

November 15, 2011

[Caroline Glick](#) writes on the Netanyahu slurs by the French and American presidents.

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These statements are interesting both for what they say about the two presidents' characters and for what they say about the way that Israel is perceived by the West more generally.

To understand why this is the case it is necessary to first ask, when has Netanyahu ever lied to Sarkozy and Obama? This week the UN International Atomic Energy Agency's report about Iran's nuclear weapons program made clear that Israel – Netanyahu included – has been telling the truth about Iran and its nuclear ambitions all along. In contrast, world leaders have been lying and burying their heads in the sand.

Since Iran's nuclear weapons program was first revealed to the public in 2004, Israel has provided in-depth intelligence information proving Iran's malign intentions to the likes of Sarkozy, Obama and the UN. And for seven years, the US government – Obama included – has claimed that it lacked definitive proof of Iran's intentions.

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Perhaps Obama was relying on the US's 2007 National Intelligence Estimate about Iran's nuclear weapons program. As Israel said at the time, and as this week's IAEA report proves, it was the NIE – which claimed that Iran abandoned its nuclear weapons program in 2003 – not Israel that deliberately lied about the status of Iran's nuclear weapons program. It was the US intelligence community that purposely deceived the American government and people about the gravest immediate threat to US national security.

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[Power Line](#) posts on the Keystone Pipeline non-decision.

President Obama's announcement that he will delay a decision on approval of the Keystone Pipeline until after the 2012 election typifies his feckless presidency. Torn between the need to create jobs, reduce the cost of energy and get our economy going on one hand, and the emotional biases of his environmentalist base on the other, Obama punted. I assume that if and when the time comes—post-election—Obama will do what he has wanted to do all along, and kill the pipeline.

We have written about Keystone a number of times. In [this post](#), we quoted a study that concluded the pipeline would moderate the price of oil and create between 250,000 and 553,000 permanent American jobs. [Here](#), we quoted at length another study of the beneficial effect of the pipeline on our economy, along with related energy development policies. There simply is no doubt that building the pipeline and transporting Canadian oil efficiently to refineries in the U.S. would give our economy a major boost.

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[Walter Russell Mead](#) thinks the president may regret his pipeline punt.

... The President may think he's dodging a bullet by putting off his decision until after the election, but he has given the GOP a big pre-Christmas present, one that will go on giving as long as unemployment is a major political issue.

The nexus of environmental policy and jobs has been a kind of Bermuda Triangle for this administration, where good intentions go awry and the best laid plans misfire. The failure of Solyndra demonstrated the poverty of "green jobs" initiatives, while the economic success of states like North Dakota and Texas are a testament to the continued effectiveness of old-style brown jobs. The President may be retreating from his failed green jobs plans, but still appears reluctant to embrace the more successful brown ones.

If times are good by 2012, voters may vote their green hopes. If the economy is (as seems likely) still a problem, they will be voting their less verdant fears. This may be one can the White House will come to regret having kicked down the road.

More from Canada's **[Financial Post](#)**.

President Barack Obama has kicked the can down the road by postponing permission to build Canada's Keystone XL oil sands pipeline to Texas until 2013, after the next election.

This decision, in essence, strands the oil sands indefinitely and shuts it out of the U.S. market for years, if not forever.

It's being billed as a temporary setback, but it's a major and devastating development.

The excuse is that a new route is going to be sought to avoid putting pipelines across the aquifer that straddles mid-America. The reality is that the environmental movement, not an aquifer, straddles the United States and cannot be circumvented. The Keystone, and Canada's oil sands, has become the environmental movement's line in the sand in a battle to shut down fossil fuel usage even though there are no alternative fuels for 20 or 30 more years.

These Keystone Cops have scored a victory that likely marks the beginning of a de facto pipeline moratorium south of the border. And this could cripple America's economy and energy industries.

Keystone has received approvals over a number of years from dozens of environmental and other government agencies, been scrutinized more than other project and yet, in the end, has had its permit postponed on environmental grounds. ...

Just like the Soviets, the president likes everything big; government, labor and business. [Fred Barnes](#) has the story.

By his own account, President Obama is the champion and protector of the little guy. He said last week he wants no one left "in a second-class status in this United States of America." He's "determined" to "make sure that nobody out there is going bankrupt just because somebody in their family is getting sick." He's committed to making Washington "responsive to the needs of people, not the needs of special interests [and] not just people who are hurting now, but also responsive to future generations." Obama identifies himself with the 99 percent.

Yet the winners in the nearly three years of Obama's presidency are the big guys—big business, big labor, and big government. Corporate profits have reached record levels. The influence of the biggest labor unions has surged in Washington, where it matters most. The federal government has grown in size and reach.

Meanwhile, the weak economy has hurt small business, the country's number one job creator. Temporary tax breaks haven't helped, and the threat of new taxes and a fresh barrage of regulations have put a crimp in expansion and hiring. Big business isn't expanding or hiring much either. A headline in Slate reflected this: "More Profits, Fewer Jobs."

Labor leaders have entrée at the White House and federal departments and agencies as never before. The most frequent visitor to the White House in Obama's first year was Andy Stern of the Service Employees International Union. The president delayed trade treaties with South Korea, Panama, and Colombia until they were altered to satisfy labor officials. If Obama understands that higher levels of unionization are associated with greater joblessness, he's never let on.

Big government is a cliché that's all the more true in the Obama era. Federal employment grew by 140,800 in Obama's first two years, and the clout of federal officialdom has increased substantially. ...

George Mason econ prof [Tyler Cowen](#) reviews a new book on Keynes and Hayek. *Keynes vs. Hayek* has turned out to be a more durable theme than could have been expected in the 1930s. As recently as the 1990s, big-time macroeconomic debates seemed to be over forever; the Nineties seem now like a very long time ago.

*On the side of Hayek, Glenn Beck propelled *The Road to Serfdom* to No. 1 on Amazon with his repeated warnings that President Obama was bringing socialism to the United States. The man*

overseeing the Federal Reserve in the House of Representatives, Ron Paul (R., Texas), is an avowed fan of Hayek's 1970s "denationalization of money" idea.

On the other side, Paul Krugman, through his New York Times column and blog, has revived the fortunes of Keynesian economics by insisting that we are suffering from a shortfall of spending or "aggregate demand." A big swath of the economics profession has become more Keynesian in the last five years. Krugman, Brad DeLong, and other writers devote a lot of energy to attacking the Hayekian vision of macroeconomics, which by now is over 80 years old; Krugman coined the now-current term "Austrian" to describe those who believe in both Hayek's "Austrian" economics and a policy of fiscal austerity.

Most notoriously, Hayek and Keynes square off in two rap videos, produced by economist Russ Roberts and filmmaker John Papola. The first video has received over two and a half million views and the second, released this year, is already over 1 million views. The auteurs present both sides of the debate, but a careful viewing of the second video shows that while Hayek wins the fight, analogized in terms of a boxing match, the referee calls it for Keynes. In July, the London School of Economics staged an actual Hayek vs. Keynes debate, with contemporary scholars filling the roles.

So what's all the fuss about? Nicholas Wapshott's new book, *Keynes Hayek*, does an excellent job of setting out the broader history behind this revival of the old debates. ...

Jerusalem Post

[With friends like these](#)

Sarkozy, Obama slurs about Netanyahu are interesting in what what they say about the 2 presidents' characters, and about the way Israel is perceived by West.

by Caroline Glick

The slurs against [Prime Minister](#) Binyamin Netanyahu voiced by French President Nicolas Sarkozy and US President Barack Obama after last week's G20 summit were revealing as well as repugnant.

Thinking no one other than Obama could hear him, Sarkozy attacked Netanyahu, saying, "I can't stand to see him anymore, he's a liar."

Obama responded by whining, "You're fed up with him, but me, I have to deal with him every day."

These statements are interesting both for what they say about the two [presidents'](#) characters and for what they say about the way that Israel is perceived by the West more generally.

To understand why this is the case it is necessary to first ask, when has Netanyahu ever lied to Sarkozy and Obama? This week the UN International Atomic Energy Agency's report about Iran's nuclear [weapons](#) program made clear that Israel – Netanyahu included – has been telling

the truth about Iran and its nuclear ambitions all along. In contrast, world leaders have been lying and burying their heads in the sand.

Since Iran's nuclear weapons program was first revealed to the public in 2004, Israel has provided in-depth intelligence information proving Iran's malign intentions to the likes of Sarkozy, Obama and the UN. And for seven years, the US government – Obama included – has claimed that it lacked definitive proof of Iran's intentions.

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Perhaps Obama was relying on the US's 2007 National Intelligence Estimate about Iran's nuclear weapons program. As Israel said at the time, and as this week's IAEA report proves, it was the NIE – which claimed that Iran abandoned its nuclear weapons program in 2003 – not Israel that deliberately lied about the status of Iran's nuclear weapons program. It was the US intelligence community that purposely deceived the American government and people about the gravest immediate threat to US national security.

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So if Netanyahu never lied about Iran, what might these two major world leaders think he lies about? Why don't they want to speak with him anymore? Could it be they don't like the way he is managing their beloved "peace process" with the Palestinians? The fact is that the only times Netanyahu has spoken less than truthfully about the Palestinians were those instances when he sought to appease the likes of Obama and Sarkozy. Only when Netanyahu embraced the false claims of the likes of Obama and Sarkozy that it is possible to reach a peace deal with the Palestinians based on the establishment of an independent Palestinian state west of the Jordan River could it be said that he made false statements.

Because the truth is that Israel never had a chance of achieving peace with the Palestinians.

And the reason this has always been the case has nothing to do with Netanyahu or Israel.

THERE WAS never any chance for peace because the Palestinians have no interest in making peace with Israel. As the West's favorite Palestinian "moderate," Fatah leader and Palestinian Authority chairman Mahmoud Abbas said in an interview with Egypt's Dream TV on October 23, "I've said it before and I'll say it again. I will never recognize the 'Jewishness' of the State [of Israel] or a 'Jewish state.'" That is, Abbas will never make peace with Israel.

Acknowledging this, on Tuesday Netanyahu reportedly told his colleagues that through their recent actions, the Palestinians have abrogated the foundations of the peace process. As he put it, "By boycotting [negotiations](#) and by going instead to the United Nations [to achieve independent statehood], they [the Palestinians] have reneged on a central tenet of Oslo."

That tenet, which formed the basis of the Oslo peace process, was "land for peace."

As Netanyahu explained, Israel gave up land within the framework of the Oslo Accords. In exchange the Palestinians committed to resolve their conflict with Israel through direct negotiations that would lead to peace. Their UN gambit, like Abbas's statement to Egyptian

television, shows that the Palestinians – not Israel – have been lying all along. They pocketed Israel's territorial concessions and refused to make peace.

So why do the likes of Sarkozy and Obama hate Netanyahu? Why is he “a liar?” Why don't they pour out their venom on Abbas, who really does lie to them on a regular basis? The answer is because they prefer to blame Israel rather than acknowledge that their positive assessments of the Palestinians are nothing more than fantasy.

And they are not alone. The Western preference for fantasy over reality was given explicit expression by former US president Bill Clinton in September.

In an ugly diatribe against Netanyahu at his Clinton Global Initiative Conference, Clinton insisted that the PA under Abbas was “pro-peace” and that the only real obstacle to a deal was Netanyahu. Ironically, at the same time Clinton was attacking Israel's leader for killing the peace process, Abbas was at the UN asking the Security Council to accept as a full member an independent Palestine in a de facto state of war with Israel.

So, too, while Clinton was blaming him for the failure of the peace process, Netanyahu was at the UN using his speech to [the General](#) Assembly to issue yet another plea to Abbas to renew peace talks with Israel.

Clinton didn't exhaust his ammunition on Netanyahu. He saved plenty for the Israeli people as well. Ignoring the inconvenient fact that the Palestinians freely elected Hamas to lead them, Clinton provided his audience with a bigoted taxonomy of the Israeli public through which he differentiated the good, “pro-peace Israelis,” from the bad, “anti-peace,” Israelis.

As he put it, “The most pro-peace Israelis are the Arabs; second the Sabras, the Jewish Israelis that were born there; third, the Ashkenazis of longstanding, the European Jews who came there around the time of Israel's founding.”

As for the bad Israelis, in the view of the former president, “The most anti-peace are the ultra-religious who believe they're supposed to keep Judea and Samaria, and the settler groups, and what you might call the territorialists, the people who just showed up lately and they're not encumbered by the historical record.”

BY RANKING the worthiness of Israel's citizens in accordance with whether or not they agree with Clinton and his friends, Clinton was acting in line with what has emerged as standard operating practice of Israel's “friends” in places such as Europe and the US. Like Clinton, they too think it is their right to pick and choose which Israelis are acceptable and which are unworthy.

On Wednesday we saw this practice put into play by British Ambassador Matthew Gould. This week the Knesset began deliberations on a bill that would prohibit foreign governments and international agencies from contributing more than NIS 20,000 to Israeli nongovernmental organizations. The bill was introduced by Likud MK Ofir Okunis with Netanyahu's support.

According to *Haaretz*, Gould issued a thinly veiled threat to Okunis related to the bill. Gould reportedly said that if the bill is passed, it would reflect badly on Israel in the international community.

Last month, *Makor Rishon* published a British government document titled, “NGOs in the Middle East Funded by the Foreign and Commonwealth Office.”

The document showed that in 2010, outside of Iraq, the British government gave a total of £100,000 to pro-democracy NGOs throughout the Arab world.

In contrast to Britain’s miserly attitude towards Arab civil society organizations, Her Majesty’s Government gave more than £600,000 pounds to farleftist Israeli NGOs. These Israeli groups included the Economic Cooperation Foundation, Yesh Din, Peace Now, Ir Amim and Gisha. All of these groups are far beyond Israeli mainstream opinion.

All seek to use international pressure on Israel to force the government to adopt policies rejected by the vast majority of the public.

So for every pound Britain forked out to cultivate democracy in 20 Arab non-democracies, it spent £6 to undermine democracy in Israel – the region’s only democracy.

And the British couldn’t be more pleased with the return on their investment. Speaking to Parliament last year, Britain’s Minister of Middle East Affairs Alistair Burt said the money has successfully changed Israeli policies. As he put it, “Since we began supporting these programs some significant changes have been made in the Israeli justice system, both civilian and military, and in the decisions they make. They have also raised a significant debate about these matters and we believe these activities will strengthen democracy in Israel.”

In other words, as far as Britain is concerned, “strengthening democracy” in Israel means tipping the scales in favor of marginal groups with no noticeable domestic constituency.

These shockingly hostile statements echo one made by then-presidential candidate Obama from the campaign trail in February 2008. At the time Obama said, “I think there is a strain within the pro-Israel community that says unless you adopt a[n] unwavering pro-Likud approach to Israel that you’re anti-Israel, and that can’t be the measure of our friendship with Israel.”

Scarcely a day goes by when some foreign leader, commentator or activist doesn’t say that being pro-Israel doesn’t mean being pro-Israeli government. And like Obama’s campaign-trail statement, Clinton’s diatribe, Sarkozy and Obama’s vile gossip about Netanyahu and Britain’s self-congratulatory declarations and veiled threats, those who make a distinction between the Israeli people and the Israeli government ignore two important facts.

First, Israel is a democracy. Its governments reflect the will of the Israeli people and therefore, are inseparable from the people. If you harbor contempt for Israel’s elected leaders, then by definition you harbor contempt for the Israeli public.

And this makes you anti-Israel.

The second fact these statements ignore is that Israel is the US’s and Europe’s stalwart ally. If Sarkozy and Obama had said what they said about Netanyahu in a conversation about German Chancellor Angela Merkel, or if Netanyahu had made similar statements about Obama or Sarkozy, the revelation of the statements would have sparked international outcries of indignation and been roundly condemned from all quarters.

And this brings us to the other troubling aspect of Sarkozy and Obama's nasty exchange about Netanyahu. Their views reflect a wider anti-Israel climate.

Outside the Jewish world, Sarkozy's and Obama's hateful, false statements about their ally provoked no outrage. Indeed, it took the media three days to even report their conversation. This indicates that Obama and Sarkozy aren't alone in holding Israel to a double standard. They aren't the only ones blaming Israel for the Palestinians' bad behavior.

The Western media also holds Israel to a separate standard. Like Obama and Sarkozy, the media blame Israel and its elected leaders for the Palestinians' duplicity. Like Obama and Sarkozy, the media blame Israel for failing to make their peace fantasies come true.

And that is the real message of the Obama- Sarkozy exchange last week. Through it we learn that blaming the Jews and the Jewish state for their enemies' behavior is what passes for polite conversation among Western elites today.

Power Line **Obama's Keystone Evasion**

President Obama's announcement that he will delay a decision on approval of the Keystone Pipeline until after the 2012 election typifies his feckless presidency. Torn between the need to create jobs, reduce the cost of energy and get our economy going on one hand, and the emotional biases of his environmentalist base on the other, Obama punted. I assume that if and when the time comes—post-election—Obama will do what he has wanted to do all along, and kill the pipeline.

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Obama evidently has forgotten the stimulus bill and the many thousands of shovel-ready jobs that, as Obama later admitted—ha-ha—weren't so shovel-ready after all. So, what has changed? Why will this year's smaller "stimulus" create jobs when his previous, much larger bill was a complete failure? This was the closest Obama came to an answer:

"We're cutting the red tape that prevents some of these projects from getting started as quickly as possible."

Really? “Red tape” as in environmental regulations that block the construction of—for example—refineries and pipelines? So will Keystone be green-lighted tomorrow morning? That decision rests with the Secretary of State and requires no Congressional action.

Far from “cutting red tape” to allow the job-creating Keystone project to begin “as quickly as possible,” our Hamlet-like president will ponder the matter until some time in 2013, at the earliest. By then, the issue may be moot, [Canada’s Finance Minister warns](#):

The U.S. State Department’s decision to delay its review of TransCanada Corp.’s \$7-billion Keystone XL pipeline until after next year’s presidential election may doom the project and accelerate Canada’s efforts to ship crude to Asia, Canadian Finance Minister Jim Flaherty said.

“The decision to delay it that long is actually quite a crucial decision. I’m not sure this project would survive that kind of delay,” Flaherty said yesterday in an interview at the Asia-Pacific Economic Cooperation summit in Honolulu. “It may mean that we may have to move quickly to ensure that we can export our oil to Asia through British Columbia.”

If China does indeed replace the United States as the world’s pre-eminent economic power, the foolishness of American voters in electing Barack Obama president will be a major contributing factor.

American Interest

Obama Votes “Present” on 20,000 Jobs

by Walter Russell Mead

The furor over fracking aside, the large environmental controversy *du jour* is the proposed Keystone XL pipeline that would carry “dirty” fuel from the Canadian tar sands to waiting markets and refineries in the U.S. The past few months have seen the administration vacillate repeatedly on the issue, and it has just announced that it is putting off any decision until after next year’s election. From the [New York Times](#):

The Obama administration, under sharp pressure from officials in Nebraska and restive environmental activists, announced Thursday that it would review the route of the disputed [Keystone XL oil](#) pipeline, effectively delaying any decision about its fate until after the 2012 election. [...]

The move is the latest in a series of administration decisions pushing back thorny environmental matters beyond next November’s presidential election to try to avoid the heat from opposing interests — business lobbies or environmental and health advocates — and to find a political middle ground. [President Obama delayed a review](#) of the nation’s smog standard until 2013, pushed back offshore oil lease sales in the Arctic until at least 2015 and blocked new regulations for [coal](#) ash from power plants.

The President may think he’s dodging a bullet by putting off his decision until after the election, but he has given the GOP a big pre-Christmas present, one that will go on giving as long as unemployment is a major political issue.

The nexus of environmental policy and jobs has been a kind of Bermuda Triangle for this administration, where good intentions go awry and the best laid plans misfire. The failure of Solyndra demonstrated the poverty of “green jobs” initiatives, while the economic success of states like North Dakota and Texas are a testament to the continued effectiveness of old-style brown jobs. The President may be retreating from his failed green jobs plans, but still appears reluctant to embrace the more successful brown ones.

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Financial Post

'Keystone Cops' crippling U.S. economy

By Diane Francis

President Barack Obama has kicked the can down the road by postponing permission to build Canada's Keystone XL oil sands pipeline to Texas until 2013, after the next election.

This decision, in essence, strands the oil sands indefinitely and shuts it out of the U.S. market for years, if not forever.

It's being billed as a temporary setback, but it's a major and devastating development.

The excuse is that a new route is going to be sought to avoid putting pipelines across the aquifer that straddles mid-America. The reality is that the environmental movement, not an aquifer, straddles the United States and cannot be circumvented. The Keystone, and Canada's oil sands, has become the environmental movement's line in the sand in a battle to shut down fossil fuel usage even though there are no alternative fuels for 20 or 30 more years.

These Keystone Cops have scored a victory that likely marks the beginning of a de facto pipeline moratorium south of the border. And this could cripple America's economy and energy industries.

Keystone has received approvals over a number of years from dozens of environmental and other government agencies, been scrutinized more than other project and yet, in the end, has had its permit postponed on environmental grounds.

This postponement — a rejection by any other name — whets the appetite of a movement that not only opposes “dirty” oil from Canada, but also fiercely opposes the exploitation of shale gas, or deep natural gas, deposits. They are attacking shale gas even though it generates dramatically lower emissions equivalent to roughly one-quarter that generated by oil.

Already, a week ago the CEO of a major U.S. power utility issued a warning that the massive amounts of shale gas may remain shut because of the difficulty of getting permission to build

pipelines linking the deposits to power plants or consumers. Now, post-Keystone, his warning represents a more frightening specter because a gas pipeline is even more unacceptable to environmentalists than an oil one.

The Interstate Natural Gas Association of America Foundation estimates companies will need to build 35,600 miles of big, high-pressure natural gas pipelines between 2011 and 2035 to meet market demands at a cost of \$178 billion.

Good luck.

Of course, there are those who would argue that this is just a postponement and not a de facto moratorium on all pipelines. They argue that a Republican President will permit the pipeline.

That's questionable. The biggest obstacle at the end was the legal challenge mounted by the Republican Governor of Nebraska who vowed to fight the pipeline to prevent it from traversing his state.

Others argue that once an acceptable route is found around the aquifer the pipeline will be built.

That's also questionable. There's not a governor anywhere that will want this high-profile pipeline routed through his or her state or will want to take on the trans-national, non-state players that power the environmental movement.

Frankly, Canada and Alberta have badly handled the public relations when it comes to Keystone and remediation could help the situation because the White House has opted in favor of its environmental wing at the expense of the organized labor one. Canada should guarantee that all the jobs that flow from the oil sands, inside and outside Canada, will be offered to Americans first if Canadians are unable to do the work. And last year, 150,000 visas were extended for that reason.

That, and only that, will up the political ante in Washington and should have been done from the outset. This is more important considering that Obama is likely to win another term due to the mediocre Republican field of candidates.

The other priority is to fast-track the proposed pipeline through British Columbia to the West coast to ship oil to Asian markets. The aboriginal claims must be settled financially and generously as quickly as possible before the trans-national non-state players in the environmental movement organize them and stop the pipeline.

That claims are still lingering represents another failure on the part of governments in Canada.

At the same time, the oil sands production must be refined in Canada in order to back out of the importation of crude oil in Eastern Canada. This involves resurrection of the flow rates to Montreal and beyond in order to get bitumen or partially refined oil sands production across the country.

Clearly, shipping oil to the U.S. from the West and importing in the East was an efficient, market-driven energy policy, but the greens and the President of the United States have made that unacceptable for Canada.

Weekly Standard

Obama ♥ the Big Guys

Big government, big labor, and big business in bed together.

by Fred Barnes

By his own account, President Obama is the champion and protector of the little guy. He said last week he wants no one left “in a second-class status in this United States of America.” He’s “determined” to “make sure that nobody out there is going bankrupt just because somebody in their family is getting sick.” He’s committed to making Washington “responsive to the needs of people, not the needs of special interests [and] not just people who are hurting now, but also responsive to future generations.” Obama identifies himself with the 99 percent.

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Meanwhile, the weak economy has hurt small business, the country’s number one job creator. Temporary tax breaks haven’t helped, and the threat of new taxes and a fresh barrage of regulations have put a crimp in expansion and hiring. Big business isn’t expanding or hiring much either. A headline in *Slate* reflected this: “More Profits, Fewer Jobs.”

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Big government is a cliché that’s all the more true in the Obama era. Federal employment grew by 140,800 in Obama’s first two years, and the clout of federal officialdom has increased substantially. The Environmental Protection Agency has mounted a regulatory offensive the business community and Republicans have challenged but failed to halt. Obamacare, scheduled to go fully into effect in 2014, would give Washington control over the way health care is dispensed, financed, and regulated—not a takeover, but close to it.

“If you are big in today’s Washington, you lead a charmed life,” Washington consultant David Smick says.

In Obama’s case, there’s more to the gap between what he professes and what his administration has produced than meets the eye. Yes, his hypocrisy is breathtaking. But it represents the way he prefers to govern. Dealing with a few big institutions, even if they are dinosaurs, is easier than consulting more widely. So is relying on government to remedy every national ill, rather than letting markets, private groups, and individuals play pivotal roles.

“What an irony for an administration that claims populist roots,” Smick says. “Policy prescriptions for the most part use the top-down approach. Bring out the GE guy and various big labor bosses to deal with the jobless nightmare when the bulk of the solution involves fostering small business start-ups.”

Jeffrey Immelt, General Electric's CEO, happens to be chairman of Obama's Council on Jobs and Competitiveness. GE is famous for having paid no corporate income taxes in 2009 and 2010 and shipping thousands of jobs overseas. The council's membership consists of 23 corporate chiefs, two labor leaders, one economist, one biologist, and zero representatives of small business.

For contributions to his reelection campaign, Obama has tapped the segment of big business he's referred to as "fat cat bankers": Wall Street. According to the *Washington Post*, he has raised more from financiers and bankers than all of the Republican presidential candidates combined. He's raised more at Bain Capital than Mitt Romney, who cofounded the firm.

Wall Street has reason to be grateful. "During Obama's tenure, Wall Street has roared back, even as the broader economy has struggled," Zachary Goldfarb of the *Washington Post* wrote last week. "Wall Street firms . . . earned more in the first two and a half years of the Obama administration than they did during the eight years of the George W. Bush administration."

Smaller community banks haven't fared as well. Wall Street banks have the manpower to comply with new restrictions endorsed by Obama and passed by Congress. Small banks don't. Big banks are thriving while interest rates are near zero. The loan business of small banks suffers because of these rates.

At the same time, corporations are sitting on nearly \$2 trillion amassed during the Obama era. If invested, the money would surely stir economic growth and job creation. But Obama has refused to remove impediments to investment, chiefly future tax hikes and regulations.

Organized labor is also a big-time funder of Obama's campaign, as you might expect given the president's sensitivity to every need of big unions. He's turned the National Labor Relations Board into a knee-jerk advocate of the most extreme pro-union positions. And his Labor Department no longer requires labor leaders to disclose many specifics of their expenditure of union money. This hamstringing government oversight and leaves union members in the dark.

In Obama's strengthening of big government, the biggest beneficiaries are unelected bureaucrats. They're unleashed. The new health care law would create 159 new boards, commissions, or programs, including the Independent Payment Advisory Board with power to decide what Medicare pays for and, by extension, what private insurance companies cover. The Consumer Financial Protection Bureau was created with sweeping authority over how money is loaned to consumers. The bureau is empowered to write its own rules and decide its budget without depending on Congress for funding. The Federal Reserve delivers the money.

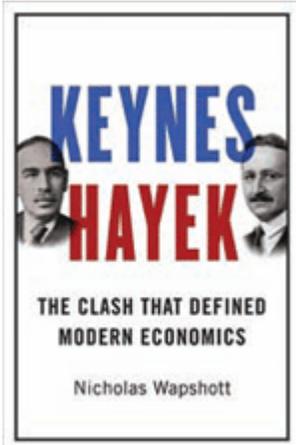
Last week, Obama veered from his top priority with unemployment at 9 percent: more jobs. A Canadian company plans to hire as many as 20,000 workers to build an oil pipeline from the province of Alberta to Texas. Its application, pending since 2008, has sparked growing protests by environmental activists. Obama promises to decide personally whether to approve the pipeline. And last week, he took a preliminary step, delaying the decision until after the 2012 election. So for now, the little guy lost. The winner: big green.

National Review

The Eternal Struggle

by Tyler Cowen

Keynes Hayek: The Clash That Defined Modern Economics, by Nicholas Wapshott
(Norton, 400 pp., \$28.95)



“Keynes vs. Hayek” has turned out to be a more durable theme than could have been expected in the 1930s. As recently as the 1990s, big-time macroeconomic debates seemed to be over forever; the Nineties seem now like a very long time ago.

On the side of Hayek, Glenn Beck propelled *The Road to Serfdom* to No. 1 on Amazon with his repeated warnings that President Obama was bringing socialism to the United States. The man overseeing the Federal Reserve in the House of Representatives, Ron Paul (R., Texas), is an avowed fan of Hayek’s 1970s “denationalization of money” idea.

On the other side, Paul Krugman, through his *New York Times* column and blog, has revived the fortunes of Keynesian economics by insisting that we are suffering from a shortfall of spending or “aggregate demand.” A big swath of the economics profession has become more Keynesian in the last five years. Krugman, Brad DeLong, and other writers devote a lot of energy to attacking the Hayekian vision of macroeconomics, which by now is over 80 years old; Krugman coined the now-current term “Austrian” to describe those who believe in both Hayek’s “Austrian” economics and a policy of fiscal austerity.

Most notoriously, Hayek and Keynes square off in two rap videos, produced by economist Russ Roberts and filmmaker John Papola. The first video has received over two and a half million views and the second, released this year, is already over 1 million views. The auteurs present both sides of the debate, but a careful viewing of the second video shows that while Hayek wins the fight, analogized in terms of a boxing match, the referee calls it for Keynes. In July, the London School of Economics staged an actual Hayek vs. Keynes debate, with contemporary scholars filling the roles.

So what’s all the fuss about? Nicholas Wapshott’s new book, *Keynes Hayek*, does an excellent job of setting out the broader history behind this revival of the old debates. Wapshott brings the personalities to life, provides more useful information on the debates than any other source, and

miraculously manages to write for both the lay reader and the expert at the same time. Virtually every page is gripping, and yet even the professional economist will glean some insight (e.g., in Wapshott's discussion of Hayek's now-obscure essay "The 'Paradox' of Saving").

The tale starts with Hayek in Vienna and Keynes in Cambridge. Hayek is impelled by fascism to leave the Continent and ends up teaching at the London School of Economics. Keynes spreads his influence to both Washington and London, often through a growing number of loyal disciples. Keynes dies in 1946, but Wapshott takes us through Hayek's Nobel Prize and intellectual comeback in the 1970s, including his influence on Margaret Thatcher and the post-Communist reformers. By the 1980s, Keynesian remedies are somewhat out of fashion, Communism is about to fall, and Hayek seems to have lapped his old rival, at least until the financial crisis of recent years. Unstable financial markets and lasting unemployment often seem more susceptible to Keynesian explanations, and so now the Hayekians are the counterpunchers rather than the ones taking the intellectual offensive.

As the story progresses, the reader is treated to a remarkable amount of research, but almost always with a light hand. We learn of Hayek's first letter to Keynes (asking for a book copy), Hayek's original history as a socialist and his plan to run the Austrian central bank, how tensions rose between Hayek and Keynes after the Depression, how Hayek's thick Viennese accent held him back as a lecturer and pundit, how the other British economists started to mock and disrespect Hayek, and how Ayn Rand later dismissed Hayek as a "compromiser" and — in the margins of *The Road to Serfdom* — scribbled that he was a "total, complete, vicious bastard."

It remains hard to judge the Hayek–Keynes debate, in part because there were several Hayeks from the time of the Great Depression. In the late 1920s, Hayek recommended a policy of monetary stabilization, rather than deflation, in response to a depression. In the early 1930s, Hayek came out for tight money and letting bad investments liquidate themselves, rather than propping them up with state subsidies and cartelization, popular ideas at the time. Much later in his career, Hayek admitted that his proposed "do nothing" policies were inappropriate for the early 1930s. Unfortunately, it was this deflation-tolerant Hayek of the early 1930s who ended up crystallized in the debate with Keynes. On this point, decades of research, including classic papers by Milton Friedman and Anna Schwartz, have shown that Hayek was wrong: Sharp deflationary shocks have never been friendly to free markets or classical-liberal ideas, and Hayek — at least for a while — did not grasp this truth as clearly as he needed to.

There is one part of the longer story that Wapshott leaves out, and it is a quite recent development. Circa 2009, enter Scott Sumner, professor of economics at Bentley University and author of the blog *TheMoneyIllusion*. Sumner has almost singlehandedly resurrected the tradition of Milton Friedman and, more broadly, the philosophy of neo-monetarism. Although Sumner is a brilliant thinker, and extremely well read, he admits he hasn't given Hayek's *Prices and Production* a thorough tussle; he seems to find the ideas too difficult and too obscure, as indeed do most other professional economists. Sumner's diagnosis is simple: The American economy has collapsed because the Fed did not stabilize the flow of purchasing power in the economy, or what Sumner calls "nominal GDP." Circa 2008, the Fed let purchasing power decline when it should have supported it with an aggressive commitment to reflate the economy. This may sound too interventionist to many free-market supporters, and the parts of the argument that emphasize "aggregate demand" seem suspiciously Keynesian. Nonetheless, Sumner persuasively couches the entire argument in terms of constraining the Fed with rules, in this case a "nominal-GDP rule" that would stabilize the flow of purchasing power and create a predictable macroeconomic environment for businessmen and consumers.

The bottom line is this: Whether we like it or not, the Fed has to do *something*, and letting the money supply continue to fall, in down times, is one of the worst options. It will give the economy a sharp negative shock in the short run and sweep interventionists and their cure-all policies into power, while creating a public hungry for quick-fix recipes. That is indeed what has happened in the United States.

Over the last two years, I've been amazed, and pleased, to see how many market-oriented economists have come around to Sumner's point of view. (These days I cannot go anywhere in the world of economics, or blog readers, without hearing his name.) What that means is not a victory for either Hayek or Keynes, but rather a comeback for Milton Friedman, Irving Fisher, and the good old-fashioned "quantity theory of money." Stabilizing the flow of purchasing power is indeed what the central bank should be trying to do, even if it achieves this end only imperfectly.

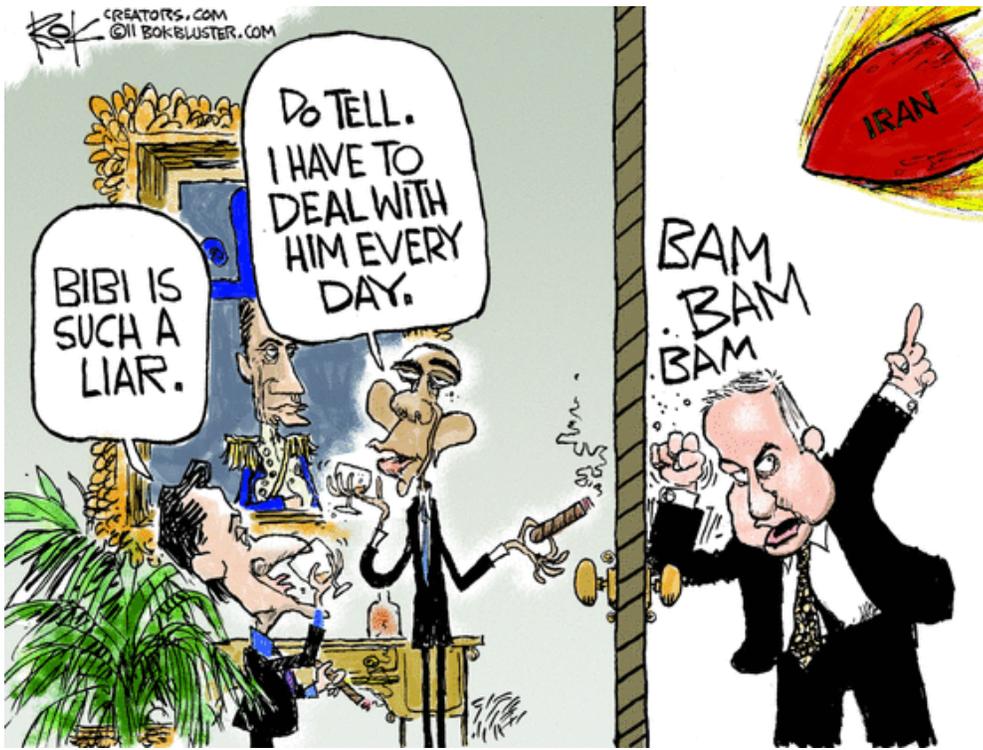
For all his brilliance, Hayek didn't — at the critical time — have a good enough understanding of the dangers of deflation. He didn't fully realize the extent of sticky wages and prices and, more deeply, he didn't see that ongoing deflation would render the "calculation problem" of a market economy more difficult. Hayek stressed that a market calculates value in a way that a central planner cannot — but lying behind this ability to calculate is some basic macroeconomic stability. At the key moments, Hayek did not offer the proper recipe for that stability.

Hayek's biggest intellectual victory probably has come in the aftermath of the Obama fiscal stimulus. A lot of the modern-day Hayekians, most notably Mario Rizzo of New York University, predicted that the stimulus would not provide lasting aid to the economy but rather would impose an artificial boom-bust structure on the economy. The early spending of money would boost measured national income, but eventually those jobs would prove unsustainable: The stimulus funding would run out, the jobs would disappear, and the economy would slow down once again. That is exactly what we saw in the spring and summer of 2011. In essence, the American government spent almost a trillion dollars to postpone our economic pain by the grand span of two years.

Keynes, like Hayek, was brilliant, but he, too, missed some crucial points. Most notably, virtually all of his policy recommendations were written for philosopher-kings. You won't find too many of those in the current U.S. Congress. Keynes, after finishing Hayek's *Road to Serfdom*, recommended more and better planning, rather than a greater reliance on decentralized institutions with healthy trial-and-error checks, as Hayek had recommended. In other words, Hayek made some big errors in the debate with Keynes, but he had a sound overall framework in a way in which Keynes did not, and in fact was at war with.

The deepest question raised by this book is why we look back to old economists to the degree we do. Is it that contemporary economists are, for the most part, so hyperspecialized that they no longer become iconic? Or does studying and discussing old economists give us a comforting impression that "our side" has a continuity of thought and values in a way that anchors world history in an easy-to-grasp "us vs. them" narrative? Maybe it's a bit of both. In any case, Hayek and Keynes remain the touchstones for current economic debates, and if you wish to learn about them, this book is a very good place to begin.

Mr. Cowen is a professor of economics at George Mason University.



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