace period.

The Obama administration saw much to like in this Bush administration plan. In January 2009, a new version of it, expanded to \$8,000 and turned into a government gift rather than a loan, became part of the stimulus bill. We know, in retrospect, that the basic pre-crash mistake of the Clinton and Bush administrations was to use financial incentives to drive the rate of homeownership far above its

natural level. Responsible plans for righting the country's fiscal ship should probably start with removing those incentives, wherever they may be found.

But presidents don't *think* in crises—they reach for solutions that are already on the shelf. The Bush tax credit became the Obama law and has since added about \$20 billion to the budget deficit. But it has cost homeowners a good deal more than that. Consider Minneapolis, with its 10 percent fall in home prices. Anyone who used the tax credit to buy a house worth \$80,000 will have lost the full \$8,000 of the tax credit, assuming the 10 percent decline is valid across all house valuations.

And unfortunately, it is not. Look at the invaluable housing-market website Zillow, run by the economist Stan Humphries, and you will see that the situation is considerably worse than the Minneapolis example would imply. Zillow differentiates between upmarket and downmarket housing. Nationwide, Zillow estimated this spring, there was an 8.2 percent drop in home valuations. But the top tier of houses lost only 4 percent of their value, the middle tier lost 9 percent, and the least desirable part of the housing stock lost 14 percent. Had you bought an \$80,000 house in Minneapolis, your house would likely have lost not \$8,000 but at least \$11,200, and probably more. That is, you would have lost the whole value of the federal tax credit, and thousands more besides.

You can see why the market for poor people's homes might be weaker than the market for rich people's. The less well-off get punished on both the supply side and the demand side. On the supply side there is an overhang of about 4 million homes that have either been foreclosed on or are severely delinquent. Of these about 2 million are foreclosed properties, according to Zillow. (A Wells Fargo expert quoted in the *Washington Post* puts the figure somewhat higher, at 2.2 million.) On the demand side, almost every month sees a retreat in the percentage of homes that are owner-occupied. It reached close to 70 percent in the middle years of the Bush administration. It now stands at 66.2 percent, roughly where it was midway through the Clinton administration. One can assume that poorer buyers are leaving the market disproportionately.

This is how we know that this recent collapse in house prices was not anticipated, at least not by anyone in a position of authority. Right now, the real estate market is a mighty engine of regressivity. The government, following its familiar model, has used an \$8,000 tax credit to lure the poor into the market and saddle them with an asset that is rapidly losing value.

This is a model that goes beyond real estate. It was also the philosophy of the cash-for-clunkers program. At vast expense, the government creates a tiny bit of consumer demand that fizzes and sparkles for a few months and then disappears without leaving a trace—except in the federal deficit.

Reason

David Mamet's Conversion Story

The Pulitzer-winning playwright explains his turn to the political right

by Kurt Loder

People of the statist left—and to some extent the statist right—will find much to decry in David Mamet's new book, [*The Secret Knowledge: On the Dismantling of American Culture*](#), a token of his late-life conversion to conservative political views. In fact, the sound of heads exploding is already being heard throughout the Liberal Village.

Libertarians, on the other hand, may find the book to be an unexceptional checklist of familiar positions—curious, perhaps, in its shout-outs to Glenn Beck and Jon Voight, but admirable in its championing of Friedrich Hayek. Personally, I found the book's most shocking passage to be its

characterization of Marilyn Monroe as “the greatest comedienne in the history of the screen.” But that’s just me. Or, more pertinently, it’s just Mamet, a man of famously pugnacious rhetorical postures.

The Secret Knowledge grew out of a bridge-burning 2008 essay that Mamet wrote for the left-wing *Village Voice*. In it, the Pulitzer-winning playwright boldly walked back his own life-long leftism and described the clinching moment in his political journey as having occurred while he was driving in a car with his wife: “We were riding along and listening to NPR. I felt my facial muscles tightening, and the words beginning to form in my mind: Shut the fuck up.”

Now, his migration complete, Mamet says, “I look back upon my Liberal political beliefs with a sort of wonder—as another exercise in self-involvement—rewarding myself for some superiority I could not logically describe.”

The author’s full-throated conservatism will give some readers pause. He is sometimes overweening, as in his discussion of such academic phenomena as existentialism, deconstruction, and all-purpose “theory”: “Those incapable of recognizing bushwa may assume that someone else surely knows what these things mean. But, sadly, this is not the case.” Actually, I have heard people explain these things, and, bullshit or not, their baleful effects in the precincts of higher learning have been (as Mamet knows) substantial. Similarly, we can sympathize with the “shame” the author now feels about his exemption from military service during the Vietnam War; but might he not also have observed that many of the thousands of young soldiers who died in that misbegotten conflict might still be with us if that exemption had been universal?

The Secret Knowledge is clearly the result of much reading and extensive contemplation. Mamet’s references range from Tolstoy and Trollope to Friedman and Sowell to Marx and Brecht and the immortally entertaining Susan Sontag. He celebrates his Ashkenazi heritage and, centrally, the Torah, which he sees as a keystone of this country’s Judeo-Christian foundation—a font of true justice, as opposed to the fashionable “social justice” he so witheringly reviles. (On hate-crime laws: “[A]s if getting beaten to death were more pleasant if one was not additionally called a greaser.”) He adheres to the “tragic view” of human nature—we are all irredeemably flawed, prone to corruption, and incapable of perfect understanding—and is thus deeply skeptical of any attempt at root-and-branch social transformation, however slickly retailed. He is especially eloquent in noting the latest instance of this evergreen political scam: “[S]hould we all simply mass behind a leader so charismatic and well-spoken as to induce in the electorate that state of bliss which, though it may momentarily be indistinguishable from madness or satori, necessitates eventual return to a world made more complicated by our surrender[?].”

Readers on both sides of Mamet’s current political stance can take issue with his social conservatism. He is, among other things, an unbending proponent of traditional gender arrangements; and yet who even on the left can deny the miseries that have attended the decline of the two-parent family? Nevertheless, it is exhilarating to hear so much common sense expressed with such forceful eloquence: “The honest man might observe...that no one gets something for nothing; that politicians go in poor and go out rich; that the Government screws up everything it touches; and that the Will to Believe is best confined to the Religious Venue, as to practice it elsewhere is just too damned expensive.”

Mamet is not a man with a plan. Neither the right nor the left is to be entirely trusted, and a complete national salvation may remain forever beyond our grasp. “We are a democracy,” he writes, “and as such do not generally elect our best people to office. How could we? They weren’t running.”

Kurt Loder is a writer living in New York. His third book, a collection of film reviews called The Good, the Bad and the Godawful, will be published in November by St. Martin's Press.

LA Times

Late-night jokes: Herman Cain's campaign pizza promise

by Andrew Malcolm

Fallon: The safest UPS delivery driver has now logged 4 million miles without an accident. He's being awarded UPS' highest honor -- long pants.

"SNL": A new study finds that the average college-age man thinks about sex 18 times a day. Oh, I'm sorry, I left out the word "bazillion" -- 18 bazillion times a day.

Fallon: 85-year-old Hugh Hefner and his 25-year-old fiancée, Crystal Harris, have sent out their wedding invitations for June 18. She told guests to wear white, but bring black just in case.

Leno: A nice warm story out of China. Disney is building a theme park there. Which means someday Chinese children will be able to go to the toy shop and buy toys they made.

Fallon: Herman Cain, former CEO of Godfather's Pizza, says he's running for president. And this is cool -- if his campaign isn't over in 30 minutes or less, you get your pizza for free!

Fallon: Subway sandwich shops are testing a new upscale décor -- wood panels and lounge seating to distract you from the tuna fish being served with an ice-cream scoop.

Leno: A new 3-D version of "Titanic" coming out. In this one, the captain doesn't see the iceberg coming because he's not wearing the special glasses.

Fallon: Facebook launches a "Send" button. That's great because when I log onto Facebook, my first thought is, "Not enough people sending me things."

Conan: Over 6 million people attended Cuba's International Book Fair a while back. As usual, the most popular book sold was "How to Build a Raft Out of This Book."

Letterman: A new law says no outdoor smoking in New York City now. Bus exhaust's OK. Toxic meth lab fumes OK. Radioactive steam fine. Roasting a goat on the curb OK. But no outdoor cigarette smoking.

Fallon: Donald Trump says he may run for president as an independent, and when Donald Trump says he's gonna do something, Donald Trump ... says he's gonna do something.

Conan: A Chicago lawyer is being accused of hiring a woman with large breasts to sit with him in the courtroom and distract jurors. Asked for a ruling, the judge said, "Sorry, could you repeat that?"

Fallon: Today is National Hug Your Cat Day! Or as cats call it, "Yeah, don't do that."

