AUTHORITARIANISM ISSUE
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The opposite of freedom is government control: the ideology of authoritarianism. It can take many forms and find itself embodied in many ideological frameworks. This issue of the Harwood Economic Review explores this in some depth.

Since the ancient world, the presumption has always been that the society and economy need a vision imposed from the top to bring cohesion to society. It was very late in history, dawning perhaps first in the 16th century, that this model was not only a risk to life and property but also that it ultimately did not achieve the objective. The social order works best as an evolving structure built by people themselves and through their own choices.

And yet the lesson is never fully learned. It needs to be taught anew in every generation.

What is the reason to become educated about this topic? So that we can better recognize the real agendas of what political movements are selling us. This is not an issue of the left or the right. The urge to control society from the top down is a temptation for any political movement. The people who want to take your liberty and property can be very clever about manufacturing rationales for why you ought to give them more power. The way to fight back is to be aware of the agenda behind the rhetoric.

This is also a temptation for intellectual movements. The shape of the modern university illustrates this perfectly. Students are being presented with various visions of how the world should work—more equal, more just, more humane—that take no account of economic reality much less the liberal tradition that has long observed that society works best when it is left alone by government.

Every political vision inconsistent with the basic demands of what E.C. Harwood called pure freedom will come to take on some form of authoritarianism. This is true for any existing political movement you can name except that which seeks more freedom for individuals, more security for property, and more deference to private governance.

I hope you enjoy this issue. It is only a small part of our work at the American Institute for Economic Research. We are today the most active institution in the world that promotes the importance of markets. This year we will hold nearly 200 programs around the country and world, publish some 15 or more books, and distribute some one thousand articles and research papers to millions of readers, in addition to hosting local scholars, fellows, and interns.

We appreciate your support and devotion to the causes of free markets and sound money.

Edward Peter Stringham
In an interview on the venerable CBS news program 60 Minutes two weeks ago, freshman Representative (and Twitter sensation) Alexandria Ocasio-Cortez (D-NY) was asked a wide range of questions about her personal views, her political priorities, and other topics. Inevitably, the issue of her recent spate of misstatements—some of which appear to be flubs, others undoubtedly attempting to mislead—arose, to which she responded: *I think there’s a lot of people more concerned about being precisely, factually and semantically correct than about being morally right.*

Unsurprisingly, Ocasio-Cortez’s comment was viewed positively by her supporters (an affirmation of her good intentions, if perhaps revealing her still-novice state in Washington) but derided by her detractors as an excuse for a combination of mendacity and clumsiness—a franchise that previously seemed the exclusive domain of the current president. For the most part, partisan views governed both the reception of and response to her comment, which was within a few days forgotten, a new range of issues—the partial government shutdown, taxing billionaires, and so on—taking the forefront.

Ocasio-Cortez and the incoming class of congressmen want to be taken seriously, and in particular, they want their ideas to be taken seriously. It is for this reason that a comment that explicitly elevates sentiment and action over fact and reason must be taken with the utmost seriousness, especially when voiced by a proponent of radical economic and social overhaul. The idea that *rightness* and emotional fervor trump substance has a distinct and deeply troubling past that deserves much closer examination.

The first task of any radical movement is to discredit established knowledge—academic, experimental, experiential—as either utterly incorrect, partially true, or most commonly a tool of control. Hard-won, often-difficult truths are decried as provisional. Reason itself is dismissed as insufficient and erroneous.

In common, Nietzsche and Heidegger expounded the notion that because the pillars of Western accomplishment—the social, economic, and political blooming of the Enlightenment—were essentially dead weight, action and will are superior to truth. The deconstructionist and postmodern philosophers have continued the philosophy that truth is, in Nietzsche’s words, *a movable host of metaphors, metonymies, and anthropomorphisms.*

Common among the Italian Fascisti, the Russian Bolsheviks, the German Brownshirts and later National Socialists, the Sixties radicals, every Third World agrarian reformer, the failed Occupy Wall Street movement, and this new wave of bright-eyed collectivists, as evinced by Ocasio-Cortez’s comment, is the tenet that passion and spirit are more important than truth. Hitler spoke of the *cult of the deed*; Mussolini endlessly touted the idea that *to live is not to calculate, but to act!* Sixties revolutionaries shouted, *Tactics? It’s too late—let’s break what we can.*

Meaning—*rightness*—is thus created by power, a power not exerted by superior command of facts and the accumulation of experience, but by action. Proponents of all of these views are animated by a philosophy that says, in essence: *We may be wrong, but we believe we are pure.* Power, not truth, is the overriding concern.

(It bears mentioning that this posture ties to the irrepressible instinct of radical movements to assail individuals as impotent, instead lobbying for mass action, whether in the form of community organizers, Sturmabteilung squads, units of Blackshirts, cells of Weathermen, or the timeless focus of political activists for time immemorial: the *People.*)

The *lot of people* who are, as Ocasio-Cortez put it, more concerned with factual correctness than moral rightness are those who politicians should and do fear; they temper and defang political zealotry. There is more than enough proof, historically, that regardless of political orientation, individuals sufficiently compelled by idealism to promote the discard of reason have only one direction in which to go, whether they intend to or not: destruction.

In explicitly promoting conviction and righteousness at the expense of factualness and actuality, Ocasio-Cortez and her ilk are—in pursuit of socialistic ends—doing so beneath the philosophical mantle of fascism.
The Green New Dealers and the New Socialism

Richard M. Ebeling

The philosopher George Santayana is credited with the phrase *Those who cannot remember the past are condemned to repeat it*. Never was that truer than today in the face of the reborn belief in some notion of a *democratic* socialism and its accompanying idea of government-directed planning and redistribution. It’s as if the entire experience of the 20th century has been erased from the memory of humankind.

Almost every conceivable form of *socialism* was tried over the last 100 years. There has been Marxian socialism in the form of Soviet-style fully nationalized economies with strict and comprehensive five-year government central planning. There was national socialism in the Germany of the 1930s and 1940s, with private enterprise placed under total government control with Nazi four-year central planning. There was Mussolini’s Italian fascism, under which private businesses and workers were forced into cartels and trade unions with government oversight and command of prices, wages, production, work conditions, and trade. (See Günter Reimann, *The Vampire Economy: Doing Business Under Fascism* [1939], and Walter Eucken, *On the Theory of the Centrally Administered Economy: An Analysis of the German Experiment* [1948].)

There was British *democratic* socialism under the post-World War II Labor-party government, with nationalized industries, socialized health care, and central planning. There was a French version under the name of *indicative* planning, under which the government manipulated prices and production incentives to direct capital and labor where the central planners thought they should go. (See John Jewkes, *Ordeal by Planning* [1948], Bertrand de Jouvenel, *The Problems of Socialist England* [1949], and Vera Lutz, *Central Planning for the Market Economy: An Analysis of the French Theory and Experience* [1969].)

There have been government planning through regulations and redistributions of wealth through fiscal policy. This regulatory-redistributive model of government oversight and directing of social and economic outcomes grew out of the discovered and admitted inescapable limits and shortcomings of more-direct government planning and control of economic affairs.

**Costs and Consequences of Socialism-in-Practice**

The human cost experienced from the extreme forms of socialism-in-practice goes beyond most of our imaginations. Tens of millions of people—ordinary, unarmed, and innocent men, women, and children—were starved, tortured, shot, or worked to death in slave-labor camps in the name of building that bright and beautiful paradise on earth that the communists, fascists, and Nazis all promised would belong to those they had designated the righteous and justly deserving social class, national group, or racial tribe. (See my article *The Cost of Socialism in Power*.)

British democratic socialism foundered on the discovery that even in a democracy, government socialist planning entails imposing commands on everyone that succeed in only making life stagnant, dull, and poor for most in society. Indeed, this is how we have ended up with highly regulated economies combined with often-extensive networks of income redistribution and social safety nets.

Centralized planning did not work and usurped a high degree of everyday decision-making from the citizenry in virtually every corner of the society. So, there was a step back: regulated businesses still possessing degrees of discretion over the direction of much of their enterprises in the pursuit of profits, and market-earned incomes that were then modified through the tax code to transfer sums of money and various goods and services into the directions those in political power considered superior to those generated by a more free market. (See my articles *Barack Obama and the Meaning of Socialism* and *Obama’s ‘Middle Way’ Between Capitalism and Socialism Means Less Liberty*.)

**Memories Lost and Socialist Dreams Reawakened**

The collapse of the Soviet Union in 1991 and the admitted failure of government central planning and its accompanying brutality around the world threw socialism into disrepute and seemingly out of the arena of public policy debate. This has been reversed following the financial crisis of 2008–9 and its aftermath, with it being classified and condemned as a new demonstration of the failure of capitalism. In its wake, socialist ideas have been gaining a new rebirth among academics and the media pundits.
Not that all the socialist sympathizers had really disappeared after the end of Soviet socialism. They had simply and mostly silently sulked in the corners of higher education and various other intellectual circles, not knowing how to fully get away from the embarrassment of socialism’s disastrous history during the 20th century. The last 10 years have slowly been giving them a new lease on life.

This has been made easier with the passage of time and with a new and younger generation that has no living memory and less of an interest in understanding what socialism-in-practice really led to, in spite of all the promises and rhetoric with which it covered itself during its heyday of coming to power in various places around the world. (See my article Disaster in Red: The Hundredth Anniversary of the Russian Socialist Revolution.)

Bernie Sanders’ campaign in the Democratic party’s primaries in 2016 demonstrated the renewed attractiveness of the democratic-socialist idea. Millions were attracted to his promise of a beautiful social and economic future, if only government took a far greater directing and redistributing hand in everything in American society. (See my articles ‘Democratic Socialism’ Means a Loss of Liberty and ‘Liberal Socialism’ Another False Utopia.)

A Green New Deal Means Central Planning
Now additional voices for a new socialism are on the public scene, such as the recently elected Democratic-party representative from New York, Alexandria Ocasio-Cortez, who is also a member of the Democratic Socialists of America. Even before being sworn in to the House of Representatives in early January 2019, she and others presented a proposal for a special and select congressional committee for the preparing and implementing of a Green New Deal.
Make no mistake, this is a plan for the introduction of comprehensive government planning over every facet of American social and economic life. Arguing that the world is facing an environmental Armageddon due to global warming, the time for doing nothing or relying upon carbon taxes to reduce use of fossil fuels or business regulations to influence how private enterprises produce goods and services, they say, is behind us.

Action must be taken now to change how and what Americans produce and consume over the next decade. There must be developed a detailed, national, industrial, economic mobilization plan. It must be driven by the federal government in partnership with business, labor, stakeholder groups, indigenous peoples, and communities all across the land, for a radical and rapid transition to a fully carbon-free environment.

**A Carbon-Free Road to Social Justice**

This must be done in conjunction with commitments and goals for social, economic, racial, regional, and gender-based justice and equality. Labor unions must have a prominent place, with the ability to direct wages and employment conditions for workplace justice in the pursuit of a post-carbon economy. The federal government should take equity positions—that is, total or partial direct ownership—in businesses, industries, and sectors of the economy as a means to hit the target of radical environmental change.

The goal is to have a 100 percent fossil fuel–free economy within 10 years. All businesses and residential structures will have to be dramatically made over to environmentally friendly renewable sources of energy. Where and what is produced will have to be commanded by the federal government for both industry and agriculture.

At the same time, this grand and comprehensive central planning of American society to save the planet can also serve as an historic opportunity to virtually eliminate poverty in the United States and to make prosperity, wealth and economic opportunity available to everyone participating in the transformation of the country.

This will include more government-sponsored and government-provided education and skills training that will include job guarantee programs to assure a living wage job to every person who wants one. Government plans and programs will be especially targeted to help end deeply entrenched racial, regional and gender-based inequalities in income and wealth; and without limitation there will be those redistributions and government investments needed to lift up marginalized groups in various parts of the country.

How will all of these activities be successfully funded? This proposed Green New Deal agenda would have its costs covered not only by the usual federal and other taxes, with emphasis on the need to especially tax the rich. No, the proposal calls for using a combination of the Federal Reserve, a new public bank or system of regional and specialized public banks, [and] public venture funds to ensure that the profitable returns expected from the central plan’s implementation come back to the Treasury for selected future tax cuts and for even more government investments in the future.

**The New Socialists Want to Be the Central Planners**

The congressional committee that is proposed to develop and submit the detailed and concrete elements of the Green New Deal plan would also have the authority to direct and oversee its implementation. In other words, Alexandria Ocasio-Cortez and her collaborators sitting on such an approved congressional committee want to have control
over what would be an American version of the Soviet Union’s GOSPLAN—that is, a government agency responsible for the total central planning of the United States.

Central planners are always grandiose in their visions and impatient in getting to work to remake society in their own image. Our new American socialists are no different in this than their ideological collectivist cousins were in other parts of the world over the last century.

The actions and investments of individuals and private enterprises are too small and unorganized. Redesigning all of America in such a short time to save the planet and finally establish social justice in all its aspects requires, they assert, massive levels and speeds of investment, along with a government-size time horizon of decades that encompasses the entire society without exception.

Only government, guided by those who know and understand what has to be done, and when and where, can handle such a vast undertaking, they insist. The task our new socialists have appointed for themselves is the relocating of industries, reshaping of agriculture, transforming of how work is done with what types of energy sources, and reorganizing of social life according to a vision of social, racial, and gender justice.

It all conjures up images of those Soviet five-year central plans with industrial centers created in the middle of desolate nowheres, and huge canals connecting mighty rivers, and all built with the hands of class-enemy slave laborers—or the giant Nazi construction projects of autobahns crisscrossing Germany and larger-than-life sports stadiums to sit tens of thousands of cheering followers of the leaders who were building a new world based on racial identity politics, not much different from the premises of our new tribe-based American socialists and progressives. (See my article An ‘Identity Politics’ Victory Would Mean the End to Liberty.)

The transformation of America must be done within 10 years if the planet is to be saved from irreparable environmental damage, they assert. The planners are confident that in 2020, the Democratic party will not only retain its control over the House of Representatives, but also capture the Senate as well as the White House. Then it will be all power to the democratic socialists. The plan will be ready for immediate implementation. They are in a hurry, and there is no time to waste.

Once Democratically Chosen, No Reversing Socialism
But what happens to democracy after that? What if the people have second thoughts in election years 2022 or 2024 or 2026 or 2028? What if other voices challenge the premises and the policies of the Green New Dealers? If planetary existence and social justice for all time are at stake, can our democratic socialists allow the fickle and wrong-headed voting decisions of some of the people to alter the collectivist course that has been taken?

Surely, it would be irrational to permit the central plan to be dismantled, to backslide into chaotic and petty profit-motivated self-interest, to undo all that the revolution had been attempting to achieve. The socially just people’s will could not be allowed to be reversed because of some people’s misinformed and misguided voting whims under the influence of sinister interests swaying them against their true and real interests.
Oh, we have heard all this before, and no doubt, if they were to come to power, we would hear it all once more. But, but . . . it can’t happen here! Think again. The logic of central planning undermines the institutions and the spirit of liberty. By concentrating power and decision-making in the hands of those in government, socialist central planning first weakens and then eliminates autonomous centers of choice and association.

**Property Rights and Personal Choice**

One of the most essential aspects of private property rights is that it creates potential centers of control and discretion outside of the clutches of those in political authority. Private property in functioning free markets enables sources of employment and income independent of the government. The individual does not have to worry about loss of a government job, or his government-supplied income and benefits, or his chances for personal betterment due to any disagreement with or peaceful opposition to the policies and practices of the state.

Competitive, free markets provide avenues for a plethora of ways for multitudes of people to simultaneously follow diverse ends with alternative means considered better than those selected by others in society. Mistakes and second thoughts concerning what goals and purposes to pursue and how best to do so may be modified in many different ways by different people at different times, without needing to persuade or gain the electoral agreement of enough others through a voting process. (See my article *Political Planning vs. Personal Planning by Everyone.*)

**Central Planning Means Centralized Decision-Making**

But this is exactly what our new American socialists are impatient with and want to do away with. There needs to be one master hierarchy of values, with one centrally guiding and implemented master plan to bring it to fruition, with all in the society accepting and making their own personal wishes and desires subordinate to it.

What they really want is a version of *democratic centralism*—that is, an inner circle of people ideologically motivated by the same general collectivist purposes and ideals who bargain over and divide the social spoils for the identity-politics-based factions and interest groups that they, respectively, represent, with no interference from the ignorant reactionary and supposedly race- and gender-bigoted individuals and groups who don’t understand the nature of a real *people’s democracy*.

The role of these uninformed masses, who must be constantly subject to government *re-education*, is to produce the wealth and output that the Green New Deal planners need to pursue their power-lusting dreams. And don’t worry, if they cannot plunder enough wealth through taxation to cover the costs of their social-engineering schemes, they say they will turn to the Federal Reserve to create all the paper money they will need to pay for all that they want to do. Welcome to the possibility of a Venezuela-style hyperinflation on the back of a stagnant economy built on the political insanity of those who claim to know how everyone should live under the central planners’ agenda for a new, carbon-free world.

These are dangerous ideas that threaten anew the foundations and functioning of what remains of personal freedom and free enterprise in the United States. The Green New Dealers’ self-righteous fanaticism and ideological enthusiasm for a collectivist America should not be underestimated. Understanding their misguided political assumptions and the damaging economic consequences that would follow from their coming to power is essential if a green road to serfdom is to be avoided.
The most effective politicians often have a kind of cynical genius for speaking the language of feelings while brazenly disregarding facts. Count Rep. Alexandria Ocasio-Cortez among them. Her statements at a Martin Luther King Day event have almost too many fallacies to count:

Millennials and people, you know, Gen Z and all these folks that will come after us are looking up and we’re like: The world is gonna end in 12 years if we don’t address climate change and your biggest issue is how are we gonna pay for it? . . . This is our World War II.

At Reason, Nick Gillespie dismantles two of those fallacies. First, Ocasio-Cortez’s cavalier approach to paying for her preferred environmental programs invalidates her comparison to the Second World War, where the government raised taxes and borrowed heavily from its citizens. Second, as I also wrote recently, climate change poses real risks, but they’re the type of risks to be approached by looking at costs and benefits rather than the existential risks posed by Hitler, Mussolini, and Imperial Japan.

But in her invocation of a generational struggle, Ocasio-Cortez unknowingly revealed that the left is stuck in a framework for addressing societal problems that is largely a relic of history. And those who argue against its policy prescriptions often unwittingly make the same assumption.

Strong centralized nation-states are good at marshaling resources to defeat other nations in wars. But how have more recent wars we’ve fought against drugs, poverty, and terrorism turned out? Society has gone through staggering changes since 1941, and so have the problems we face. The left should think long and hard about these changes before planning its next round of wars.

The Wars We’ve Lost
A comparison to the failed war on drugs is instructive. The belief was that the government could attack both the supply and demand sides of illegal substances with strong, centralized action. But ending the sale and abuse of drugs is a vastly different problem from winning military battles against a nation led by a tyrant. Drug abuse is a fundamentally dispersed problem. Rogue smugglers and dealers have command structures far more complicated than nations. And users make tragic and unhealthy decisions for a wide variety of reasons that experts have trouble understanding.

The problems our society has with drugs are the emergent results of billions of complexly interwoven individual decisions. They are nothing like those in a traditional military conflict. And because we tried to address them that way, it’s hard to say we haven’t failed. And Lyndon Johnson’s war on poverty involved massive public housing projects that made problems worse along with clever-sounding welfare programs—again centralized solutions to decentralized problems. And the actual military and security threats we most often face today involve rogue actors buried deep within that complex web of individuals.

Eighty years ago we relied on a government that solved problems by exploiting its vast size, a mass media that kept people similarly informed, and an ability for individuals to express themselves generally confined to reaching one’s friends and neighbors.

Today, individuals have unprecedented ability to access niche products and ideas from around the world, and communicate with virtually anyone. Unlike 80 years ago, we live in a complex, technologically driven, and increasingly decentralized society. And yet, there’s the same government, relying on its centralization and scale to manage problems that are complete mismatches to this approach. In my opinion, this is the central source of the political tension we all feel that appears to only get worse.
**Strength Through Peace**

Poverty, unequal access to health care and education, and environmental degradation are real problems. The left insists that we declare more wars, following the 1940s model of large, top-down programs enacted by the nation-state. But these programs all resemble the failed wars I just described. Taking education as an example, we currently rely on top-down administration and accept the outsized interests of entrenched groups. Instead, we could allow school choice, and unleash the power of markets and social entrepreneurship to find ways to educate our children that a room full of experts could never match.

A history of military conflict shows us that when people perceive an existential threat, they are willing to sacrifice some degree of freedom to the government. By labeling climate change an existential threat without being willing to have a good-faith discussion of costs, benefits, and options, it is not overly dramatic to say that some left-wing politicians are playing a dangerous game with our freedom. And by not unleashing the decentralized private sector on the problem, their ideology may prevent actual problems from being solved.

I don’t like demonizing my political opponents, and many of these politicians are simply wrong and have a stubborn unwillingness to question themselves that to some degree all humans share—traits that are certainly not unique to the left. I also know many rank-and-file progressives who simply want to help people and solve the problems discussed in this article.

The type of solutions I have in mind radically depart from what we’ve tried and found unsuccessful in the past decades. I have nowhere near all the answers, but it is imperative that economists build on these ideas and communicate them to all Americans. That, Rep. Ocasio-Cortez, is the central challenge of this generation.
Why A Carbon Tax Won’t Work in the Real World

Phillip W. Magness

Writing in the Wall Street Journal, a group of distinguished economists including four former chairs of the Federal Reserve and 27 Nobel laureates issued a call to adopt a revenue-neutral carbon tax in order to wean the U.S. economy from fossil fuels. They offer this proposal as a way to address global warming, although one does not need to adhere to the premises of environmentalist political action to accept their narrow claim.

As the economists point out, a tax-based strategy for reining in carbon emissions is a less inefficient economic approach to this problem than attempting to attain the same objectives through top-down government regulations. So even if one disagrees with the need for government-imposed solutions to climate change, it is still true that the Pigouvian carbon-tax approach is an improvement over an alternative complex system of Environmental Protection Agency (EPA) mandates, fines, and administratively enforced directives, holding all else equal.

The economists’ letter has one fatal oversight though. They present their solution for an idealized public-minded government while paying no attention to the government we actually have.

To see how, we may turn to the work of the late Ronald Coase, who also won the Nobel Prize for his contributions to understanding the problem of economic externalities, precisely the area of policy today’s letter signatories purport to address.

While Coase’s work explored the conditions of economic efficiency in the presence of an externality, such as pollution, he offered an important caveat noting the mere existence of ‘externalities’ does not, in itself, provide any reason for governmental intervention.

Government action itself is a costly proposition, carrying no guarantee that even a well-designed and well-meaning policy will be implemented as intended. As Coase explained this problem,
The fact that governmental intervention also has its costs makes it very likely that most externalities should be allowed to continue if the value of production is to be maximized. This conclusion is strengthened if we assume that the government is not like Pigou’s ideal but is more like his normal public authority—ignorant, subject to pressure, and corrupt.

Returning to the economists’ carbon-tax letter, we find a complete neglect of this second condition. They offer an idealized solution for a non-ideal world, and simply assume it will be implemented as they intend it to be.

There are several reasons however that indicate carbon taxes will fail Coase’s test, and thus the optimal course of action is non-intervention.

The False Promise of Revenue Neutrality
First, even though the economists declare that their proposal will be revenue-neutral (i.e., it is offset by other tax and fee reductions so that it extracts no additional revenue from the public), they offer no guarantee but their word that politicians would adhere to this promise as opposed to treating carbon taxes as yet another lucrative revenue stream for public expenditures.
Indeed, several of the carbon tax’s most vocal proponents, such as the misnamed Niskanen Center, openly extol its promised ability to fill the government’s coffers with additional revenue for an assortment of spending projects.

While the Niskanen Center’s own carbon-tax proposal also touts a claim of revenue neutrality, a perusal of its many essays and public comments on the topic reveals a pronounced enthusiasm for tapping this new revenue stream for a multitude of other spending projects. The many goodies it’s already promised in connection with carbon-tax revenue include everything from additional increased highway and infrastructure funding, to federal debt retirement, to subsidizing an assortment of renewable-energy products, to providing a social safety net for displaced fossil fuel workers.

We need not take a position on the propriety of any of these spending proposals to note that the tax’s conversion into a revenue-generation tool belies the stated justification for a carbon tax in the first place. The entire claimed purpose of a Pigouvian tax is to draw the external costs of an activity into its market price by matching what is believed to be its social cost (whether we can even do so with any accuracy is another story). It is not to generate a stable and permanent revenue stream from the continuation of that externality.

**The Threat of Political Capture**

Second, carbon taxes are by their nature highly susceptible to political capture. Although the economists’ letter asserts the public-minded aims of carbon taxation and its efficiency benefits over regulatory alternatives, a tax is still a powerful tool of regulation unto itself. By altering the price of fossil fuels, carbon taxes quite consciously aim to shift energy consumers over to so-called clean-energy alternatives. The letter even touts this as a benefit.

Clean-energy providers, however, are not neutral parties to the political exchanges that must take place in order to implement a carbon tax. They’re financial beneficiaries of that tax precisely because it penalizes their fossil fuel competitors by raising their cost of doing business. The supposedly public-minded aim of shifting consumers over to clean energy through taxation also comes with the inescapable reality of lining the pockets of firms in the green-energy industry. Many of those same firms, it turns out, are also willing to expend vast amounts of money lobbying in favor of the very same carbon taxes that penalize their competitors and steer business to their own products. Some of the more shameless examples of this behavior espouse investment strategies based upon short-selling fossil fuel companies while simultaneously lobbying for carbon taxes that intentionally undermine their consumer base.

Economists refer to this practice of using political levers to manipulate market exchanges for the purpose of self-enrichment as rent-seeking. In the political world of environmental policy, where billion-dollar green-energy incentives are considered virtuous and large fortunes have been made off of federal and state subsidies to solar panel production and electric-vehicle manufacturing, we have every reason to believe that carbon taxes will also be susceptible to the same pressures.

The problem of rent-seeking, in turn, presents a further political complication to carbon taxation. It means that any carbon tax, once adopted, will attract vested stakeholders in maintaining it at a desired level and ensuring the continuity of their own private revenue streams from the resulting policy. This means that any carbon-tax system runs the risk of becoming captive to entrenched special interests. When
that happens, the resulting tax can no longer be adjusted or fine tuned, as the economists’ letter necessitates, without also having to appease its political stakeholders.

The predictable result is yet another sclerotized regulatory tax program, beholden to special interests and incapable of being further reformed or adjusted through our current political process.

The Problems of a Regulatory Swap

Even though the economists’ letter neglected the political complications of carbon taxation that I have raised here, a signatory might respond with some validity that the same problems also afflict the alternative approach of using top-down regulations to address climate change. If carbon taxes attract rent-seeking interests, then surely this same problem affects the EPA and other regulatory bodies. And since carbon taxes are economically less inefficient than regulations, we should settle for that reality and accept the less bad alternative by swapping one for the other.

The problem with this argument is that it also assumes the swap can be effected through our existing political institutions. It assumes that the interest group beneficiaries of the current regulatory approach can be persuaded to forgo their rents and their political investments in maintaining those rents in exchange for the carbon tax. While not completely unheard of, such grand policy regime swaps are extremely rare and usually only occur when the rent extractions from the existing approach dissipate to a point below the expenses and energies needed to maintain them.

On the flip side comes a substantial risk. Carbon taxes, if adopted, will need to be phased in over time in place of regulatory approaches to the same externalities. That requires the interests behind both to agree to a scheduled and systematic transition over many years if not decades. But politicians habitually renege on promised future actions as the deadline actually approaches. The recurring debate over the debt ceiling, the kicking of the Social Security solvency can down the road, and the failure of past attempts at the execution of complex budget-constraining schedules all point to the dangers of this strategy.

Suppose, for example, that the United States adopted a carbon-tax pilot program in exchange for promised deregulation at a future date. As the date of the regulatory phase-out approaches, however, rent-seeking beneficiaries of the existing regulation begin to pressure the government for a delay to its repeal. Or environmentalist activists, believing that the carbon tax is desirable but insufficient on its own, switch their lobbying strategy to also retain the regulation that was scheduled to be phased out.

Ronald Coase

Barring some yet-to-be-devised mechanism for the swap, the carbon-tax proposal carries the substantial risk of becoming a cumbersome supplement to existing regulations rather than a replacement. While a carbon tax in itself may be economically preferable to existing top-down regulation, a carbon tax added on top of the existing regulatory system is demonstrably worse than the status quo.

In order to meaningfully advance the discussion on the policy proposed by the economists’ letter, its signatories will need to address the obstacles and pitfalls presented by its political execution. They will need to make a convincing case that they can mitigate and overcome these obstacles under the government that we actually have—ignorant, subject to pressure, and corrupt as Coase noted—rather than the government that they want to have. So far, they have not even broached that subject.
Part of the underlying drama of the show The Americans is that we know how it ends up. The glorious communist utopia of the Soviet Union, to which the main protagonists have devoted their lives as undercover spies, goes belly up at the end. Which is to say: they seem to be wasting their lives on a lost cause. The viewer knows this going in. The characters do not. They continue to believe they are working for the great cause.

You can summarize every domestic economic policy of Russia following the Bolshevik Revolution through 1991 as an attempt to salvage the unsalvageable. The attempt began in 1922 with the New Economic Policy, an expedient to save lives following the disastrous wartime socialism. It continued all the way through Nikita Khrushchev’s attempt to create a pricing system for planned markets. Even Mikhail Gorbachev’s reforms were intended to save the system from itself.

In the period covered by the show, Soviet elites had come to the conclusion that communism was failing for one main reason: corruption. The goal of the secret police, then, was to find the people who were doing bad things not allowed by law and prosecute them. Surely more force would lead to more compliance, which would then cause the central plan to work. You can look at this today and think: how ridiculous can you get? Obviously the whole model was wrong and needed to be upended. But it’s not so easy to throw out one model, and, along with it, the entire intellectual apparatus that backed it.

That Soviet communism persisted 74 years, and that people even today subscribe to the socialist model of economic organization, is a perverse tribute to the power of an idea.

In one scene, the Soviet secret police have in their interrogation room a woman who works at a grocery store. It appears that she had been gathering some of the food and exchanging it for goods and services on the side. This is corruption. To the astonishment of the investigators, the captured woman admits everything. She says, very nonchalantly, that this is how business is done in Russia. Everyone is involved—for the purpose of surviving. If you are not involved in this gray market, you are not taking care of your family or yourself. If this is corruption, she says, the entire country is guilty.

She continues to make the most salient point of all. She says that the secret police and the party elites do not understand anything about how the people live. They already get their provisions. They have special access. They are not fighting for their lives. They are taken care of in a special way. The people, on the other hand, are not so lucky. They have to be scrappy and deceptive just to survive. The elites need to understand this, else they risk losing control over the entire system.

The investigators stare at her blankly in silence.

This scene from the show struck me as true. Everything I’ve heard from Soviet, Polish, East German, and Romanian friends who lived through this era confirms this. The law existed on paper, but its only social purpose was to reveal where the landmines in social and economic life were. There was no question of compliance. So-called honesty—a life without corruption—meant that you could not thrive, and often that you could not eat.

**How Foreign Is This?**

The Soviet case we tend to look at as foreign and strangely unfamiliar. But the more you study the history of politics, and the history and operation of states, the more you discover that the differences between them are a matter of degree and not kind. The ruling class enjoys privileges that the people do not. When laws and regulations become too costly, and too inconsistent with people’s desire for a better life, they are ignored, even at personal peril.

I’m thinking of cases of this in the United States today. We have a drinking age of 21, unusually high compared to the rest of the world. That puts the U.S. in the 6 percent of nations with such extreme laws. They are not obeyed. Everyone knows it. College has become a cesspool of binge drinking. Everyone knows it. As enforcement has intensified, kids have found private places to drink. They are not safe. Everyone knows it.

So far as I know, there is no politically serious movement to change this. We have a model in our heads that says kids should not drink until they are 21. No amount of experience can seem to shake our sense that this is a realizable goal.
Another case concerns pot. Richard Nixon declared war on this plant with full confidence that he could win. It didn’t happen. Now the decriminalization movement has made huge gains. It is probably affecting even your community. The town in which I’m currently writing has a new pot shop that opened just a few days ago. The lines to get in are around the block. The population had been for decades threatened with jail. Millions have gotten caught up in the drug war. And yet, exhaustion has finally arrived and the laws are changing.

It was widespread disobedience, and the grotesqueries of hypocrisy, that finally made the difference. At some indiscernible and unpredictable point, laws that are universally ignored or at least carefully avoided come under pressure. Regimes have to adapt or risk their very credibility. Enforcement only goes so far. When the anomalies in the theory that backs the law or regulation pile too high, something has to give.

I can think of a thousand such cases in the U.S. today, some large regulations but millions of small ones too. Everything in our bathrooms has been degraded by them. Our kitchens. Our gasoline. Our food supply. Crazy labor regulations gum up the employment market. And while the current administration is deregulating some things, it is adding more in the form of interventions in trade relationships, imposing taxes in the form of tariffs. Every one of these economic controls is enforced by coercion, which is to say, at the point of a gun.

Why are the efforts at deregulation taking so long? The woman in the show revealed the truth. These interventions affect the ruling class far less than the people, both in the sense that they are not the ones starting the business and in the sense that they have better connections to stay out of trouble. For everyone else, every regulation is another tripwire to fall from compliance to criminality.

When government regulates and legislates, it is not causing some imagined form of social uplift for the masses toiling under the terrible demands of freedom. It is instead making more criminals out of people who just want to live a better life.
The drama between President Trump and the Federal Reserve is escalating. Trump has been highly critical of the Fed's decision to hike interest rates. He has even insinuated that he would ask for Fed Chairman Jerome Powell's resignation if the Fed continued to defy Trump's wishes. Powell recently said he would not resign even if the president asked, setting the stage for greater conflict in weeks to come. Forebodingly, the political influence on the central bank has reached a level not seen since the Nixon administration.

In light of this, the success of many liberal democracies, including the United States, in insulating their central banks from the rough-and-tumble of democratic politics appears to be an even greater achievement. Perhaps we do not want monetary policy to be democratic. After all, little seems sillier than allowing politicians on short-term election cycles to have control of the printing press. Is it really such a bad thing that monetary policy is undemocratic?

Actually, yes. While it is appropriate for monetary policy to be removed from active political interference, it does not follow that monetary policy ought not be judged according to democratic standards. Ultimately, democracy is not about plebiscites or representative government. These are not the substance of democracy, but its accidents. Democracy is an attitude, a way of understanding our collective public life, that provides the standards to which our institutions ought to conform.

Viewed this way, the democratic habit of mind recognizes three fundamental points that ought to structure our public institutions. First, collective action ought to be targeted, timely, and temporary. Second, if a proposal for collective action is too complicated for a small committee or town hall meeting, it is too complicated to be tried at all. Third, seeking political power is the primary disqualifier for wielding political power. Each of these commonsense intuitions reflects the reality that self-governing polities must zealously guard themselves against both arbitrarily wielded power by individuals and excessively conglomerated power by institutions, or else they won't remain self-governing for long. Whether under the boot of the strongman or by the slow suffocation of bureaucratic mandate creep, democracy dies when we fail to guard against these abuses.

When viewed this way, it is quite obvious that monetary policy is undemocratic and that this is deeply problematic. First, monetary policy is an ongoing technocratic project that, gradually over decades, has come to impinge on a larger and larger share of the financial sector. It is precisely the opposite of timely, targeted, and temporary. Second, monetary policy is far too complicated for relatively small and manageable units of collective action. Central banks have entire armies of research staff and associated scholars, many of whom occupy the commanding heights of top-tier academic macroeconomics. Without this horde of experts, each of whom deals with matters far too specialized for general public discourse, monetary policy would not be possible. Third, each of these central bankers, from chairman of the Fed to entry-level researcher, has fought out their position, often fighting hard for it against a pool of other capable candidates. While this seems virtuous and meritocratic, it is in fact subtly insidious because this is competition for power. And make no mistake: determining monetary policy is definitely an instance of power. Though its practitioners rhetorically position themselves as benevolent, apolitical technocrats, the decisions of monetary policy makers reverberate throughout world financial markets with such far-reaching effects that virtually nobody is free from their influence.

Thus monetary policy as practiced by central banks violates all three of our democratic axioms. It’s no surprise then that central bankers across the world exhibit a combination of features that fill sophisticated political thinkers with dread: maximal power subject to minimal responsibility. To be a monetary policy maker today is to be empowered to affect the material livelihoods of millions across the globe, with scant consequences should that authority be misused.

There are many, many ways to change the institutional foundations of central banks to mitigate these problems. Which should be pursued is a complicated question that itself should be put to public debate, not decided behind closed doors among a small group of experts. The one certainty is that monetary policy as it currently operates fails to meet minimal standards of public responsibility and competence. If we are at all committed to self-governance, it is time for this to end.
January 1 will mark 60 years since Fidel Castro’s seizure of power. How are we to assess this long period, especially from the perspective of the average Cuban citizen? The fact that Cuba used to be one of the richest countries of Latin America at the time of Castro’s revolution and is now one of its poorest ought to settle the question. However, Cubans are significantly healthier than one would expect: life expectancy is quite high while infant mortality is quite low for a country that poor. Cuba also has high literacy rates relative to the rest of Latin America.

The latter facts have been the basis of much praise heaped upon Castro’s regime by a great number of scholars, public health experts, politicians, and pundits. In these praises, the blame for the apparent poverty of the country is simply shifted onto the American trade embargo. Some even suggest that we ought to find ways to adopt Cuba’s health care system without assuming the abuse of human rights that the regime has inflicted upon its population (i.e., sorting the wheat from the chaff). Even so, opinions are divided on what judgment to render upon Fidel Castro.

They ought not be divided, for three reasons. The first is that there is scientific evidence that while it did not help, the trade embargo cannot explain Cuba’s relative poverty. The second is that the regime’s ability to improve health outcomes is overstated. The third, and most important, is that the heavy-handed tools of dictatorship are quite well-suited to improving health outcomes even though this comes at heavy costs.

### Economic Growth in Cuba Since 1959

A casual look at open-access data sources such as the World Bank’s Development Indicators shows that Cuban incomes more or less stagnated from 1959 to the mid-1990s, when Cuba was in a deep recession following the collapse of the Soviet Union. While there has been some growth since the early 1990s, income per capita is below the average level in Latin America.

Given that the most conservative assessment of Cuba’s economic welfare places it as one of the richest countries of Latin America in the 1950s (and probably richer than even the United States if you trust other economic historians), this should be sufficient to show that the effects of the revolution are important. However, the causes of the stagnation cannot be fully ascribed to Castro; there are other factors, such as the American trade embargo. We need to disentangle the factors; otherwise, one could argue that while true, the facts mentioned above result from American action, not Cuban policies.

Fortunately, recent research produced by Hugo Jales, Thomas Kang, Guilherme Stein, and Felipe Garcia Ribeiro and published in the journal *The World Economy* has disentangled these factors. They find that the trade embargo is not sufficient to explain Cuba’s economic divergence since 1959. First, they find no strong effect on income per capita of the 1962 implementation of a full embargo even though there may have been effects of the partial embargo which preceded it.

Second, they find that when the Soviet Union began to ramp up subsidies to the regime in the 1970s (by buying sugar above world prices), this mitigated the adverse effects. Finally, they attempt to disentangle the effects by considering the end of Russian subsidies at the collapse of the Soviet Union and find that while the embargo did have an effect, its amplitude was smaller than that of the revolution itself.
It is also important to note that Jales and his associates’ conclusions are probably understated because they rely on assumptions that trust the national income statistics produced by Cuba while many economists and economic historians are skeptical of the way some numbers are computed. If there are errors in the numbers, they would only make the conclusion stronger.

**Health Outcomes Are exaggerated**

In 1959, Cuba was not only one of the richest countries of Latin America, it was also one of the healthiest. It had a high level of life expectancy at birth and a relatively low rate of infant mortality. Accordingly, Cuba improved from an already pretty-good base. However, many researchers have pointed out important discrepancies in the data regarding infant mortality. They have showed that doctors often reclassified early neonatal deaths (before the 7th day of life) as late fetal deaths (before birth). Because late fetal deaths are not included in infant mortality calculations while early neonatal deaths are, this reclassification artificially reduces the infant mortality rate. Demographers have also observed this reclassification in the Soviet Union in the 1970s, when infant mortality appeared to be rising.

This type of reclassification also has an effect on measured life expectancy because late fetal deaths are not counted in the life tables that are used to calculate life expectancy at birth. In research recently published with Gilbert Berdine and Benjamin Powell in *Health Policy & Planning*, I show that, in Cuba, this practice has reduced life expectancy at birth for men by somewhere between 0.22 and 0.55 years.

Moreover, doctors also pressure women into having abortions if they believe the pregnancies are risky (and sometimes perform abortions without consent). Because Cuban physicians are penalized when health outcomes are poor, they have strong incentives to do so. This explains why Cuba has one of the highest abortion rates in the world. This type of coercion also has an effect on measured life expectancy because late fetal deaths are not counted in the life tables that are used to calculate life expectancy at birth. In research recently published with Gilbert Berdine and Benjamin Powell in *Health Policy & Planning*, I show that, in Cuba, this practice has reduced life expectancy at birth for men by somewhere between 0.22 and 0.55 years.

In the same research, I also argue that Cuba’s relative poverty has paradoxical effects on health outcomes. For example, Cubans cannot afford to purchase automobiles (whose importation is restricted anyway). Thus, they drive less, which explains why Cuba has one of the lowest rates of car ownership in Latin America. Driving less also means that they are less likely to die in car crashes. In Brazil, whose car ownership rate is eight times that of Cuba, road fatalities knock off 0.8 years of life expectancy at birth for males. The effect is compounded by the fact that the Cuban regime rations numerous items such as salt and cigarettes. Thus, some of Cuba’s health outcomes are accidental outcomes of its poverty and non-health-related policies.

Finally, along with Jamie Bologna Pavlik, I also show that within the first 15 years of the revolution, infant mortality increased relative to what it would have been without the revolution. Few people note that the improvements in infant mortality happened after circa 1970 and that there was a long hiatus from a previous downward trend that lasted until circa 1960. This means that from 1960 to 1970, there was a break in the trend, which, incidentally, was not shared by comparable countries. This hiatus, we find, implies that an extra 33,000 infants died between 1959 and 1974 because of Castro’s revolution.

**Coercion Is a Key Ingredient**

Nevertheless, even after adjusting for the fabrications of the regime, Cuba remains an outperformer and the initial adverse effect of the revolution faded as the country began increasing health outcomes. In this respect, it is important to note something crucial: most communist countries did well on health metrics.

For example, in the Soviet Union, life expectancy and height (a key indicator of nutrition) went up until the 1970s so that Russians were better off than they were before the end of tsarism. Literacy rates were also higher. There is similar evidence for Eastern European countries under Soviet rule.

Why would this be the case? Because rulers have an incentive to improve such outcomes as it solidifies their hold on power. First of all, education can be used for indoctrination, and it has been used to that end. True, Cubans are now more literate than in 1959, but they are reading infor-
mation valuable to the regime’s survival. The same can be said of health care. Cuban physicians are also members of the army, and they are expected to report everything about their patients. Accordingly, they are the first line of information gathering for the regime and thus a key tool in the regime’s ability to continue in power. The heavy-handed tools that dictators use to maintain themselves in power accidentally improve health outcomes.

Moreover, dictators are also social planners, and like all social planners they are quite good at solving unidimensional problems. For example, they are quite good at improving one indicator (which they then vaunt about on the international scene) because they forcibly allocate resources to this end. However, everything comes with trade-offs.

The cost of the Castro regime’s laser-like focus on infant mortality is that other health outcomes are actually worsened. For example, Cuba has a much higher rate of maternal mortality and its ranking in life expectancy corrected for disabilities (adjusting for crippling diseases affecting adults) is quite different from its unadjusted figure (which places a heavy weight on infant survival).

Moreover, these outcomes come at a heavy cost economically because the regime allocates close to 11 percent of national GDP to health care and physicians constitute close to 1 percent of the labor force. These are resources that are not available to other sectors of economic activity. No other country in Latin America allocates as many resources, not even those that outpace Cuba in terms of outcomes.

Conclusion
Once all the elements mentioned above are taken into account, it is hard not to accept a bleak view of how Cubans have lived through the last 60 years. The road not taken by Cuba, that of not having the revolution, is one on which the country would have been healthier and richer than it is now. This denial of human flourishing makes Cuba just like any other Communist regime, and thus the regime deserves only scorn.
Free Enterprise Combines Self-Interest and Love

Jeffrey A. Tucker

Try to imagine a frozen-over train station in Hudson, New York, at 6:00 p.m. on a Sunday night on a holiday weekend. The interns and I had hoped there would be taxis there. We were wrong. It was a bad mistake. We had a 40-mile drive to make to get to the stone house at the American Institute for Economic Research.

The weather was not cooperating. All flights had been canceled. The roads were frozen over. The thermometer registered 7 degrees Fahrenheit. This was not a night on which you want to leave your home for any reason.

We tried Uber. No drivers. We tried again. No drivers. We started examining the benches at the train station to see if they could be used as beds. But the heating in the train station was not good. The forecast said that the temperature overnight would fall to 30 degrees below zero. We would wake with frostbite. Hey, it would make a good story.

I tried Uber one last time. Someone picked up! The car was on its way. Be there in 15 minutes, said the app. My goodness, what a world. Uber was only legalized here about a year ago. Now it is a lifesaver.

Right on time, a man’s car drove through the desolate parking lot, the tires crunching through the frozen snow. We left the station to go outside, put our bags in the trunk, and drove off, slowly and carefully because there was no point at which the tires met the road. This would be a perilous journey. We made it safely home. Seeing the warm lights shine through the windows as we drove up to the house was a beautiful sight.

The Calculus of Compassion
I’m so grateful to this nice man, this stranger who saved us, and the Uber app that made it possible. Along the way I asked about the motivation. I pointed to the money. He said that he will only make $30 but he is glad to help. That touched me, so I began to dig deeper, trying to find out what led him our way.

He said that he saw the first two requests. But he was sitting by the fire with his wife, safe from the storm. Why bundle up in such conditions? When the third request came in, he felt a pang of conscience. There are three people waiting at a desolate train station. They need help. He bundled up and set out on the frozen roads to be valuable to other people.

It’s a beautiful reminder: there are human beings behind these mobile apps. Drivers can reject or accept. It’s up to them. No municipal taxi was running. To come out on a night like this approaches a heroic enterprise. My initial assumption that the driver did it for the money was wrong. The money is nice but doesn’t motivate heroism. There is something else going on. He wanted to be valuable to others. He wanted to help.

Here we observe an interesting example of the complications of human drive and its interaction with the economics of the material world. Might the driver have shown up without the profit motive? Maybe. But how would he have known about our plight? We used a profit-making app that was built and is maintained through a system of profits. What’s more, it does in fact make sense that this driver would be compensated for his work.
Enterprise, this story shows, is moved forward through a complex set of human motivations that include the desire for money but also the desire to serve and be valuable to others. The material means to provide for ourselves and the desire to be useful to others are both crucial here, and they are not in conflict.

Greed and benevolence work together. Material acquisition and love of one’s neighbor are harmonious. It’s the combination of the two that makes up the driving force of economic progress.

I’m thinking of another case from the Hudson train station. There is a snack bar. The people there sell coffee, candy, muffins, and tea. I ordered a beer. The woman said they don’t carry it. I asked why not. She said it’s because the snack bar is run by a local charity and so they don’t think serving beer is a good idea. I asked what it means for a snack bar to be run by a charity. She said it means that she doesn’t get paid. She is just there to raise money by selling things to people so that all the profits (however meager) go to the charity.

Realizing this changed my whole outlook on the enterprise. But for love, compassion, dedication, commitment to the well-being of others, travelers could not get coffee and snacks. Because people are willing to commit their time without pay, it is there, not as a profit-making enterprise but as a charity, helping on both ends: tending to the needs of travelers and also raising money to help the community.

Here again we see the fusing of economics and love. It comes together without dictate, without mandate, without central direction, without a top-down command to care for others. The motivation comes from within. But here again we see on display this essential but often unrecognized motivating force: the need to be valuable to other people.

The first time I realized just how essential this is was the day I stupidly languished in jail because of an unpaid traffic violation. I felt it keenly. I was suddenly not valuable—not to anyone in my purview. It shocked me. It didn’t last long, thank goodness. I could never again go a day without being grateful for the opportunity to serve others, because serving others imparts value to me. You can call this selfish if you want. I find that term unhelpful. It’s all about the desire to make a difference in the world, in big and small ways.

**Strangers and Love**

Let’s return to my driver and the mobile app that brought his services to us. He was a stranger. I had never met him. Never will again. And yet we had a beautiful experience together, all thanks to technology and enterprise.

There are political arguments about this. Is Uber putting out of business the taxis? Is it paying drivers enough? Should drivers have to submit to a great degree of regulation? Because of these questions, cities have banned Uber in many parts of the world.

Think of the human loss, the missed opportunities to bring people together for mutual benefit, the forgone chances for people to serve people. This is what enterprise is all about.

Those who do not understand this miss the whole point. Economics is not just about making money. It’s also about a chance to be valuable to others, to the world, to yourself. Banking money and showing love can and do exist in a harmonious relationship. Bring them together under just the right conditions, and you feel the same inner warmth we all felt when finally arriving back home in safety, preparing to sleep well with the knowledge that thanks to free enterprise, we would wake without frostbite and our wonderful benefactor would wake knowing that he both did a good deed the night before and made just enough money to say it was materially worth his time.
How Will the New Tax Law Affect You and Your Charitable Giving?
Jeff Lydenberg

The new tax law became effective on January 1, 2018. Of the numerous changes, the two most directly affecting charitable gifts are:

1. The increase in the standard deduction ($12,000 for singles, $24,000 for married couples filing jointly); and

2. Elimination or restriction of numerous itemized deductions (though the charitable deduction remains intact).

Both of the above will increase the number of individuals claiming the standard deduction, and thus reduce the number of itemizers who can take an income tax charitable deduction. However, if you live in a state with high income and property taxes and you have a mortgage you could find that you still itemize.

Even if you won’t itemize, here are some strategies to make lifetime gifts to charity and still receive tax benefits:

Make gifts of appreciated property such as publicly traded securities to AIER. Even if you don’t itemize, you will still be able to avoid capital gains tax by making a gift of appreciated assets owned by you for at least one year.

Make gifts to AIER using the charitable IRA rollover. If you are over 70½ you can make a direct transfer from your traditional IRA or Roth IRA to charity of up to $100,000. Such a transfer is not taxable and counts towards satisfying your required minimum distribution.

Make larger gifts to AIER. If your total non-charitable deductions are close to equaling the standard deduction, a larger charitable gift may increase your total deductions enough that it makes sense for you to itemize; the additional tax savings that itemizing offers may reduce the effective cost of your gift.

Make a gift to AIER from all or a portion of what’s left in your retirement plan. Assets in your IRA, 401(k), or other qualified retirement plan may be subject to income tax when distributed to heirs. Making AIER a beneficiary of a portion or all of your retirement plan will avoid the income tax that might otherwise be due from your heirs. This is an extremely tax-efficient way for you to make gifts to AIER that costs your heirs less than giving other kinds of assets.

As with any change, you should contact your accountant or financial planner to understand how the new tax law will affect your individual tax situation.
AIER highlights

AIER scholars are appearing on various media outlets almost daily, from Bloomberg to National Review to National Public Radio. Research fellow Peter C. Earle tells the story of appearing on Marketplace and eventually Morning Edition. His wife was driving home from work in NYC rush hour traffic in the car and was startled to hear her husband’s voice on the radio, explaining various aspects of financial markets and corporate earnings. As a supporter of AIER, you have probably noticed this happening ever more, on Fox, CNN, and many other places. Our name recognition is growing as is respect for the AIER brand both in academia and in public affairs.

PorcFest 2019 with Jeffrey Tucker, Max Gulker, & Phil Magness
June 18–23 Lancaster, NH Join AIER’s researchers for talks during Free State Project’s 16 annual Porcupine Freedom Festival at Roger’s Campground in Lancaster, New Hampshire. They will speak on the future of Bitcoin, liberty in an age of populism, capitalism, and more.

Smashing the D.C. Monopoly with Senator Tom Coburn
June 18 Colorado Springs, CO Why is it so important to keep democracy functioning at its best, and how can supporting Article V of the Constitution do just that? AIER’s Bastiat Society program in Colorado Springs will host Senator Tom Coburn to answer these questions and more.

Bringing Fiscal Sanity to CA Infrastructure Policy with Marc Joffe
June 26 San Jose, CA AIER’s Bastiat Society program in San Jose will host Marc Joffe, Senior Policy Analyst at Reason Foundation, to discuss his research on the bullet train and other CA projects and offer policy suggestions to improve infrastructure.

Why Your Pension is Doomed with Ted Dabrowski
July 17 Columbia, SC Is your pension doomed for the future? Join AIER’s Bastiat Society program in Columbia for a talk with Ted Dabrowski, President of Wirepoints, Inc., using his knowledge of the intricacies of state and local policy failure.

Teach the Teachers: Fundamentals of Environmental Economics
August 3 Colorado Springs, CO AIER & Foundation for Teaching Economics (FTE) are holding a seminar for teachers that provides a non-biased approach to the basics of environmental economics and the framework to introduce these concepts into their classrooms.

For information about these events and more, visit AIER.org/Events.
Discover the Benefits of Planned Giving

Many of AIER’s supporters have discovered how giving to AIER through our planned giving programs supports AIER’s mission and provides numerous benefits for them and their loved ones.

A good plan will provide for your family or loved ones, protect what you have worked so hard to acquire, and leave you feeling safe and secure.

Certain plans allow you to guarantee income for up to three generations of beneficiaries, so you can put a plan in place for any of the important people, or even organizations, in your life.

In addition to supporting the mission of AIER, a planned gift can provide to you substantial tax advantages, especially on gifts of stock and real estate. The total income, estate, and capital gains tax savings and the probate-expense savings can come close to the amount of your planned gift. The benefits include:

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I followed Colonel Harwood for many years and one thing that came through in all of his writing was that he was a great patriot and a strong believer in an honest currency. Having been in the investment business for 48 years, I think Colonel Harwood’s teaching is needed even more now than it has ever been. He had a great impact on my thinking.

—Arnold Van Den Berg, Longtime AIER Member

AIER members understand the importance of AIER’s mission and want others to understand too.

Annual Sustaining Membership dues and donations to our programs help AIER provide the information, tools, and analysis that Americans need to make decisions to advance peace, prosperity, and human progress. We promote personal freedom, free enterprise, property rights, limited government, and sound money. The people that value these principles the most are members of the American Institute for Economic Research. Donations to AIER are tax-deductible.

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FROM THE ARCHIVES

AIER picnic in Alford
Bill, Fred, and Helen Harwood, John Carter and
the 1945 weapons carrier (currently with Fred)