

January 12, 2014

**Craig Pirrong** posts on Bob Gates' revelations.

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More from **Ed Morrissey** at Hot Air.

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**Roger Simon** reacts to the latest jobs report.

*Tell all your "Objectivist" friends and the libertarian gang at Reason magazine to break out the champagne. Americans may have skipped the movie of Atlas Shrugged, nor have many read any of Ayn Rand's works, but they have taken the author's advice anyway and gone John Galt, quitting the work force in record numbers. According to Zero Hedge, the latest figures show the labor participation rate at 35 year low.*

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**P. J. O'Rourke** has a suggestion for curing Detroit's ills - turn it into Hong Kong.

*Detroit is beautiful—though you probably have to be a child of the industrial Midwest, like me, to see it. As you may have heard, the city is in trouble. At the end of the 2013 fiscal year, Detroit had a balance sheet with liabilities of \$9.05 billion. The city's emergency manager, Kevyn Orr, estimates long-term debt at \$18 billion.*

*But I know how to fix Detroit, because it reminds me of another favorite place, Hong Kong—two things so opposite that they evoke each other the way any Kardashian is a reminder that you love home and mother.*

*Hong Kong's per capita GDP is among the highest in the world. But it was once a worse mess than Detroit. Devastated by Japanese occupation, the British colony's population had declined from 1.6 million in 1941 to 600,000 by 1945. Then, after the 1949 communist victory on the mainland, a million refugees arrived. Most of them were penniless. Britain's Labor government was penniless, too. Maybe Hong Kong could have gone into Chapter 9. But who would have been the bankruptcy judge? Chairman Mao?*

*Instead Hong Kong had the good fortune to get John (later Sir John) Cowperthwaite, a young official sent out to push the colony's economy toward recovery. "I did very little," he once said. "All I did was to try to prevent some of the things that might undo it."*

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According to a blog called [Quartz](#), there are some who have to curtail or shift shopping at the dollar stores because of weakness in our economy.

*... Economists argue that things like food stamps and unemployment act as crucial bits of stimulus when the economy is weak. Cutting them can act as a headwind to growth. That's certainly the case for low-end retailers such as Family Dollar. The store chain's shares fell sharply this week after it reported disappointing earnings.*

*Family Dollar CEO Howard Levine had this to say on the subject:*

*For the last several quarters, we've discussed the economic challenges our customers are facing. Over the last two years, I think we've seen a growing bifurcation in households. Higher-income households who have benefited from market gains, better employment opportunities, or improvements in the housing markets have become more comfortable and confident in their financial situation. But our core lower-income customers have faced high unemployment levels, higher payroll taxes, and more recently reductions in government-assistance programs. All of these factors have resulted in incremental financial pressure and reduction in overall spend in the market.*

*Translation? As poor Americans come under more and more pressure, more and more of Family Dollar's revenue is tied to low-margin sales of necessities like food. (Sales were strongest during the first fiscal quarter in Family Dollar's "consumables" category, especially in areas like frozen food.)*

*The fact that so many Americans are being forced to curtail spending at the cheapest discount retailers should give anybody cheering the US recovery something to think about.*

**[Megan McArdle](#)** with a great post on the real issues for small business owners. *Health insurance just isn't high on the list of small-business owners' worries.*

*Warren Meyer, whose company operates campgrounds, is getting the hell out of Dodge, by which I mean Ventura County, California:*

*"Never have I operated in a more difficult environment. Ventura County combines a difficult government environment with a difficult employee base with a difficult customer base.*

- *It took years in Ventura County to make even the simplest modifications to the campground we ran. For example, it took 7 separate permits from the County (each requiring a substantial payment) just to remove a wooden deck that the County inspector had condemned. In order to allow us to temporarily park a small concession trailer in the parking lot, we had to (among other steps) take a soil sample of the dirt under the asphalt of the parking lot. It took 3 years to permit a simply 500 gallon fuel tank with CARB and the County equivalent. The entire campground desperately needed a major renovation but the smallest change would have triggered millions of dollars of new facility requirements from the County that we simply could not afford.*
- *In most states we pay a percent or two of wages for unemployment insurance. In California we pay almost 7%. Our summer seasonal employees often take the winter off, working only in the summer, but claim unemployment insurance anyway. They are supposed to be looking for work, but they seldom are and California refuses to police the matter. Several couples spend the whole winter in Mexico, collecting unemployment all the while. So I have to pay a fortune to support these folks' winter vacations." ...*

*... We tend to talk of entrepreneurship and business growth as if it were a matter of tweaking a few simple policy buttons: lowering taxes, making health insurance cheaper, hamstringing the EPA. Unsurprisingly, these issues map well onto big national policy battles. And yet, when I talk to small-business owners, I'm more likely to get an earful about their state's workers' compensation scheme or the local utility's pricing schedule than I am about the federal tax rate. Yet almost none of the policy journalists I know could even describe in detail how workers' compensation insurance works, much less articulate a coherent policy agenda for it.*

*Then there are the sort of soft institutional issues that Meyer highlights, such as whether the local legal system encourages frivolous lawsuits, or some arcane regulatory issue that's specific to businesses. These things matter a lot, but they're hard to measure and even harder to fix.*

*There are a few lessons in this: If you want to encourage entrepreneurship, talk to business owners, not policy wonks. And you often need to think local, not global.*

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## **Streetwise Professor**

### **[Lèse-majesté, or Bob Gates Tells Truth to Power on Afghanistan](#)**

by Craig Pirrong

Robert Gates has set off a mini-frenzy in DC, with leaks from his memoir *Duty*. Some of the frenzy relates to his slamming of Joe Biden, which led the White House to respond that Joe is a great "statesman." Thereby revealing that in the White House Thesaurus, "statesman" is a synonym for "buffoon."

But the most explosive opinion that Gates expresses is that Obama did not believe in his strategy in Afghanistan in 2009-2010, was deeply suspicious of the military, and devised a military strategy that attempted to straddle two stools. That Obama chose to surge (but with a

sell-by date) for political reasons. He did this with no conviction about the rightness of the policy, except for domestic political considerations.

It's not like this was news. Type in "Afghanistan" in the search bar, and scroll through my posts—including those which discuss Gates specifically—and you'll see that was the gravamen of my criticism in 2009-2011. [For instance](#):

In other words: go large, or go home. (Holt wrote this, note well, in 2003.) Half measures, like those in Obama's plan, are likely doomed to failure. This is especially true inasmuch as Obama's "other path" (building on Bush's "other path") depends heavily on transferring responsibility and control to an Afghan government and army in a period of months; Holt provides chapter and verse on how this is almost certainly an exercise in futility, given Afghan history, and the nature of its society (or more accurately, societies).

As I've written before, there are no good options in Afghanistan. But by far the worst is the "middle path," especially when it is not sold to the American people honestly. The "time line" has short-term, domestic political considerations written all over it.

There's more.

And it's not just Afghanistan. As I posted a few days ago, riffing off a WSJ article, this was Obama's MO in Syria. He didn't want to take decisive action, but he didn't want to make it look like he was abandoning the opposition. So he took half-measures to support the rebels, and ostentatiously drew a red line—until Assad called his bluff, and left Obama scrambling for a face saving exit, which Putin oh-so-graciously provided.

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Gates has only had the temerity to call attention at this very late date to what was obvious to those that had been paying attention, but which the political class had collectively decided to avert its eyes from. Note the attacks that are being directed his way. Such are the wages of *lèse-majesté*, no matter how deserving the *majesté* is of the *lèse*.

## Hot Air

### Will Gates' memoir be a political Scud — or a dud?

by Ed Morrissey

When the first excerpts of former Defense Secretary Robert Gates' new memoir *My Duty* emerged before its January 14 release date, they seemed calculated to do maximum damage to Barack Obama and Hillary Clinton. Without a doubt, the quotes released had significant sensational value — accusing Obama of sending more troops to a war he didn't think he could win, and Clinton of admitting that nothing more than baldfaced politics lie in her opposition to the 2007 surge that salvaged — for a time, anyway — western Iraq. Those quotes did get people talking, but will the damage last, or does this just confirm long-embraced narratives?

In [my column for The Fiscal Times](#), I predict that nothing much will come of these releases, especially the context in which Gates frames them in the book:

The decision in December 2009 to increase force strength by adding 30,000 combat troops to the theater followed from Obama's campaign pledge to put the "distraction" of Iraq behind the US and focus on the legitimate front of the war on terror. However, in private discussions, Gates writes that Obama was "skeptical if not outright convinced it would fail," even while ordering the troops into combat.

Needless to say, this feeds into a lot of pre-existing opinions of President Obama. Conservatives, especially those in favor of a robust forward military strategy, never believed that Obama was in it for victory. In fact, many pointed out at the time that the President [never once included the word "victory"](#) in his speech announcing the escalation. As I wrote at the time:

The only sense of real mission I get from this speech is that we're going to send 30,000 more troops now so we can start evacuating all of them in the summer of 2011. It sounds like a slow-motion Dunkirk, and it recalls what Winston Churchill had to say after being congratulated for rescuing the entire British Army and a good portion of the French Army in 1940 from that massive cross-Channel evacuation: "Wars are not won by evacuations." And apparently Obama agrees, since he didn't bother to talk about victory at all, but instead treated it as a massive responsibility that he reluctantly will fulfill.

As revelations go, this is useful for confirmation, but not exactly a surprise.

Likewise, the same is true about Hillary's political calculations on the surge. Everyone at the time knew that had been nothing but a way to cozy up to the Left, which castigated her for supporting the war in Iraq. The Clintons have few (if any) political principles that don't begin with what's good for the Clintons — and everyone has known this for decades now. Plus, Gates goes out of his way to note that he agreed with all of Obama's decisions on Afghanistan, and that Hillary is "smart, idealistic but pragmatic, tough-minded, indefatigable, funny, a very valuable colleague, and a superb representative of the United States all over the world." Admissions on these points may be helpful, but they're not going to change minds at this late date on either figure.

Clearly there is going to be plenty of nuance from the book, and opponents of Obama and Clinton who climb aboard these few excerpts to proclaim Gates the *ur*-text of Hillary's

disqualifications for office may end up having their knees cut out from underneath them when the rest of the book appears next week.

Or perhaps even before. [Ron Fournier looks at the Obama revelation from another angle](#), and asks why people would be unhappy that a President elected on the basis of anti-war sentiment would deploy skepticism about what his generals told him:

Then remember why Obama was elected in 2008. He reflected the nation's ambivalence toward war, promising to pull out of Iraq and wean Afghanistan from U.S. dependence. His predecessor, President George W. Bush, waged war on Iraq under false pretenses and with a lack of skepticism toward neoconservatives in his war Cabinet, led by Vice President Dick Cheney. Initially, anyway, he deferred to Defense Secretary Donald Rumsfeld and his generals. Famously calling himself "The Decider," Bush rarely revisited a decision, and earned a reputation for stubbornness.

When the president finally fired Rumsfeld and distanced himself from Cheney, it was too late; the public's opinion of the war and of the president had plummeted.

It's with that context people will read Gates's [description of a pivotal meeting](#) in the Situation Room in March 2011, called to discuss the Afghan withdrawal timetable. A frustrated Obama opened by expressing doubts about Gen. David Petraeus, his commander in Afghanistan, and questioning whether he could do business with the Afghan leader, Hamid Karzai.

"As I sat there, I thought: The president doesn't trust his commander, can't stand Karzai, doesn't believe in his own strategy and doesn't consider the war to be his," Gates wrote. The only troubling thing about this assessment is Obama's apparent lack of ownership—and it rings true, given his penchant for ducking responsibility during his first five years in office.

But doubts about an ally and his commanders? We need more of that. A lack of skepticism, curiosity, and reflection sunk Bush. Further back, who knows how many lives would have been saved during the Vietnam War had President Johnson acted on his private doubts, most of which didn't come to light until after he left office. Abraham Lincoln ran through a series of generals until he found one he could trust to win the Civil War, Ulysses Grant.

Plus, in the end Obama went along with the generals on the escalation in December 2009, even if he was skeptical of the prospects for success and backing away from the notion of overall victory.

On Hillary, [The Week's Jon Terbush](#) thinks this will be a nine-day wonder, too:

Yes, Clinton has often been accused of drifting with the political winds. But I'm skeptical that anyone in 2016 will truly care about — let alone remember — one line about years-old events in a score-settling memoir released during the doldrums of early 2014.

Voters care far more about the economy, health care, and a whole host of other issues than they do about all of America's foreign entanglements combined, per a recent [Associated Press survey](#). Only 14 percent of respondents want the government to focus on Iraq and Afghanistan this year — half the number who want immigration front and center — and that number will only drop as the wars further wind down.



Plus, as Cillizza concedes, politicians make this sort of calculation all the time. The presidential primaries for both parties are a months-long process of candidates courting the base before shifting back to the center for the general election. Progressive Democratic primary voters and moderate general election voters may not love this new detail about Clinton, but will they really abandon her in droves over a rather run-of-the-mill bit of political cravenness? ...

So who might care about Clinton appearing to be no more than an M.C. Escher sketch of political calculations? Republicans — three-fourths of whom [already don't like Clinton](#) and were never going to vote for her anyway.

I'm inclined to agree even though I *do* think that revelation is shameful, or should be. All it will do is reinforce existing narratives, not change any minds. Hillary's actions on Benghazi will have — and *should* have — a lot more significance on her 2016 prospects.

I predict that Gates' memoir will sell lots of copies, but will mainly influence the historical take on the Obama administration rather than impact politics much in the near term. Call this a dud rather than a Scud in those terms.

**Roger L. Simon**

### **[Who Needs Ayn Rand? America Has Already Gone John Galt](#)**

Tell all your "Objectivist" friends and the libertarian gang at *Reason* magazine to break out the champagne. Americans may have skipped the movie of *Atlas Shrugged*, nor have many read any of Ayn Rand's works, but they have taken the author's advice anyway and gone John Galt, quitting the work force in record numbers. According to [Zero Hedge](#), the latest figures show the labor participation rate at 35 year low.

Realistically, it's even more than 35 because that figure reflects an employment bump when larger numbers of women joined the work force in the seventies and eighties. (They're gone now, with or without Gloria Steinem.)

Currently a record *91.8 million Americans are no longer looking for work*. That's almost one and a half times the entire population of France.

Although I admit to libertarian tendencies, I don't think any of us can celebrate because of this. It's an economic disaster that should be blowing even Chris Christie off the front pages.

In fact, it's much worse than that. It's a human emotional disaster. Freud may have been wrong about a number of things, but he was right about this. Two mainstays that get us through life, other than religion, which Freud didn't cotton to, are "love and work." I don't know about love, but the work part of our lives has been brutally kicked out from under us in the Obama years.

The implications of this are actually terrifying. What are those nearly 92 million people doing with their time, other than sitting around depressed?. Many, of course, are on some version of welfare. Some are panhandling. We see the homeless on the streets of all our big cities. Others are moving into a shadow economy, much of it illegal (drugs, prostitution), not paying



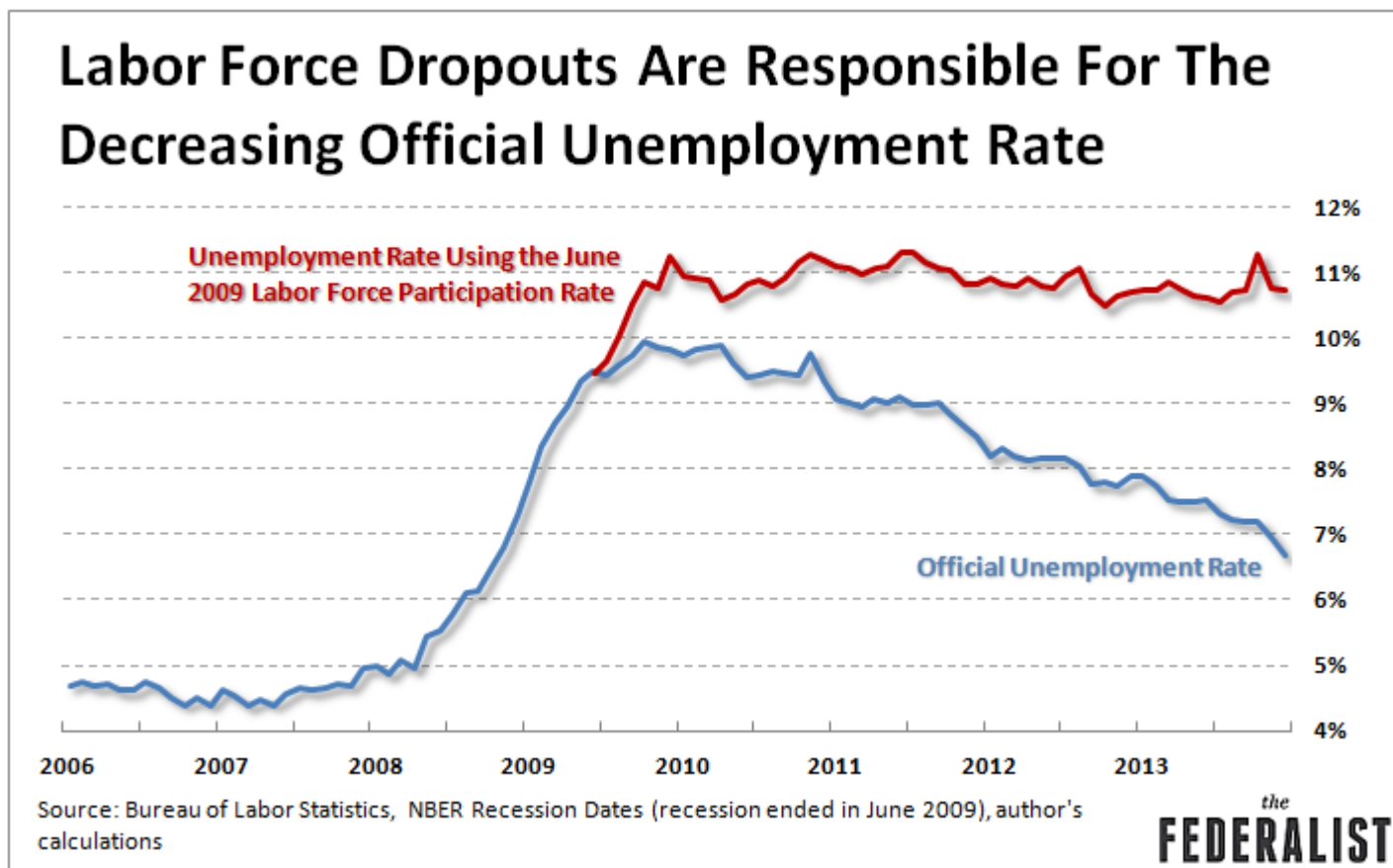
taxes on whatever they earn. It's truly a sad situation. No wonder so many states are moving toward legalizing grass. Everyone wants to zone out.

This is rapidly approaching a pre-revolutionary condition, but not for a revolution many of us would want to undergo. To avoid it, a massive change must occur at the federal level. But Barack Obama, mired in a dead ideology, doesn't seem prepared to do anything but prolong the situation with highly conventional liberal solutions that have failed for decades, maybe even centuries.

And yet there is so much he could do. The most obvious, many of us know, is to unshackle the energy industry. He should dismantle much of the bureaucracy as well. There's a lot more, of course. But the point now is to realize that when you have nearly 92 million people deserting the labor force in a country of 317 million (many of who are children too young to work), you have a catastrophic problem on your hands.

And finally, let's do away forever with the silly unemployment statistic (as in today's 6.7% unemployed). It has no relevance to anything and is a form of disinformation. The labor participation rate is the true story.

Update: ["The Obama jobs recovery in one handy chart"](#)



WSJ

## How to Save Detroit

### *The Motor City needs help. Why not turn it into Hong Kong?*

by P. J. O'Rourke

Detroit is beautiful—though you probably have to be a child of the industrial Midwest, like me, to see it. As you may have heard, the city is in trouble. At the end of the 2013 fiscal year, Detroit had a balance sheet with liabilities of \$9.05 billion. The city's emergency manager, Kevyn Orr, estimates long-term debt at \$18 billion.

But I know how to fix Detroit, because it reminds me of another favorite place, Hong Kong—two things so opposite that they evoke each other the way any Kardashian is a reminder that you love home and mother.

Hong Kong's per capita GDP is among the highest in the world. But it was once a worse mess than Detroit. Devastated by Japanese occupation, the British colony's population had declined from 1.6 million in 1941 to 600,000 by 1945. Then, after the 1949 communist victory on the mainland, a million refugees arrived. Most of them were penniless. Britain's Labor government was penniless, too. Maybe Hong Kong could have gone into Chapter 9. But who would have been the bankruptcy judge? Chairman Mao?

Instead Hong Kong had the good fortune to get John (later Sir John) Cowperthwaite, a young official sent out to push the colony's economy toward recovery. "I did very little," he once said. "All I did was to try to prevent some of the things that might undo it."

Such as taxes. Even now, Hong Kong has no sales tax; no VAT; no taxes on capital gains, interest income or earnings outside Hong Kong; no import or export duties; and a top personal income-tax rate of 15%.

Cowperthwaite was financial secretary from 1961 to 1971, Hong Kong's period of fastest economic growth. Sir John, however, wouldn't allow collection of economic statistics for fear they'd lead to political meddling. Some statistics nonetheless: During Cowperthwaite's tenure, Hong Kong's exports grew by an average of 13.8% a year, industrial wages doubled and the number of households in extreme poverty shrank from half to 16%.

With that in mind, I was talking to a friend in Michigan. We discussed Detroit's poverty, crime, depopulation and insolvency.

"Make it into Hong Kong," I said, "with polite Canadians next door instead of a scary Politburo."

"Someone's way ahead of you," he told me.



Real-estate developer Rod Lockwood wants investors to buy Detroit's derelict 982-acre Belle Isle Park and persuade the U.S. to allow Belle Isle a territorial status like Guam and all the tax benefits of Hong Kong—with easier access to Red Wings games.

Belle Isle has room for only about 50,000 people and just one bridge to the city. It might seem more of a gated community than an overseas possession. So Mr. Lockwood has expanded his proposal to include 15 square miles of Detroit's distressed east side. I think Mr. Lockwood should try for the city's entire 143 square miles.

Could it really work? Mr. Lockwood took me on a city tour with Larry Mongo, owner of Café D'Mongo's Speakeasy, a popular hangout for Detroit's hipsters. (Hipster scenes tend to spring up anywhere cheap real estate abuts young people, and just up Woodward Avenue, at Wayne State, there are 31,000 of them.)

Detroit's industrial ruins are picturesque, like crumbling Rome in an 18th-century etching. The tragedy is the desert of blue-collar neighborhoods. Almost every home is burned, a crack house, a cellar hole or stripped of all that's salvageable.

Hong Kong economics would mean curtailing U.S. welfare and benefit programs, but Detroiters seem to have found the holes in the social safety net already. Forty-four percent are living below poverty level. They could, however, benefit from the jobs and commerce in a vibrant, tax-free Hong Kong economy.

Amid the desolation, we came across a tidy bungalow—lawn mowed, sidewalk swept, flower beds planted, and bars on every downstairs door and window. Mr. Mongo said, "The old folks are still living there." A lifetime was spent paying the mortgage and making improvements on a place that now isn't worth the \$8,500 it costs to demolish a house in Detroit.

Christopher Brooks, senior pastor at the 1,500-member Evangelical Ministries Church in Detroit, said a concept like Belle Isle "would initially be greeted with hostility because of the widespread

suffering in Detroit. A 'Wealth Haven' would cause a war on the middle class." However, he said, "If you're talking about the whole city...If Belle Isle is the start of a plan, I'd support it. A lot of clergy would get behind it." Pastor Brooks said, "If there were a real plan to encourage jobs and wealth, the welfare problem would solve itself."

Granted, turning Detroit into Hong Kong wouldn't be simple. I talked to Chris Crosby, a municipal bond analyst at Raymond James. He listened patiently as I explained the advantages of a city that would actually be worth something to prospective municipal bondholders. Here is the main part of the rest of our conversation.

Me: "Is this feasible?"

Mr. Crosby: "No."

The political barriers are too high—politicians don't like to give up power. Of course, politicians also give up power in a bankruptcy, which is why Mr. Crosby likes Detroit's bankruptcy. It will be so politically painful that other big cities won't try it.

Detroit's politics are already painful. Former Mayor Kwame Kilpatrick is serving 28 years in prison. Local joke: "What's the difference between Chicago and Detroit?"

"Chicago got Michael Corleone. Detroit got Fredo."

Plus introducing Hong Kong's sharp-clawed wolverine species of capitalism into the Wolverine State would require a bold stroke from Washington. It's hard to imagine anything bold from this Congress of head-butting pro-wrestler wannabes.

But something needs to be done. Sen. [Rand Paul](#) weighed in with a Dec. 6 speech at the Detroit Economic Club. (The economy may be gone, but we Midwesterners are "joiners," so there's still a club.) He said he'd introduce legislation creating "Economic Freedom Zones" with personal and business tax rates of 5%.

Anyway, Detroit is broke. And so was Hong Kong. In 1949 the colony had just one asset. Hong Kong owned Hong Kong—all the land except what was under the Anglican cathedral. Hong Kong sold leaseholds, first for a little, then for a lot.

And Detroit owns Detroit, or a very large chunk of it. In 2011 more than half the owners of Detroit's 305,000 properties failed to pay property taxes. Detroit has approximately 40 square miles of vacant land.

If people cannot be convinced by reason, maybe they can be convinced by greed. Forty square miles equals 1.1 billion square feet. One recent estimate put Hong Kong land prices at more than \$1,300 per square foot. Translated into Detroit, that's \$1.4 trillion.

So my investment advice: go short on Manhattan penthouses and long on empty lots in Detroit.

*Mr. O'Rourke is the author of 16 books, most recently, "The Baby Boom: How It Got That Way...And It Wasn't My Fault...And I'll Never Do It Again."*

Quartz

## Dollar stores are now getting too expensive for many Americans

by Matt Phillips

At first glance, the fortunes of American families have significantly improved recently. Household net worth has rebounded back to roughly where it was before the financial crisis.



Why? A surge in stock and real estate prices. The stock market is up 46% since the end of 2010. And after years of pain, [housing prices are rising too](#).

There's a catch. While about [50% of Americans own some kind of stocks](#)—either individual shares or mutual funds—the richest Americans own most of the market. That means most of the exceptional stock market gains accrued to what [Federal Reserve research describe as](#) “a small number of wealthy families.”

Homeownership is a bit more democratic. Houses account for a larger chunk of the assets of the US middle-class compared to the wealthy. But again, the poor are left out.

No, the poor rely not on asset prices, but on wages, Social Security, and government transfer payments for their income. That hasn't been a good place in recent years. [Wages have been stagnant](#). Government transfer payments have been under fire. (Extended unemployment benefits expired late last month [for roughly 1.4 million Americans](#) after a federal program lapsed. And it seems like the US Congress is [set to cut transfer payments](#) such as the US food stamps program.)

Economists argue that things like food stamps and unemployment act as [crucial bits of stimulus when the economy is weak](#). Cutting them can act as a headwind to growth. That's certainly the case for low-end retailers such as Family Dollar. The store chain's shares fell sharply [this week after it reported disappointing earnings](#).

Family Dollar CEO Howard Levine had this to say on the subject:

For the last several quarters, we've discussed the economic challenges our customers are facing. Over the last two years, I think we've seen a growing bifurcation in households. Higher-income households who have benefited from market gains, better employment opportunities, or improvements in the housing markets have become more comfortable and confident in their financial situation. But our core lower-income customers have faced high unemployment levels, higher payroll taxes, and more recently reductions in government-assistance programs. All of these factors have resulted in incremental financial pressure and reduction in overall spend in the market.

Translation? As poor Americans come under more and more pressure, more and more of Family Dollar's revenue is tied to low-margin sales of necessities like food. (Sales were strongest during the first fiscal quarter in Family Dollar's "consumables" category, especially in areas like frozen food.)

The fact that so many Americans are being forced to curtail spending at the cheapest discount retailers should give anybody cheering the US recovery something to think about.

## **Bloomberg News** **[For Small Businesses, Small Matters](#)**

by Megan McArdle

Health insurance just isn't high on the list of small-business owners' worries.

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- *It took years in Ventura County to make even the simplest modifications to the campground we ran. For example, it took 7 separate permits from the County (each*



requiring a substantial payment) just to remove a wooden deck that the County inspector had condemned. In order to allow us to temporarily park a small concession trailer in the parking lot, we had to (among other steps) take a soil sample of the dirt under the asphalt of the parking lot. It took 3 years to permit a simply 500 gallon fuel tank with CARB and the County equivalent. The entire campground desperately needed a major renovation but the smallest change would have triggered millions of dollars of new facility requirements from the County that we simply could not afford.

- In most states we pay a percent or two of wages for unemployment insurance. In California we pay almost 7%. Our summer seasonal employees often take the winter off, working only in the summer, but claim unemployment insurance anyway. They are supposed to be looking for work, but they seldom are and California refuses to police the matter. Several couples spend the whole winter in Mexico, collecting unemployment all the while. So I have to pay a fortune to support these folks' winter vacations.
- California is raising minimum wages over the next 2 years by \$2. Many of our prices are frozen by our landlord based on past agreements they have entered into, so we had no way to offset these extra costs. At some point, Obamacare will stop waiving its employer mandate and we will owe \$2000-\$3000 extra additional for each employee. There was simply no way to support these costs without expanding to increase our size, which is impossible (see above) due to County regulations.
- A local attorney held regular evening meetings with my employees to brainstorm new ways they could sue our company under arcane California law. For example, we went through three iterations of rules and procedures trying to comply with California break law and changing "safe" harbors supposedly provided by California court decisions. We only successfully stopped the suits by implementing a fingerprint timekeeping system and making it an automatic termination offense to work through lunch. This operation has about 25 employees vs. 400 for the rest of the company. 100% of our lawsuits from employees over our entire 10-year history came from this one site. At first we thought it was a manager issue, so we kept sending in our best managers from around the country to run the place, but the suits just continued.
- Ask anyone in the recreation business where their most difficult customers are, and they likely will name the Los Angeles area. It is impossible to generalize of course, because there are great customers from any location, but LA seems to have more than its fair share of difficult, unruly, entitled customers. LA residents are, for example, by far the worst litterers in the country, at least from our experience. Draw a map of California with concentric circles around LA and the further out one gets, the lower the litter clean-up costs we have. But what really killed it for me in Ventura County was the crazy irresponsible drinking and behavior. Ventura County is the only location out of nearly 200 in the country where we had to hire full-time law enforcement help to provide security. At most locations, we would get 1 arrest every month or two (at most). In Ventura we could get 5-10 arrests a day. In the end, I found myself running a location where I would never take my own family.

This is [what I meant](#) when I wrote:

*We tend to think of the policy issue of the day as being the key issue for everyone. But entrepreneurs think about a lot of things when they're deciding to start a business, or grow it;*



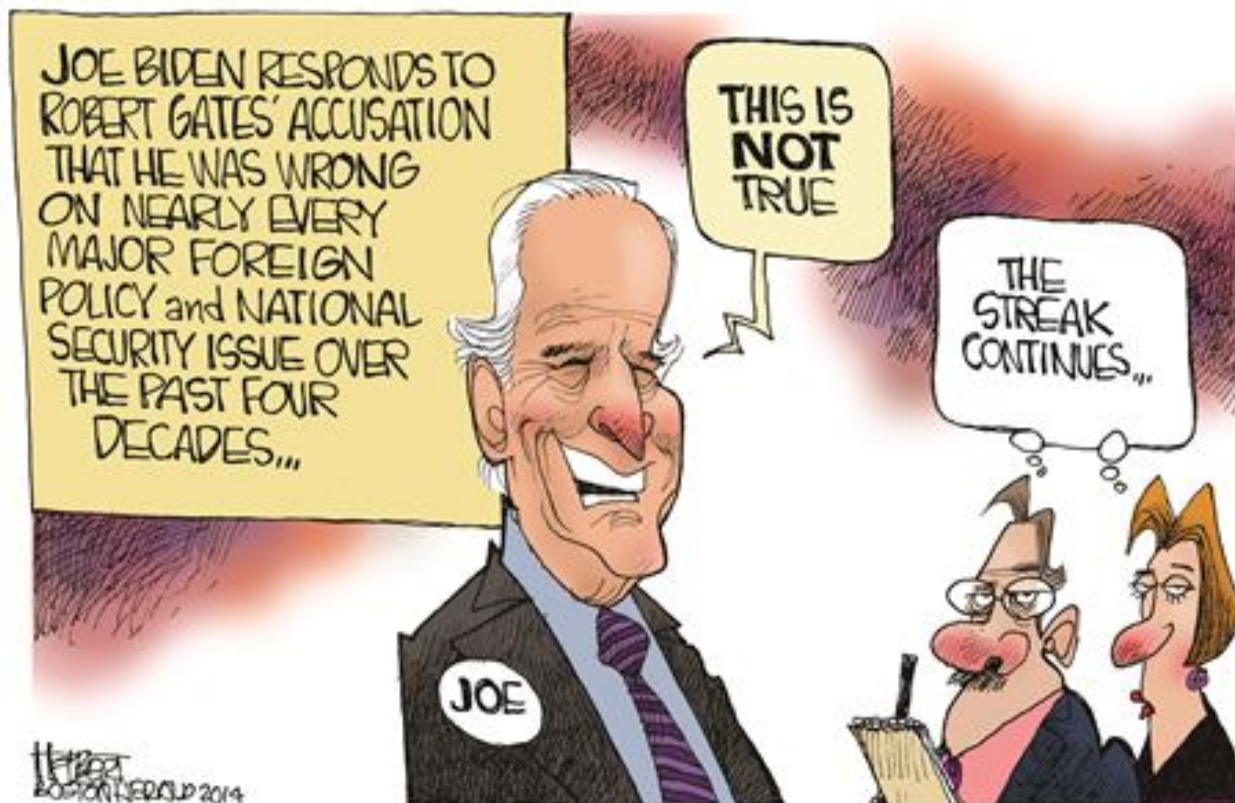
*health insurance is only one of many. Things such as market conditions, access to capital and overall labor costs loom much larger. Even for someone with a family or an expensive chronic condition, issues such as “How will I pay for food and shelter?” and “Can I really put in the 16- to 18-hour days that are needed to get a new business off the ground?” will often be more important than “How will I afford health insurance?”*

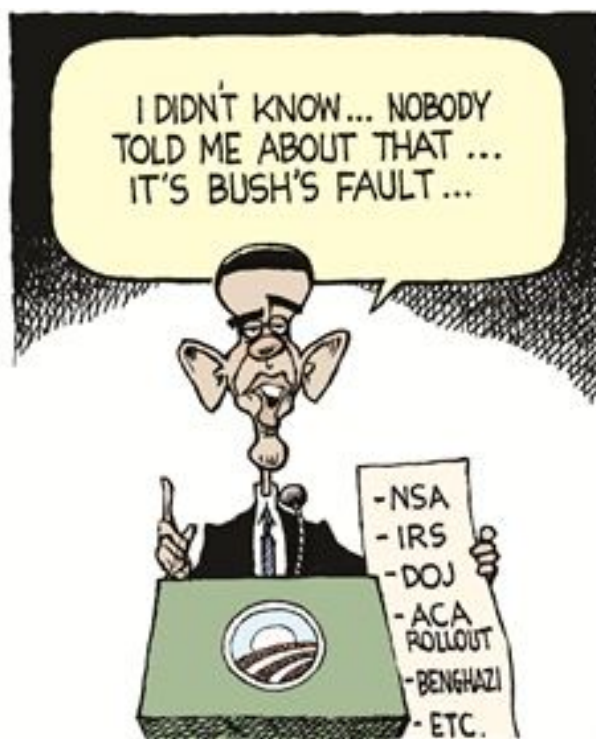
On that list, the health-care overhaul is only one item -- and it's a negative for a business, not a positive.

We tend to talk of entrepreneurship and business growth as if it were a matter of tweaking a few simple policy buttons: lowering taxes, making health insurance cheaper, hamstringing the EPA. Unsurprisingly, these issues map well onto big national policy battles. And yet, when I talk to small-business owners, I'm more likely to get an earful about their state's workers' compensation scheme or the local utility's pricing schedule than I am about the federal tax rate. Yet almost none of the policy journalists I know could even describe in detail how workers' compensation insurance works, much less articulate a coherent policy agenda for it.

Then there are the sort of soft institutional issues that Meyer highlights, such as whether the local legal system encourages frivolous lawsuits, or some arcane regulatory issue that's specific to businesses. These things matter a lot, but they're hard to measure and even harder to fix.

There are a few lessons in this: If you want to encourage entrepreneurship, talk to business owners, not policy wonks. And you often need to think local, not global.





ONE WAY CHRIS CHRISTIE MIGHT STOP THE MEDIA FROM QUESTIONING HIM OVER THE RECENT BRIDGE SCANDAL ...

This was all the result of an anti-Islam video.



The media is going wild covering the shut down of three lanes of traffic for political purposes by Gov. Christie's staff members

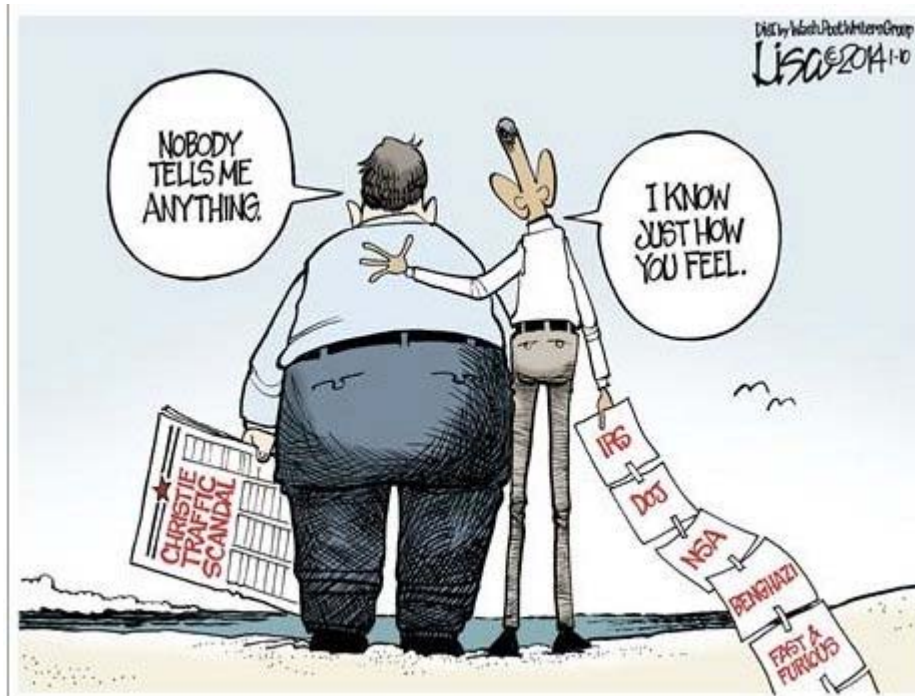
*But when the White House ordered that roads, parks, and monuments be shut down ...for political purposes...*

Where was the outrage from the media?

*Where was the continuous coverage?*

Remember the NPS Ranger who reported:  
"We were told to make life as difficult for people as possible."





By Lisa Benson - January 10, 2014



*"How can I kill jobs if the GOP kills unemployment insurance?"*

