

July 7, 2014

WSJ OpEd shows how North Carolina's curtailment of unemployment benefits got people back to work. What'YaKnow? Stop subsidizing something and it begins to dry up.

A year ago, North Carolina became the first state in the nation to exit the federal government's extended-benefits program for the unemployed. Facing the prospect of job-killing hikes in payroll taxes to pay back Washington, Gov. Pat McCrory and the state legislature instead reduced the amount and duration of unemployment-insurance benefits, which had been higher in North Carolina than in most states. As a result the state lost its eligibility to participate in the extended-benefits program on July 1, 2013.

National media and liberal activists pounced. Citing the decision and several other "outrages" by the state's first Republican-led government since Reconstruction—such as adopting a pro-growth flat tax, clearing out the state's regulatory thicket, and rejecting ObamaCare's Medicaid expansion—left-wing critics subjected the Tar Heel State to months of invective and ridicule. ...

... New York Times columnist [Paul Krugman](#) called it a "war on the unemployed." ...

... Left-leaning economists may still cling to their demand-side popguns and Keynesian religion. But here in the Tar Heel State, the governor and state legislature have decided to promote growth and opportunity by reducing and reforming taxes, streamlining regulation and improving public education and infrastructure. Given the state's impressive economic growth rate in 2013—4.2% in total GDP and 4.9% in private GDP, both far exceeding the national average—they are not likely to change their minds soon.

In a related note, **The Corner** features Krauthammer's Take on who won the unemployment debate. Not that being right makes any difference.

While liberals hail new job numbers as a vindication of President Obama's economic policies, it is conservatives who should feel vindicated, said Charles Krauthammer on Thursday's Special Report. Citing a recent National Review Online [post](#) on The Corner by economist Robert Stein, Krauthammer noted that the sharp drop in unemployment has coincided with the end of emergency unemployment benefits. Obama and the Democrats, who insisted that the benefits be extended, wrongly predicted that their expiration would come as a calamity to the poor. Instead, their end has demonstrably had "precisely the opposite effect."

"These six months coincide with a decrease in the medium length of unemployment from 17 weeks to 13 weeks — the largest six-month decline in the length of unemployment ever measured," he said. "Which means the real problem of long-term unemployment was a function of this anomaly of emergency-extended unemployment, which should never have happened, and whose end has contributed to this excellent result. The debate on that extension is over, and the conservatives were right."

In one short paragraph **Kevin Williamson** outlines what is wrong with the present political practitioners of public narcissism; the office holders who get well by "doing

good." And yet, they insist they're in "public service." Williamson goes on to say that a culture cannot thrive if its innovators are subservient to its bureaucrats.

Chelsea Clinton, from her \$10.5 million perch on Gramercy Park, declares that she finds it impossible to care about money. Bill and Hillary Clinton, shuttling between their multimillion-dollar homes — Chappaqua, Washington, the \$200,000-a-month rental in the Hamptons — denounce the wicked rich and protest that they are not "truly well off." A professor of poverty and left-wing activist at the University of North Carolina School of Law is paid \$200,000 per annum to teach a single class; anti-inequality crusader Elizabeth Warren was paid \$350,000 per annum to teach a single class and thinks deeply about the plight of the little guy in her \$1.7 million Cambridge mansion. The city of Bell, Calif., was nearly bankrupted by the very generous salaries its political class secured for themselves: nearly \$800,000 per annum for the chief executive of the modest Los Angeles suburb, on his way to collecting a \$1 million annual pension. (Several Bell leaders were later charged with misappropriating millions of dollars' worth of public money for their own benefit.) Philadelphia was paying the feckless chief executive of its violent and defective government schools some \$350,000 a year before the mayor got around to firing her, but not before the city wrote her a check for nearly \$1 million to make her go away — and then she filed for unemployment benefits. A Philadelphia police lieutenant on an \$87,000 annual salary takes home nearly \$200,000 after nearly a hundred grand in "overtime" kicks in. The head of the Tennessee Valley Authority, a federal enterprise, was paid nearly \$6 million in 2013; the agency's chief financial officer and chief lawyer were paid \$2.1 and \$1.9 million, respectively, that same year. The school superintendent in Lubbock, Texas, is paid nearly a quarter-million dollars a year.

Politics pays. ...

... No society can long thrive by making its creators and innovators subservient to its pimps and thieves. But agencies with the power to tax or the power to pay themselves out of taxes have the power to command, and, human nature being what it is, it is not surprising that their executives use that power to extort for themselves extraordinary levels of compensation (occasionally through criminal means, as in the Bell case), even as they bore us all to death talking about the sacrifices they have endured on behalf of their careers in "public service." ...

How's Hillary doing, you ask? Jennifer Rubin has 10 lessons from Hill's hellish book tour.

Hillary Clinton certainly wasn't expecting a tough go of it when she hit the road on her book tour. After all, her book was devoid of controversy — not to mention new or interesting material — so there wouldn't be much fodder for the interviewers, right? And besides, her popularity as secretary of state was high and she has come to personify for liberal women (many of those interviewing her) a valiant fighter. Her competence? Beyond question! Her devotion to the little people? Beyond measure!

But things didn't pan out as Clinton expected, to put it mildly. She has nothing much to say, certainly nothing new, so focus falls on her foreign policy stumbles and her curious obsession with stuffing her bank account. She is in a defensive crouch before she formally announces her presidential run.

Some suspect that Clinton doesn't want to run but has had to keep up pretenses to sell books and cash in on speaking gigs. These are not so lucrative if you are merely the former secretary of state and not a possible future president. But Clinton certainly didn't want to bomb on this tour, nor throw

away whatever good will she accrued in office. No, this seems to be a situation where her ambitions outstrip her abilities.

For those who are considering a run, the lessons are clear:

1. If you don't have something new to say, the conversation will be about things you don't want to talk about. ...

Ed Morrissey posts on another Hillary Clinton error.

When I first saw this clip earlier today, I was inclined to dismiss it. After all, plenty of people make the mistake Hillary Clinton does in this interview with BBC Radio today. The interviewer asks the former Secretary of State to gauge the strength of the "special relationship" between the US and the UK, and offers a rather insipid answer that applies to nearly all of our allies in the West. But it's the apparent ignorance of the UK's political parties from a woman who served for four years as America's chief diplomat that got the buzz (via TWS and NRO):

BBC: So how special is the special relationship?

CLINTON: It is so special to me, personally, and I think it is very special between our countries. There's just a — not just a common language — but a common set of values that we can fall back on. It doesn't matter in our country whether it's a Republican or Democrat, or frankly in your country whether it's a Conservative or a Tory. There is a level of trust and understanding. It doesn't mean we always agree because of course we don't.

In case you don't get the joke, the Tories are the Conservatives in the UK. Their other major political parties are Labour and Liberal Democrats, which means this is another way in which the comparison is a bit inapt. ...

John Lott takes a dim view of the new Freakonomics book.

The Freakonomics franchise certainly has legs. According to legions of admirers, in their best-selling series that includes Freakonomics, SuperFreakonomics, and now Think Like a Freak, University of Chicago economics professor Steven Levitt and journalist Stephen Dubner have taught us to use economic reasoning to shed light on real-life situations. In the process, they have also shown that economics can be fun.

But the fun quotient is ultimately diminished by the fact that their stock in trade is naive economics. Typically, Levitt and Dubner fail to understand that when a problem arises in a market, it generally provides an incentive for those involved to remedy the problem. ...

... Levitt and Dubner also brag in Think Like a Freak about the authors' "truly original" thesis, presented in Freakonomics, that liberalizing abortion lowered crime rates. Abortion, they argued, lowered the number of unwanted children who would be prone to commit crimes. But again, the authors naively ignored the new set of incentives that legalized abortion offered.

What actually happened when abortion was legalized will sound ironic, but no more so than the unintended consequences of many other changes in laws and regulations. Multiple studies have

shown that the availability of legalized abortion increased the incidence of unprotected sex, which led to more unwanted pregnancies, which in turn boosted the number of unplanned births, even offsetting the reduction in unplanned births due to abortion. The net result: an increase in the number of single-parent families who couldn't devote a lot of time to raising their children, an effect Levitt and Dubner ignored and one that more than offset what they focused on.

It would be nice to believe that Think Like a Freak and its prequels have promoted interest in sound economics. But alas, when you think like a freak, you think superficially, like most freaks probably do in real life.

WSJ

North Carolina Got It Right on Unemployment Benefits

Unemployment in the Tar Heel State dropped by 17% in the second half of 2013 after extended benefits expired.

by John Hood

Raleigh, N.C.

A year ago, North Carolina became the first state in the nation to exit the federal government's extended-benefits program for the unemployed. Facing the prospect of job-killing hikes in payroll taxes to pay back Washington, Gov. Pat McCrory and the state legislature instead reduced the amount and duration of unemployment-insurance benefits, which had been higher in North Carolina than in most states. As a result the state lost its eligibility to participate in the extended-benefits program on July 1, 2013.

National media and liberal activists pounced. Citing the decision and several other "outrages" by the state's first Republican-led government since Reconstruction—such as adopting a pro-growth flat tax, clearing out the state's regulatory thicket, and rejecting ObamaCare's Medicaid expansion—left-wing critics subjected the Tar Heel State to months of invective and ridicule.

Within the state, the so-called Moral Monday movement drew thousands of protesters to the capital on a nearly weekly basis. Hundreds of arrests were made for violating the rules of the state's Legislative Building. Outside the state, liberal media outlets excoriated North Carolina for ending extended benefits. New York Times columnist [Paul Krugman](#) called it a "war on the unemployed." Even some conservative columnists and policy analysts criticized the decision as unwise and inconsistent with the principles of their new "reform conservatism" movement.



An employee at Siemens Energy Hub in Charlotte, N.C.

North Carolina didn't descend into the Dickensian nightmare critics predicted. For the last six months of 2013, it was the only state where jobless recipients weren't eligible for extended benefits. Yet during that period North Carolina had one of the nation's *largest* improvements in labor-market performance and overall economic growth.

According to the U.S. Bureau of Labor Statistics, the number of payroll jobs in North Carolina rose by 1.5% in the second half of 2013, compared with a 0.8% rise for the nation as a whole. Total unemployment in the state dropped by 17%, compared with the national average drop of 12%. The state's official unemployment rate fell to 6.9% in December 2013 from 8.3% in June, while the nationwide rate fell by eight-tenths of a point to 6.7%.

As North Carolina began beating the national average month after month, defenders of the extended-benefits program said it was all a mirage. They said discouraged North Carolinians were simply dropping out of the labor force, not being nudged by a loss of benefits into jobs they might not otherwise have taken.

While North Carolina did experience a significant drop in labor-force participation, the trend began in February 2013 and was evident in a number of other Southeastern states. Unless you factor in time travel and massive cross-border unemployment-insurance fraud, it was impossible for North Carolina's exit from extended benefits in July to have caused the phenomenon.

More important, broader measures confirmed that North Carolina's labor-market gains after leaving the extended-benefits program weren't statistical quirks. In addition to the standard unemployment rate released every month (U-3), BLS computes annual averages for unemployment rates that include discouraged workers (U-4), all other marginally attached workers who have stopped looking for jobs (U-5), and people working part time who would rather have full-time jobs (U-6). By each measure, North Carolina still experienced one of the nation's largest drops in unemployment.

Furthermore, the decline in North Carolina's labor force didn't last. By early 2014, it had bottomed out and begun to rise. As of May, the most recent month of BLS data available, North Carolina's

labor force is down only 0.04% from June 2013. During the same 11-month period, the nation's labor force dropped 0.1%.

North Carolina has also continued to add jobs at a healthy clip. According to BLS data, from June 2013 to May 2014, the state's employment-population ratio—which takes both labor-force participation and population trends into account—rose at a rate three times the national average.

Still not convinced that leaving the extended-benefits program encouraged both job creation and job acceptance? As of Jan. 1, 2014, the extended-benefits program expired nationwide. Yet there has been no sudden exodus of discouraged workers to the fringes of the national economy. Both job creation and household employment are up. The nation's employment-population ratio was 58.9% in May, up from 58.6% in December. The labor-market effects of reforming unemployment insurance may not be massive. But they certainly don't appear to be negative.

Left-leaning economists may still cling to their demand-side popguns and Keynesian religion. But here in the Tar Heel State, the governor and state legislature have decided to promote growth and opportunity by reducing and reforming taxes, streamlining regulation and improving public education and infrastructure. Given the state's impressive economic growth rate in 2013—4.2% in total GDP and 4.9% in private GDP, both far exceeding the national average—they are not likely to change their minds soon.

Mr. Hood is chairman and president of the John Locke Foundation, a public-policy think tank based in Raleigh, N.C.

The Corner

[Krauthammer's Take: Conservatives Won the Unemployment Debate](#)

While liberals hail new job numbers as a vindication of President Obama's economic policies, it is conservatives who should feel vindicated, said Charles Krauthammer on Thursday's *Special Report*. Citing a recent National Review Online [post](#) on The Corner by economist Robert Stein, Krauthammer noted that the sharp drop in unemployment has coincided with the end of emergency unemployment benefits. Obama and the Democrats, who insisted that the benefits be extended, wrongly predicted that their expiration would come as a calamity to the poor. Instead, their end has demonstrably had "precisely the opposite effect."

"These six months coincide with a decrease in the medium length of unemployment from 17 weeks to 13 weeks — the largest six-month decline in the length of unemployment ever measured," he said. "Which means the real problem of long-term unemployment was a function of this anomaly of emergency-extended unemployment, which should never have happened, and whose end has contributed to this excellent result. The debate on that extension is over, and the conservatives were right."

National Review

[Politics Pays](#)

No society can long thrive by making its innovators subservient to its bureaucrats.

by Kevin D. Williamson

Chelsea Clinton, from her \$10.5 million perch on Gramercy Park, declares that she finds it impossible to care about money. Bill and Hillary Clinton, shuttling between their multimillion-dollar

homes — Chappaqua, Washington, the \$200,000-a-month rental in the Hamptons — denounce the wicked rich and protest that they are not “truly well off.” A professor of poverty and left-wing activist at the University of North Carolina School of Law is paid \$200,000 per annum to teach a single class; anti-inequality crusader Elizabeth Warren was paid \$350,000 per annum to teach a single class and thinks deeply about the plight of the little guy in her \$1.7 million Cambridge mansion. The city of Bell, Calif., was nearly bankrupted by the very generous salaries its political class secured for themselves: nearly \$800,000 per annum for the chief executive of the modest Los Angeles suburb, on his way to collecting a \$1 million annual pension. (Several Bell leaders were later charged with misappropriating millions of dollars’ worth of public money for their own benefit.) Philadelphia was paying the feckless chief executive of its violent and defective government schools some \$350,000 a year before the mayor got around to firing her, but not before the city wrote her a check for nearly \$1 million to make her go away — and then she filed for unemployment benefits. A Philadelphia police lieutenant on an \$87,000 annual salary takes home nearly \$200,000 after nearly a hundred grand in “overtime” kicks in. The head of the Tennessee Valley Authority, a federal enterprise, was paid nearly \$6 million in 2013; the agency’s chief financial officer and chief lawyer were paid \$2.1 and \$1.9 million, respectively, that same year. The school superintendent in Lubbock, Texas, is paid nearly a quarter-million dollars a year.

Politics *pays*.

Consider a separate but not entirely unrelated economic development under way at the same time: A number of innovative technology firms, including Uber, Lyft, and AirBNB, are under attack from entrenched, politically connected economic interests. Uber and Lyft threaten the privileges of politically protected taxi cartels and the unions attached to them, while AirBNB subverts the traditional hotel arrangement. Each of those services takes something that it is perfectly legal to do for free — allowing a traveler to use your home temporarily, giving somebody a lift to the airport — and allows people to do them for money. (Here one is reminded of George Carlin’s argument for the legalization of prostitution: “Selling is legal. F***** is legal. Why isn’t selling f***** legal?” There are a great many reasons for that, none of which apply to charging a fee for car service.) Which is to say, these services allow ordinary people to generate revenue by making the most out of otherwise underutilized assets, a possibility that is of non-trivial concern as participation in the work force plunges.

Uber, AirBNB, et al. are very popular with consumers and producers alike. In fact, that is the reason that politicians and the entrenched economic interests in whose service they operate are dedicated to destroying them: Nobody would worry about Uber if so many consumers did not judge it preferable to traditional cartel-run taxi services. The very fact that Uber is in the judgment of many consumers a better product is what provides the motive for destroying it. That is economic, intellectual, and moral perversion, but that is how politics operates. Its mandate is to stand between consumers and producers until it gets its cut.

On the one hand, we have Category A, comprising products and services that people willingly — eagerly — embrace, which provide better goods at better prices. (It doesn’t matter if *you* think that’s true; economic values are subjective, and consumers like what they like.) On the other hand, we have Category B, comprising products and services that cannot earn revenue on their own, and that pay their employees and executives inflated salaries out of money collected at gunpoint through the tax system. What is most perverse about this arrangement is that the firms in Category A are obliged to ask the parasites in Category B for permission to engage in commerce. In any rational society, something close to the reverse would be the case, and those entrusted with the management of our common affairs would look to the most productive and innovative firms and thinkers for guidance in how to go about managing the public business. In a rational society, the powers that be in New York City, San Francisco, and Seattle would be bringing notebooks to their

meetings with technology entrepreneurs instead of whips and palms eager to be crossed with payoffs.

Our political bureaucracies are grasping and vicious, and some of the larger of them are dominated by people who are, if we're being frank, not especially bright. No society can long thrive by making its creators and innovators subservient to its pimps and thieves. But agencies with the power to tax or the power to pay themselves out of taxes have the power to command, and, human nature being what it is, it is not surprising that their executives use that power to extort for themselves extraordinary levels of compensation (occasionally through criminal means, as in the Bell case), even as they bore us all to death talking about the sacrifices they have endured on behalf of their careers in "public service." Political power outlasts political office: Hillary Clinton is no longer secretary of state or a senator or in any of the other positions she has held as a form of tribute paid to her husband; but she very well may be a future president. She has been paid an enormous advance on a book that almost certainly will not justify that expenditure, and collects speech honoraria that are, if not quite up at her husband's stratospheric levels, nonetheless substantial. What is she being paid for? It is hard to see how economic value, strictly understood, explains that. No doubt part of the value is celebrity: When the American Bankruptcy Institute advertises the speakers at its annual conference as your obedient correspondent and Jay Leno, one of those names is putting many more butts in chairs than the other. But celebrity probably does not explain it all, either. Political power is worth investing in, and worth renting when it is needed.

It is baffling that my progressive friends lament the influence of so-called big money on government while at the same time proposing to expand the very scope and scale of that government that makes influencing it such a good investment. Where government means constables, soldiers, judges, and precious little else, it is not much worth capturing. Where government means somebody whose permission must be sought before you can even begin to earn a living, when it determines the prices of products, the terms of competition, and the interest rates on your competitors' financing, then it is worth capturing. That much is obvious. Progressives refuse to see the inherent corruption in the new ruling class — and, make no mistake, we now have a ruling class — because it is largely made up of them, their colleagues, and people who are socially and culturally like them and their colleagues. Getting a couple hundred grand a year to teach one class doesn't look so crazy if you think you might be the guy who gets the check next time around. You can be an anti-elite crusader on behalf of the poor and disenfranchised from your million-dollar mansion, even if you never find yourself so much as downwind from a poor person, without fearing charges of hypocrisy: Ask Senator Warren. Of course Chelsea Clinton does not have the sense or the good taste to be embarrassed when talking about her blasé attitude toward money: Money is invisible to her for the same reason that water is invisible to a fish — she'd notice it if it weren't there, and flap like a desperate landed mackerel until she'd secured her next big payday.

Major General Smedley Butler famously declared that "war is a racket," and there is some compelling evidence for that proposition. But when you need an army, you need an army. Nobody needs a Tennessee Valley Authority or a taxi cartel — not at any price, really, but certainly not at this price. It is time to start calling this what it is and treating it as what it is: corruption.

Right Turn

10 lessons from Hillary Clinton's hellish book tour

by Jennifer Rubin

[Hillary Clinton](#) certainly wasn't expecting a tough go of it when she hit the road on her book tour. After all, her book was devoid of controversy — not to mention new or interesting material — so there wouldn't be much fodder for the interviewers, right? And besides, her popularity as secretary of state was high and she has come to personify for liberal women (many of those interviewing her) a valiant fighter. Her competence? Beyond question! Her devotion to the little people? Beyond measure!

But things didn't pan out as Clinton expected, to put it mildly. She has [nothing much to say](#), certainly nothing new, so focus falls on her foreign policy stumbles and her curious obsession with [stuffing her bank account](#). She is in a defensive crouch before she formally announces her presidential run.

Some suspect that Clinton doesn't want to run but has had to keep up pretenses to sell books and cash in on speaking gigs. These are not so lucrative if you are merely the former secretary of state and not a possible future president. But Clinton certainly didn't want to bomb on this tour, nor throw away whatever good will she accrued in office. No, this seems to be a situation where her ambitions outstrip her abilities.

For those who are considering a run, the lessons are clear:

- 1. If you don't have something new to say, the conversation will be about things you don't want to talk about.* Clinton has not advanced a single presidential-level agenda item nor uttered a single original thought (other than that multimillionaires are not “truly well-off”). The media are obliged to make news and will find some way to grab viewers and readers.
- 2. There are no guaranteed easy interviews anymore.* This is especially true when every outlet is trying to best the others with the same interviewee. [Even NPR](#) is obliged to bear down on Clinton.
- 3. If you haven't been in elected office in a long time or if you've not run for president, the level of scrutiny will take you by surprise.* In 2012, Texas Gov. Rick Perry thought he was ready; he wasn't (even he now acknowledges). Hillary Clinton could do interviews in her sleep as secretary of state; she wasn't ready, either.
- 4. To be ready, you have to have staff and friends willing to practice tough love.* They have to grill the candidate on the tough issues, be ready to annoy the boss by reminding her of unpleasant baggage and feel obliged to give honest reviews. If not, even rotten reviews and an ongoing, horrendous storyline (“rich Hillary”) don't pierce the bubble and no course adjustment is made. The worst part is having a very experienced political spouse who is incredibly defensive and considers all criticism to be unjust.
- 6. What difference do facts make? A lot, it turns out.* The Clintons have become so expert at posturing, spin and self-promotion that they have come to believe they can sell just about anything to the public. But when confronted with a flurry of events that contradict the Clinton narrative (hey, Russian reset was a joke, al-Qaeda isn't dead) that can't be spun, they falter — or at least she does. She doesn't have the political dexterity that her husband has, so she resorts to clumsy fabrications (*We had to get out of Iraq. Maybe the video did set off the Benghazi attack*). These

statements, in the 24/7 media environment with thousands of fact-checkers a click away from incriminating information, only get her tangled in a web of half-truths and out-and-out falsehoods.

7. *If the incumbent president is faltering, you have to put distance between yourself and the sinking ship.* Clinton, perhaps fearing the reaction of the base, has refused to do so. She pays a steep price for defending a slew of foreign policy blunders.

8. *You have to know when to get off TV.* President Obama has been the most overexposed president in history. He pops up at practically every major sporting event, inundates non-news media and constantly takes to the road to pummel his opponents. Likewise, Clinton has been on TV or radio or in some other news-making venue for a couple of weeks straight. People soon tire of you and begin to look for newer and more engaging characters. Eventually they tune you out altogether.

9. *You have to want to be president to do something.* Becoming president because you *can* is not enough. Being famous, having held every other job and having a donor list a mile long have not been a recipe for success. (Ted Kennedy and Al Gore are prime examples.) You have to be not only likable and comfortable in your skin but also have a rationale for your candidacy. Being Hillary — or Ted, or Al — isn't sufficient.

10. *Wealth is a tricky thing.* Americans admire success and have voted for truly well-off presidents like FDR and JFK, but wealth makes you an easy target. Unless you have some other accessible story (an immigrant, overcoming financial hardship) or endearing personal quality, you become readily caricatured, especially if you're not all that comfortable being wealthy. (See Mitt Romney and the struggle to release his taxes.) Maybe "old money" that sloshes around in political families is less burdensome than the millions made by the candidate himself or herself — be it as a turnaround specialist or an overpaid speaker. That's especially true if the money race *is still going on*.

Hillary Clinton has done much, much worse than anyone expected in her pre-campaign tour. But the factors that undermined her and the mistakes that she made are not unique to her. Other candidates should study her blunders and make sure not to copy them. Otherwise, they, too, will find their approval ratings sinking like a stone and their shortcomings fodder for the late-night talk shows.

Hot Air

[Former SecState with presidential ambitions can't tell the players in UK.](#)

by Ed Morrissey

When I first saw this clip earlier today, I was inclined to dismiss it. After all, plenty of people make the mistake Hillary Clinton does in this interview with BBC Radio today. The interviewer asks the former Secretary of State to gauge the strength of the "special relationship" between the US and the UK, and offers a rather insipid answer that applies to nearly all of our allies in the West. But it's the apparent ignorance of the UK's political parties from a woman who served for four years as America's chief diplomat that got the buzz (via [TWS](#) and [NRO](#)):

BBC: So how special is the special relationship?

CLINTON: It is so special to me, personally, and I think it is very special between our countries. There's just a — not just a common language — but a common set of values that we can fall back on. It doesn't matter in our country whether it's a Republican or Democrat, or frankly in your country whether it's a Conservative or a Tory. There is a level of trust and understanding. It doesn't mean we always agree because of course we don't.

In case you don't get the joke, the Tories *are* the Conservatives in the UK. Their other major political parties are Labour and Liberal Democrats, which means this is another way in which the comparison is a bit inapt. That confusion shouldn't surprise anyone who [recalls this gem](#) from then-Secretary of State Hillary Clinton shortly after assuming that position in March 2009:

"I have never understood multiparty democracy.

"It is hard enough with two parties to come to any resolution, and I say this very respectfully, because I feel the same way about our own democracy, which has been around a lot longer than European democracy."

Let's not forget that *most* Western democracies use parliamentary systems with three or more major parties, including our two closest allies, the UK and Canada. So does the system *we* set up in Iraq. They're not terribly exotic or difficult to understand at all, at least not functionally, although they may take slightly more work to study than the US two-party system. At the very least, they're easy to *recognize*.

On the whole, though, I figured that fumbling on Conservatives vs Tories was a momentary and extemporaneous brain fade more than a display of actual ignorance. The answer itself is strange even apart from that. The BBC didn't ask why the relationship was *special to Hillary Clinton*, but what the status of the relationship was between the US and UK. Clinton begins with a weird celebration of the special relationship as being super-special to herself, and then describes it in terms that are about as generic as one can possibly imagine. "Common set of values ... level of trust and understanding," as if that doesn't describe nearly every close alliance in history between nations. It all but declares that the US-UK alliance *isn't* special at all; I doubt that answer gives any confidence to most of the BBC's listeners.

National Journal's Alex Seitz-Wald thought the comment should have drawn more attention than it did, especially in the British press:

[Alex Seitz-Wald](#) [@aseitzwald](#) [Follow](#)

Surprised British press seems uninterested in Hillary's "Tory" gaffe. Seems notable for someone running on int'l chops.

Maybe they're just used to the fact that Hillary Clinton doesn't understand multiparty democracy, and/or doesn't apparently recall that the UK has such a system.

Barron's

Beware of Populist Economics

The new lessons from the Freakonomics guys are compelling, but deeply flawed.

by John R. Lott, Jr.

The *Freakonomics* franchise certainly has legs. According to legions of admirers, in their best-selling series that includes *Freakonomics*, *SuperFreakonomics*, and now *Think Like a Freak*, University of Chicago economics professor Steven Levitt and journalist Stephen Dubner have taught us to use economic reasoning to shed light on real-life situations. In the process, they have also shown that economics can be fun.

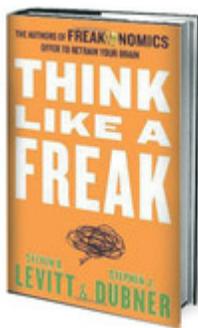
But the fun quotient is ultimately diminished by the fact that their stock in trade is naive economics. Typically, Levitt and Dubner fail to understand that when a problem arises in a market, it generally provides an incentive for those involved to remedy the problem.

Think Like a Freak: The Authors of Freakonomics Offer to Retrain Your Brain

by Steven D. Levitt and Stephen J. Dubner

William Morrow

288 pages, \$28.99



Take the sour-lemon story. "A new car that was bought for \$20,000," they assured us in *Freakonomics*, "cannot be resold for more than perhaps \$15,000. Why? Because the only person who might logically want to resell a brand-new car is someone who found the car to be a lemon. So if the car isn't a lemon, a potential buyer assumes that it is."

Stories like these have clearly appealed to those who enjoy clever portrayals of a dysfunctional world. But a little research would have revealed that, contrary to Levitt and Dubner, used cars with only a few thousand miles on them sell for almost the same price as when new. One obvious reason: Since car manufacturers allow warranties to be transferred to new owners, potential buyers know that even if they do buy a lemon, they will not be stuck with it.

In *Think Like a Freak*, the authors promise to teach us what "it takes [to be] a truly original thinker." But rather than promoting original or critical thought, their book tries to convince us of one main thing: People are stupid. We are thus confronted with half-baked theories similar to those in their previous books.

Take the example that *Think Like a Freak* starts out with: soccer players in the World Cup doing what is best for their own reputations rather than what is best for their team. We are told that, when a player kicks penalty shots, aiming toward the center has a better chance of success, but that fear

of shame prevents players from doing so. The potential shame of kicking the ball right into the hands of a goalie standing in the middle of the goal, especially during the World Cup, keeps players from doing what is best for the team.

The data cited to support this view are a bit rough. We are informed that "only 17% of kicks are aimed" at the center of the goal, even though "75% of penalty kicks at the elite level are successful." But the real problem is that, per their usual habit, the authors assume no one else involved is smart enough to detect this cheating. If, by kicking the ball to the side, players really are failing to score, it defies belief that team owners and coaches would be blind to this abuse and allow it to continue.

Since the team's gain from winning is far greater than any shame the player risks, incentives can be used to make sure that players do what is best for the team. Stiff financial penalties can be imposed, including the penalty of being fired from the team. Then there are other kinds of possible shame, meted out to these players in front of other team members, for not serving the interests of the team.

In the ivory-tower world of Levitt and Dubner, however, owners and coaches are completely ignored, since including them would only ruin a clever insight. I contacted actual soccer coaches at three different colleges, and found that they did not agree with the authors' premise that the center shot in a penalty kick is the best strategy. Not surprisingly, then, players seem to obey their coaches' dictates on penalty kicks.

Levitt and Dubner also brag in *Think Like a Freak* about the authors' "truly original" thesis, presented in *Freakonomics*, that liberalizing abortion lowered crime rates. Abortion, they argued, lowered the number of unwanted children who would be prone to commit crimes. But again, the authors naively ignored the new set of incentives that legalized abortion offered.

What actually happened when abortion was legalized will sound ironic, but no more so than the unintended consequences of many other changes in laws and regulations. Multiple studies have shown that the availability of legalized abortion increased the incidence of unprotected sex, which led to more unwanted pregnancies, which in turn boosted the number of unplanned births, even offsetting the reduction in unplanned births due to abortion. The net result: an increase in the number of single-parent families who couldn't devote a lot of time to raising their children, an effect Levitt and Dubner ignored and one that more than offset what they focused on.

It would be nice to believe that *Think Like a Freak* and its prequels have promoted interest in sound economics. But alas, when you think like a freak, you think superficially, like most freaks probably do in real life.

JOHN R. LOTT JR. is the author of *Freedomnomics: Why the Free Market Works and the Other Half-Baked Theories Don't*.



And then HE BURST THROUGH the CONSTITUTION...

www.investors.com/cartoons

SBK



