

IN REVIEW

Standing Athwart Apocalyptic Visions

◆ REVIEW BY JONATHAN H. ADLER

“The World Has just over a Decade to Get Climate Change under Control, U.N. Scientists Say,” proclaimed a 2018 *Washington Post* headline. Prompted by a United Nations study considering the implications of a 1.5°C increase in global mean temperatures above preindustrial levels, the article warned that a “radical transformation” of the global economy would be necessary in that time in order to prevent more than “moderate” warming.

Environmental activists echoed this apocalyptic framing of the UN report. A lack of radical action would “likely lead to the end of our civilisation as we know it,” warned teen climate activist Greta Thunberg. A spokesperson for the activist group Extinction Rebellion claimed the failure to mitigate climate would kill billions. Rep. Alexandria Ocasio-Cortez (D-NY) may have been hyperbolizing when she declared in an interview that “the world is going to end in 12 years,” but that is certainly the message that many are getting. Indeed, when challenged about the claim, an Ocasio-Cortez spokesperson derided efforts to “quibble” over whether climate change was “existential or cataclysmic.”

Climate change is a serious concern, perhaps the most serious environmental concern of the 21st century. But the 2018 UN report did not suggest a greenhouse apocalypse would soon be upon us, nor that humanity faces an imminent ecological deadline to act. More prosaically, it noted that limiting greenhouse warming to the somewhat arbitrary target of 1.5°C above preindus-

trial temperatures likely requires significant emissions reductions in the coming years, offering a reduction target of 45% by 2030. Failure to meet that goal would not mean the end of civilization or even prevent future climate change mitigation. It would, however, make it more difficult to limit warming to 1.5°C. That number is a useful benchmark but hardly the threshold between survival and oblivion.

Environmental doomsaying is nothing new, nor is the failure of apocalyptic environmental predictions. “The United States has already crossed the verge of a timber famine so severe that its blighting effects will be felt by every household in the land,” warned Gifford Pinchot in 1910. Yet the country saw net forest growth over the subsequent century, with little sacrifice in timber supplies. “The battle to feed all humanity is over,” proclaimed Stanford biologist Paul Ehrlich in 1968, and yet per-capita food production has risen steadily over the past half century.

The prophets of ecological doom have a poor track record, but that hardly means doomsaying is without consequence. Ehrlich’s “population bomb” may have never exploded, but his book of that name

sold over 3 million copies and influenced public perceptions about the fate of the planet. It is not clear that such projections helped advance sensible environmental policies.

Michael Shellenberger, co-founder of the environmental research center Breakthrough Institute, former *Time* magazine “Hero of the Environment,” and president of the advocacy group Environmental Progress, is “fed up with the exaggeration, alarmism and extremism” that characterizes environmental policy debates. In *Apocalypse Never: Why Environmental Alarmism Hurts Us All*, he argues for an end to apocalyptic environmentalism and urges “getting the facts and science right” in pursuit of “a positive humanistic and rational environmentalism.” However well intentioned, fearmongering can get in the way of practical solutions to real environmental concerns. Understanding the actual causes and contours of the world’s environmental problems is necessary to developing and deploying practical and human solutions to the world’s environmental problems while preserving economic opportunity.

Challenging platitudes / The failure to understand the actual scope, scale, and source of environmental problems prevents the development and adoption of effective policy responses. To make matters worse, conjuring specters of ecological doom can be paralyzing. Fatalism is not particularly compatible with problem-solving. The never-ending message of environmental crisis is “contributing to rising anxiety and depression, particularly among children,” and yet it is not producing the desired political response.

Fears of an imminent ecological collapse may have helped drive environmental

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legislation in the 1970s, but it does not seem particularly effective today, and those policies designed to prevent an apocalypse are often not those most useful to address contemporary ecological threats. Indeed, as Shellenberger notes, those “who are the most apocalyptic about environmental problems tend to oppose the best and most obvious solutions to solving them.” Misdiagnoses produce unhelpful (if not positively harmful) policy responses.

Apocalypse Never is far from the first book to confront the apocalyptic strain of environmentalism, but it is certainly among the most engaging. Shellenberger deftly challenges green platitudes and demonstrates how our environmental challenges are better confronted with pragmatic realism than with blinkered ideological visions or ecological fearmongering. This is must-reading for those who care about human welfare and environmental conservation.

Though it boasts over 100 pages of endnotes, *Apocalypse Never* is not a data tome of numbers and charts. Shellenberger makes his case by blending an exhaustive amount of information with engaging anecdotes and vignettes.

A viral YouTube video of a sea turtle with a plastic straw lodged in its nose prompted local governments and multinational corporations to endorse phasing out this insidious ecological threat. Plastic straws made for a powerful symbol of environmental wastefulness but replacing them with paper straws will not do much to save endangered sea turtles or curtail ocean pollution. Insofar as plastic waste in the ocean is a problem, straws are an insignificant contributor, accounting for less than 0.05% of the estimated 9 million tons of plastic waste deposited in the ocean every year. Banning straws is an easy symbolic measure, but it does not do much to protect sea turtles, let alone keep the ocean

clean. Worse, as Shellenberger observes, “the intense media and public focus on plastic ... risks distracting us from other equally important—perhaps more important—threats to endangered sea life, which may be easier to address.”

Gratitude for civilization / Climate change looms large in Shellenberger’s account, both as an example of apocalyptic environmentalism at work, as well as the sort of genuine environmental problem we need to learn to address. In his view, “the national conversation about climate change has been polarized between those who deny it and those who exaggerate it.” Climate change cannot be ignored, but it is also not the only environmental problem the world faces. It also should not be used as an excuse to deny those in developing nations the opportunity to improve their own lives.

Growth and technology are often conceived as environmental problems. In a famous formulation, human-

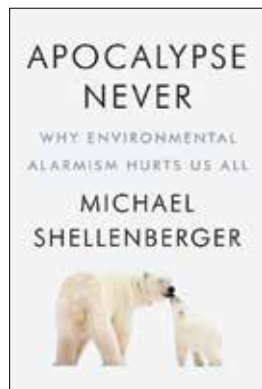
ity’s environmental effect is the product of population, affluence, and technology, with each variable magnifying the effect of the others. Shellenberger challenges this formulation, arguing that technological advance and the wealth to deploy it are essential to the preservation of nature and controlling pollution, while still making room for people. Economic growth and technological advance have the potential to increase humanity’s ecological footprint, but they also can increase resilience to ecological threats and make it easier to meet human needs with less ecological effect. “For poor nations, creating the modern infrastructure for modern energy, sewage, and flood water management will be a higher priority than plastic waste, just as they were for the United States and China before them,” Shellenberger writes. In much of the world, industrialization, urbanization,

and the proliferation of modern technology are more environmental boon than bane. Increased agricultural productivity and energy density leave more room for nature and help generate the wealth necessary for environmental improvements. Those of us in developed nations should “feel gratitude for the civilization we take for granted, put claims of climate apocalypse in perspective, and inspire empathy and solidarity for those who do not yet enjoy the fruits of prosperity.” More plainly, “rich nations must support, not deny, development to poor nations.”

Shellenberger is extremely bullish on the power of technology to solve climate change and other environmental problems. He sees one technology in particular as offering hope: nuclear power. Indeed, he is somewhat evangelistic on this point: “Only nuclear energy can power our high-energy human civilization while reducing humanity’s environmental footprint.”

Greater reliance on nuclear is almost certainly necessary if the world is going to reach some of the more ambitious climate mitigation goals, but it cannot do it all. Nuclear accounts for only 10% of the world’s electricity generation, and it is not as if new plants can be erected overnight. Other energy sources will need to play a role, including the renewable sources Shellenberger diminishes. Not a single new nuclear plant was constructed in the United States between 1979 and 2019, and the 2011 accident at the Fukushima Daiichi nuclear plant in Japan has dampened enthusiasm for nuclear power in much of the developed world. Whatever role nuclear has to play—and he is likely correct that there is no stabilizing atmospheric concentrations of greenhouse gases without it—other sources of carbon-free power will be necessary too.

In his zeal to promote nuclear’s virtues as a dense, carbon-free source of power, Shellenberger is too quick to dismiss the role other technologies might play. All sources of energy involve tradeoffs. None is free of environmental effects. While criticizing environmental activists for their selective focus on the downsides of life-enhancing



**Apocalypse Never:
Why Environmental
Alarmism Hurts Us All**

By Michael
Shellenberger
464 pp.; Harper, 2020

technologies, Shellenberger obsesses about the drawbacks of renewable energy, such as the tendency of wind turbines to kill birds and bats. Given his treatment of the ecological concerns raised by other technologies, it is odd that he does not view this as yet another modest environmental problem that technology and ingenuity can address. Indeed, since his book was published, new research suggests avian mortalities can be cut dramatically by something as simple and cheap as painting black one blade on each turbine so that birds can better see the danger. It is fair for Shellenberger to claim that “the industrial revolution could not have happened with renewables,” but the world is not likely to meet the climate change challenge without them.

Conclusion / *Apocalypse Never* is clearly intended to provoke as much as persuade. Shellenberger is correct that economic development and technological advance are essential for successful environmental conservation, and he properly excoriates those environmental activists who obstruct such developments. Yet, the book provides minimal exploration of the sorts of policies and institutional arrangements necessary for such changes to take place.

Economic growth and innovation are necessary, but insufficient, for continued environmental progress. Neither is automatic. The broader legal and institutional framework in which technologies are developed and deployed often determines whether they are used in ways that enhance or undermine ecological sustainability. The environmental horrors of former Soviet countries were not due to a lack of industrialization or urbanization. Nor are the ecological problems in developing nations solely a consequence of poverty. Legal institutions, and the incentives they create, channel human ingenuity. Fulfilling Shellenberger’s vision of a “high-energy, prosperous world with flourishing wildlife” will ultimately require attention to such concerns. It cannot be just willed into existence. Shellenberger has stood athwart the visions of apocalypse, yelling stop. The next step is to chart the course for a new destination. **R**

Defending Western Civ

REVIEW BY ART CARDEN

The *Lost History of Western Civilization* is a new contribution to the large and venerable body of literature fighting an academic culture war over “Western civilization.” It offers a powerful refutation of the claim that the idea that there is such thing as a Western civilization was invented by powerful people for nefarious ends, and it is also a useful answer to the charge that studying the history of ideas and poring over texts written by people long dead is a waste of time.

We are amid a cultural moment in which a lot of influential people seem to want to jettison the ideas of the Enlightenment because, they say, those ideas have an unsavory provenance. Kurtz “debunks the debunkers” who claim to have shown that the notion of Western civilization was invented in the service of World War I propaganda efforts. The book caught my attention because of the apparent nihilism and arbitrariness of the “anti-civ” intellectual moment, in which a lot of prominent members of the educated clerisy seem to be offering little more than an exhortation to “burn it all down.” Apparently, we don’t all agree as much as I thought we did on the virtues of the Enlightenment.

An imperialist conspiracy? / Kurtz criticizes a fundamentally incoherent position:

“The upshot appears to be that the West is evil; and besides, it doesn’t exist.” He points to three events that gave rise to the anti-civ movement. The first is the historian Gilbert Allardyce’s provocative argument that, in Kurtz’s words, “the very idea of Western civilization is a modern invention devised during World War I as a way of hoodwinking young American soldiers into fighting and dying in the trenches

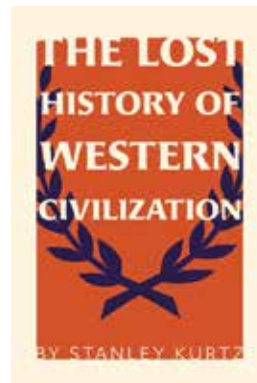
of Europe.” The second is the supposed debunking of Allan Bloom’s 1987 book *The Closing of the American Mind*. The third is the 1989 controversy over Stanford University’s “Western Civ” class requirement, which was axed in the wake of student protests featuring the infamous, “Hey-hey, ho-ho, Western Civ has got to go!”

Bloom, it turns out, has not been refuted. *The Lost History of Western Civilization* underscores the importance of West-

ern civilization and restores it to its rightful place in the history of the American—and more broadly, Western—experiment in liberty and individual dignity.

Kurtz divides his analysis into an introduction and three parts, titled “Failed Disbelief,” “How the West Was Lost,” and “Accusation and Its Discontents.” A lot of the book is an exercise in “debunking the debunkers” who saw in the movement for Western Civ courses an imperialist, militarist conspiracy that justified, both retroactively and prospectively, replacing the practices and

folkways of Rousseauian noble savages in the Americas and Africa with bourgeois European pseudo-civilization. The supposed “civilizing mission” of the West, critics are quick to argue, has been used to justify all sorts of horrible things, from wars to colonies to empires. However, any ideal can be used badly, as with someone hitting another person in the head with a bike lock or torching a car dealership in the



The Lost History of Western Civilization

By Stanley Kurtz

153 pp.; National Association of Scholars, 2020

name of “anti-racism” and “anti-fascism.”

Kurtz takes us through the history of studies of Western civilization at Harvard and Princeton, with an emphasis on the informal circulation of Montesquieu’s 1748 *Spirit of the Laws* and Adam Ferguson’s 1767 *Essay on the History of Civil Society*. Kurtz also explains how Thomas Jefferson had a related vision for the University of Virginia. Other important texts include William Robertson’s introduction to his biography of Charles V, titled *A View of the Progress of Society and Europe, from the Subversion of the Roman Empire to the Beginning of the Sixteenth Century*, which has largely been forgotten even though, during his career, Robertson was thought to be the equal of Edward Gibbon or David Hume. Kurtz cites research into circulation records showing that the works of Robertson, Ferguson, and Montesquieu were borrowed frequently from the Harvard library. Robertson had an influence on John Adams, and Montesquieu was added to Harvard’s formal curriculum “around 1783.” Another one of the texts Kurtz highlights, Francois Guizot’s *The History of Civilization in Europe*, influenced John Stuart Mill, Alexis de Tocqueville, and Karl Marx.

Deconstructing the West / Kurtz takes apart multiculturalism and its modern variants and notes that it “functions less as a coherent philosophy than a system of contradictory intellectual taboos.” It seems to stem from the notion implicit in the Marx-derived “critical” tradition that everything is about power relations; that, pace Michel Foucault, “truth” is a mask for what entrenches and reinforces the powerful. Indeed, elsewhere Kurtz writes, “Culture now means whatever it has to mean in order to prevent a judgment of relative cultural merit from being made.”

The left’s long and distinguished tradition of obfuscating word games—redefining “anti-racism” so as to give it an idiosyncratic meaning that seems to do no more than signal that the speaker or writer reads the right books, journals, and magazines—is a complicating factor here because it produces so much that is dense and obscure.

I am reminded of a *Calvin and Hobbes* strip in which Calvin says: “I realized that the purpose of writing is to inflate weak ideas, obscure poor reasoning, and inhibit clarity. With a little practice, writing can be an intimidating and impenetrable fog!” Hobbes reads the title of Calvin’s book report, “The Dynamics of Interbeing and Monological Imperatives in Dick and Jane: A Study in Psychic Transrelational Gender Modes.” Calvin finishes: “Academia, here I come!” Things do not seem to have gotten much better.

Kurtz writes:

It all depends on what you think is important. We used to believe that individual liberty, religious freedom, liberal democracy, free markets, constitutionalism, scientific rationality, and the rule of law were significant enough to justify a focus on the traditions that created them—traditions that originated in the biblical and classical worlds, then developed through the Christian Middle Ages and the Europe of the Enlightenment, and finally spread to America and beyond. This was the core idea of Western Civilization as it flourished in the mid-20th century. Deconstructionism is less a way of rebutting this idea than a strategy for ignoring it.

Or destroying it. I am all for detailed and serious inquiry into why the West has not always lived up to its ideals, and I think the important historical question—which economist/historian Deirdre McCloskey and I try to answer in our new book *Leave Me Alone and I’ll Make You Rich*—is how the West developed these ideals to begin with. The deconstructionist project of multiculturalism, intersectionality, or the Foucaultian/Marcusean idea that there is no truth, only power, seems to be to reject the idea that these are “ideals” in any meaningful sense. I’m sympathetic to the idea that we need to “decolonize the curriculum” and look at our ideas from different perspectives. My institution, for example, is experimenting with reading the Western canon through the eyes of Frederick Dou-

glass, W.E.B. Du Bois, and Martin Luther King Jr. Unfortunately, some people think that decolonizing the curriculum requires delegitimizing the West.

Progressive conspiracy theories of history do not, in my experience, prove to be persuasive. Kurtz is unmoved by Allardyce and others who contend that Western civilization is a conspiracy by the powerful against the powerless. Allardyce is, of course, aware of efforts like those of Archibald Cary Coolidge in his “great books” History I course at Harvard, but Kurtz notes that to Allardyce, this wasn’t a “real” Western civ class. Kurtz disagrees, noting that

Coolidge required students to master a spare, fact-based book of key dates and events precisely because he rejected more ambitious textbooks in favor of independent reading from primary sources and scholarly works.” “Rightly understood, therefore, Coolidge’s History I was every bit as much a direct ancestor to the mid-20th century efflorescence of Western Civ as Columbia’s Contemporary Civilization course. And it all began a quarter-century before World War I.

I am a lifetime member of the National Association of Scholars and was very intrigued when a colleague forwarded me essayist Mary Eberstadt’s review of *The Lost History of Western Civilization* in the *Claremont Review of Books*. It is a useful focusing point and a comforting read for people like me who believe that the history of the West is real, that it has something to recommend it, and that it is more than oppression, subjugation, and power relations all the way down.

I have come to the disconcerting realization that the fight over Western Civ is not a disagreement about facts or interpretation surrounding a bunch of things I thought everyone valued, such as liberty of conscience, long and healthy lives materially provisioned, literacy, and peace. Rather, it is a fight over whether at least some of those things should be valued. Kurtz helps us see how we have come to this disagreement—and how things can be set right again. **R**

Pursuing Biological and Chemical Weapons Details through FOIA

REVIEW BY VERN MCKINLEY

The world changed enormously in 2020, presenting the average American with a great deal of uncertainty and fodder for sleepless nights. In his new book *Baseless*, novelist and essayist Nicholson Baker traces another period of national uncertainty: the U.S. government's mid-20th century experimentation with chemical and biological weapons. The book not only chronicles the efforts by the U.S. government to develop those weapons and the accusations of U.S. adversaries that the weapons were used against their citizens, but it also shows how to use the Freedom of Information Act (FOIA) to (sometimes) wrest desired documents from an unwilling government. Baker is a prolific writer of predominantly fictional novels, but the subject matter of *Baseless* is all too real and nonfictional.

The title *Baseless* is drawn from "Project Baseless," an early 1950s plan to achieve "a large-scale Air Force-wide 'practical capability' in biological weapons at the earliest possible date, to be used against Russia and China in a total war." Baker uses the word "baseless" throughout the book, in different contexts. The official position of the federal government during the 1950s was that "allegations of biological weapons use in the Korean War" were baseless. Baker deems baseless the arguments presented by the U.S. government for denying many of his FOIA requests and heavily redacting the most useful parts of documents he did receive. At the end of the book, he suggests that without question all U.S. government documents that are "more than fifty years old should be released in full, [with] no redactions."

Historical review / Although the primary focus of the book is U.S. government activity during the Korean War, Baker's story

often goes outside that period. He explains early in the book:

Wherever I started—say, in February 1952—there was always something before that moment that needed to be explained, and that something led to another perplexity that had preceded the one that I was trying to understand, so that I kept being pushed backward in time when I was trying to go forward.

Readers find their journey takes side trips to topics such as aerosol bug bombs and the plan to starve the Japanese into unconditional surrender, both of which happened during World War II.

Baseless does not have a typical table of contents with individual chapter titles and page numbers. Rather, it offers a list of sequential dates in early 2019, when Baker was writing the book. He could have chosen to begin his story near the end of World War II and then trace the development of the chemical and biological warfare tools through the Korean War and beyond. But he presents his story in a diaristic format, sequential only in the sense that it traces his daily thoughts from March 9, 2019 to May 18, 2019. As a result, readers do not get a

clear sense of the historical development of these weapons over time but rather follow the scattered path of how Baker's mind moved between different aspects of the history of weapons development, wherever his research (and his state of mind at the time) led him.

He intertwines his two primary storylines: the author's unearthing of the covert biological and chemical weapons efforts of the U.S. government, and his coterminous efforts to extract that detail through FOIA requests that he and others filed. Of the two storylines, I am particularly interested in the FOIA one, as I have relied on the act to discover unique details for my own research. He and I agree that the Freedom of Information Act, although named with high expectations of making government more transparent, is a less-than-perfect tool. Baker's stories about document denials and redactions are not surprising coming from a government that does not want itself seen in a negative light or have its activities scrutinized. But as he emphasizes throughout the book, these events happened 65–75 years ago and no one in the federal government today can be directly implicated in any alleged horrible acts.

Baker notes that some FOIA requests by his colleagues took up to 15 years to receive a response. One such request was made in 1996 and in 2012 a specialist at the National Archives had the gall to ask of the requester, "Please contact this office if you are still interested in pursuing this FOIA ... request." I agree with Baker's question about the delays: what is the government hiding?

The record is exposed (or is it)?

/ His description of the testing and deployment of biological weapons is not for the faint of heart. Fort Detrick in Frederick, MD, was once the home of the U.S. biological weapons program. The base had an inventory of "mosquitoes infected with yellow fever, malaria and dengue" and "fleas infected with plague," ready to



Baseless: My Search for Secrets in the Ruins of the Freedom of Information Act

By Nicholson Baker

464 pp.; Penguin Press, 2020

be deployed against an enemy. So, were the weapons ever used?

One weapon was the “feather bomb,” which was designed to use feathers as a dispensing agent for biological weapons. A 1951 document explains that the bomb was intended to be used against enemy oat fields, particularly to ruin Soviet agricultural viability. It is unclear whether the weapon was ever produced and tested; Baker concludes, “It’s remotely possible, though perhaps eternally unprovable, that some of the anti-crop field tests ... actually happened.”

Then there is Operation Green, a series of experiments in the early 1950s “aimed at infecting pigs with hog cholera.” In this case, Baker thinks the weapon may not only have been deployed, but used, “not in China in 1952 but in East Germany in 1953 and 1954.” He also summarizes seemingly senseless weapons tests and tallies the deaths of thousands of guinea pigs, mice, monkeys, dogs, and rabbits.

A problem with *Baseless* is that it never gives a sense of perspective on those activities. Readers are bombarded with examples of weapons ideas over hundreds of pages, some of which apparently never moved beyond the planning stage, others of which went much further. Baker often speculates about whether or not specific plans were ever implemented, frustrated by the extreme lengths the government has gone to hide precious details. After I read the book, I remembered certain of the details, but it was difficult to discern the most advanced and threatening of all of them in his hodgepodge of examples.

There are a number of topics that clearly raise Baker’s ire. On the FOIA side there are redactions and destruction of records by the government. “Redaction” refers to the scourge of all FOIA requesters: cases where the government either whites-out or blacks-out sections of key documents, in many cases targeting the most important information. Baker writes, “Redaction [is] a form of psychological warfare directed against historians, a way of wearing people down and making them go away.” As for records destruction, he gives the example of “Jose Rodriguez..., former director of the National Clandestine

Service..., [who] destroyed ninety-two ‘enhanced interrogation’ tapes” during the George W. Bush administration. Although this is a more contemporary example, one wonders how many cases throughout history there are of the government destroying records, which in some cases is allowed by the Federal Records Act.

Baker is also appalled by the actions of the Central Intelligence Agency, not only in its covert approach to warfare, but also in its efforts to avoid disclosure of decades-old activities. His harshest words are reserved for those he refers to as “the germ-warfare people.” He writes:

They were all killers. Killers of people, killers of villages, killers of monkeys and dogs. They devoted themselves to finding improved ways and means of killing.

I agree with much of Baker’s narrative, but there are a few obvious flaws. Although it is apparent from his research that the

U.S. government took some absolutely awful actions regarding these weapons during the era under scrutiny, he readily accepts the narrative of governments like Cuba and China. As someone who is familiar with the FOIA request process and the option of appealing the government denials through the courts, I am also surprised that he elects not to press his case after an initial denial. There are obvious resource challenges in litigation, but the barriers are not insurmountable.

Nonetheless, Baker tells a compelling story. In one of the final chapters of *Baseless*, he explains his conclusions about the Korean War, seemingly recognizing that his nonsequential and scattered coverage of the topic may confuse readers. He writes: “Let me blurt out what I think happened with germs and insects during the Korean War. You may not be convinced, but that’s okay. My aim is to open the files, not necessarily to convince.” R

Reversing Government Control

◆ REVIEW BY GEORGE LEEF

Another election season has come and gone. We were bombarded with messages for and against various candidates and messages merely imploring us to vote. Some Americans relish what they think they will get from the outcome; others dread its results. In any case, we accept that, for all its flaws, democracy is the way the United States is supposed to work.

In his book *Liberty in Peril*, Florida State University economist Randall Holcombe argues that democracy *was not* the way the country is supposed to work. Our founding philosophy was that liberty should prevail, not democracy—that the reason for government was to protect the individual’s freedom, not to subject him to the will of the majority. Over time, the philosophy of liberty has been shoved aside and today democracy rules to the point where, as the author puts it, liberty has an almost quaint air about it.

As Holcombe’s subtitle suggests, this is a work of history, explaining the nation’s shift from the ideology of liberty to the ideology of democracy. He observes that there is a tension between the two. Under the ideology of liberty, the important question is how to put limits on government so that it can protect individual rights. Under the ideology of democracy, the question is who will hold power to do what the public wants. Where the former prevails, the people tend to have a healthy wariness of government and desire to keep it in check. Where the latter prevails, the people eagerly

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listen to politicians who promise them benefits from the government.

Consensus / Holcombe begins his history not with the Constitution or even the colonists, but with the Iroquois, the largest confederation of Indians that European settlers encountered. The Iroquois had an unwritten constitution and its key principle was unanimity. Colonists who became familiar with the Iroquois system commented on its “absolute notion of liberty.” The Iroquois had a Great Council composed of tribal chiefs, but it did not act like we expect legislatures to act: imposing decisions on the people. Instead, the Great Council facilitated the building of consensus among the tribes. Questions were debated and then the chiefs would return to their tribes to assess the sense of their members. Not until a proposal (and I wish Holcombe had said what kinds of issues the Iroquois dealt with) was acceptable to all the tribes was it adopted. That “debate it until we have consensus” mode meant that little was done, but to the Iroquois that was preferable to forcing people to abide by rules they did not agree to.

The British colonists found it frustrating to deal with the Iroquois because their representatives always said, “We must take this proposal back to our Great Council for consideration.” Yet, some colonists incorporated the unanimity principle into the Albany Plan of Union, drafted in 1754. That plan was never put into effect, but it called for unanimous consent among the colonies for any action to be taken. Consensus was required, not majority rule.

The first central government formed in the United States was under the Articles of Confederation, adopted in 1781. Most historians brush aside the Articles, but Holcombe thinks them worth analysis. Under them, the United States had a unicameral legislature without any federal executive or judiciary. Proposed amendments required unanimous consent. The central government had little power, as would be expected from a people who had just waged a long war to get rid of a government that, most thought, had too

much power to violate individual liberties. The central government could not levy taxes directly, but instead had to request funds from the states. Holcombe finds virtue in that arrangement because each state could decide whether the expected benefit of turning funds over to the central government was worth giving up the best use of those funds within its own borders.

Life under the Articles was less than ideal, particularly the way some states interfered with interstate commerce, but such problems might have been dealt with by amending the Articles. Indeed, that was the original purpose of the 1787 convention that we now call “the Constitutional Convention.” More than a few of the delegates objected to the way certain leaders decided to instead draft an entirely new plan of government.

For all the Constitution’s restrictions on federal authority and its famous “checks and balances,” Holcombe finds that liberty was much more secure under the Articles. That was especially so because the federal government was no longer accountable to the states but was a power center unto itself. Furthermore, consensus was diluted because the Constitution could be amended with only two-thirds of the states agreeing, rather than all. And most troubling of all, the powers given to the federal government were vaguely worded, such as to “regulate commerce” and “promote the general welfare.” While the drafters of the Constitution were fearful of democracy, they opened the door to its growth.

Democracy and special interests / In the decades prior to the Civil War, democracy slowly gained ground against liberty. An intriguing instance was the “reform” of the Post Office in 1851. Until then, it had operated as a profitable public entity, charging differential rates. Under the new

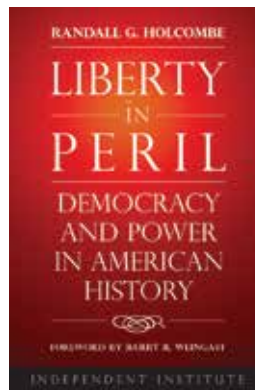
law, rates were made uniform, thus subsidizing postal customers in remote, western areas at the expense of those in the heavily populated east. The upshot was that the government was beginning to pick winners and losers through policy.

The Civil War (or the War Between the States, as Holcombe argues it is more accurately called) vastly expanded the power of the federal government and put the states in a subservient position. The promotion of the economic interests of some Americans at the expense of others became widespread and blatant. An egregious example was the way the lobbying group for Union veterans, the Grand Army of the Republic, managed to expand benefits dramatically, covering more and more soldiers and their families with increasingly large payments. Holcombe notes that President Grover Cleveland, who had been popular with the group until 1887, lost its favor when he

vetoed a bill that he thought went too far. A large reason for Cleveland’s reelection loss the following year to reliably pro-veteran Benjamin Harrison was that bit of fiscal responsibility.

Also, in the decades after the Civil War, economic regulation intended to benefit some groups at the expense of others was common. The distinct but related Populist and Progressive movements drove the country further into democracy and away from individual liberty. For example, states were given the green light by the Supreme Court to interfere in private contracts by dictating the prices that grain elevator owners could charge farmers. Government had turned from protecting liberty to promoting the economic interests of politically influential groups. The same was true for regulation of railroad rates by the Interstate Commerce Commission.

World War I led to a burst of government activity that undercut liberty,



***Liberty in Peril:
Democracy and Power
in American History***

By Randall G.
Holcombe

245 pp.; Independent
Institute, 2019

including freedom of speech. After the war there was a “return to normalcy” under presidents Warren Harding and Calvin Coolidge, but liberty did not regain much of the ground it had lost. The War Finance Corporation, begun during the war, remained alive throughout the 1920s to make business and agricultural loans, the Inland Waterways Corporation was created to operate barges on the Mississippi River and the Agricultural Credits Act lent money to farmers. Immigration Acts were passed in 1917 and 1924, among other federal interventions having nothing to do with the protection of liberty. (See “The ‘War’ on Chinese Restaurants,” Summer 2017.) The bad habit of extending the government’s scope was not at all cured during the Roaring ’20s.

Things got much worse under Coolidge’s successor, Herbert Hoover. Hoover, notes Holcombe, was a progressive who thought that government authority should be exerted to improve the country and then, once the Depression began, to bring the country out of it. When Franklin D. Roosevelt took over in 1933, his whirlwind of federal activism dramatically transformed the nation. Numerous boards, commissions, and agencies issued mandates and prohibitions. Liberties that Americans had always assumed were theirs, such as the freedom to set their own prices or grow what they choose on their land, were abrogated.

For a while, the Supreme Court blocked some, although not all, of the New Deal programs on constitutional grounds. But after Roosevelt’s court-packing proposal in 1937, Chief Justice Charles Evans Hughes came around to the new “progressive” understanding of government’s role. Social Security is a good example. Nowhere in the Constitution is the government authorized to run a retirement program, but as Holcombe writes, “If the Constitution, thus interpreted, gives the federal government the power to run a compulsory retirement program, it is difficult to see any constitutional limits on the programs that the federal government is permitted to undertake.”

After World War II, governmental power kept ratcheting up—more slowly under Republican presidents, and more rapidly under Democratic ones, especially Lyndon Johnson and Barack Obama.

In the end, Holcombe is deeply pessimistic. Liberty is certainly in peril—what is left of it, anyway. “A utilitarian undercurrent,” he writes, “has arisen in the nation

that is willing to weigh the costs of sacrificing a little more liberty in exchange for other goals. Liberty is not taken for granted; it is willingly sacrificed.”

Can anything rekindle the love that Americans once had for liberty and reverse the ratchet of government control? That is the question this excellent book leaves readers wondering. R

Markets and Government

◆◆ REVIEW BY PHIL R. MURRAY

Diane Coyle describes herself as “a British economist and policymaker.” In her current book on microeconomic policy, her essential question is, “Which activities should be done by the government, which by the market, or in some other way?” To answer that, she builds on traditional economic theory using recent developments.

Pareto efficiency / The cornerstone to her answer is the concept of Pareto efficiency. Coyle states, “An allocation of resources is *Pareto efficient* if nobody can be made better off without somebody else becoming worse off.” If change occurs and we arrive at a Pareto efficient outcome, no further improvements can be made. The distribution of well-being matters, however. Later in the book, Coyle writes, “The claim is that 432 people now own half the country’s land area,” referring either to Scotland or the Highlands of Scotland (it is unclear which). Scots not among the 432 probably do not think that situation is best. People value efficiency *and* equity.

“The first theorem” of welfare economics, according to Coyle, “states that if a competitive market equilibrium exists, then it is Pareto efficient.” Some think this theorem endorses markets. Coyle seems to share that view, writing, “This theorem is the underpinning of the instinct in favor of competitive markets as a benchmark.” “The second theorem,” she continues, “says that given an initial allocation of resources, there is a set of competitive prices that support the Pareto efficient outcome.” The implication is that even if a government redistributes incomes, markets will re-

establish a best situation.

The fundamental theorems are based on unrealistic assumptions such as the absence of barriers to enter markets. “The Pareto efficiency approach and welfare theorems nevertheless hold powerful sway in the worldview of economics in offering a conceptual framework for thinking about why, in any particular real-world context, competition and market exchange are not the social welfare-maximizing approach,” she writes. Because there are externalities, for example, markets do not lead to a Pareto efficient outcome. It would be a mistake, Coyle maintains, to downplay the incidence of market failures and adopt “a presumption in favor of ‘free markets.’” However, although market failures are omnipresent in her view, she is equally skeptical of government’s ability to correct them.

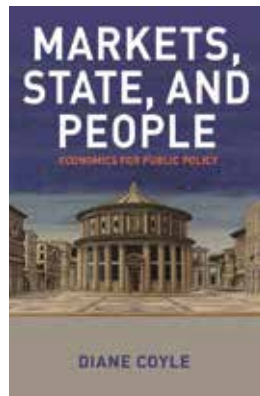
Government intervention / Governments attempt to improve markets by taxing, spending, transferring, and regulating. Take the case of a Pigouvian tax that corrects a negative externality. The social marginal cost of production exceeds the private marginal cost because of a negative externality such as pollution. The market clears at a quantity such that the marginal

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value is less than the social marginal cost; the quantity and the negative externality it produces are too high. Coyle shows how a tax on the sale of the good reduces the supply, raises the price, and moves the quantity toward the lower, optimal level; however, she notes that achieving that optimal outcome is difficult. She further adds that figuring the tax that yields the efficient outcome is complicated.

Given the difficult task of determining the optimal Pigouvian tax, some doubt that a negative externality can be corrected accurately. They prefer another path to the efficient outcome. Ronald Coase attributed externalities to ill-defined property rights. Coyle illustrates this with a case study: Farmers using nitrates in their production process clashed with Nestlé Corp. and its spring water bottling operation. Assuming property rights are well defined and transaction costs are sufficiently low, exchange eliminates externalities; however, that assumption can be difficult to realize. In the case of the farmers and Nestlé, there was a happy ending: Nestlé recognized the farmers' property rights, buying land from some of them and paying others to use alternative production methods. Sufficiently low transaction costs made the deal possible. But just as some doubt that Pigouvian taxes and subsidies will produce efficient outcomes owing to information problems, some doubt that transaction costs will often be low enough to make a "Coasean bargain" possible.

Competition and market power / Readers will encounter no claims for the existence of fully free markets: a free market is "an abstraction that does not exist in reality," Coyle writes. This is because "the state defines and assigns property rights, and enforces them through the judicial system." One could be enthusiastic about the performance of markets and acknowledge the role



Markets, State, and People: Economics for Public Policy

By Diane Coyle

360 pp.; Princeton University Press, 2020

of government in establishing property rights. Even she sees a role for "custom" in establishing property rights and roles for "social norms" and "social capital" in enforcing them. But in her view, government overrules those extralegal factors.

Although the author doubts the existence of a fully free market, she appreciates property rights. Also, her touting the benefits of competition is similar to an appreciation of free markets. To Coyle, competition is a matter of degree, depending on how closely a market approximates the assumptions of the fundamental theorems. Readers can ponder the irony of eschewing the free market as an abstraction while idealizing perfect competition. She proclaims:

Economists love competition. The fundamental welfare theorems ... explain why: markets enable allocative and productive efficiency. Competitive market prices efficiently convey information about consumer preferences and conditions of supply. Consumer choice forces companies to produce at least cost and to provide good quality or innovative products and services. So competition should mean lower prices, higher quality, and more innovation.

Monopoly is bad, Coyle writes: "Monopoly power, when there are just one or a few big firms, means the reverse of all these good things." She contrasts monopoly to competition: A monopolist restricts output and raises price. Many competitive firms expand the level of output; price falls to the marginal cost of production. "So moving from monopoly to competition increases welfare," she explains, "and the perfectly competitive equilibrium is Pareto optimal." Advocates of free markets will bemoan the author's equating perfect competition with what is good and monopoly with what is bad, but they will approve when she

recognizes that innovation is a source of monopoly and that market power based on innovation is "deserved."

Governments intend to foster competition by evaluating mergers, examining the conduct of firms with large market shares, stomping out cartels, and regulating. Coyle writes at length on natural monopoly. The problem with this type of firm, whose average cost decreases over a large volume of production, is that consumers' marginal value of the profit-maximizing output level will exceed the marginal cost of production. That violates efficiency; the profit-maximizing output level is below the efficient level.

In such circumstances, there are three options for public policy:

- The government could refrain from intervention. This is difficult for politicians and citizens who share a penchant for intervention.
- The government may require the firm to produce at the efficient level of output. Mandating the output level begets price regulation. The government may regulate the price to be the average cost of production, which enables the firm to break even. Or the government may regulate the price to be the marginal cost of production, in which case the firm must be subsidized so that it breaks even. The drawback is that "regulators rarely have enough information about supply and demand curves to implement it." Therefore, regulators set limits on price increases or set limits on rates of return.
- Government could take over production of the good. Coyle gives the rationale for why a private producer under conditions of natural monopoly is objectionable. One is that private-sector monopolists "lack legitimacy" because both consumers and voters resent them. The implication is that government provision subject to the influence of voters would be legitimate.

Coyle takes up numerous cases of market failure and explains government policies designed to correct them. Then she admits, "All regulation tends to reduce

competition.” The problem is that regulation acts as a barrier to enter a market. Among the regulations she lists are health and safety measures, price controls, and labor market rules. She highlights the market for taxi service. Eliminating the license to drive a taxi would increase the supply of drivers, lower the price of service, and reduce the time spent waiting for service. Deregulation meets resistance, however, from licensed drivers. Given that the benefits of deregulation are dispersed among many consumers of taxi service and the costs are concentrated on licensed drivers, politicians may appease the latter group. The market is a source of hope because entrepreneurial innovations increase competition. Coyle reports that Uber and Lyft’s entry into the market for taxi service reduced prices and waiting times.

Conclusion / Markets and governments play leading roles in the book. Nonmarket and nongovernment institutions do

not get equal treatment, but they do get a chapter.

Coyle outlines Garrett Hardin’s “tragedy of the commons.” “The problem he diagnosed,” according to her, “is that resources held in common will be overused because rational individual decisions impose an external cost.” The pursuit of individual interest does not lead to what is good for all. Fishermen lack reason to refrain from overfishing, for instance, and the fish population will dwindle. Hardin saw two remedies: private property rights over the resource could be established, or the government could allocate the resource. But there is a third remedy: Coyle introduces Elinor Ostrom’s notion that there are “lots of types of institutions, not just (‘free’ or not) markets, and ‘the’ government.” For example, Japanese farmers use “associations” to allocate water and the San Diego Watermen’s Association manages the stock of sea urchins. Through her research, Ostrom discovered the necessary conditions for a community group to manage common

pool resources. The gist of these “design principles” is that property rights must be enforced and free riding must be minimized.

Coyle dubs the revival of industrial policy “Industrial Strategy Redux.” Five market failures, she reasons, justify industrial policy. One is that there are “missing markets” to finance new ventures. Another is that firms cannot profit by producing “basic knowledge via research.” She cites examples of successful industrial policies. “For instance,” she writes, “US military-funded research created much of the basic structure of the internet and the global positioning system.” She cites Mariana Mazzucato’s argument that Apple used technologies financed by government agencies such as the Defense Advanced Research Projects Agency to create the iPhone. Coyle provides examples of industrial policy flops, too. She does offer some recommendations for better industrial policy, such as that “government financial support for a company should be offered on similar terms to a

Regulation

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REGULATION was first published in July 1977 “because the extension of regulation is piecemeal, the sources and targets diverse, the language complex and often opaque, and the volume overwhelming.” REGULATION is devoted to analyzing the implications of government regulatory policy and its effects on our public and private endeavors.

commercial loan.” She also suggests that “policy should address the specific market failures of under-provision of public goods, such as basic research, information asymmetries, and incomplete markets as in the case of new product.” Coyle is no missionary for industrial policy: for each one of her “arguments in favor” of it, she offers as many “arguments against.”

Benefit-cost analysis (BCA) is a useful tool for policy formulation. Although BCA is grounded in economic logic and mathematically precise, it is not necessarily definitive. Assuming different social discount rates leads to different policy recommendations. Coyle highlights BCAs of reducing carbon emissions. She writes, “A lower figure for the social discount rate makes the future net cost of environmental damage far greater, and likewise the net benefit of acting to avert it now.” That sounds sensible; a lower interest rate increases the profitability of long-term investments. But then she writes, “A social discount rate of 1.4% rather than 6% would multiply sixfold the discounted value of future climate damage in a hundred years from now.” She cites Partha Dasgupta’s “Comments on the Stern Review’s Economics of Climate Change” for that fact, but although Dasgupta reports the “social price of carbon” under different climate models, no one social price is six times any other. Perhaps this reviewer fails to understand what Coyle reports, but Dasgupta does write: “A higher value of *eta* [a component of the social discount rate] could imply that the world should spend more than 1% of GDP on curbing emissions, or it could imply that the expenditures should be less. Only a series of sensitivity analyses would tell.” The point is that BCAs do not settle the issue of whether it is better to act on climate change sooner than later.

Coyle writes a comprehensive exposition of how governments can help markets work better versus the pitfalls of government intervention. The author knows both sides so well that her presentation borders on the schizophrenic. In so far as she gives readers much to ponder without telling them which combination of market and government is best, she succeeds. R

A Reasonably Strong Case for Way More Immigration

◆ REVIEW BY DAVID R. HENDERSON

As a long-time advocate of expanded immigration, I am delighted to have left/liberal Matthew Yglesias as an ally. Yglesias, who helped found online magazine *Vox*, is one of the rising stars in journalism and, especially, economic journalism. His latest book, *One Billion Americans*, advocates what the title says: we should change

institutions so that we have 1 billion Americans. This book is particularly needed now. Yglesias’s major argument for more population, though, is not mine: he wants the United States to continue to be the world’s dominant power and worries that if we do not greatly expand our population, China will dominate.

In making this case, he advocates changing several government policies beyond immigration. In fact, he writes much more about those policy changes than he does about immigration policy. So, for example, we learn more about his proposals for government-funded childcare, housing, and transportation policy than we do about how many new people and what kinds of people he wants to let into the country each year. He does say he does not want open borders, but he does not say what immigration reform he wants instead.

On the non-immigration issues, he vacillates between intolerance of other people’s choices and great tolerance: he is intolerant of voluntary contracts between employers and employees that do not include paid parental leave, but he is highly tolerant of people’s decisions about what kinds of dwellings to live in. Where he is tolerant, he makes a good case. Where he is not, the book fails. Still, the big picture he paints is good: he shows that we can relatively easily triple

the U.S. population without making our country too crowded or overly stressing most of our institutions.

Keeping America great / As noted above, Yglesias’s major argument is that the United States should continue to be the dominant country in the world. He makes a tight case that without a major increase in population, China will become the dominant world power, but he does not say why that would be bad. It is true that China has a much worse government than ours. It is also true that a more powerful China would be the dominant force in Asia—but it already is. It is hard to imagine China directly threatening the United States militarily; the Pacific Ocean makes for a great moat.

Fortunately, you need not share Yglesias’s concern about China to agree with his goal of a much larger U.S. population through immigration. In *The Wealth of Nations*, Adam Smith argued that the division of labor is limited by the extent of the market. While Yglesias does not mention Smith, he makes Smith’s argument: by having more people in a given area, we can have more variety and our standard of living can increase. He gives a simple example: if a neighborhood gets dense enough to support two national coffee chains,



One Billion Americans: The Case for Thinking Bigger

By Matthew Yglesias
267 pp.; Portfolio
Penguin, 2020

that generates “better matches between consumers and coffee.” The result is increased productivity, even if that is hard to measure. The coffee shop example might seem trivial, but the point scales. With higher density, you get more and better restaurants and more niche tastes satisfied across the board. He also notes that with more immigrants we get more innovation.

One of my disappointments is that he is more of a nationalist than I expected. I understand that to persuade most Americans to favor massive immigration, one probably needs to point out the benefits of immigration to Americans. But Yglesias only occasionally mentions that there would be massive gains to the immigrants themselves, many of whom are close to starving in their native countries, especially now in the midst of COVID-19, and almost all of whom would experience large increases in their real income if they came to the United States.

Yglesias points out that in 2018 the U.S. fertility rate fell to an all-time low of 1.72 births over the lifetime of the average woman. He argues, probably correctly, that an important factor causing women to have fewer children is the increasing cost of raising them. Whether the primary caretaker is a woman or a man, the persistent growth in real wages is raising the opportunity cost of rearing children. The law of demand rears its ugly head: when the price of something rises, then, all else equal, people buy less of it.

In a book that advocates massive increases in immigration, a natural next step to take would be to argue for reducing the cost of child rearing by allowing millions of immigrants, probably disproportionately women, into the United States from the poorest countries in Latin America, such as Guatemala and El Salvador, the poorest countries in Africa, such as Zimbabwe and the Congo, and the poorest countries in Asia, such as India. It would not be hard to get 50 million immigrants from those places in a period of, say, five years. They would benefit and many current U.S. families would benefit from a dramatic fall in the cost of childcare.

But that is not where Yglesias goes. Instead, he advocates massive new government programs to subsidize the provision of childcare. He writes that “the United States has been shamefully slow compared with some peer countries to provide subsidized child care.” But the closest he comes to explaining why U.S. policy is shameful is to argue that because other countries are doing it, we should too.

Missing figures / In a book by an obviously numerate author, Yglesias is, at key points, surprisingly uninterested in important numbers. For instance, he advocates having the federal government

Yglesias advocates that we get “as many smart, skilled immigrants to our shores as we possibly can,” but we should let in many more unskilled people too.

give families \$3,600 upfront for every birth and then \$300 per month until the kid turns 17. A numerate reader will do the math: The United States has about 70 million people less than 17 years old. Therefore, the annual cost of the monthly payments would be over \$250 billion. That’s not a small number. With almost five million births a year, the annual cost of the bonus would be an additional \$18 billion. And those numbers assume that Yglesias’s plan does not induce more births—that is, does not accomplish what he wants. More births, of course, would mean a higher cost.

Another important number missing from the book is what economists would call the “elasticity of supply” of children with respect to the “price” of children. Yglesias’s purpose with the child subsidy is to bring down the perceived price of having children. A reasonable estimate is that the average amount of time spent raising children in their first 17 years is 10 hours per week, obviously front-loaded in the first few years. At an average parental wage of \$20 an hour (surely an underes-

timate), that is about \$10,000 a year. So, his proposal would reduce the perceived price by about 36%. Would that lead to 10% more children, 50% more children, or some number in between? I don’t expect Yglesias to know; no one does. But he needs to discuss the matter.

Moreover, with my alternative proposal of having tens of millions of women from poor countries be nannies hired by parents, the price of raising kids could easily fall by 36%, with the huge additional benefit that the cost to taxpayers would be close to zero. He does cite a study that “finds that when low-skilled immigrants enter a metro area,” college-educated professional women work more hours and earn more money because they can hire housekeepers and babysitters. But he does not pull the trigger and advocate letting more low-skilled workers in. Indeed, to

the extent he discusses skills and immigration, it is to advocate that we get “as many smart, skilled immigrants to our shores as we possibly can.” That is a good idea, but the U.S. government should let in many more unskilled people too.

Least is best / Yglesias’s other proposal to get more American children is to impose mandatory parental leave on employers. His case for this is amazingly weak. He gives two arguments. First, other rich countries do it and therefore we should too. Second, he writes, “If we believe at all in the idea that having and raising children is a valuable activity, then mandating some kind of decent minimum of paid leave is literally the least we could do.” Really? The fact that something is valuable means that government should use force to get more of it? And of course, it is not the literal least we could do: we’re showing now, and even he admits, that the least we could do is have no mandate. He clearly means the least we *should* do.

But why? Yglesias does not say. He admits that the mandate would “impose

IN REVIEW

costs on businesses and nonparents.” But he misses an important group that would bear much of the cost: parents. MIT economist Jonathan Gruber, made famous by some of his controversial statements in the lead-up to the Affordable Care Act, did some of the early work showing that mandating benefits for a portion of the work force will drive down the wages of that portion relative to the wages of others. The particular mandate Gruber studied was pregnancy coverage. He found that requiring employers to cover pregnancy caused the wages of women of child-bearing age to rise less rapidly than the wages of women outside that range. Similarly, mandating parental leave could well reduce wages for people who take advantage of it, mainly women, relative to wages of those less likely to do so.

It’s troubling that Yglesias seems unaware of this finding. It’s also troubling that he has little tolerance for people with different views on the issue from his. Fortunately, in other areas he shows more tolerance. In his excellent chapter on housing, he advocates getting rid of regulations on building houses—especially apartment blocks—in desirable cities. In arguing for more apartments, he says that allowing people to buy what they want is “the beauty of American freedom.” He adds that “individual situations vary, preferences differ, and sometimes people need to make trade-offs.” And in case his readers missed the point, he elaborates: “The point is that just because something is desirable doesn’t mean it makes sense to require it—a concept American policy makers have little trouble grasping in almost any context other than housing.” Unfortunately, among those who don’t grasp this—in the parental leave context noted above—is Matt Yglesias.

Transportation / One of the book’s best chapters is on transportation. In it, Yglesias makes a nice case for one of economists’ favorite solutions for the large amount of time Americans waste in traffic jams: congestion pricing. The idea is to charge more for using the roads at peak usage times. He points out that one reason congestion pricing

works is that “it can operate through so many different channels.” Some people will not make the trip, others will delay or accelerate their travel plans so as to be on the road at lower-priced, less-congested times, and some will carpool or use buses, trains, or bicycles. As economists love to say, people adjust on many margins. The result, notes Yglesias, is that traffic congestion can fall substantially without much drop in overall traffic volume.

He points out that the resulting revenue need not be used to subsidize mass transit because congestion pricing will, in itself, help mass transit. As noted above, some people will switch to buses and, with less

traffic on the road at peak times, buses will move faster. As a bonus in the chapter, he delves into why it is so expensive in the United States, relative to other rich countries, to dig subway tunnels. He admits that he does not have a complete answer for this, but he notes that among the factors contributing to the disparity are union work rules, featherbedding, and more elaborate station design choices.

Yglesias ends by advocating that we “secure the blessings of liberty to ourselves and to posterity.” Amen. It would be nice to secure them for a few hundred million immigrants also. I immigrated in 1977. Others should be allowed to do so. R

Florida’s Unique Version of the Roaring ’20s

◆ REVIEW BY VERN MCKINLEY

The debate over precisely what brought about the Great Depression has raged for nearly a century. Contemporaries initially blamed the stock market crash, which in reality was more of a reaction to the building Depression than a cause. Other points of blame include the collapse of the German financial system in 1931, which according to one author triggered an international liquidity crisis that led to the banking crisis in the United States. (See “Did Germany Contribute to the U.S. Great Depression?” Winter 2019–2020.) As evidenced by the subtitle of this book, former *Fortune* writer Christopher Knowlton points his finger at the bursting of the Florida real estate bubble as a major cause.

I had heard disparate references to the Florida real estate bubble during my research on the history of financial crises. But, before finding this book, I was not familiar with any of the underlying details of the Florida boom and bust. The story is fascinating.

Satisfactory ways to spend money / Typical of many tales about the ups and downs of the economic and financial cycle, Knowlton tells his story through color-

ful characters that he unearthed during his research. He begins with a pioneer of Florida’s development, “the Gilded Age oil tycoon Henry Flagler.” Flagler developed a business model for tourism in Florida that would ultimately draw millions of 20th century visitors and inhabitants. He wrote of the state:

I liked the place and the climate, and it occurred to me very strongly that someone with sufficient means ought to provide accommodations for that class of people who are not sick, who come to enjoy the climate, have plenty of money, but could find no satisfactory way of spending it.

Flagler took some of his gains from the Standard Oil Trust and built the Hotel Ponce De León and Alcazar in St. Augustine. He also accumulated railroads, an industry

he was familiar with since his Standard Oil days, to enable well-off travelers to traverse the many miles from northern states to their destination in the sun. Knowlton credits Flagler with creating “the main infrastructure artery ... for the next great boom in the state’s astonishing development.”

The bubble begins in earnest / When we think of Florida today, we think of a massively populated state of more than 20 million people (third largest, behind California and Texas). But at the beginning of the 1920s, Florida was known as the “last American frontier,” a place that was largely undeveloped, with a population of less than 1 million (smaller than Nebraska).

The next phase of Knowlton’s narrative describes how Florida began growing that population. This section takes up much of the book and focuses on the ups and downs of the empires of what he refers to as the four “real estate kings” of early 20th century Florida: Carl Graham Fisher, George Merrick, Addison Cairns Mizner, and David Paul Davis. Knowlton also traces the life of a contemporary of the real estate kings: writer and conservationist Marjory Stoneman Douglas.

Each of the real estate kings would make his mark in developing Florida communities. Arriving in 1910, Fisher focused on Miami Beach. Merrick came in 1911, with his attention on Coral Gables. Architect Mizner showed up in 1918, with an eye on Palm Beach and nearby Boca Raton. Davis was a native of Florida who focused on Tampa. Knowlton comes to a harsh assessment of these main characters as he spends time on their compulsive, and increasingly questionable, work to build their sometimes gaudy empires and their behavior outside of work hours: “All four men began to blur the truth and to employ more and

more hyperbole in order to sell their dream of wealth, glamour, sex and fun—a dream they themselves now subscribed to wholly.”

He also focuses on how the developers carried on their personal lives consistent with their sometimes-dodgy business practices: “Three of them ... had one other failing in common: they were prone to ‘habitual intemperance’.... Each developed a serious drinking problem.” It must be remembered that this was during the time of the Volstead Act (prohibition). Knowlton continues: “What really intoxicated ... the developers themselves was not the promise of sex or liquor but insatiable greed.”

In contrast, Douglas, who arrived in Miami in 1915, wrote of Florida, “I recognized it as something I had loved and missed and longed for all my life.” In the narrative, she comes across as a model citizen, as Knowlton describes her building her modest bungalow in Coconut Grove, writing a book on the preservation of the Everglades, and her broader work as an advocate for the environment. President Clinton awarded Douglas the Presidential Medal of Freedom in 1993, when she was 103 years of age.

The bubble begins to deflate / Knowlton’s chronicle of the boom period drags on a bit too long, extending for half of the book. The reader will likely be ready to hear the story of the bust by that point.

By the mid-1920s, signs of trouble were percolating, but funds from the now bubbling stock market extended the party just a little bit longer: “The soaring stock market itself was now contributing to the land boom, as investors followed the adage that you should make your money on Wall Street and invest it on Main Street.” The real estate kings at times took their money off the table but would then “double down” by leveraging and investing their gains in

an ever-growing number of new real estate projects.

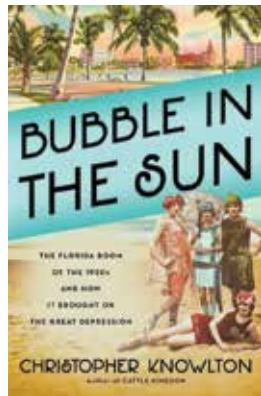
Finally, by mid-July 1926, some segments of the media were beginning to predict the end of the bubble in the sun. For instance, *The Nation* wrote: “The Florida boom has collapsed. The world’s greatest poker game, played with building lots instead of chips, is over.”

A big turning point was a Category 4 hurricane that struck Miami in September 1926. It devastated a 30-mile swath of the east coast of Florida, leaving nearly 400 dead and 18,000 homeless along with an estimated \$7 billion in losses (in today’s dollars). Making matters worse, another hurricane struck Palm Beach in late 1928 with a far higher death toll: high winds caused flooding in numerous settlements and ended up “drowning 1,800 to 2,500 mostly black Bahamian and Haitian farmworkers.” Optimism about Florida’s favorable year-around climate turned into pessimism about how easily a hurricane could turn real estate investments into rubble or put them underwater (literally).

One sure sign that ongoing problems in the real estate sector were spilling over into the financial system was the failure of Palm Beach National Bank, just up the coast from Miami. The bank provided much of the funding for Mizner’s development of lots in Boca Raton. Notwithstanding efforts by the Federal Reserve Bank of Atlanta to prop up the institution, Palm Beach was “forced to shut its doors” in late June of 1926. Mizner’s Development Corporation would end up in bankruptcy. In total, 40 banks in Florida would fail during 1926. Knowlton explains that the two Palm Beach banks that went down as a result of the Mizner bankruptcy led to a “contagion” that spread to a chain of banks across Florida and Georgia.

Knowlton tries to make a connection between the bust in Florida and the Great Depression:

Today there is a growing awareness that the real estate collapse was a major reason for why the Great Depression ran so long and so deep.... I believe the col-



Bubble in the Sun: The Florida Boom of the 1920s and How It Brought on the Great Depression

By Christopher Knowlton

432 pp.; Simon and Schuster, 2020

lapse of the Florida land boom pricked the national real estate bubble of the twenties, causing the initial contraction in the economy to begin.

Yet, his argument is not convincing and does not support the commitment of a subtitle to the connection with the Great Depression. To Knowlton's credit, he does acknowledge that "we need to be wary of single, or monocausal, explanations for any event."

Rags for the kings / When Florida real estate investments showed the early signs of spiraling downward, the four real estate kings' personal lives also descended, with marriages disintegrating, supplemented by reliance on alcohol for comfort. One by one, Knowlton traces the lives of the kings who were so prosperous during the early 1920s.

In October 1926, Davis "disappeared overboard" while on a cruise aboard the White Star liner *RMS Majestic*. At the time, he was divorcing his second wife and preparing to marry his mistress. By 1930, Mizner "was so broke that he had to borrow from friends," including songwriter Irving Berlin. He passed away by 1933. The value of Fisher's holdings in Miami plummeted after the hurricane and his clean-up expenses brought him down further. Ultimately, a different real estate project in the then-humble fishing village of Montauk, Long Island, "dragged him under" as it was completed just about the time of the 1929 crash. He would pass away by 1939. Merrick's investments withered as "the capstone of his Coral Gables development, the Biltmore Hotel, faltered financially and [was foreclosed upon] in October 1929. He would suffer two nervous breakdowns and a bout of "heavy drinking" before passing away in 1942.

Knowlton's summary chapter, entitled "A Legacy of Greed and Folly," preaches about the lessons learned from the kings' separate fates: "From one viewpoint, the Florida land boom is a familiar story of middle-aged men, behaving badly—financially, maritally, and all too often morally—in a manner that seems especially unsurprising today." R

The Standard Populist Playbook

◆ REVIEW BY PIERRE LEMIEUX

Carlos de la Torre's *Populisms: A Quick Immersion* reviews the theories and practices of populism over the last century, with a particular focus on Latin American's versions and the lessons for the current American and European varieties.

Populism accentuates one trend of democracy emphasized by 18th-century philosopher Jean-Jacques Rousseau: the sacralization of "the will of the people." Populists have conceived of "the people" as an organic and homogenous whole that shared one interest and identity," writes de la Torre. In this perspective, the people, as a group, have a will just like an individual.

Populism adds a second element to democracy: the idealization and glorification of the elected leader. "Populists," writes de la Torre, "construct the people with one will and interest that is only that of the leader." "Such leaders claim that they represent and even embody the interests, will and aspirations of a homogeneous people." As Michael Sata, a Zambian populist leader and one-time president, declared, "Zambia needs a redeemer; Zambians want Moses to redeem them, and I am the redeemer of Zambia!" On the 10th anniversary of his election as president of Venezuela, populist Hugo Chavez said, "Ten years ago, Bolivar—embodied in the will of the people—came back to life," referring to the 19th-century liberator of the country. As we will see, contemporary European and American populism shares the fundamentals of this approach.

Who is "the people" supposed to be? De la Torre quotes political scientist Nadia Urbinati who notes that "populism entails a *pars pro toto* [part in lieu of the whole] logic that constructs a part of the population as the authentic people who stand for the sovereign whole." It follows that populism polarizes society into two enemy camps, fueling confrontation and hatred. Those who challenge the populist leader will thus be branded "enemies of the peo-

ple" or "enemies of the nation."

De la Torre shows that both components—the will of the people and its incarnation in a great leader—were present in the populism of the left that emerged in the 1940s and the populism of the right that emerged in the 1980s, although he also suggests that left-wing populism is not quite as bad as right-wing populism. The two sorts of populisms do not "construct the people" in the same way, he writes, borrowing from postmodernist jargon. This means, in reality, that left-wing populists are inclusive of the right people and exclusive of the *wrong* ones—the latter including consumers as well as individuals with libertarian or classical-liberal values.

In Latin America, right-wing populists are more difficult to find than leftist ones. Among the former, de la Torre mentions Alberto Fujimori in Peru and Juan Perón, president of Argentina from 1946 to 1955 and again from 1973 until his death in 1974. However, the book overlooks an important point: populists always want to increase the power of the state and reduce economic freedom. Populism is a matter of collective rights, not individual liberties. Populists such as Marine Le Pen in France, Matteo Salvini in Italy, and Donald Trump in the United States can be called right-wingers only in the sense that they want to impose (generally) right-wing values, instead of left-wing values, on everybody. De la Torre is more correct when he notes that "populists blur traditional left-right distinctions."

He could have added that both Trump and U.S. Sen. Elizabeth Warren (D-MA), among other populists, explicitly invoke the will of the people. At the 74th session

of the United Nations General Assembly on September 25, 2019, Trump said, “A permanent political class is openly disdainful, dismissive, and defiant of the will of the people.” Warren wants Congress to “reflect the will of the people.”

From Perón to Trump / Many democrats and leftist populists see populism as a mere attempt to improve democracy and populism of the left as different from the rightist version. It is striking how what de la Torre calls “the populist playbook” has been roughly the same in Latin America, Hungary, Turkey, and Trump’s United States. The playbook consists in “reducing the independence of [countervailing] powers and concentrating power in the presidency, wars against the media, control of civil society, colonization of state institutions by loyal followers and discriminatory legalism to punish critics.”

“As with other populists,” de la Torre notes, “[Perón] concentrated power in the hands of the presidency, attacked the media, aimed to control civil society.” At least in regard to the first two areas, Trump has done the same, notably by branding media he does not like as “the enemy of the people.” Bolivian populist president Evo Morales identified the media as his “number one enemy.” In Zambia, Sata used defamation lawsuits against independent media. Trump used the law to attack social media.

However, de la Torre is very misleading when he writes:

Fox News became the official voice and broadcaster of Trump’s administration. He did not need to create a state channel. Fox ... functions like Chávez’s or [Ecuadorian dictator Rafael] Correa’s state television.

There is a big difference between a private media outlet deciding to support some

idea or politician, on the one hand, and state media controlled by the government and supported by taxpayers, on the other. Arguably, Fox News has become somewhat less servile since de la Torre wrote those lines in 2018. Chávez and Correa strangled the private media “by manipulating the subsidies for the price of paper”; thanks to the remaining degree of free enterprise in the United States, this method of control has been closed to American populist rulers—so far.

In order not to be constrained by laws, “populist presidents packed the courts and institutions of accountability with loyal followers,” de la Torre writes. Like other dictators, populist rulers cannot succeed without a servile press and obedient judges.

Only when democratic institutions are strong and “a complex civil society” exists are populist regimes unable to destroy liberal democracy. For that reason, writes de la Torre, Morales, Correa, and Chávez destroyed democracy, while it survived under Néstor Kirchner in Argentina and the Syriza party in Greece. For the same reason, European coun-

tries seem to have (thus far) “restrained the undemocratic impulses of right-wing populist parties.” However, Narendra Modi in India and Jair Bolsonaro in Brazil may succeed in crushing liberal democracy in their countries. The jury is still out on whether American democracy—or, more exactly, “the American Republic,” to acknowledge the fear of democracy expressed in the *Federalist Papers* and in the deeds of the Founders—will survive the populism of Trump and of the left-wing populists who will likely follow him.

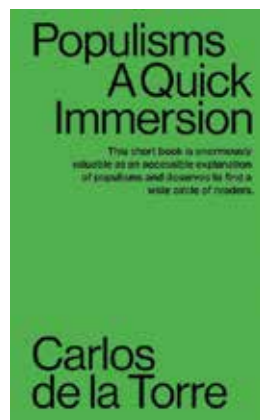
Contrary to what de la Torre seems to imply, however, institutions have not been very effective at restraining the undemocratic impulses of left-wing populist parties. He apparently does not see how unlimited democracy can undermine the institutions protecting *individual* liberty.

Populism as unlimited democracy / One great feature of de la Torre’s book is its description of how current populism is not that different from the populism that developed in South America in the 1930s and 1940s as well as in Europe more recently. The author quotes sociologist Talcott Parsons about the similarities between 19th-century American agrarian populism and 20th-century McCarthyism, the latter understood as populism of the right. In passing, one would have wished de la Torre had spent more time discussing American populism in the late 19th century.

Latin American populism viewed democracy as largely realized in “the quasi-liturgical incorporation of common people through mass rallies.” In Zambia, Sata “transformed government officials and the rank and file of his own party into sycophants who tried to show greater loyalty than their colleagues.” In his administration, President Trump surrounded himself with courtiers such as chief of staff Mark Meadows, secretary of state Mike Pompeo, commerce secretary Wilbur Ross, economic adviser Peter Navarro, and health care policy adviser Scott Atlas. Before Trump, Abdalá Bucaram in Ecuador “transformed political rallies into spectacles of transgression.” For example, Bucaram “said that one of his rivals had watery sperm, and of another that he had no balls.”

The major drawback of *Populisms: A Quick Immersion* lies in its analytical framework, derived from a leftist-idealist conception of politics. De la Torre sees democracy as exclusively founded on pluralism, majoritarian power, and the rule of law. He seems to think that the “public sphere” is a panacea for the ensuing conflict between individual liberty and the majority’s power. He believes that more (democratic) politics is the solution to populism instead of its main source. All this constitutes a constant illusion of the left.

While he neglects the strong populist tendencies that have appeared in parts of the United States’ Democratic Party (and that, historically, were already visible when the party had a large constituency of white



Populisms: A Quick Immersion

By Carlos de la Torre
190 pp.; Tibidabo Publishing, 2019

IN REVIEW

segregationists), de la Torre presents “Tea Party organizations” as precursors of right-wing populism. He states that “conservatives and libertarians coexisted in these organizations,” which is not false, although we now see that the coexistence was an equivocal one and that libertarian fellow travelers bet on a bad horse.

The author blames Fox News for presenting the United States as a country where “illegal immigrants, criminals, and badly behaving people of color are overrunning America.” This unsourced quote, which the reader will likely attribute to Fox News, is in fact an interpretation by Harvard University’s Theda Skocpol and her former student Vanessa Williamson in a book critical of both the Tea Party and Fox News. To be fair to de la Torre, his book eschews footnotes altogether, no doubt to make it more accessible, but this is not without danger.

It is true that Trump “has disfigured and eroded democracy,” but left-wing populism is also a clear and present danger. De la Torre is often carried away by his distaste for Trump. In contrast, he considers Sen. Bernie Sanders (D-VT) as a “light populist” and does not mention other would-be populist rulers on the American left such as Warren and Rep. Alexandria Ocasio-Cortez (D-NY). The next U.S. populist president may be “on the left,” which will simply mean that a different set of individuals will be deemed “the people.”

In reality, democracy is always on the verge of elected tyranny and what de la Torre identifies as “competitive authoritarianism,” which points to the danger represented by populism. To his credit, he ends his book by warning “democrats and progressives” and “the left” to “be wary of being seduced by populism.” He should reflect on the conditions under which democracy can be reconciled with individual liberty.

Unrealistic promises / Does he have the right analytical framework and vocabulary? De la Torre argues that the “neoliberal model” explains popular resistance as if political regimes had been characterized by anything resembling laissez-faire capitalism. It is ludicrous to claim that

the Trump administration has been “committed to the unregulated market.” (See “The Trump Economy,” Spring 2020.) He credits left-wing populism for criticizing “the reduction of citizens to consumers,” oblivious to the fact that many individuals, especially among the poor, would rather have the influence of consumers on their suppliers than the illusionary power of a citizen on Leviathan.

It is arguably this sort of approach that, over the past decades, has led to the unrealistic promises of democratic demagogues against whom populist demagogues bid up the stakes by making ever more impossible promises to the populace. Populism is a monster begotten by democracy or, at any rate, by the sort of impossible democracy de la Torre is after. Jean-Marie Le Pen (Marine’s father), the long term-president of France’s National Front party (now rechristened National Rally and led by Marine) declared, “I, and only I, incarnate democracy.”

De la Torre does mention a crucial danger even in the so-called communal form of populist ideal as defended by Bolivian intellectuals: “individual rights are subordinated to collective rights.” He quotes one of those intellectuals, Felix Patzi, who wrote that in “the indigenous communities, democratic rules do not apply, but a form of authoritarianism based on consensus.” It is not clear what this consensual authoritarianism can be, except that some people are bullied to “consent” to some majority or minority.

Missing economic analysis / Many of de la Torre’s contradictions may be attributable to the fact that his economic analysis is skimpy if not nonexistent. He reviews sociological and political theories of populism but does not consider economic theories that show the impossibility of the populist “will of the people.” He would have benefited from considering social choice theory as initiated by Kenneth Arrow’s Impossibility Theorem and presented to political scientists in William Riker’s 1982 classic *Liberalism Against Populism*. It is precisely because “the people” are not homogeneous that the “will of

the people” is nonsensical, that populism is a chimera, and that a strong leader is deemed necessary to substitute for “the (imaginary) people.”

Precisely for this reason, populism cannot avoid defining “the people” as only a faction of people (plural) and exciting this faction against foreign and domestic enemies. No surprise, then, that once in power, populists “attempt to transform a diverse population into the image of the people that is held by the leader.” One does not make this social omelet without breaking individual eggs.

Although de la Torre does not seem to be aware of public choice theory (another branch of economics), he inadvertently provides hints of its relevance to understanding populism. The relation between the populist ruler and his followers is partly based on clientelism: the former buys the support of the latter with special favors. Think about farmers and large manufacturers under Trump, although he only partly compensated for the loss his trade wars inflicted on most of them.

Conclusion / Here is a well-kept secret: We are not obliged to choose between two sorts of totalitarian democracy—between, on one hand, the populist version where an elected ruler imposes a nonexistent “will of the people” on some of the people and, on the other hand, the philosopher-king version where a minority of intellectuals and experts impose their values, lifestyles, and diktats on the majority or a minority of individuals. We are not obliged to choose between a left-wing and right-wing populism or, if we prefer this terminology, to choose between socialism and fascism.

The well-kept secret is that another alternative exists, one that covers a large spectrum of classical liberal or libertarian systems designed to prevent tyranny rather than to create nirvana on earth, to give liberty back to the people viewed as individuals instead of power to an imagined homogeneous people.

Populisms: A Quick Immersion would have been more enlightening if it had revealed that secret. R

Working Papers ↻ BY PETER VAN DOREN AND IKE BRANNON

A SUMMARY OF RECENT PAPERS THAT MAY BE OF INTEREST TO *REGULATION*'S READERS.

Climate Change

■ “What We Know and Don’t Know About Climate Change, and Implications for Policy,” by Robert Pindyck. June 2020. SSRN #3614104.

The author who has most informed my thinking about climate change is Robert Pindyck, professor of economics at MIT’s Sloan School of Management. In this paper, he explains clearly how little we know, why we know so little, and how that lack of knowledge matters for policy.

He first looks at the science of climate change and projections of the likely effect of carbon emissions on future temperatures. He reviews the 140 studies that have been published since 1970 on “climate sensitivity”—the increase in the global average temperature that would result from a doubling of atmospheric carbon concentration. Most of the studies (115 of the 131) have “best estimates” of this increase that range from 1.5° to 4.5°C. That is a wide range, and if we include the outlier 16 studies’ “best estimates,” that range expands to between 0.5° and 8°C. The uncertainty in the estimates is increasing slightly over time: the standard deviation in post-2010 studies is 1.13 as compared to 1.03 in pre-2010 studies.

Why is there such uncertainty? The short answer is feedback loops: changes in the underlying physical processes arising from initial temperature increases created by increases in carbon concentration. We do not know if feedback is normally distributed nor do we know its mean and standard deviation. An important article in *Science* in 2007 (“Call Off the Quest,” by Myles R. Allen and David J. Frame, 318[5850]: 582–583) argued uncertainty about climate sensitivity is in the realm of the “unknowable” and that the uncertainty will remain for decades.

What economic damages result from temperature increases? We have some sense of how higher temperatures might affect agriculture. But those estimates are from short-term changes in weather, not long-term changes in climate. The latter will occur slowly and we will adapt. Even to the extent we don’t, losses of agricultural output in some regions of the world (near the Equator) might be offset by increased output in other regions (northern Canada and Russia). And agriculture is only 1%–2% of gross domestic product for industrialized countries and 3%–20% for developing countries. For the rest of the economy, economic activity is not related to temperature.

For Pindyck, the key for policy is the possibility of a catastrophic loss of GDP in the future. How much should we pay currently for carbon abatement to avoid catastrophe in the future? In Pindyck’s formulation, future generations may deeply regret irreversible environmental damage. But they also could find such

preservation less valuable than we currently expect, in which case they would regret the irreversible expenditure that we made on preservation. He writes:

Should we hold back on emissions abatement because of the sunk cost, or should we accelerate abatement because of the irreversible environmental damage caused by emissions? And by how much should we hold back or accelerate? Sorry, but I can’t answer these questions. Why not? Because we simply don’t know enough about the climate system and about the impact of varying amounts of climate change.

Ironically, the lack of knowledge that makes “climate insurance” valuable prevents us from determining exactly how large that value is.

COVID-19 and Non-Pharmaceutical Intervention

■ “Four Stylized Facts about COVID-19,” by Andrew Atkeson, Karen Kopecky, and Tao Zha. August 2020. NBER #27719.

■ “Epidemiological and Economic Effects of Lockdown,” by Alexander Arnon, John Ricco, and Kent Smetters. September 2020. www.brookings.edu/wp-content/uploads/2020/09/Arnon-et-al-conference-draft.pdf

The COVID-19 pandemic has induced people to reduce their interaction with others in order to reduce the risk of infection and has induced governments to enact policies that mandate reductions in interaction through the closure of businesses and large events. The economic recession resulting from reduced interaction has led to political dispute over the relative contributions of voluntary and mandated social distancing.

The first of these papers uses patterns in the fatality data to make inferences about the relative roles of voluntary behavior and policy. It examines the COVID-19 fatality data as of July 22, 2020 across the 23 countries and 25 U.S. states that have experienced at least 1,000 cumulative deaths. Across this diverse set of places (Argentina, Belgium, Brazil, Canada, Chile, France, Germany, India, Iran, Ireland, Italy, Japan, Mexico, Netherlands, Panama, Peru, Portugal, Russia, Spain, Sweden, Switzerland, Denmark, Turkey, and the United Kingdom), once the cumulative announced deaths reach 25, the *growth rate* of daily deaths from COVID-19 fell rapidly everywhere within 30 days and then remained at zero or below. The variance in the growth of deaths across countries and states fell within 20 days of cumulative deaths reaching 25

and has remained low relative to its initial level.

The authors claim that though the variance in policy across this diverse set of countries and states was large, the patterns in the fatality data were similar, and therefore peoples' voluntary reactions, rather than policy, largely must explain the evolution of the pandemic. Put differently, despite the large variation in policy around the world, the actual change in behavior across countries was quite similar, resulting in a pandemic that is neither exponentially growing nor extinguished.

The second paper examines daily counts of COVID-19 cases and deaths in the United States as well as mobile phone data to estimate population contact rates (that is, how often a person encounters another person closely enough and long enough for COVID infection to occur) and employment rates. Like the first paper, the second concludes that almost all of the reduction in contact was voluntary rather than the result of policy. State and local non-pharmaceutical interventions (NPIs) explain only 7% of the reduction in the contact rate by mid-April, when it reached its lowest point.

The second paper goes further, however, and estimates the incremental mortality reduction from NPIs and the relative efficacy of business closures (which restrict firms) versus stay-at-home orders (which restrict individuals). The authors conclude that, on average, NPIs reduce employment (15%) much more than they reduce social contact (7%). Business closure orders performed particularly poorly from a benefit–cost perspective, accounting for 48% of the decline in employment as compared to a 22% decline in the contact rate. On the other hand, stay-at-home orders accounted for 30% of the decline in employment but 50% of the decline in the contact rate. Thus, the NPI of first resort should be stay-at-home orders rather than closing businesses.

Through the end of May, NPIs lowered confirmed COVID-19 deaths by more than 33,000 and reduced employment by an average of 3 million. Using the current conventional value of a statistical life (VSL) of \$10 million, the benefits of saving 33,000 lives would be \$330 billion.

An overestimate of the costs of reduced employment divides U.S. gross domestic product (\$21 trillion) by total employment (165 million) to value each job at \$127,000. For a better estimate, let's use \$100,000 per job; thus, 3 million lost jobs would entail \$300 billion in costs. The NPIs would pass a benefit–cost test in the aggregate if, indeed, they have benefits of \$330 billion and costs of \$300 billion.

In a recent Cato paper titled “Balancing the Tradeoffs between Liberties and Lives,” Jeff Miron and I concluded that the appropriate VSL to use in the pandemic context was approximately \$5 million rather than the conventional \$10 million because the infection fatality rate for COVID is 100 times the employment fatality risks used to estimate VSL. That would lower the benefits of 33,000 saved lives to \$165 billion. Those benefits would be greater than the costs of reduced employment only if the compensation of the average lost job was less than \$55,000.

Truck Energy Efficiency Standards

■ “Mode Choice, Energy, Emissions and the Rebound Effect in U.S. Freight Transportation,” by James B. Bushnell and Jonathan E. Hughes. October 2020. SSRN #3689848.

Energy efficiency regulations are more popular with voters than Pigouvian taxes on energy use because the costs of the former are much less visible than the latter. But a perverse effect of energy efficiency regulations is that they decrease the price of energy use slightly because of the increased efficiency, resulting in slightly more energy use that offsets some of the efficiency gains. This increased use of energy is called the “rebound” effect. In contrast, higher energy prices from taxation discourage more use even if efficiency improvements occur.

In August 2016, the U.S. Environmental Protection Agency released new efficiency standards for heavy-duty trucks (think tractor-trailer trucks, though this class includes very large pickups) produced through the 2027 model year. The EPA predicts the new standards will improve new truck tractor fuel efficiency 11%–14% by 2021 and 19%–25% by 2027.

Trucks are not the only method of shipping freight. Truck shipments are approximately 46% of total ton-miles while rail accounts for approximately 48% of ton-miles. Rail is slower but much more fuel efficient. Rail can move 1 ton of freight approximately 450 miles on a gallon of fuel while trucks move approximately 70 ton-miles per gallon.

Intuitively, if truck fuel economy improves, marginal shippers who previously paid lower rail rates but higher inventory costs (because they stored more stuff in inventory because of slower rail shipping times) may now shift to truck because the price of speed has decreased. Those shippers would get both more speed and lower inventory costs. But because rail is four times more fuel efficient than truck, the shift to trucks would increase fuel consumption. The authors label this the “cross-rebound” effect.

The authors use 2012 data on a random sample of freight shipments in the United States to estimate the relationship between fuel costs and the use of rail or truck to ship. They then use those estimates to run a simulation in which fuel costs were reduced by 5% for trucks because of increased efficiency. They use 5% rather than the actual efficiency increase for new trucks to account for the gradual replacement of the truck fleet over time.

In the simulation, truck fuel-economy efficiency regulation shifts approximately 16 billion ton-miles, or approximately 1.3%, of business-as-usual rail freight to trucks. This shift reduces the effectiveness of truck fuel-economy regulations. Without mode shifts, a 5% reduction in truck fuel intensity lowers total freight-sector fuel consumption by approximately 4%. However, modal substitution from rail to truck dampens that effect, reducing fuel consumption by 3.3%. This implies a “cross-rebound” effect of approximately 18%. R

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