IN REVIEW

An Abundant Lack of Introspection

REVIEW BY JONATHAN H. ADLER

In 2001, Cape Wind Associates announced an ambitious plan to construct a 130-turbine wind farm in Nantucket Sound. Government officials anticipated project approvals would be completed in 36 months. As it happened, the project's Environmental Impact Statement (EIS) alone took far longer. A final EIS was published in 2009, and the required record of decision on a supplemental EIS did not issue until 2017.

The EIS requirement of the National Environmental Policy Act was only one of the hurdles facing Cape Wind. Committed opponents raised concerns about potential effects on fishing, tourism, air quality, bird and bat populations, and historic preservation. After 16 years of regulatory submissions and legal wrangling, including multiple trips to the federal courts of appeals, Cape Wind Associates threw in the towel.

Whatever the specific merits of the Cape Wind project, it is but one example of how regulatory burdens and litigation risk hamper the deployment of renewable energy projects. The nation's first commercial offshore windfarm—five turbines off Block Island, RI—eventually opened in 2016. Originally planned as a 100-turbine development, even a shrunken Block Island project took nearly a decade to navigate the permitting process. Literally hundreds of wind and solar power projects have been delayed, constricted, or blocked over the past 20 years.

Renewable energy projects are hardly the only projects ensnared by the nation's bureaucratic gauntlet. Electricity transmission lines and other linear infrastructure (such as pipelines) are particularly vulnerable to regulatory traps and litigious opposition. Such projects stretch across jurisdictions, so they can be subject to many duplicative and overlapping legal requirements, any one of which can scuttle the entire project. The average time to permit a transmission line project is a decade, though some take far longer. As electricity demand grows, transmission capacity and interconnection are not keeping pace.

Left-leaning journalists Ezra Klein and Derek Thompson are disturbed by this state of affairs and, in particular, the role their political brethren have played in creating it. *Abundance* is their attempt at a corrective, but like California's never-to-be-fully-completed high-speed rail project, they stop short of their destination.

Decarbonization / Klein and Thompson see climate change as one of humanity's greatest challenges and among the policy areas most in need of an abundance agenda. "To maintain the climate we have had, or anything close to it, requires us to remake the world we have built," they advise. As they see it, current environmental laws were motivated by a fear that "we were building too much and too heedlessly." Today, however, "we are building too little and we are too often paralyzed by process." And yet, the environmental movement—and progressive politicians—remains focused on how to impose regulatory constraints and economic costs on disfavored technologies and refuses to think seriously about what sorts of policies are necessary for a decarbonized future. Mandating emission reductions, shoveling out government subsidies, and ignoring the broader legal and regulatory environment will not produce carbon stabilization.

While Klein and Thompson may be too sanguine about the ability to decarbonize, blithely asserting we "know how to power economies without fossil fuels," they seem to recognize that doling out subsidies for electric cars that cannot be charged or wind farms that cannot be permitted is no way to meet the challenge. One wonders what took them so long to have this realization. Some of us have been warning for decades that existing environmental laws—permitting requirements in particular—impede the development and deployment of renewable energy and other environmentally desirable technologies. Yet Klein and Thompson write as if this is a recent discovery and the unanticipated consequence of well-intentioned regulatory measures.

They recognize that "energy is the nucleus of wealth" and that "there are few inequalities more fundamental than energy inequality." Climate change will not be mitigated and prosperity will not be achieved without addressing the bottlenecks blocking energy abundance. Dreams of "degrowth" are just that: misanthropic fantasies. "Turning global politics into a zero-sum contest for allotted energy rations will not deliver a greener future," they write. The United States will not reach net-zero carbon emissions without record-breaking construction and deployment of new energy projects and transmission capacity. "The climate crisis demands something different" than what progressive politicians have been offering. "It demands a liberalism that builds."

Housing / Energy is hardly the only area in which 20th century progressive policies stand in the way of abundance. Hous-

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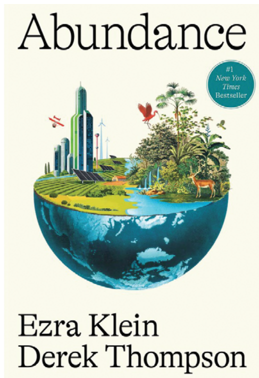
ing is another. Although many want to deny it, "housing follows the laws of supply and demand." It is shocking that so basic a truth needs to be said, but the prevalence of academic-sounding NIMBY arguments makes it necessary. The United States lags other developed nations in houses per thousand people, 425 to the OECD average of 470. Policymakers—and, Klein and Thompson are insistent to note, liberal policymakers in blue jurisdictions—deliberately used "policy levers that made life in dynamic cities too costly for the poor to afford." The consequence, they note, "is a housing crisis of staggering proportions." Urban centers bear the brunt of these effects as "high housing costs wreak havoc on the city's offering of opportunity." But the effects are not confined to cities, as urban centers are "engines of creativity" essential to innovation and economic growth

That contemporary liberal governance is to blame for this is readily observable by looking across jurisdictions. California's urban centers in particular present "dystopia tucked amid … plenty." In 2022, while Los Angeles and San Francisco struggled to permit three new housing units per 1,000 residents, Austin, TX, permitted 18 per 1,000. In 2023, the Houston metro area issued more housing permits than San Francisco, Boston, New York City, Newark, and Jersey City combined. This is not an accident.

The failure to build increases housing prices, exacerbates economic inequality, and fosters homelessness. The empirical evidence is clear: Poverty rates do not predict homelessness, "the availability and cost of housing" do. And as with the effect of layered permitting processes on infrastructure development, this should not come as a surprise: William Tucker's *The Excluded Americans: Homelessness and Housing Policies* (a Cato Institute book) was published in 1990.

If policymakers want housing to be affordable and accessible, they need to make it easier to build. Yet "many liberal jurisdictions have layered on rules and regulations that make housing pricier even when it is constructed—and that, of course, makes it less affordable." Throwing money around to subsidize housing just feeds the beast. At best it covers the regulatory costs government imposed in the first place. One hand is doling out money to cover the costs imposed by the other. This is hardly a liberalism that builds.



Abundance

By Ezra Klein and Derek Thompson

304 pp., Simon & Schuster, 2025

Innovation / It is not just building that is required. Problems like climate change will not be solved "without more invention." Here again, progressive governance chokes off what is needed in predictable ways. While the federal government lavishly funds scientific research, it has also "haphazardly burdened the scientific process with the same flavor of procedural kludge that has slowed down other critical parts of the economy." Funding rules and the associated bureaucracies often "privilege the game of performing the act of science over the actual practice of science." Scientists today spend as much as 40 percent of their time working on grant-writing and administrative tasks instead of their actual research. The sort of innovation necessary to address problems like climate change "will require a level of risk-taking and ambition that we are too effective at snuffing out."

Abundance is an effort to awaken the Left—and the Democratic Party in particular—to the need to make a more abundant future possible. It pushes "a simple idea: to have the future we want, we need to build and invent more of what we need." The ugly truth Klein and Thompson want their ideological bedfellows to recognize is that contemporary left-leaning governance is the greatest obstacle to achieving this end. To combat this, they seek to channel "the anger any liberal should feel when looking at the states and cities liberals govern."

Their frustration is palpable:

> We say that we want to save the planet from climate change. But in practice, many Americans are dead set against the clean energy revolution, with even liberal states shutting down zero-carbon nuclear plants and protesting solar projects. We say that housing is a human right. But our richest cities have made it excruciatingly difficult to build new homes. We say we want better health care, better medicine, and more cures for terrible diseases. But we tolerate a system of research, funding, and regulation that pulls scientists away from their most promising work, denying millions of people the discoveries that might extend or improve their lives.

As Klein and Thompson see it, contemporary liberals—and Democratic policymakers in particular—can easily see the problems of economic inequality and want, but they have a hard time understanding the needs of entrepreneurs, creators, and investors. Liberals "assumed that so long as enough money was dangled in front of it, the private sector could and would achieve social goals." But throwing money around did not create abundance. In some cases, it makes things worse because subsidizing demand for goods when supply is constricted only drives up their cost.

Limited vision / Klein and Thompson want to shift the focus, but without giving up their government-centric vision of contemporary liberalism or exploring why they and others were so blind to the consequences of the policies they supported for so long. It is fair to note that while the left has been too enamored of government, the right has often been too antagonistic toward it. The right frequently ignores the importance of state capacity and the need for governmental institutions to perform particular functions, including maintaining and securing the institutional arrangements upon which private markets depend. But the idea that these market functions—that discovery and production—can be transferred to or driven by the government reflects a myopic vision and Klein and Thompson's failure to learn the lessons of the episodes they recount.

They recognize that when a project is funded by public money, "you have to abide by public requirements." Bureaucratic constraints on how government money is spent and on how development decisions are made are necessary because public-sector actors do not face market discipline. Public decision makers are not spending their own money and do not risk economic losses if they make bad decisions. Such constraints can make the public sector less dynamic than the private sector. Yet, Klein and Thompson still seem surprised by this effect, asking "shouldn't things happen faster when they are backed by the might and money of the government?" That naivete would be quaint if it were not so serious. They think it is "damning that you can build affordable housing so much more cheaply and swiftly by forgoing public funds." What is more damning is the government-centric myopia that presumes government must build housing, particularly at a time when land-use regulations and other measures prevent private actors from meeting housing demand and inflate the costs of the housing that gets built. It is fair to critique private-sector priorities and conclude that some public-spirited investments may need governmental encouragement, but the idea that government enterprises will outperform the private sector in building, innovating, or providing is fantastical.

Klein and Thompson are wary of overtly endorsing deregulation, as such. They nonetheless endorse the idea of creating "bottleneck detectives" who search out "restrictions that should not exist" and needlessly block the building, deploying, and inventing we need. More broadly, they resist detailing specific policy prescriptions because they "are proposing … less a set of policy solutions than a new set of questions about which our politics should resolve."

Lest some of their intended progressive audience see the "supply-side" focus as conservative, Klein and Thompson insist that "abundance is a return to an older tradition of leftist thought," Marxism in particular. Karl Marx was concerned that capitalism fettered production and that proper control of the economy could rationalize production and overcome scarcity. According to Klein and Thompson:

> Among capitalism's many sins, Marx wrote, was that it prevented the most wondrous and useful technology from being invented and deployed in the first place. An economy run amok with useless fettering serves the rich few at the expense of the poorer many.

The Marxist agenda, they continue, was "not to turn the production machine off, but to direct its ends toward a shared abundance: to unburden the forces of production and make possible that which had been impossible to imagine."

Unfortunately, Klein and Thompson ignore the history that followed. The Marxist dream of replacing a fettered capitalism with socialist abundance was quickly shattered. As elucidated in the 20th century's socialist calculation debate, it is not possible to maximize production and ensure plenty without property, prices, and profit. In this regard, Klein and Thompson are like Oskar Lange and Abbe Lerner insofar as they want an abundance agenda without having to embrace the market institutions upon which abundance depends. Rather than provide a solution to the information problem that plagues central planning, Lange and Lerner effectively assumed it away. In much the same fashion, Klein and Thompson seem to think the failures of centralized government decision making can be repaired while maintaining centralized government decision making. They want a "liberalism that builds" without thinking too deeply about what building requires. It would have helped had they consulted Mises or Hayek at least as much as they did Marx.

Klein and Thompson admit they are discovering problems today that they studiously ignored in the past when flagged by market-oriented analysts. The recognition that progressive legal institutions are obstacles to growth, innovation, and solving societal problems is welcome. Yet they show little curiosity as to why they and their fellow-travelers had so many "blind spots" for so long. Other than a brief nod to Mancur Olson, they offer no real explanation for why well-intentioned laws become obstacles to economic and social progress, nor do they show much willingness to second-guess or revisit their own assumptions about the proper role of government in facilitating economic growth, technological innovation, or material abundance. Klein and Thompson may understand what it takes to build political support for supply-side thinking on the political left, but their lack of introspection renders much of their substantive analysis hollow.

They close the book by offering "a new set of questions around which our politics should revolve. What is scarce that should be abundant? What is difficult to build that should be easy? What inventions do we need that we do not yet have?" A more fundamental inquiry would be who decides? And what sorts of institutional arrangements are necessary to answer such questions? In failing to even pose such questions, *Abundance* does not offer much of an answer to the problems it seeks to solve. Klein and Thompson say they want a "liberalism that builds," but they never really consider how it was that liberalism once built. R

Smith on Smith

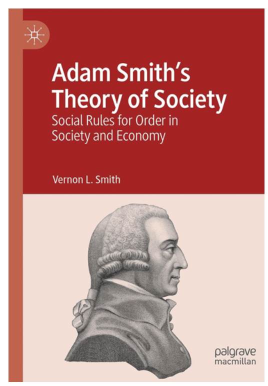
REVIEW BY ART CARDEN

Vernon Smith received the Nobel Economics Prize in 2002 for his contribution to experimental economics. But his scholarship extends beyond that narrow field. Now 99 years old, he has a new book: Adam Smith's Theory of Society (ASTS), that explores one of history's most important works of moral philosophy, *The Theory of Moral Sentiments* (*TMS*). Reading *ASTS*, one learns not only about Adam Smith's theory of society, but Vernon Smith's, too.

ASTS reads (and is organized) like a devotional for Advent or Lent, with each reading consisting of a paragraph or two from Adam Smith, followed by commentary from Vernon Smith. This quality makes the book distinctive. Vernon Smith's comments read like reflections composed at the end of an evening spent contemplating a certifiably great book with the benefit of decades of experience and careful analytical research. Much like Adam Smith's works, *ASTS* is not a book to skim or power through. As Vernon Smith puts it, "Society and conversation are powerful means for restoring our lost sense of peace in mind." That is what Vernon Smith invites readers into: a conversation about ideas that are genuinely, transcendently important.

The book is perhaps best understood as Vernon Smith's extended marginalia to *TMS*. He once told me that the best way to read *TMS* is to write a summary of each paragraph in the margin. This book seems to be the product of that exercise. *ASTS* is not "research output" in the traditional sense. It is crystallized wisdom that brings the reader into conversation with one of the modern era's sharpest and most distinguished minds over what is, in my opinion, the key text of the Enlightenment and the ensuing Great Enrichment.

Vernon Smith carefully and systematically walks through Adam Smith's mental and moral world, with a structure and organization that reflect Vernon Smith's own analytical architecture. He begins with sympathy and propriety, carries his reader through both merit and demerit, and explores how justice and beneficence contribute to the flourishing of the liberal order. It is a natural companion for someone teaching a course on Adam Smith or simply reflecting on him by the fireplace. Indeed, there is probably no better guide to his system than Vernon Smith.



Adam Smith's Theory of Society
By Vernon L. Smith
492 pp.; Palgrave Macmillan, 2025

Learning to be social / Scholars from across the disciplinary and ideological spectrum will benefit from this book, albeit not in the way they would benefit from more analytical contributions like James R. Otteson's *Adam Smith's Marketplace of Life* and work by Eric Schliesser, Glory Liu, Daniel Klein, and Erik Matson. Economists will appreciate Vernon Smith's emphasis on institutions, incentives, and exchange. Philosophers will recognize his attention to moral psychology. Anthropologists, jurists, political scientists, theologians, and others will recognize their own debates in Vernon Smith's careful treatment of Adam Smith's approaches to beneficence, justice, and so many other themes.

Throughout *TMS*, Adam Smith explains our search for a "mutual sympathy of sentiments" or a shared understanding—what we might today call "empathy" or the ability to enter imaginatively into another person's situation. *ASTS* is a "great school of self-command" where we learn to do just that. As Vernon Smith puts it: "We are not born social. Rather, we are born with characteristics that allow us to learn to be social." How our birthrights manifest will differ from time to time and place to place, but Adam Smith's theory of society gives us a picture of a polylogue stretching across the many millennia since people first began to talk. Human sociality is not pre-programmed or part of a preexisting preference function. It is something we learn from regular consultation with one another and with the Impartial Spectator (who we will discuss in a moment).

Here is one of the most interesting contributions the Smiths make to our understanding of how societies develop over time. Adam Smith pointed out that people generally sympathize more readily with others' *misfortunes* than their joys or successes. Envy, it seems, stands in the way of our ability to sympathize with another's joy. This may make it easier for us to understand how inequality frays the social fabric and why the politics of resentment can be so effective. This, in turn, explains a foundation of liberal society: If we tend to resent others' success more than we celebrate it, then creating political institutions that restrain this resentment rather than mobilize it is vital to a free and dynamic society. Remarkably, Adam Smith understood this before the two and a half centuries of careful social science that now supports it.

The hypothetical Impartial Spectator is always at work in Adam Smith's system, as well as in Vernon Smith's. It is a device that people can develop to offset their biases and evaluate their past conduct and plan their future conduct. It disciplines passions and provides a healthy dose of perspective. Adam Smith writes—and Vernon Smith quotes—that "we learn the real littleness of ourselves" through the Impartial Spectator's eyes. The Impartial Spectator's refusal to indulge our delusions of grandeur is not a regrettable feature of the life well-lived. It is a precondition for civilization: the notion that there is an "us" of moral equals. As the economist Paul Romer explained in his 2018 Nobel Economics Prize address, one of civilization's greatest achievements has been expanding the definition of "us."

Justice and beneficence / In *TMS*, Adam Smith carefully distinguishes between justice and beneficence, explaining that justice—treating others fairly—is strictly necessary for society to endure, whereas beneficence—caring for others—is not, though it is important. Justice, for the Smiths, means "not harming other people" and is enforceable at all times because people aren't going to come together when they constantly stand ready to harm or be harmed by others. It arises, the Smiths argue, from people's natural resentment toward intentional injury. Where justice is secure, it provides security for life and property. That, in turn, is the basis for all exchange. Beneficence, meanwhile, consists of voluntary and uninvited "good offices," which by their nature cannot be compelled without destroying their virtue. Beneficence is praiseworthy and worthy of reward, but it is not enforceable, nor does its absence deserve punishment. Justice is necessary for a society to exist, while beneficence helps a society flourish. There is a simple Smithian formula: Justice prevents harm, while beneficence creates harmony. Without beneficence, society is miserable, but without justice, society is impossible.

Conclusion / Late in *ASTS*, Vernon Smith turns his attention to Adam Smith's highest virtue: self-command. The Smiths carry us through the obstacles to self-command and how it grows as we vanquish those obstacles. One obstacle is vanity, and another is self-deceit. There are the false promises and perverse incentives of obsessions with status and rank. Combating them is the quiet heroism of people who attend to their own duties—who "cultivate [their] customers, neighbors, and soil," in Vernon Smith's words—rather than sticking their noses in other people's business.

ASTS is a timely book for 2026, during which we will commemorate the 250th anniversaries of both Adam Smith's *Wealth of Nations* and one of the Enlightenment's signature political achievements, the United States' Declaration of Independence. Both build visions of society that grow from the foundations of dispersed judgment, self-command, moral equality, and the rule of law—principles critical if we are going to expand the circles of people we include in "us."

Few people understood the institutional and moral foundations of a free society better than Adam Smith. Few people have thought deeper and more carefully about how a free society works than Vernon Smith. *ASTS* invites the reader into a conversation with one of history's greatest minds, moderated by one of today's greatest minds. For scholars across the humane studies, it is a great scholar's extended meditation on the principles that make something we can meaningfully call society possible. I expect to revisit it regularly. *R*

Government Workers: The Good, the Good, and the Good

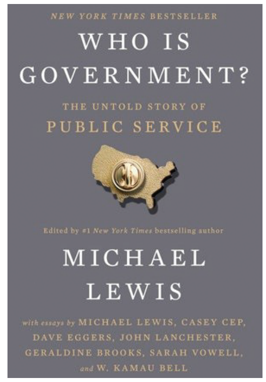
REVIEW BY VERN MCKINLEY

A major focus during the early months of the second Trump administration was reducing the number of government employees. Estimates for 2025 vary, but may be as high as hundreds of thousands of job cuts, buyouts, and other reductions.

The so-called Department of Government Efficiency (DOGE) was the administration's most high-profile effort to pare back spending and implement staff cuts. With an initial goal of $2 trillion in savings, which was reduced to $1 trillion, then a final savings number that will likely be closer to $100 billion, combined with the departure of leader Elon Musk, DOGE dropped out of front-page news by mid-year 2025.

Government employees have been battered with threats of layoffs and consolidation of agencies, most recently during the fall 2025 government shutdown. Prolific author Michael Lewis takes up the defense of these beleaguered government employees with *Who Is Government?* a collection of essays by him and others about who these workers are and what they do. In a panel discussion about the work behind the book, he stated, "We're going to blow up the stereotype of the bureaucrat."

The reader's path / There is a standard template for the book's eight narrative chapters about specific government workers. Lewis and his co-authors write in awe of the feats of these workers, telling feel-good stories about their daily toils and under-the-radar accomplishments. These are one-sided anecdotes, not balanced and reliable samples of how effective government workers are, and there are no negative stories about government employees. There is no dis-



Who Is Government? The Untold Story of Public Service

Edited by Michael Lewis

272 pp.; Riverhead Books, 2025

cussion of "turkey farms," those entire agencies or departments and units within a government agency where incompetent staff are dumped to minimize the damage they can do. There are also no citations, so a reader cannot easily research and cross-check the many details cited by the authors.

Lewis contributes two of these chapters. The first tells the story of Christopher Mark of the Department of Labor, who spent his career working to reduce roof collapses in coal mines. The other focuses on Heather Stone of the Food and Drug Administration, who developed the CURE ID app, which provides access to a database that compiles and disseminates information contributed by doctors, caregivers, and patients regarding rare diseases, including the efficacy of approved drug treatments. One chapter writer, historian and best-selling author Sarah Vowell, admits her own biases in telling the story of Pamela Wright of the National Archives and Records Administration (NARA) when Vowell describes herself as an "old-fashioned liberal."

Low-profile and modest federal agencies? / The subtitle of the book makes clear the authors believe the public has missed this vital "untold story," and no one who knows about it has had the initiative or prescience to tell it. In the book's introduction, Lewis justifies telling the story of these federal workers based on his thesis that the leaders of government agencies struggle to trumpet their agencies' accomplishments:

> Our government—as opposed to our elected officials—has no talent for telling its own story. On top of every federal agency sit political operatives whose job is not to reveal and explain the good work happening beneath them.... The PR wing of the federal government isn't really allowed to play offense.

For me, these comments are not in keeping with reality. In decades of observing government and public policy in and around Washington, one of the most common scenes is the head of a federal agency rattling off a laundry list of agency accomplishments in prepared testimony before a House or Senate committee or subcommittee. The heads of agencies also have dedicated support staff in their public relations departments who push these stories to journalists, citizens, and researchers alike. These staffers' job is to explain the heroic efforts behind agency actions, protect the agency's turf, and counter any attempts at funding or staff reductions. One 2016 Government Accountability Office report (not cited by Lewis) estimates there were between 4,000 and 5,000 "federal public relations employees," at a cost of half a billion dollars a year. As further evidence, we have the 2007–2009 financial crisis where, on a daily basis, heads of federal financial agencies, such as then-Federal Reserve chair Ben Bernanke and treasury secretary Henry Paulson, insisted that, were it not for their agencies' courageous actions during the crisis, we would have had another Great Depression. In fact, the title of Bernanke's 2015 book chronicling the crisis and the government response to it was *The Courage to Act*.

Case study / The NARA chapter is an exemplary case of the stories told in the book. NARA is essentially a massive storage facility for the full range of archived government documents. The chapter explains the agency's mission: "drive openness, cultivate public participation, and strengthen our nation's democracy through equitable public access to high-value government records." Based on my own experience researching one of my books, the staffers of NARA are very knowledgeable and provide helpful advice in locating on-point government documents. My co-author and I noted these efforts in our book's acknowledgements. Thanks to them, we unearthed many unique documents that added a richness to our book. In some cases, the documents put a federal agency in a negative light.

If you do not live near the DC metropolitan area (where general archives are housed) or the St. Louis area (where military documents are housed), the vast resources of NARA are not always easily accessible. Wright is featured in this chapter because, as NARA's first chief innovation officer and leader of its "open government initiative," she was given the task "to find the most efficient and effective ways to share the records of the National Archives with the public online." She explains that "300 million of NARA's more than 13 billion records have been scanned and posted to the internet." That is a mere 2 percent of the total, showing the gargantuan task she and her colleagues face. The author of the chapter makes a case that NARA is "underfunded," but also gives an example of how the agency stretches its resources through "partnerships on digitization projects with genealogy websites such as FamilySearch and Ancestry." NARA also "manages the U.S. census records" and, in publishing the newly released (after the required 70-year delay) 1950 census data, undertook NARA's "first use of [artificial intelligence] for ... digital public access."

But as a counterexample to NARA workers who look to enhance government transparency, there unfortunately are many government workers who do their level best to keep the government opaque. Once again, drawing on my experience in researching my books, I found plenty of government staff at the Federal Reserve, Federal Deposit Insurance Corporation, and Federal Housing Finance Agency who leveraged the Freedom of Information Act (FOIA) and Federal Records Act (FRA) to *limit* disclosure. They apparently don't want anyone second-guessing their decisions and chosen implementation of operations. The federal courts usually defer to the judgment of these agencies and their expertise, although this may change as part of the ongoing reconsideration and dismantling of the *Chevron* doctrine.

One particularly egregious example my co-author and I discovered was the fate of bank examination reports that the federal agencies compile. FOIA exemptions are leveraged to keep these reports secret for decades in the name of financial stability and, when that period lapses, a provision of the FRA is triggered allowing the reports to be destroyed, never to see the light of day outside the government.

Conclusion / I have no doubt that the government workers featured in *Who Is Government?* are hardworking and noble public servants. The book starts with a quote from President John F. Kennedy:

> Let the public service be a proud and lively career. And let every man and woman who works in any area of our national government, in any branch, at any level, be able to say with pride and with honor in future years, "I served the United States Government in that hour of our nation's need."

Like *Who Is Government?* these words from President Kennedy only provide the good, without the bad or the ugly.

If readers want that view of their government, *Who Is Government?* may inspire them and "make their socks go up and down," as Lewis writes in his introduction. But most readers will pine for a more reasoned and balanced assessment of government efficacy. They might remember the words of President Ronald Reagan, "The nine most terrifying words in the English language are: I'm from the Government, and I'm here to help." Those who agree with Reagan and are more skeptical of the inner workings of government need to look beyond *Who Is Government?* R

Working Papers BY PETER VAN DOREN AND THOMAS A. FIREY

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

California Wealth Tax

■ **Rauh, Joshua, Benjamin Jaros, Gregory Kearney, et al., 2026, "The Net Present Value of the California Billionaire Tax Act," SSRN Working Paper no. 6340778, March.**

The 2026 California Billionaire Tax Act is a proposed statewide referendum that will be on the ballot in November 2026 if enough signatures (about 900,000) are obtained. The referendum would amend the California state constitution to permanently remove the existing 0.4 percent cap on taxes on intangible personal property and enact through statute a 5 percent one-time excise tax on the worldwide net worth of individuals whose net worth exceeds $1 billion and who were residents or part-year residents of California as of January 1, 2026. If approved, it would be the first major tax on general wealth in US history.

Proponents claim the tax would raise $100 billion in revenue, estimated using the *Forbes* calculation of the total wealth of the state's billionaires ($2.18 trillion). They assumed evasion and avoidance would eliminate 10 percent of the wealth and then applied the 5 percent rate to the remaining $2 trillion.

The authors of this Hoover Institution paper start with a slightly lower total wealth calculation of $1.9 trillion because of mistakes in residency in the *Forbes* data. But they claim approximately 51.6 percent of that billionaire wealth tax base would be lost through out-migration from California because six publicly confirmed departures have already eliminated nearly 30 percent of the base. Thus, the yield from the wealth tax would only be about $40 billion.

The Hoover paper also calculates the lost present value of future income tax revenue the out-migrating billionaires would not pay to California. The state's 212 billionaires contribute an estimated $3.3–$5.8 billion annually in state income taxes. At a 4.5 percent real discount rate, the departure of just 41.5 percent of the billionaire income tax base would eliminate the net fiscal benefit of the wealth tax. Given the authors' estimate of a more than 50 percent reduction in the wealth subject to tax, they argue that the tax proposal would reduce revenue for the state. Approximately 71 percent of plausible parameter combinations yield a negative net present value.—**PVD**

Gig Work Minimum Wage

■ **An, Yuan, Andrew Garin, and Brian K. Kovak, 2025, "Delivering Higher Pay? The Impacts of a Task-Level Pay Standard in the Gig Economy," NBER Working Paper no. 34545, December.**

Despite evidence that increases in the minimum wage do little to reduce poverty (see Working Papers, Fall 2023), minimum wage policies are popular even among academics (see McKenzie, Winter 2025–2026). And these laws are being expanded to cover so-called gig work: Uber drivers and Door Dashers, for instance.

This paper examines Seattle's January 2024 implementation of a per-task minimum pay standard for app-based delivery workers. What happened? Delivery pay per task increased *but* tips decreased. Also, the number of tasks completed by incumbent drivers decreased, thereby completely offsetting increased

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pay per task and resulting in no net effect on monthly earnings. The evidence is consistent with free entry of drivers into the delivery market reducing the task-finding rate until expected earnings returned to their pre-reform level.—**PVD**

Minimum Wage and Robots

■ **Brynjolfsson, Erik, J. Frank Li, Javier Miranda, et al., 2026, "Minimum Wages and the Rise of the Robots," SSRN Working Paper no. 6184798, February.**

The minimum wage and its effects have been discussed in five previous Working Papers columns (Fall 2015, Winter 2016–2017, Winter 2017–2018, Summer 2022, and Fall 2023). The title of this paper is self-explanatory.

Their research design compares manufacturing employment and robot use over the period 1992–2021 in counties at the borders of states with different minimum wages. A 10 percent increase in the minimum wage increases robot adoption by roughly 8 percent relative to the mean.—**PVD**

Housing Affordability

■ **Garcia, Manu, and Carlos Garriga, 2026, "When Houses Outrun Paychecks: The Lost Decades of Housing Affordability," *On the Economy* (blog), Federal Reserve Bank of St. Louis, February 12.**

■ **Garcia, Manu, and Carlos Garriga, 2026, "America Underbuilt Inc.: The Supply Side of the U.S. Housing Challenge," *On the Economy* (blog), Federal Reserve Bank of St. Louis, April 8.**

From the start of the COVID pandemic in January 2020 to June 2022, the Case–Shiller US national home price index increased a stunning 45 percent. Since then, house price increases have moderated, but the annualized increase from January 2020 to January of this year is about 7.5 percent, double the annualized inflation rate over that time. This has prompted concern about housing affordability.

What has caused the house price increase? The simple explanation, of course, is that supply is not keeping pace with demand. In a pair of data-rich posts for the St. Louis Fed blog, bank senior vice president Manu Garcia and associate economist Carlos Garriga flesh out this idea.

In their first post, they focus on demand, beginning with the increase in house prices in the early years of this century. From 2000 to 2024, the median home price rose roughly 207 percent, while median per-capita income grew about 155 percent. The price increase was not limited to a few coastal hotspots; county-level data show that home values have outpaced local incomes almost everywhere, with especially sharp jumps in the West, Mountain West, Texas, and Florida, and meaningful increases even in the modest Midwest and Southeast.

Several factors are driving this price surge. Falling mortgage rates from 2000 to 2021 lowered borrowing costs and effectively expanded housing budgets even when wages grew slowly. Credit expansions added further demand pressure. Widening income inequality compounded the effect: Higher-income households captured most aggregate income gains and used them to bid up home prices.

Another demand factor, discussed in Garcia and Garriga's second post, is the shrinking size of US households, which went from 3.37 people in 1965 to 2.57 in 2024. That means more units are needed to house the same population than before. As a result, household formation has frequently outpaced housing construction, and by especially wide margins in the years after the housing market collapse.

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Garcia and Garriga's second post focuses more on supply, describing how much new housing the construction sector has delivered. Building permits per capita in the United States peaked at 10.6 per 1,000 people in 1972, collapsed 74 percent during the 2008 financial crisis, and recovered to only 4.3 per 1,000 by 2024, still 35 percent below the 1960–2000 historical average of 6.6. Garcia and Garriga trace this persistent weakness to several structural constraints: a construction workforce that never fully recovered after the financial crisis, rising material and land costs, restrictive zoning and ponderous permitting processes, and scarcity of developable land near job centers. (In their earlier post, they noted that zoning rules and land-use regulations have constrained supply, especially in high-productivity metros, so demand shocks have translated into higher prices rather than more units.) Even the permits that are issued do not always become homes quickly; post-pandemic supply-chain disruptions and labor shortages have created a significant lag between permits and completions that has only recently narrowed.

Taken together, the posts describe an affordability problem that is neither transitory nor geographically confined. Various estimates put the cumulative housing shortfall at somewhere between 3 million and 5 million units. When housing supply cannot respond elastically to demand, higher prices are the inevitable result.

As Fed economists, Garcia and Garriga are careful to "stay in their lane" and not formulate policy responses, but they note that current zoning and labor conditions present structural constraints. The implicit message is that many of the demand-side interventions that policymakers push—housing subsidies, down-payment assistance, lower interest rates—cannot solve a problem whose roots lie in the persistent inability of American communities to build enough homes.—**TAF** R