

August 1, 2013

Perhaps someday there will be an explanation why the worst environmental actors are governments. Examples would be anyplace in the former Soviet Union, nuclear weapons production sites in the United States, and now we learn about China in [WSJ's Saturday Essay](#), "China's Bad Earth" from last weekend.

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*The experiences of these farmers in Dapu, in central China's Hunan province, highlight an emerging and critical front in China's intensifying battle with pollution. For years, public attention has focused on the choking air and contaminated water that plague China's ever-expanding cities. But a series of recent cases have highlighted the spread of pollution outside of urban areas, now encompassing vast swaths of countryside, including the agricultural heartland.*

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*Rural China's toxic turn is largely a consequence of two trends, say environmental researchers: the expansion of polluting industries into remote areas a safe distance from population centers, and heavy use of chemical fertilizers to meet the country's mounting food needs. Both changes have been driven by the rapid pace of urbanization in a country that in 2012, for the first time in its long history, had more people living in cities than outside of them.*

*Yet the effort to keep urbanites comfortable and well-fed has also led to the poisoning of parts of the food chain, and some of the pollution is traveling back to the cities in a different—and for many, more frightening—guise. ...*

**Richard Epstein** posts on the president's first "pivot to the economy" speech.

*... The President's speech at Knox College needs some close deconstruction because it sheds harsh light on a problem that has dogged his domestic policy agenda from the beginning: intellectual rigidity. The President, who has never worked a day in the private sector, has no systematic view of the way in which businesses operate or economies grow. He never starts a*

*discussion by asking how the basic laws of supply and demand operate, and shows no faith that markets are the best mechanism for bringing these two forces into equilibrium.*

*Because he does not understand rudimentary economics, he relies on anecdotes to make his argument. He notes, for example, that the Maytag plant that used to be in Galesburg is no longer in operation—it closed in 2004—but he never asks what set of forces made it untenable for the business to continue to operate there. He never mentions that Maytag's relocation of its manufacturing operations to Mexico may have had something to do with a strong union presence or the dreadful economic climate in Illinois.*

*Unfortunately, our President rules out deregulation or lower taxes as a way to unleash productive forces in the country. Indeed, he is unable to grasp the simple point that the only engine of economic prosperity is an active market in which all parties benefit from voluntary exchange. Both taxes and regulation disrupt those exchanges, causing fewer exchanges to take place—and those which do occur have generated smaller gains than they should. The two-fold attraction of markets is that they foster better incentives for production as they lower administrative costs. Their comparative flexibility means that they have a capacity for self-correction that is lacking in a top-down regulatory framework that limits wages, prices, and the other conditions of voluntary exchange. ...*

*... The President seems utterly incapable of seeing the downside to any of his policy choices. They are announced from on-high as all gain and no pain. In the face of stagnant growth, [weak corporate earnings](#), and continued high unemployment, he shows not the slightest recognition that some of his programs might have gone amiss.*

*It is easy to see, therefore, why people have tuned out the President's recent remarks. They have heard it all countless times before. So long as the President is trapped in his intellectual wonderland that puts redistribution first and regards deregulation and lower taxation as off limits, we as a nation will be trapped in the uneasy recovery that will continue to dog us no matter who is chosen to head the Federal Reserve.*

**Charles Krauthammer** has words.

*I find it astonishing that he goes around making speeches in which he deplores the state of the economy, the growing income inequality, chronic unemployment, staggering middle class income, and it's as if he has been a bystander, as if he's been out of the country for the last five years. It's his economy; he's the president.*

*He's talking as if this is the Bush economy, I don't know, the Eisenhower economy, and he just arrived in a boat and he discovers how bad the economy is. This is a result of the policies he instituted. He gave us the biggest stimulus in the history of the milky way, and he said it would jump start the economy. The result has been the slowest recovery, the worst recovery since World War II, and that is the root of all of the problems he's talking about, the income inequality - the median income of the middle class of Americans has declined by 5% in his one term. So who's responsible for that? Those were his policies. He talks about this in the abstract and he actually gets away with it in a way that I find absolutely astonishing, it's magical. This is his economy and he's pretending he's just stumbled upon it. And the policies he proposes are exactly the ones he proposed and implemented in the first term. (Special Report, July 29, 2013)*

In the speech on Tuesday, we heard the old meme about the minimum wage. Jason Riley posts on it.

*... There continue to be better alternatives to minimum-wage increases, such as the Earned Income Tax Credit, if the goal is to help the poor. But then, his rhetoric notwithstanding, Mr. Obama isn't pushing for a higher minimum wage to help alleviate poverty. He's advocating it, first and foremost, in deference to Big Labor. Unions like minimum-wages because they price people out of the labor force, and fewer workers means higher wages for their members. As Thomas Sowell, a student of Stigler's at the University of Chicago, writes in "Basic Economics," "Just as businesses seek to have government impose tariffs on imported goods that compete with their products, so labor unions use minimum wage laws as tariffs to force up the price of non-union labor that competes with their members for jobs."*

*Mr. Obama wants a higher minimum wage because that's what a key Democratic special interest wants. The impact on the poor is at best a secondary concern.*

And while the president visited Chattanooga Tuesday, the local Times Free Press editorialized; "Take your jobs plan and shove it, Mr. President: Your policies have harmed Chattanooga enough"

*... Welcome to Chattanooga, one of hundreds of cities throughout this great nation struggling to succeed in spite of your foolish policies that limit job creation, stifle economic growth and suffocate the entrepreneurial spirit.*

*Forgive us if you are not greeted with the same level of Southern hospitality that our area usually bestows on its distinguished guests. You see, we understand you are in town to share your umpteenth different job creation plan during your time in office. If it works as well as your other job creation programs, then thanks, but no thanks. We'd prefer you keep it to yourself.*

*That's because your jobs creation plans so far have included a ridiculous government spending spree and punitive tax increase on job creators that were passed, as well as a minimum wage increase that, thankfully, was not. Economists — and regular folks with a basic understanding of math — understand that these are three of the most damaging policies imaginable when a country is mired in unemployment and starving for job growth.*

*Even though 64 percent of Chattanooga respondents said they would rather you hadn't chosen to visit our fair city, according to a survey on the Times Free Press website, it's probably good that you're here. It will give you an opportunity to see the failure of your most comprehensive jobs plan to date, the disastrous stimulus scheme, up close and personal.*

*The American Recovery and Reinvestment Act of 2009 helped fund the Gig to Nowhere project, a \$552 million socialist-style experiment in government-owned Internet, cable and phone services orchestrated by EPB — Chattanooga's government-owned electric monopoly. ...*

**Rich Lowry** has more on the execrable Howard Zinn.

... *A People's History* is a book for high-school students not yet through their Holden Caulfield phase, for professors eager to subject their students to their own ideological enthusiasms, and for celebrities like Matt Damon, who has done so much to publicize it. If it is a revelation to you that we treated Native Americans poorly, and if you believe the Founding Fathers were a bunch of phonies, Zinn's volume will strike you with the power of a thunderclap. And one day, maybe, you will grow up.

The caterwauling in the Daniels controversy about the importance of academic inquiry is particularly rich, given that Zinn didn't believe in it. He had no use for objectivity and made history a venture in rummaging through the historical record to find whatever was most politically useful, without caring much about strict factual accuracy. "Knowing history is less about understanding the past than changing the future," he said. He joined his propagandistic purpose to a moral obtuseness that refused to distinguish between the United States and its enemies, including Nazi Germany. ...

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**WSJ**

### **China's Bad Earth**

***Industrialization has turned much of the Chinese countryside into an environmental disaster zone, threatening not only the food supply but the legitimacy of the regime itself.***

by Josh Chin and Brian Spegele



*In Dapu, a chemical factory sits next to a farm. 'Nothing comes from these crops,' says a local farmer.*

In Dapu, a rain-drenched rural outpost in the heart of China's grain basket, a farmer grows crops that she wouldn't dare to eat.

A state-backed chemicals factory next to her farm dumps wastewater directly into the local irrigation pond, she says, and turns it a florescent blue reminiscent of antifreeze. After walking around in the rice paddies, some farmers here have developed unexplained blisters on their feet.

"Nothing comes from these plants," says the farmer, pointing past the irrigation pond to a handful of stunted rice shoots. She grows the rice, which can't be sold because of its low quality, only in order to qualify for payments made by the factory owners to compensate for polluting the area. But the amount is only a fraction of what she used to earn when the land was healthy, she says. The plants look alive, "but they're actually dead inside."

The experiences of these farmers in Dapu, in central China's Hunan province, highlight an emerging and critical front in China's intensifying battle with pollution. For years, public attention has focused on the choking air and contaminated water that plague China's ever-expanding cities. But a series of recent cases have highlighted the spread of pollution outside of urban areas, now encompassing vast swaths of countryside, including the agricultural heartland.

Estimates from state-affiliated researchers say that anywhere between 8% and 20% of China's arable land, some 25 to 60 million acres, may now be contaminated with heavy metals. A loss of even 5% could be disastrous, taking China below the "red line" of 296 million acres of arable land that are currently needed, according to the government, to feed the country's 1.35 billion people.

Rural China's toxic turn is largely a consequence of two trends, say environmental researchers: the expansion of polluting industries into remote areas a safe distance from population centers, and heavy use of chemical fertilizers to meet the country's mounting food needs. Both changes have been driven by the rapid pace of urbanization in a country that in 2012, for the first time in its long history, had more people living in cities than outside of them.

Yet the effort to keep urbanites comfortable and well-fed has also led to the poisoning of parts of the food chain, and some of the pollution is traveling back to the cities in a different—and for many, more frightening—guise.

"Pollution can be displaced only to an extent. You can't put walls around it," says Judith Shapiro, the U.S.-based author of the recent book "China's Environmental Challenges." She is one of a number of researchers and environmental activists—including many in China—who warn that pollution poses an existential threat to the current regime. It is, she says, "perhaps the single most significant determinant of whether the Communist Party will maintain its legitimacy in coming years."

China has long sought to industrialize its countryside, dating to Mao's disastrous Great Leap Forward beginning in 1958, when he sought rapid industrialization by urging peasants to set up backyard steel furnaces at the expense of agricultural output. The cumulative impact of decades of building up rural industry is now taking an environmental toll, particularly as industrial growth surges forward in China's breadbasket. In the once agrarian provinces of Hunan and Hubei,

industrial activity rose more than threefold from 2007 to 2011, far outpacing industrial growth in powerhouse Guangdong.

In some cases, factories are moving to the countryside to take advantage of cheaper land, often made available with the help of local officials who want to boost growth, environmental researchers say. In other cases, urban leaders want factories to move out of crowded cities. The ensuing problems of rural pollution are exacerbated by the fact that many small-town governments have less capacity to properly regulate complex industrial activities than their counterparts in big cities, experts say.

The consequences of this shift catapulted to national attention in February, after China's Ministry of Environmental Protection refused to release the results of a multiyear nationwide soil-pollution survey, calling the data a "state secret." The decision—brought to a head when an activist lawyer pressed the ministry to reveal the numbers—sparked an outcry online and in the traditional media.

Criticism even came from the Communist Party's flagship paper, People's Daily, which posted a message to its microblog that read: "Covering this up only makes people think: I'm being lied to."

The environment ministry hasn't responded to requests for comment. In April, Zhuang Guotai, head of the ecological department at the environment ministry, said during a news conference that the survey's findings would be released after the results had been "verified" but didn't elaborate.

The uproar over the soil survey was compounded by a second controversy the next month, when authorities in Guangzhou, the capital of southern China's Guangdong province, revealed that eight out of 18 samples in a survey of local rice supplies had been found to contain excessive levels of cadmium, a heavy metal that can wreak havoc on the kidneys and cause severe bone pain.

Officials didn't say where the cadmium came from, though the rice itself was grown in nearby Hunan province, they said. Cadmium is generally associated with mining and the smelting of metals like zinc and lead, as well as battery manufacturing, all of which are common in Hunan.

Social media users expressed anger and dismissed two subsequent provincewide investigations that showed excessive levels of cadmium in only 5.8% and 1.4% of rice supplies. "First water, then the air we breathe, and now the earth. How can people still survive?" wrote one user on Sina Weibo, a popular Twitter-like microblogging service. "I suppose we can always move abroad or to outer space."

"Chinese people have a very deep connection to rice," adds Liu Jianqiang, a former investigative reporter who now serves as the Beijing-based editor of China Dialogue, a nonprofit media organization that tracks environmental issues. "If you discover some vegetable or fruit is poisoned, you can say 'I won't eat it.' But rice you can't avoid."

Chinese officials have repeatedly said that they are serious about reining in pollution. A week after the cadmium news broke, the new Chinese president Xi Jinping said at a meeting of top leaders in Beijing that he planned to set an ecological "red line," warning that those who crossed it would be "held accountable for a lifetime," though he didn't provide specifics.

The threat to China's countryside goes far beyond cadmium. In January, China's official Xinhua news agency highlighted the dangers of hazardous chemical waste in rural areas by profiling Zekou, described by environmentalists as a "cancer village" in the central province of Hubei. Residents blame a nearby industrial park for more than 60 recent cancer-related deaths, most of them of people under the age of 50.

The Ministry of Environmental Protection publicly acknowledged the existence of such "cancer villages"—which have unusually high rates of cancer and, according to nongovernmental organizations and researchers, number in the hundreds—for the first time a month later.

In March, state media reported that 168 villagers who live near a battery factory in the eastern province of Zhejiang were discovered to have elevated levels of lead in their blood, the latest in a stream of rural lead-poisoning cases tied to battery and smelting facilities.

And then there are the pressures being placed on China's farmland by the overuse of chemical fertilizers. Mr. Zhuang, of the environment ministry, said at his recent news conference that only 35% of the fertilizer used in China was being properly absorbed by crops. The remaining 65%, he said, was being discharged as pollution that was seriously tainting China's farmland. Runoff of nitrogen fertilizer, among the most widely-used varieties in China, can contaminate water sources and lead to soil acidification, soil erosion and lower crop yields.

"If things carry on this way, the soil will be unable to bear it, the environment unable to bear it. It's a real problem," said Mr. Zhuang.

Between 2000 and 2011, the use of chemical fertilizer—pushed by the country's exploding demand for staples such as rice—rose 38%, to more than 57 million tons a year, according to the National Bureau of Statistics. Such growth far outpaced the growth of total irrigated farmland, which rose only about 15% during the same period.

Experts say that the government is aware of the threat posed by rural pollution, noting a pledge by the environmental minister in March to make heavy-metal pollution a major focus. The Ministry of Land and Resources followed by announcing in June that it would conduct its own nationwide soil sampling to map pollution levels around the country, though it isn't clear if the findings will be made public. Later that month, China's cabinet, the State Council, discussed a draft amendment to the country's environmental law that would, among other things, stiffen punishments for polluters and require tighter regulation of fertilizers.

But experts say that fear of transparency, a lumbering bureaucracy and worries over how China would cope if large areas of land were declared tainted raise questions about the government's ability to respond.

Removing heavy metals from farmland is a complicated process that can take years—time lost for farming. That is a chilling prospect for a government tasked with supporting 20% of the world's population on less than 10% of the world's arable land. Any major reduction in food security would hurt the Communist Party, which has staked its reputation in part on its ability to keep the country's granaries full with minimal imports.

The government's refusal to release its soil survey, meanwhile, has only added to fears that officials know more than they are willing to say. Launched to great fanfare in the state media in



2006, the survey was originally scheduled to be completed in 2010. In June last year, an environment ministry official told the Xinhua news service that more than 20% of soil samples in a trial program for monitoring pollution, involving 364 rural villages, had failed to meet national standards and that the results of the survey would be published "at the proper time."

"There's a general feeling that government officials know the problem is really bad, and if they disclose it, then the public outrage will get ahead of the ability of the state to do something about it," says Alex Wang, an expert in Chinese environmental law at the UCLA School of Law.

For generations of readers in the West, the profound ties to the land of China's farmers have been vividly depicted by "The Good Earth," novelist Pearl S. Buck's 1931 portrait of one rural family's struggles in the era before the revolution. As the protagonist Wang Lung discovers, even through years of famine and hardship, Chinese must ultimately find their sustenance in the soil.

Today, many of the country's rural dilemmas are most visible in Hunan province, the source of the cadmium-tainted rice discovered in Guangzhou. China's top rice producer, Hunan grew nearly 26 million tons of unmilled rice, almost 13% of China's total, in 2011. Hunan's central role in feeding China is encapsulated in a proverb that dates back more than 400 years to the late Ming Dynasty, when the province had a different name: "When Huguang reaps its harvest, all under Heaven want for nothing."

In recent decades, however, Hunan has also become one of the country's top five producers of nonferrous metals like copper and lead, with mines and smelters that accounted for 7.5% of the country's nonferrous metals in 2012, according to Wall Street Journal calculations based on provincial and national statistics.

"You have farms next to mountains where mining is happening, and not enough attention is placed on environmental protection," says Chen Nengchang, a soil remediation expert with the Guangdong Institute of Environmental and Soil Sciences.

It is difficult to say how extensive Hunan's cadmium problem is, just as it is hard to pinpoint exactly where the cadmium in any batch of tainted rice comes from. In one of a handful of small studies done on heavy-metal pollution in the area, published in 2008, Nanjing Agricultural University professor Pan Gengxing found 60% of rice bought in markets in a number of southern provinces, including Hunan, contained cadmium in excess of China's national standards.

That survey, however, was based on only 61 samples. Also, China's maximum allowable cadmium standard, 0.20 milligrams per kilogram of rice, is twice as strict as the widely used international standard. Studies have shown that Hunan rice is also polluted with excessive arsenic and lead, and that some of the rice has made it into markets.

Zhu Hongqing, a 42-year-old rice farmer who lives down the road from Dapu in the village of Yanqiao, believes that his paddies are clean. They are located more than a mile from the chemical factory in Dapu and many miles from any mine. But consumer paranoia, amplified by a lack of information, means that the market for all Hunan rice is suffering, with prices of milled rice dipping as much as 14% since the cadmium scare began before recovering slightly, according to a manager at Jincheng Rice Mill in Hunan's Yiyang City.



"I told my wife I have a very bad feeling about this," Mr. Zhu said one recent morning while surveying an early rice crop on the cusp of being harvested. "It's going to be impossible to sell it."

The political sensitivity surrounding soil pollution is evident back in Dapu, where villagers were afraid to give their names for fear of reprisals from local officials. The farmer who is growing bad rice says that the village had long been a clean and prosperous place. Residents made a comfortable living selling rice, jujubes, oranges and melons. That changed in 2008, when construction began on an aluminum fluoride facility. The plant ran 24 hours a day, she says, sending smoke over local fields when the southern winds began to blow in late summer and polluting irrigation systems to the point that even the insects have fled. The fruit trees stopped bearing fruit, and whatever did grow, no one was willing to buy.

After villagers complained, the factory owners agreed to pay compensation as long as farmers continued to raise a crop. The Dapu farmer says that she used to earn as much as 10,000 yuan, or \$1,630, each year from growing rice. Now she gets about 5,400 yuan, or \$880, to grow rice shoots that don't produce any rice.

An official in charge of environmental protection at the factory, Hunan Nonferrous Fluoride Chemical, Co. Ltd., a subsidiary of state-run China Minmetals Group, said that the facility maintained strict environmental standards but that faulty equipment and electricity problems occasionally led to the accidental discharge of excess pollution. He said that none of the factory emissions were harmful to human health and added that the company paid pollution compensation as required by regulations.

"Conflict between farmers and enterprises happens all the time because chemical factories can only be set up in the countryside," said the official, who only gave his surname, Li. "I totally understand the local people. I'm the son of a farmer myself."

Officials at the Hengdong Agricultural Bureau, which is responsible for monitoring Dapu, hung up the phone repeatedly.

## Hoover Institution

### Obama's Middle Class Malaise

***Income redistribution and pro-union policies are hurting, not helping, the economy.***

by Richard A. Epstein

This past week in Galesburg, Illinois, President Obama gave his first speech on his plans to reinvigorate a still stalled economy at Knox College. The speech itself received little press coverage—so little, in fact, that the Sunday New York Times ran a [puff-piece](#) on it to build interest in his next speech—on a similar topic—scheduled for Tuesday, July 30 in Chattanooga, Tennessee. In these speeches, the president is using the bully pulpit to argue for redistributive, pro-regulatory, pro-union policies that he claims will serve the middle class.



But his all-too familiar remarks are likely to continue to fall on deaf ears, as the public imagination turns its attention to real events, including the Securities and Exchange Commission's indictment of [SAC Capital Advisors](#) and the [public fight](#) over who will assume the chairmanship of the Federal Reserve at Ben Bernanke leaves. Will the President choose the oft-impolitic Lawrence Summers, who is suspicious of the stimulus, or the cautious Janet Yellen, who supports it?

### **Farewell to Supply and Demand**

The President's speech at Knox College needs some close deconstruction because it sheds harsh light on a problem that has dogged his domestic policy agenda from the beginning: intellectual rigidity. The President, who has never worked a day in the private sector, has no systematic view of the way in which businesses operate or economies grow. He never starts a discussion by asking how the basic laws of supply and demand operate, and shows no faith that markets are the best mechanism for bringing these two forces into equilibrium.

Because he does not understand rudimentary economics, he relies on anecdotes to make his argument. He notes, for example, that the Maytag plant that used to be in Galesburg is no longer in operation—it closed in 2004—but he never asks what set of forces made it untenable for the business to continue to operate there. He never mentions that Maytag's relocation of its manufacturing operations to Mexico may have had something to do with a strong union presence or the dreadful economic climate in Illinois.

Unfortunately, our President rules out deregulation or lower taxes as a way to unleash productive forces in the country. Indeed, he is unable to grasp the simple point that the only engine of economic prosperity is an active market in which all parties benefit from voluntary exchange. Both taxes and regulation disrupt those exchanges, causing fewer exchanges to take place—and those which do occur have generated smaller gains than they should. The two-fold attraction of markets is that they foster better incentives for production as they lower administrative costs. Their comparative flexibility means that they have a capacity for self-correction that is lacking in a top-down regulatory framework that limits wages, prices, and the other conditions of voluntary exchange.

## Deconstructing Obama

Instead of suggesting policies to reduce the impact of government on production, Obama reverts into a lament for the lost middle class. He notes that our economic engine has, over time, “began to stall”:

"Technology made some jobs obsolete. Global competition sent others overseas. It became harder for unions to fight for the middle class. Washington doled out bigger tax cuts to the rich and smaller minimum wage increases for the working poor. The link between higher productivity and people's wages and salaries was severed—the income of the top 1% nearly quadrupled from 1979 to 2007, while the typical family's barely budged."

In the course of a single paragraph, he hits on so many issues—and so many mistakes—that his elegant prose conceals. Obama speaks first of how the economic engine began to stall, but he offers no timeline. His general statement may square with the economic malaise of the Carter years, but it hardly describes the solid growth during most of the Reagan and Clinton years, as both presidents grasped, however imperfectly, that any expansion of the government footprint on the economy could dull the incentives to production.

The situation turned south the past ten years. The second George Bush administrative gave us No Child Left Behind and Sarbanes-Oxley, while Obama followed with Obamacare and Dodd-Frank. Such legislation offsets the many of the benefits from the Bush tax cuts, which, of course, Obama has undone. But his use of the phrase—the engine “began to stall”—conceals that he has no explanation of the ebbs and fall of the overall system.

His next sentence about technological change is every bit as otiose. Of course, technology makes some jobs obsolete. That's something we should celebrate. Technology led to the automobile, ensuring the end of the horse and buggy era. At the same time, technology led to both better products and better jobs, and more of both. Joseph Schumpeter's cycle of [creative destruction](#) explains these forces beautifully. Even Obama would not favor clamping down on the digital world in order to preserve jobs in the print media. Focusing on the negative consequences of technology obscures its far greater positives from innovation. It could easily lead government regulators to take a dim view of innovation.

Next, he takes on global competition. Of course global competition sends some jobs overseas, but it also can increase jobs at home whenever we organize our own production to decrease domestic obstacles to sales abroad. But in a global economy, what we cannot do is to expect our trading partners to structure their businesses and laws to subsidize American production in their own economies.

We have learned the benefit of free trade across state lines in the United States. It is imperative that we not forget that this same logic applies to free trade across nations, where again the principle of comparative advantage—let each nation specialize in the work where it is most efficient—offers the securest route to global and domestic improvement. The effort to shield individual workers from foreign competition comes at a cost to the system as a whole.

Unfortunately, the President cannot be open to international competition because of its crippling impact on domestic unions that work best behind a tariff wall. We should greet what he writes with deep apprehension: “It became harder for unions to fight for the middle class.” But the union movement does not represent the middle class. It receives dues only from its members,

and it is only union members that receive union largesse in return. Other members of the middle class receive no assistance from unions, or are hurt by union activities. The President notes with some pride that “Airbus will build new planes in Alabama.” He might have added that Airbus chose Alabama because of its strong anti-union policies, which open up jobs for both middle class and poor people seeking economic advancement. Boeing relocated much of its business to South Carolina for the same reasons.

Indeed, it is critical to remember that today the greatest threat that unions pose to the economy does not come at the bargaining table but in the legislative arena where they work nonstop to block non-union rivals. One recent example of their job-busting behavior is [The Large Retailer Accountability Act](#) that just past the D.C. City Council by an 8 to 5 vote. If signed by Mayor Vincent Gray, it would mandate a \$12.50 “living wage” imposed solely on new retailers with 75,000 square feet in space and a billion dollars or more per year in sales. This ad hoc scheme exempted current unionized businesses. Indeed it is explicitly targeted at the Wal-Marts, which has [announced](#) that if the law goes into effect, it will cancel at least three of the six new stores that it has planned for Washington D.C. proper. That would cost D.C. some 1,800 new jobs.

Like clockwork, the AFL-CIO [supports](#) this legislation on the ground that the law “would lift thousands of working families in Washington, D.C., out of poverty and support decent wages across the retail industry.” Dream on. The unpleasant reality is that the disappearance of these jobs will hurt the same poor people whom the President wishes to help.

Yet his speech offers not one hint that he is aware of the deep conflict between his abject fealty to union objectives and the poor people he wants to lift up. Yes there is an increasing gap between the rich and poor, but that gap won’t narrow if the President keeps plumping for a higher minimum wage that will block poor individuals, many of whom are African-American, from getting a toehold in the economy. No jobs at artificially high wages—which is what will happen, per Wal Mart—is no improvement over plentiful jobs at market wages.

No Obama speech is complete without lashing out at the tax cuts that Washington has doled out to the “rich.” On this point, he substantially [overstates](#) the increase in the income gap. Unfortunately, he also misses the key point that the higher rate structures have reduced income at the top, and thus the ability to fund the ever more lavish transfer programs that Washington wants to put in place. The President of course thinks that the new dawn is just around the corner, so long as we keep to his general program.

Indeed he constantly thinks of his greatest regulatory failures as his great successes. No other president has “saved the auto industry,” albeit by a [corrupt bankruptcy](#) process, or “taken on a broken health care system,” only to introduce a set of unworkable mandates that are already falling apart, or “investing in new technologies,” which tries to pick winners and ends up with losers like Solyndra. The great advances in energy have come from private developments, most notably fracking, and not from the vagaries of wind and solar energy, which no one has yet figured out how to store for future use when needed.

The President seems utterly incapable of seeing the downside to any of his policy choices. They are announced from on-high as all gain and no pain. In the face of stagnant growth, [weak corporate earnings](#), and continued high unemployment, he shows not the slightest recognition that some of his programs might have gone amiss.

It is easy to see, therefore, why people have tuned out the President's recent remarks. They have heard it all countless times before. So long as the President is trapped in his intellectual wonderland that puts redistribution first and regards deregulation and lower taxation as off limits, we as a nation will be trapped in the uneasy recovery that will continue to dog us no matter who is chosen to head the Federal Reserve.

*Richard A. Epstein, the Peter and Kirsten Bedford Senior Fellow at the Hoover Institution, is the Laurence A. Tisch Professor of Law, New York University Law School, and a senior lecturer at the University of Chicago. His areas of expertise include constitutional law, intellectual property, and property rights. His most recent books are Design for Liberty: Private Property, Public Administration, and the Rule of Law (2011), [The Case against the Employee Free Choice Act](#) (Hoover Press, 2009) and Supreme Neglect: How to Revive the Constitutional Protection for Private Property (Oxford Press, 2008).*

### Special Report - Fox News

#### [Krauthammer On Obama: "This Is His Economy And He's Pretending He's Just Stumbled Upon It"](#)

**CHARLES KRAUTHAMMER:** I find it astonishing that he goes around making speeches in which he deplores the state of the economy, the growing income inequality, chronic unemployment, staggering middle class income, and it's as if he has been a bystander, as if he's been out of the country for the last five years. It's his economy; he's the president.

He's talking as if this is the Bush economy, I don't know, the Eisenhower economy, and he just arrived in a boat and he discovers how bad the economy is. This is a result of the policies he instituted. He gave us the biggest stimulus in the history of the milky way, and he said it would jump start the economy. The result has been the slowest recovery, the worst recovery since World War II, and that is the root of all of the problems he's talking about, the income inequality - the median income of the middle class of Americans has declined by 5% in his one term. So who's responsible for that? Those were his policies. He talks about this in the abstract and he actually gets away with it in a way that I find absolutely astonishing, it's magical. This is his economy and he's pretending he's just stumbled upon it. And the policies he proposes are exactly the ones he proposed and implemented in the first term. (*Special Report*, July 29, 2013)

### WSJ - Political Diary

#### [Stigler on Obama](#)

by Jason L. Riley

President Obama told a crowd in Chattanooga, Tenn., Tuesday that "because no one who works full-time in America should have to live in poverty, I will keep making the case that we need to raise a minimum wage that in real terms is lower than it was when Ronald Reagan took office."

There are many things wrong with that statement, starting with the implication that the typical minimum-wage earner is supporting a family of four. In fact, most minimum-wage earners are



young, part-time workers who aren't poor. According to federal data, their average family income is more than \$53,000 a year.

But what's also striking about the president's argument is how long proponents of the minimum wage have been making it, and how long noted economists have been telling those proponents that it's a bad idea. Back in 1946, George Stigler, whom Milton Friedman called "one of the great economists of the twentieth—or any other—century," addressed Mr. Obama's statement 67 years before the president would utter it.

"The minimum wage provisions of the FLSA of 1938"—a reference to the Fair Labor Standards Act, which established a national minimum wage—"have been repealed by inflation," wrote Stigler. "Many voices are now taking up the cry for a higher minimum." Stigler, who would win the Nobel Prize for Economics in 1982, continued: "The popular objective of minimum wage legislation—the elimination of extreme poverty is not seriously debatable. The important questions are rather (1) Does such legislation diminish poverty? and (2) Are there efficient alternatives? The answers are, if I am not mistaken, unusually definite for questions of economic policy. If this is so, these answers should be given. Some readers will probably know my answers already ("no" and "yes," respectively); it is distressing how often one can guess the answer given to an economic question merely by knowing who asks it. But my personal answers are unimportant; the arguments on which they rest are."

There continue to be better alternatives to minimum-wage increases, such as the Earned Income Tax Credit, if the goal is to help the poor. But then, his rhetoric notwithstanding, Mr. Obama isn't pushing for a higher minimum wage to help alleviate poverty. He's advocating it, first and foremost, in deference to Big Labor. Unions like minimum-wages because they price people out of the labor force, and fewer workers means higher wages for their members. As Thomas Sowell, a student of Stigler's at the University of Chicago, writes in "Basic Economics," "Just as businesses seek to have government impose tariffs on imported goods that compete with their products, so labor unions use minimum wage laws as tariffs to force up the price of non-union labor that competes with their members for jobs."

Mr. Obama wants a higher minimum wage because that's what a key Democratic special interest wants. The impact on the poor is at best a secondary concern.

### **Chattanooga Times Free Press - Editorial**

### **[Take your jobs plan and shove it, Mr. President: Your policies have harmed Chattanooga enough](#)**

President Obama,

Welcome to Chattanooga, one of hundreds of cities throughout this great nation struggling to succeed in spite of your foolish policies that limit job creation, stifle economic growth and suffocate the entrepreneurial spirit.

Forgive us if you are not greeted with the same level of Southern hospitality that our area usually bestows on its distinguished guests. You see, we understand you are in town to share your umpteenth different job creation plan during your time in office. If it works as well as your other job creation programs, then thanks, but no thanks. We'd prefer you keep it to yourself.

That's because your jobs creation plans so far have included a ridiculous government spending spree and punitive tax increase on job creators that were passed, as well as a minimum wage increase that, thankfully, was not. Economists — and regular folks with a basic understanding of math — understand that these are three of the most damaging policies imaginable when a country is mired in unemployment and starving for job growth.

Even though 64 percent of Chattanooga respondents said they would rather you hadn't chosen to visit our fair city, according to a survey on the Times Free Press website, it's probably good that you're here. It will give you an opportunity to see the failure of your most comprehensive jobs plan to date, the disastrous stimulus scheme, up close and personal.

The American Recovery and Reinvestment Act of 2009 helped fund the Gig to Nowhere project, a \$552 million socialist-style experiment in government-owned Internet, cable and phone services orchestrated by EPB — Chattanooga's government-owned electric monopoly.

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The Gig to Nowhere is a Smart Grid, a high tech local electricity infrastructure intended to improve energy efficiency and reduce power outages. After lobbying for, and receiving, \$111.6 million in stimulus money from your administration, EPB decided to build a souped-up version of the Smart Grid with fiber optics rather than more cost-effective wireless technology. This decision was supposed to allow EPB to provide the fastest Internet service in the Western Hemisphere, a gigabit-per-second Internet speed that would send tech companies and web entrepreneurs stampeding to Chattanooga in droves.

In reality, though, the gig, like most of the projects funded by your stimulus plan, has been an absolute bust.

While the Smart Grid will cost taxpayers and local electric customers well over a half-billion dollars when all is said and done, there has been little improvement in the quality of EPB's electric service. Worse, despite being heavily subsidized, EPB's government-owned Internet, cable and telephone outfit that competes head-to-head against private companies like AT&T and Comcast is barely staying afloat, often relying on loans from electric service reserve funds to afford its business expenses.

Further, there has been no credible evidence to suggest that EPB can even provide a gig of service consistently and reliably. Any companies hoping to utilize the Gig to Nowhere are quoted monthly billing costs that make the service unfeasible. As a result, Chattanooga has remained a relative ghost town for technological innovation. Almost no economic development whatsoever has resulted from the gig.

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What the gig has brought, however, is that shocking price tag. Because of your unwillingness to balance the budget, Mr. President, the \$111.6 million federal handout to subsidize the Gig to Nowhere will actually cost federal taxpayers \$158.2 million, due to interest. Once EPB received the stimulus infusion to fund the pork project, the electric monopoly took out a \$219.8 bond that will balloon to \$391.3 million by the time Chattanoogaans are done paying it off.

The bond's first payment comes due this fall and there remain significant questions about how EPB can manage to pay the debt without hiking electric rates on EPB customers.

Building a Smart Grid to get into a telecom sector already well-served by private companies was a bad idea from the start. But getting government involved in places it doesn't belong is a hallmark of your administration. As a result, you and your policymakers were happy to fund the Gig to Nowhere.

You claimed that the Smart Grid would create jobs for Chattanooga. But in reality, all it did was push America deeper in debt and lure a local government agency into making a terrible financial decision that will weigh on Chattanoogaans like a millstone for decades to come.

So excuse us, Mr. President, for our lack of enthusiasm for your new jobs program. Here in Chattanooga we're still reeling from your old one.

## National Review

### Daniels vs. Zinn

***Historians on the left would rather shout "censorship" than maintain standards.***

by Rich Lowry

Former Indiana governor Mitch Daniels, now the president of Purdue University, has impeccable taste in historians.

Upon the death of Howard Zinn in 2010, he wrote an e-mail to his advisers about Zinn's most famous work, *A People's History of the United States*. "It is a truly execrable, anti-factual piece of disinformation that misstates American history on every page," he said. "Can someone assure me that it is not in use anywhere in Indiana? If it is, how do we get rid of it before any more young people are force-fed a totally false version of our history?"

He was appalled to find out that Indiana University used the tome in a course training the state's teachers, and wanted his education adviser to look into such courses and impose some standards. "Disqualify the propaganda," he urged, "and highlight (if there is any) the more useful offerings."

Just revealed, the e-mails have occasioned much heavy breathing among the sorts of people for whom lacking perspective is a professional obligation. For them, Daniels might as well be a book-burning fireman out of Ray Bradbury's *Fahrenheit 451*.

Ninety-two Purdue professors signed a letter warning that "the very viability of academic inquiry and the university's mission is at stake." The American Historical Association said it "deplores the spirit and intent" of the e-mails, and considers "any governor's action that interfered with an

individual teacher's reading assignments to be inappropriate and a violation of academic freedom." Historian Michael Kazin generously allowed, "I don't know if Daniels should be fired," before stipulating "he should be roundly condemned."

You would never guess from the hysterics that the low estimation that Daniels has for Zinn's work is shared by a swath of distinguished historians. It's not that they disagree with Zinn or believe he's too controversial. They think his work is, to borrow the word Daniels used in another e-mail, "crap."

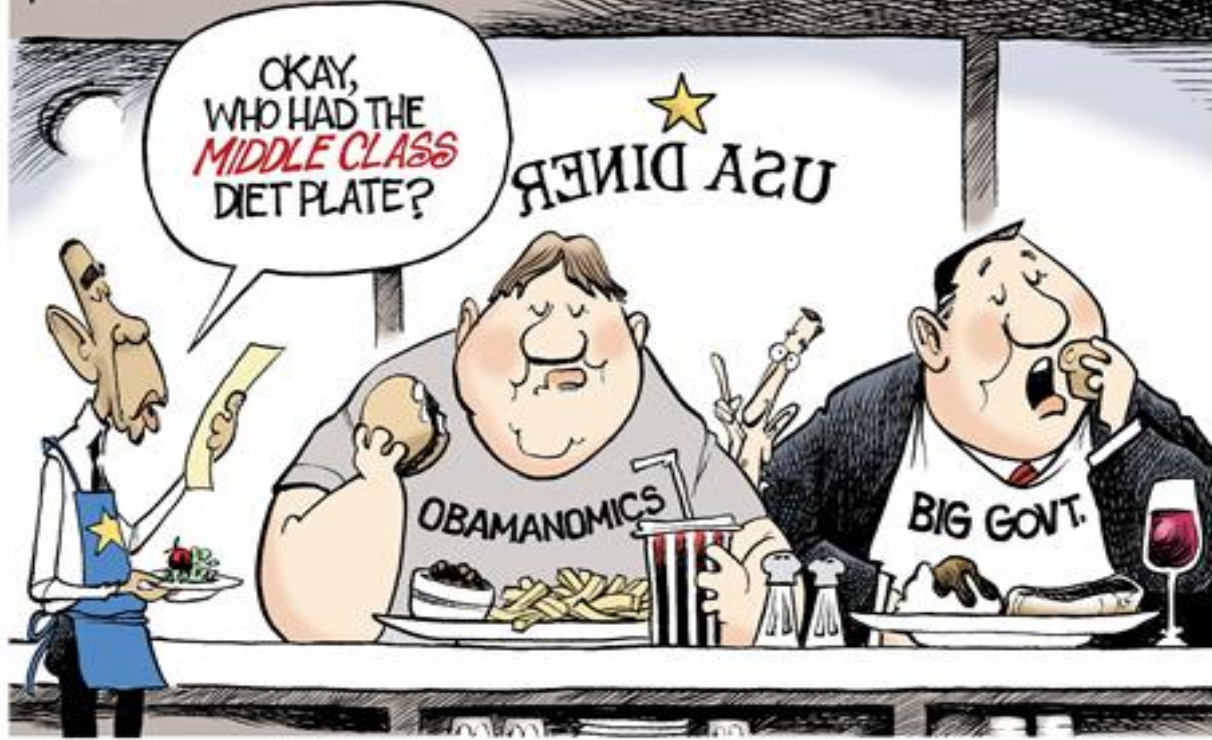
As Michael Moynihan pointed out in *Reason* magazine, much of the incoming fire comes from Zinn's more intellectually credible comrades on the left. Sean Wilentz describes Zinn's work as "balefully influential." Arthur M. Schlesinger Jr. called him "a polemicist, not a historian." *The New Republic* recently ran a review of a biography of Zinn under the headline "Agit-Prof." Even the aforementioned Michael Kazin believes Zinn "essentially reduced the past to a Manichean fable."

*A People's History* is a book for high-school students not yet through their Holden Caulfield phase, for professors eager to subject their students to their own ideological enthusiasms, and for celebrities like Matt Damon, who has done so much to publicize it. If it is a revelation to you that we treated Native Americans poorly, and if you believe the Founding Fathers were a bunch of phonies, Zinn's volume will strike you with the power of a thunderclap. And one day, maybe, you will grow up.

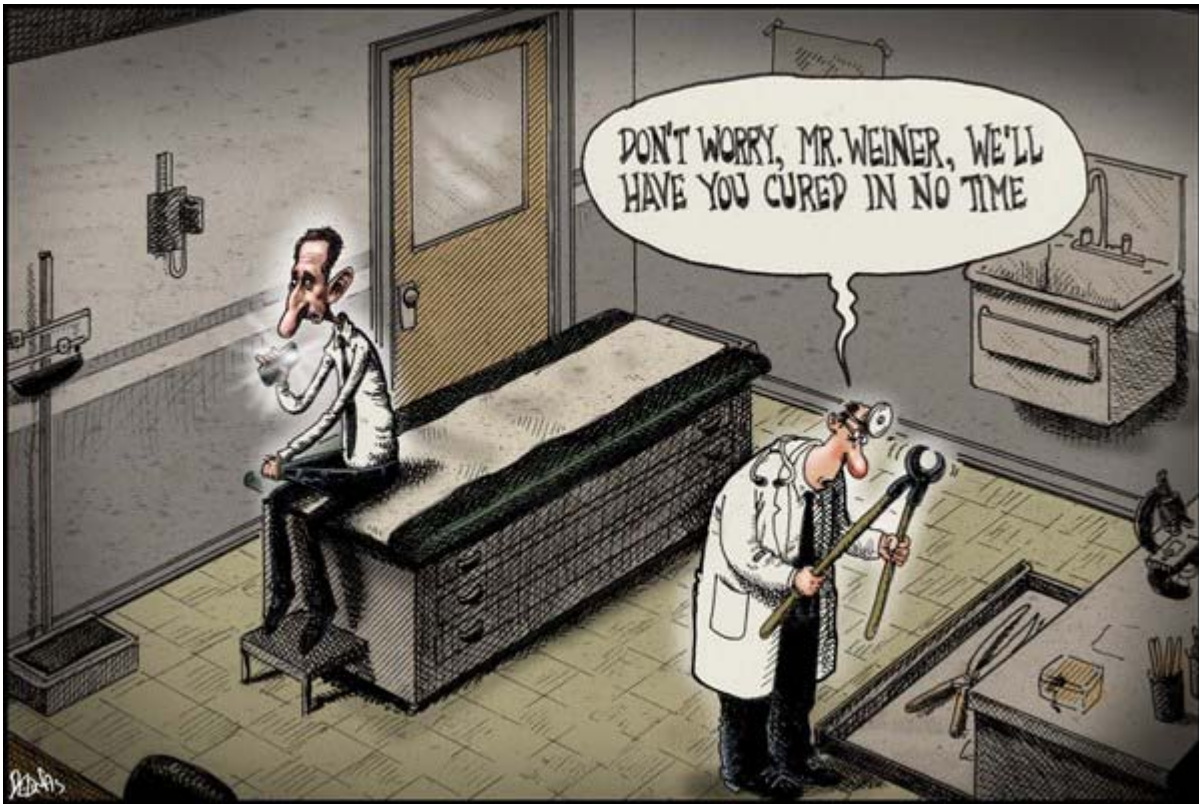
The caterwauling in the Daniels controversy about the importance of academic inquiry is particularly rich, given that Zinn didn't believe in it. He had no use for objectivity and made history a venture in rummaging through the historical record to find whatever was most politically useful, without caring much about strict factual accuracy. "Knowing history is less about understanding the past than changing the future," he said. He joined his propagandistic purpose to a moral obtuseness that refused to distinguish between the United States and its enemies, including Nazi Germany.

Daniels was right not to want Indiana school kids to be subjected to Zinn in the classroom (what they choose to read on their own time is another matter), and right to worry that *A People's History* was part of teacher training. The former governor's critics are willing to look the other way at Zinn's transgressions against his own academic discipline; for them, defending a fellow man of the Left and shouting "censorship" are more important and congenial pursuits than maintaining standards.

The sin of Mitch Daniels, it turns out, is to take history more seriously than they do.







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