

# International

*Almost every area in the international arena has become ripe for misunderstanding and wholesale demagoguery. Nowhere is this more apparent than in the area of international trade. Whenever there is trade, it occurs because both parties to the trade perceive that they will be better off than their next best alternative as a result. The people who rail against international trade the most are domestic competitors who lose sales because an American chooses to purchase from a foreign competitor. The push for restrictions on international trade in the forms of tariffs and quotas really seeks to deprive American consumers of the right to choose. To retain a bit of respectability, many trade restrictionists claim that they are for free trade and fair trade, but the assessment of whether a particular trade is fair or not is up to the parties conducting the trade.*

*Another part of the misunderstanding and demagoguery has to do with a trade imbalance that restrictionists argue is a result of our buying more from foreigners than they buy from us. But one party buying more from another party than that party buys from him typifies most trade relationships. For example, I purchase more from my grocer than he purchases from me. In turn he purchases more from his wholesaler than the wholesaler purchase from him. In reality, there is no trade imbalance, whether it is my making purchases from my grocer or my making purchases from Toyota of Japan.*

*Here is what happens. When I purchase \$100 worth of goods from my grocer, my goods, or current account, rises by \$100 and my capital account falls by \$100. For the grocer, his goods account falls by \$100 but his capital account rises by \$100. It is the same when I purchase a car from Toyota. My capital account falls by say \$70,000, but my goods account, in the form of a Lexus, rises by \$70,000. Toyota's capital account rises by \$70,000, but it might not use the money to buy American goods but instead purchase \$70,000 worth of U.S. stocks, bonds, or government debt instruments. Thus, although there is a deficit in what is*

*our current account, it is offset by a surplus of the same amount in our capital account.*

*Third World poverty is another area in the international arena that requires a better understanding. The standard excuses for Third World poverty range from colonialism to lack of natural resources, but there is little evidence for such claims. Some of the world's richest countries were once colonies, such as the United States, Canada, Australia, and Hong Kong, and some of the world's poorest were never colonies, such as Ethiopia, Liberia, Tibet, Nepal, and Bhutan. South America and Africa are two of world's richest continents in terms of natural resources but are home to some of the world's most miserably poor people. Although Japan, the United Kingdom, and Hong Kong are natural-resource poor, they are home to some of the world's richest people.*

*There is little evidence that foreign aid is the key to economic development. Since World War II, the world's richest countries have poured trillions of dollars into foreign aid and many of the recipients are just as poor or poorer. What is minimally needed for economic development is rule of law, stable monetary systems, freer trade, and open markets—institutions that can only be developed domestically.*

*These international issues, as well as foreign policy issues, are highlighted in the columns that follow.*

## Goodies Cost

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*February 18, 2004*

The first concept an economics student learns is that for every benefit there's also a cost or, as my longtime colleague and friend Nobel Laureate Milton Friedman has put it, "There's no free lunch." The person who receives the benefit might not pay or even be aware of the cost, but as sure as night follows day there is a cost paid by someone.

One of the effects of competition is that of revealing costs and least-cost methods of production. When the government gave AT&T a monopoly over much of the telecommunications industry and when the Civil Aeronautics Board sponsored the airline cartel, both telecommunication and air travel were far more expensive than they are today. The introduction of competition not only revealed that the services could be provided more cheaply but brought about massive innovation as well.

International trade is a form of competition and as such it also reveals costs and least-cost methods of production. American workers are the most productive workers in the world. According to the Bureau of Labor Statistics, in 2002 the United States led the world in worker productivity: U.S. workers averaged \$71,600 in output each (in 1999 dollars). The next highest country was Belgium, where each worker averaged \$64,100. But worker productivity can be sabotaged.

Suppose an American textile worker is paid \$100 a day while his Indian counterpart earns \$20, but if the American is ten times as productive as the Indian worker then the wage costs of using the American worker is lower. However, \$100 in wages is not the only cost of hiring the American worker. There are numerous federal and state regulations that add to worker costs such as: OSHA requirements, EEOC mandates, Social Security and Medicare, Family Medical Leave and many other workplace regulations. Added to worker costs that businesses incur are: ADA, Clean Air Act, Endangered Species, and many other regulations. Then there are all sorts of frivolous and not-so-frivolous lawsuits brought against businesses. Ac-

According to an Office of Advocacy of the U.S. Small Business Administration study, "The Impact of Regulatory Costs on Small Firms," federal regulatory costs on U.S. businesses were \$451 billion in 2000. They cost small businesses (20 or fewer employees) about \$7,000 per employee; medium businesses (20 to 499 employees) paid about \$4,300; and large businesses (500 employees or more) paid about \$4,400.

There're no two ways about it: there are benefits from all the costly federal, state, and local regulations imposed on American businesses. But we must also acknowledge that our federal, state and local regulatory agencies have no jurisdiction in India, China, Southeast Asia, Mexico and Latin America. That means for many products and services people who are far less productive, in a physical sense, than we are can beat us in the global marketplace.

We all can agree that there's no benefit that's worth any cost. If that weren't true, we'd do damn near anything that has a benefit, and that would include mandating a five mile per hour speed limit. Why? The benefits would be enormous in terms of the tens of thousands of highway fatalities and injuries avoided. We don't have a five mile per hour speed limit because we've decided that its benefit is not worth the enormous cost.

As said earlier competition reveals costs and least-cost methods of production. One need not take a position one way or another on the worthiness of the benefits of regulation to acknowledge that there are costs associated with them. But I think that intelligent decision making requires that we take their costs into account. It's not intelligent to stick our heads in the sand and deceive ourselves by pretending that others are to blame for our lack of competitiveness in some areas.

## The Seen and Unseen

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*June 18, 2001*

I buy more from my grocer than he buys from me. I buy more from my auto dealer than he buys from me. The trade imbalance doesn't stop there. My grocer and auto dealer both buy more from their wholesaler than the wholesaler buys from them. These are examples of trade deficits. What should President Bush and Congress do to eliminate these trade deficits to ensure a level playing field?

You say, "Williams, have you lost your marbles? There'll always be trade deficits like you describe. What's wrong with it?" You're absolutely right. But, what would you say if one seller, say Costco, had cheaper prices than another seller, say Food Giant? What action would you have President Bush and Congress take against Costco? How about taxing Costco's products so as to level the playing field between Costco and Food Giant? You say, "Williams, that's a trick! The only thing that taxing Costco will do is to enable Food Giant to charge customers higher prices, earn higher profits and pay employees higher wages. Consumers will be worse off." You're right again. Now let's apply your reasoning to a real world example.

Two weeks ago, some teachers, students, retirees and steelworkers gathered on Capitol Hill to press Congress and the Bush administration to use U.S. trade laws to address a problem described by Leo Gerard, President, United Steelworkers of America, as "Illegal foreign dumping of steel in the United States is devastating American families and communities." Leo Gerard claims that as a result of illegal dumping, more than 23,000 American steelworkers have lost their jobs since 1998 and 18 companies have been forced into bankruptcy. The Bush administration announced that actions will be initiated under Section 201 of U.S. trade laws.

Let's analyze this by substituting Timken Stahl, a German steel producer, for Costco, US Steel, an American company, for Food Giant and John Deere & Company, a manufacturer of heavy farm and construction equipment, for you and me as customers. Suppose

American steel companies and their unions are successful in getting Bush and congress to enact retaliatory measures against foreign steel producers for “illegal dumping.” By the way, the real definition of dumping is when your competitor charges a price you think is too low.

To see the effect of trade restrictions, we need only to go back to the Reagan administration’s “voluntary restraints” on steel imports. Professor Arthur T. Denzau of the Center for the Study of American Business found that the import restrictions saved nearly 17,000 jobs in the steel industry by enabling them to charge higher prices. Politicians love this; the beneficiaries are visible and seen. However, higher steel prices made American steel-using industries, such as John Deere, less competitive in domestic and international markets leading to a loss of 52,400 jobs, a net job loss of 35,400 jobs. These are the invisible and unseen victims of steel import restrictions. Politicians love invisible and unseen victims of their policies.

Maybe there’s a case for helping those 23,000 American steelworkers who lost their jobs. But, let’s recognize that costs of restrictions are always higher than the benefits going to the beneficiaries. Saving a \$45,000 a year steelworker’s job, in terms of higher prices in the rest of the economy, might cost as much as \$125,000. It would be better if Congress enacted an Aid to Dependent Steelworkers bill where each unemployed steelworker is simply handed a \$45,000 check each year. As a nation we’d surely come out ahead, but Congress would never do that. Why? The handout would be visible and it wouldn’t politically fly.

## The Anti-Free Trader's True Enemy

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*February 2, 2004*

There's the "Free Trade but Fair Trade" crowd and the "Level Playing Field" crowd and the "America First" crowd all calling for tariffs and other international trade restrictions. Their supposed adversary is corporate America, seeking to boost profits by either importing goods made by cheaper foreign labor or relocating plants in foreign lands to directly take advantage of cheaper labor. They claim that this accounts for the loss of U.S. manufacturing jobs and other economic woes. Their argument has considerable emotional appeal but they've misidentified the true villain in the piece. Let's look at it.

Suppose U-Needa Shirt Company relocated its production facilities to India in order to take advantage of cheaper labor. This is America, the land of the free. There is absolutely nothing that prevents a group of Americans as investors and workers from setting up Made in America Shirt Company to sell shirts to the American people. This same opportunity exists for just about anything once manufactured in America but now made overseas. At this juncture, let's take a thinking pause and ask: is what Williams said in this paragraph true or false?

Let's proceed. You might ask, "How in the world can Made in America Shirt Company compete with U-Needa Shirt Company who has much lower labor costs?" That's a different question but it has nothing to do with the rights of American investors and workers to set up American-based manufacturing facilities. But let's answer the question anyway. American consumers are free to purchase from whomever they choose. Made in American Shirt Company would survive and prosper if American consumers chose to purchase shirts from it rather than U-Needa Shirt Company. Let's take another thinking break and ask: Is what Williams said in this paragraph true or false?

Here's where the crunch comes. It's probable that U-Needa Shirt Company, because of its lower costs, will be able to undercut prices charged by Made in America Shirt Company. Thus, we encounter

that troubling consumer characteristic of preferring lower prices to higher prices. So what to do? Made in America Shirt Company might try to change American consumer preferences so that they're indifferent between high and low prices. I predict that's a strategy doomed to failure, except maybe for a few diehard customers. There're no two ways about it. The true enemy of Made in America Shirt Company and its workers is not U-Needa Shirt company but the American consumer and his preference for lower prices coupled with his freedom to purchase from whomever he pleases.

What to do? One strategy for Made in America Shirt Company and its workers is to get Washington to enact measures restricting consumer choices. But you have to be slick about it. You just can't ask President Bush and Congress to criminalize purchases from U-Needa Shirt Company. You must make a pretense of selflessness and speak of national defense concerns like "What if there were war and we had no shirts for our soldiers?" You must talk of being for free trade but fair trade and level playing fields.

There's another strategy. Suppose Made in America Shirt Company could cover all of its cost with a \$20 shirt price while U-Needa Shirt could do so by charging \$15? Made in America Shirt might ask Congress to enact an Aid to Dependent American Shirt Manufacturers law whereby it would receive a \$5 per shirt handout; then it could meet U-Needa Shirt Company's price. That might not be politically viable because the handout is too visible. Congress might propose, "Rather than giving you a \$5 per shirt handout, how about if we impose a \$5 per shirt import tax on U-Needa Shirt Company's shirts? Then they'll have to charge \$20. That way you get what you want—a level playing field; we get more tax dollars and nobody's the wiser."

## Nonsense Ideas

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*Wednesday, February 21, 2007*

There are some ideas and feelings that sound plausible but given just a wee bit of thought can be shown to border on lunacy. Let's examine a few.

Some U.S. companies have been accused of exploiting Third World workers with poor working conditions and low wages. Say that a U.S. company pays a Cambodian factory worker \$3 a day. Do you think that worker had a higher-paying alternative but stupidly chose a lower-paying job instead? I'm betting the \$3-a-day job was superior to his next best alternative.

Does offering a worker a wage higher than what he could earn elsewhere make him worse off or better off? If you answered better off, is the term exploitation an appropriate characterization for an act that makes another better off? If pressure at home forces a U.S. company to cease its Cambodian operations, would that worker be worse off or better off?

It might be a convenient expression to say that the U.S. trades with Japan, but is it literally true? Is it the U.S. Congress and President George Bush who trade with the National Diet of Japan, the Japanese legislature and Prime Minister Shinzo Abe? Or, is it U.S. and Japanese private parties, as individuals and corporations, who trade with one another?

Let's break it down further. Which comes closer to the truth: When I purchased my Lexus, did I deal with the U.S. Congress, the Japanese Diet, George Bush and Shinzo Abe, or did I deal with Toyota and its intermediaries? If we erroneously think of international trade as occurring between the U. S. and Japanese governments, then all Americans, as voters, have a say-so. But what is the basis of anyone having a say-so when one American engages in peaceable, voluntary exchange with another person, be they Japanese, Korean, British, Chinese or another American?

How many times have we heard: If it will save just one life, it's

worth it? The “it” could be bike helmet laws, childproof medicine bottles, or formaldehyde and asbestos safety regulations. A good economist cringes hearing such statements because they only consider the benefits of an action while ignoring the cost. Looking at benefits only, just about anything is worth doing because there’s usually a benefit. Let’s look at it.

According to the National Highway Traffic Safety Administration, some 43,443 people were killed on the nation’s highways in 2005. If Congress were to enact a 10 miles per hour national speed limit, we’d save thousands of lives each year. You say, “Williams, that would be stupid and impractical!” My response to you is: But look at all the lives that would be saved. What you really mean by stupid and impractical is that preventing thousands of highway fatalities is not worth the cost and inconvenience that would result from having to poke along at 10 miles per hour. Of course, calling a 10 miles per hour law stupid and impractical is a more socially acceptable way of saying those saved lives aren’t worth it.

How about academics and researchers seeing grinding Third World poverty and chalking it up to a “vicious cycle of poverty”? This vision of poverty sees people as too poor to save. That means they can’t create investment capital. Because they can’t invest, they can’t develop, and that keeps them poor. In other words, people are poor because they’re poor.

According to the “vicious cycle of poverty” vision, the only escape is foreign aid. The only way this theory of Third World poverty would have any credibility is if every country were poor. There’s no country that wasn’t at some time poor, including our own. If poverty is so vicious, how did today’s rich countries escape it?

## Trade Deficits: Good or Bad?

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*Wednesday, January 17, 2007*

Two recent articles ought to give pause to current political and journalistic ignorance, perhaps demagoguery, about our international trade deficit. In a December *Wall Street Journal* article titled “Embrace the Deficit,” Bear Stearns’ chief economist David Malpass lays additional waste to predictions of gloom and doom associated with our trade deficit.

Since 2001, our economy has created 9.3 million new jobs, compared with 360,000 in Japan and 1.1 million in the euro zone (European Union countries that have adopted the euro), excluding Spain. Japan and euro zone countries had trade surpluses, while we had large and increasing trade deficits. Mr. Malpass says that both Spain and the U.K., like the U.S., ran trade deficits, but they created 3.6 and 1.3 million new jobs, respectively. Moreover, wages rose in the U.S., Spain and the U.K.

Professor Don Boudreaux, chairman of George Mason University’s Economics Department, wrote “If Trade Surpluses Are So Great, the 1930s Should Have Been a Booming Decade” ([www.cafehayek.com](http://www.cafehayek.com)). According to data he found at the National Bureau of Economic Research’s “Macrohistory Database” (<http://www.nber.org/databases/macrophistory/contents/index.html>), it turns out that the U.S. ran a trade surplus in nine of the 10 years of the Great Depression, with 1936 being the lone exception.

During those 10 years, we had a significant trade surplus, with exports totaling \$26.05 billion and imports totaling only \$21.13 billion. So what do trade surpluses during a depression and trade deficits during an economic boom prove, considering we’ve had trade deficits for most of our history? Professor Boudreaux says they prove absolutely nothing. Economies are far too complex to draw simplistic causal connections between trade deficits and surpluses and economic welfare and growth.

Despite all the criticism from abroad and the doom-mongers at

home, the world finds our economy attractive. Just as we've been chomping at the bit to buy foreign goods and services, foreigners have been chomping at the bit to invest trillions of dollars in the U.S. Mr. Malpass says our 10-year government bonds yield 4.6 percent per year compared with Japan's 1.6 percent; our government debt is 38 percent of GDP versus 86 percent in Japan; and while Europe's debt to GDP ratio is not as extreme as Japan's, it's not nearly as favorable as ours.

Here's a smell test. Pretend you're a man from Mars knowing absolutely nothing about Earth and you're looking for a nice place to land. You find out that there's one country, say, country A, where earthlings from other countries voluntarily invest and entrust trillions of dollars of their hard earnings. There are other countries where they're not nearly as willing to make the same investment. Which one of those countries would you deem the most prosperous and with the greatest growth prospects? You'd pick country A, which turns out to be the United States. As such, you'd be just like most of the world's population who, if free to do so, would invest and live in the U.S.

The late Professor Milton Friedman said, "Underlying most arguments against the free market is a lack of belief in freedom itself." Some people justify their calls for protectionism by claiming that they're for free trade but fair trade. That's nonsense. Think about it: When I purchased my Lexus from a Japanese producer, through an intermediary, I received what I wanted. The Japanese producer received what he wanted. In my book, that's a fair trade.

Of course, an American auto producer, from whom I didn't purchase my car, might whine that it was unfair. He would like Congress to impose import tariffs and quotas to make Japanese-produced cars less attractive and available in the hopes that I'd buy an American-produced car. In my book, that would be unfair.

## World Poverty

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*Wednesday, February 7, 2007*

If you're looking for a map of world poverty, check out the "2007 Index of Economic Freedom" jointly published by the Heritage Foundation and the *Wall Street Journal*. You might think that's a strangely titled source for a poverty map.

The 13th edition of the "Index of Economic Freedom" examines 10 economic characteristics of 157 countries. Among those characteristics are property rights, monetary stability, and freedom from government, trade restrictions, business regulations and government corruption. Using these measures of economic freedom, countries are ranked.

Hong Kong and Singapore, as they have for 13 years, rank as the world's two economically freest countries, with freedom scores of 89 and 86 percent free. Rounding out the top 10 freest economies are Australia (83), United States (82), New Zealand (82), United Kingdom (82), Ireland (81), Luxembourg (79), Switzerland (79) and Canada (79).

At the other end of the list are the least free countries. Ranking 157th, North Korea, with a freedom score of 3 percent, is the world's least free country. Ranking 156th is Cuba, 30 percent free, and in ascending order are: Libya (34) Zimbabwe (36), Burma (40), Turkmenistan (42), Congo (43), Iran (43), Angola (43), and Guinea-Bissau (45).

The "2007 Index of Economic Freedom" displays a color-coded map showing countries that are free, mostly free, moderately free, mostly unfree and repressed. Guess where one finds the world's most miserably poor people? If you guessed the mostly unfree and repressed countries, you guessed correctly.

Some people claim that some countries are rich because of abundant natural resources. That's nonsense! Africa and South America are probably the richest continents in natural resources, but are home to some of the world's poorest people. By contrast, countries like Eng-

land, Japan and Hong Kong are poor in natural resources, but their people are among the world's wealthiest. Hong Kong even has to import its food and water. Some people use the history of colonialism as an excuse for poverty. That's also nonsense. The United States was a colony. So were Canada, Australia, New Zealand and Hong Kong, but they're rich countries.

The reason some countries are rich while others are poor is best explained by the amount of economic freedom its peoples enjoy and the extent of government control over economic matters. Don't make the mistake of equating economic freedom with democracy. After all, India, politically, is a democracy, but economically it is mostly unfree and poor, ranking 104th in economic freedom. There are countries on the economic freedom index that do not have much of a history of democracy, such as Chile, ranking 11th, and Taiwan, 26th, and yet these countries are far wealthier than some of their more democratic counterparts. Why? It's because their economic systems are free or mostly free, which is not guaranteed by a democratic political system.

The economic development lesson is clear: Have a system of economic freedom and grow rich. Extensive government control, weak property rights and government corruption almost guarantee poverty. A country's institutional infrastructure is critical to its economic growth and the well-being of its citizens. The most critical are protection of private property, enforcement of contracts and rule of law.

To help our fellow man around the world, we must convince him to create the institutional infrastructure for wealth creation. Foreign aid, International Monetary Fund bailouts and other handouts are not substitutes. They just make political survival possible for the elite whose self-serving policies keep a nation poor. Except for immediate disaster relief, foreign aid is probably the worst thing the West can do for poor countries. After all, how much foreign aid is necessary for a country to create the foundations for growth: rule of law, enforcement of contracts and private property rights protection?

## Creating Effective Incentives

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*Wednesday, May 23, 2007*

What should our response be if terrorists set off a nuclear explosion, or some other weapon of mass destruction, in one of our cities? I put this question to Professor Victor Hanson, senior research fellow at Stanford University's prestigious Hoover Institution, who spoke on the Iraq war at the Wynnewood Institute lecture series.

His answer to my question bore a slight resemblance to a classroom practice of mine. At the beginning of each semester, I tell my students that I'm getting old and a cell phone ringing during my lecture could be devastating to my train of thought. Therefore, the penalty for a student's cell phone going off in class is a five percent reduction in his total points for the semester and a five percent reduction in the total points of the students sitting on either side of him. Of course, the students are shocked. The penalty might not be fair, penalizing a person for the actions of another, but I've not had trouble with cell phones going off in class.

Professor Hanson's answer referenced his July 6, 2004, *National Review* article titled "Another 9/11? The Awful Response That We Dare Not Speak About." He argues that without the direct aid of countries like Iran, Syria and rogue elements within the Saudi Arabian, Jordanian and Pakistani governments, and millions of ordinary Arabs, who know who terrorists are and where they sleep and won't turn them in, a massive terrorist attack on the United States would be nearly impossible. That means terrorists have some kind of local support. If there is an attack on our country, with weapons of mass destruction, the first thing we can expect is for country officials to deny any responsibility. Hanson says that we should beforehand tell the leaders of Middle East countries that if there's an attack on the United States, we will hold them responsible if they're proven to have aided or sheltered the terrorists.

Holding the country responsible would mean that in response to an attack we'd totally destroy their military bases, power plants, com-

munication facilities and, if necessary, totally destroy their major cities. You say, "Williams, that's unthinkable!" Yes, while unpleasant, it is thinkable. That's precisely how 50 years of peace were maintained between the Western powers and the former Soviet Union. The leaders of the USSR knew that any attack on the United States would provoke an immediate massive nuclear retaliation. As frightening as the policy of Mutually Assured Destruction was, in the absence of a better strategy, neither Americans nor Russians were incinerated.

Laying down such a gauntlet is nothing new; it simply requires courageous leadership. In the wake of the 1962 Cuban missile crisis, President John F. Kennedy credibly warned the leaders of the Soviet Union that: "It shall be the policy of this nation to regard any nuclear missile launched from Cuba against any nation in the Western Hemisphere as an attack by the Soviet Union on the United States, requiring a full retaliatory response upon the Soviet Union." There's little question that President Kennedy's "full retaliatory response" would have included nuclear weapons.

Unfortunately, today, there's neither the American leadership nor the American character to protect ourselves from people whose declared aim is to destroy us. It's not just Americans, but the West in general, who have lost the will to protect themselves from the barbarism of the Middle East. Keep in mind that the mighty Roman Empire fell to barbarians who ushered in the Dark Ages.

## Rules of Engagement

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*Wednesday, May 2, 2007*

The March 23 Iranian capture of 15 British Royal Navy sailors should raise a number of questions. The sailors were part of the crew of HMS Cornwall, a state-of-the-art frigate bristling with high-tech surveillance devices and advanced weaponry. The sailors, dispatched in small boats, were boarding and inspecting merchant vessels in Iraqi waters for contraband.

Why weren't the six Iranian patrol boats picked up by radar, and why weren't warning shots fired as they approached the British crafts? Was HMS Cornwall Commander Jeremy Woods incompetent, or was he ordered to stand by and do nothing?

Standard operating procedure for a Royal Navy boarding party is for the mother ship to be in a position of providing covering or warning fire. There is some speculation that, when the sailors were captured, Commodore Nick Lambert, Britain's senior officer in the area, was trying to work out rules of engagement with the Ministry of Defence in London. That strikes me as a hell of a time to be working out rules of engagement.

You say, "What should HMS Cornwall have done?" They should have fired warning shots, and if the Iranians persisted, they should have been blown out of the water. You might say, "That would have endangered the lives of the 15 British sailors!" That's one of the tragedies of war: People get killed.

Britain isn't alone in using questionable rules of engagement. U.S. troops have been in pitched battles with terrorists in Iraq and Afghanistan in which terrorists run into a mosque to seek safety. There have been reports that terrorists have used mosques as arms caches. However, U.S. Lt. Col. Christopher Garver unequivocally said that U.S. troops do not enter mosques for the "sole purpose of disrupting insurgent activities."

During the Italian campaign of WWII, U.S. forces found Germans using the historic Benedictine Monastery at Monte Cassino as

an observation post. Our bombers turned the monastery into a heap of rubble. According to the laws of war, if combatants use protected property, such as places of worship and hospitals, as shields or camouflage, they are guilty of violations of the laws of war and are responsible for the protected property. Today's politically correct rules of engagement unnecessarily risk the lives of our fighting men and women and reduce their efficiency.

The capture of the 15 Royal Navy sailors raises another issue. Geneva Convention rules say, "No physical or moral coercion shall be exercised against protected persons, in particular to obtain information from them or from third parties," adding that prisoners of war "are entitled, in all circumstances, to respect for their persons . . . especially against all acts of violence or threats thereof, and against insults and public curiosity."

Iran's parading of prisoners before the media and coercing of confessions violate the Geneva Convention, which only requires prisoners to give their name, rank and serial number to a captor. How much of a world outrage was there to Iran's mistreatment of prisoners compared with the allegations of prisoner mistreatment by U.S. soldiers at Abu Ghraib? There was little or none.

The West's survival requires that we wake up and recognize the true character of the enemy we face. We are involved in a clash with a culture that has little regard for the Western values that hold the sanctity of human life dear. Terrorists specifically target civilian populations. It makes no difference to them whether their victims are babies, women or children. In fighting the war on terrorism, the West goes to considerable lengths, often risking the lives of our troops, to avoid civilian casualties. The West has the means, but not the will, to utterly destroy terrorists and countries that give them sanction. I hate to think of what the terrorists might do to give us the will.

## The Pope Sanctions the OECD Thugs

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*Wednesday, August 29, 2007*

London's *Times Online* recently reported that, according to Vatican sources, Pope Benedict XVI is working on his second encyclical, a doctrinal pronouncement that will condemn tax evasion as "socially unjust." (See [www.timesonline.co.uk/tol/comment/faith/article2237625.ece](http://www.timesonline.co.uk/tol/comment/faith/article2237625.ece).) The pontiff will denounce the use of tax havens and offshore banking by wealthy individuals because it reduces tax revenues for the benefit of society as a whole.

Pope Benedict could benefit from a bit of schooling. Tax avoidance is legal conduct whereby individuals arrange their affairs so as to reduce the amount of income that is taxable. Tax avoidance can run the gamut of legal acts, such as investing in tax-free bonds, having employer-paid health plans, making charitable gifts, quitting a job and banking in another country. Tax evasion refers to the conduct by individuals to reduce their tax obligation by illegal means. Tax evasion consists of illegal acts such as falsely claiming dependents, income underreporting and padding expenses.

Pope Benedict's second encyclical puts him squarely in company with a group of thugs known as the Organization for Economic Cooperation & Development (OECD), an international bureaucracy headquartered in Paris and comprised of 30 industrial nations, mostly in Western Europe, the Pacific Rim and North America. One of its reports concluded that low-tax nations are bad for the world economy and identified 35 jurisdictions that are guilty of "harmful tax competition."

In the OECD's view, harmful tax competition is when a nation has taxes so low that saving and investment are lured away from high-taxed OECD countries. The blacklist of countries they've identified as tax havens, having strong financial privacy laws, low taxes or zero taxes on certain activities, includes Panama, the Bahamas, Liberia, Liechtenstein, the Marshall Islands and Monaco.

The OECD demands these nations, as well as offshore financial

centers in the Caribbean and the Pacific, in effect surrender their fiscal sovereignty and act as deputy tax collectors for nations like France and Germany. This would be a dream for politicians and bad news for the world's taxpayers; fortunately the hard work of the Center for Freedom and Prosperity has stymied the OECD's proposed tax cartel.

Pope Benedict shares some of the OECD's goals in their attack on low-tax jurisdictions. To support its welfare state, European nations must have high taxes. Government spending exceeds 50 percent of the GDP in France, Sweden, Germany and Italy. If Europeans, as private citizens and businessmen, relocate, invest or save in other jurisdictions, it means less money is available to be taxed to support their welfare states. The pope expresses the same concern when he says that tax havens reduce tax revenues for the benefit of society as a whole. Survival of an ever-growing welfare state requires an assault on jurisdictional tax competition.

There's a more fundamental question that I'd put to the pope: Should the Roman Catholic Church support the welfare state? Or, put more plainly, should the Church support the use of the coercive powers of government to enable one person to live at the expense of another? Put even more plainly, should the Church support the government's taking the property of one person and giving it to another to whom it doesn't belong? When such an act is done privately, we call it theft.

The pope might say that the welfare state reflects the will of the people. Would that mean the Church interprets God's commandment to Moses "Thou shalt not steal" as not an absolute, but as "Thou shalt not steal unless you got a majority vote in parliament or congress"?

I share Pope Benedict's desire to assist our fellow man in need. But I believe that reaching into one's own pocket to do so is praiseworthy and laudable. Reaching into another's pocket to assist one's fellow man in need is despicable and worthy of condemnation.

## How to Create Conflict

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*Wednesday, March 1, 2006*

High up on my list of annoyances are references to the United States as a democracy and the suggestion that Iraq should become a democracy. The word “democracy” appears in neither of our founding documents—the Declaration of Independence nor the U.S. Constitution.

Our nation’s founders had disdain for democracy and majority rule. James Madison, in Federalist Paper No. 10, said in a pure democracy “there is nothing to check the inducement to sacrifice the weaker party or the obnoxious individual.” During the 1787 Constitutional Convention, Edmund Randolph said that “in tracing these evils to their origin every man had found it in the turbulence and follies of democracy.”

John Adams said, “Remember, democracy never lasts long. It soon wastes, exhausts, and murders itself. There was never a democracy yet that did not commit suicide.” Chief Justice John Marshall added, “Between a balanced republic and a democracy, the difference is like that between order and chaos.” The founders knew that a democracy would lead to the same kind of tyranny suffered under King George III. Their vision for us was a republic.

But let’s cut to Iraq and President Bush’s call for it to become a democracy. I can’t think of a worse place to have a democracy—majority rule. Iraq needs a republic like that envisioned by our founders—decentralized and limited government power. In a republican form of government, there is rule of law. All citizens, including government officials, are accountable to the same laws. Government intervenes in civil society to protect its citizens against force and fraud but does not intervene in the cases of peaceable, voluntary exchange.

Democracy, what the Bush administration calls for, is different. In a democracy, the majority rules either directly or through its elected representatives. The law is whatever the government determines it to be. Laws aren’t necessarily based upon reason but power.

In other words, democracy is just another form of tyranny—tyranny of the majority.

In Iraq, Arabs are about 75 percent of the population, Kurds about 20 percent and Turkomen and Assyrian the balance. Religiously, Shia are about 60 percent of the population, Sunni 35 percent with Christian and other religions making up the balance. If a majority-rule democracy emerges, given the longstanding hate and distrust among ethnic/religious groups, it's a recipe for conflict. The reason is quite simple. Majority rule is a zero-sum game with winners and losers, with winners having the power to impose their wills on the minority. Conflict emerges when the minority resists.

The ideal political model for Iraq is Switzerland's cantonal system. Historically, Switzerland, unlike most European countries, was made up of several different major ethnic groups—Germans, French, Italians and Rhaeto-Romansch. Over the centuries, conflicts have arisen between these groups, who differ in language, religion (Catholic and Protestant) and culture. The resolution to the conflict was to allow the warring groups to govern themselves.

Switzerland has 26 cantons. The cantons are divided into about 3,000 communes. Switzerland's federal government controls only those interests common to all cantons—national defense, foreign policy, railways and the like. All other matters are controlled by the individual cantons and communes. The Swiss cantonal system enables people of different ethnicity, language, culture and religion to live at peace with one another. As such, Switzerland's political system is well suited to an ethnically and religiously divided country such as Iraq.

By the way, for President Bush and others who insist on calling our country a democracy, should we change our pledge of allegiance to say “to the democracy, for which it stands,” and should we rename “The Battle Hymn of the Republic” to “The Battle Hymn of the Democracy”?

## Disappearing Manufacturing Jobs

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*Wednesday, May 3, 2006*

According to some pundits and political hustlers, free trade has led to a loss of “good manufacturing jobs.” Let’s look at it, but before doing so, let’s first see whether we should work ourselves into a tizzy over other job losses.

In 1900, 41 percent of the U.S. labor force was employed in agriculture. Now, only two percent of today’s labor force works in agricultural jobs. If declining employment is used as a gauge of an industry’s health, agriculture is America’s sickest industry.

Let’s not stop with agriculture. In 1970, the telecommunications industry employed 421,000 workers in good-paying jobs as switchboard operators. Today, the telecommunications industry employs only 78,000 operators. That’s a tremendous 80 percent job loss. What happened to all those agriculture and switchboard operator jobs? Were they exported to China and India by rapacious businessmen?

The easy and correct answer is that our agricultural sector has seen massive gains in productivity as a result of advances in farm machinery, innovation and technology. There have also been spectacular advances in telecommunications. In 1970, those 421,000 switchboard operators annually handled 9.8 billion long-distance calls. Now 100 billion long-distance calls a year require only 78,000 switchboard operators. What’s more, the cost of making a long-distance call is a fraction of what it was in 1970.

Here’s my question to you: Should Congress do something to restore all of those jobs lost in agriculture and telecommunications, and what might that something be?

The tremendous gains in productivity seen in agriculture, telecommunications and some other industries have benefited the manufacturing industry as well. According to David Huether, chief economist of the National Association of Manufacturers, U.S. manufacturers are producing and exporting more goods than ever before. While manufacturing output easily outpaces the larger U.S.

economy, manufacturing employment, at 14.2 million, is at its lowest level in more than 50 years.

How do we reconcile lower manufacturing employment with rising manufacturing output? In his April 3, 2006, *Business Week* article, "The Case of the Missing Jobs," Huether says, "Since 2001, with the aid of computers, telecommunications advances, and ever more efficient plant operations, U.S. manufacturing productivity, or the amount of goods or services a worker produces in an hour, has soared a dizzying 24 percent. That's 72 percent faster than the average productivity advance during America's four most recent recession-recovery cycles dating back to the 1970s. In short: We're making more stuff with fewer people." That means rapid economic growth doesn't translate into the kind of manufacturing job creation of earlier periods.

How about the claim that our manufacturing jobs are going to China? The fact of business is, since 2000, China has lost 4.5 million manufacturing jobs, compared with the loss of 3.1 million in the U.S.

Job loss is the trend among the top 10 manufacturing countries that produce 75 percent of the world's manufacturing output (the U.S., Japan, Germany, China, Britain, France, Italy, Korea, Canada and Mexico). Only Italy has managed not to lose factory jobs since 2000.

Economist Joseph Schumpeter referred to this process witnessed in market economies as "creative destruction," where technology and innovation destroy some jobs while creating others. While the process works hardships on some, any attempt to impede the process will make all of us worse off.

Imagine for a moment that technology hadn't destroyed most of the jobs of those 41 percent of Americans working in agriculture in 1900. Where in the world would we have gotten the manpower to make all those goods produced now that weren't even imagined in 1900? Jobs destroyed through the market forces of creative destruction make us all better off, and that applies also to job destruction that comes from peaceable, voluntary exchange with people in different cities, states and countries.

## Foreign Aid to Africa

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*Wednesday, June 28, 2006*

British Prime Minister Tony Blair, along with other G-8 leaders, have called for the doubling of foreign aid to African nations by 2010. The idea that foreign aid is a route out of poverty and political instability is not only bankrupted but a cruel and evil hoax as well.

Nearly every sub-Saharan African nation is poorer now than when they became independent during the '60s and '70s. Since that time, food production has fallen by roughly 20 percent. Since 1975, per capita GDP has fallen at a rate of half of one percent annually. Nigerian President Olusegun Obasanjo estimated, "Corrupt African leaders have stolen at least \$140 billion from their people in the [four] decades since independence." The call for more aid by George Bush, Tony Blair and other G-8 leaders will produce nothing but more of the same.

Zimbabwe provides an excellent example of why foreign aid, as a way out of poverty, is a fool's errand. Salem University, Winston-Salem, N.C., professor Craig Richardson explores this further in "Learning from Failure: Property Rights, Land Reforms, and the Hidden Architecture of Capitalism," a paper written for the American Enterprise Institute's Development Policy Outlook Series (2006). Not that long ago, Zimbabwe was one of the more prosperous African countries. Professor Richardson writes, "Few countries have failed as spectacularly, or as tragically, as Zimbabwe has over the past half decade. Zimbabwe has transformed from one of Africa's rare success stories into one of its worst economic and humanitarian disasters." It has the world's highest rate of inflation, currently over 1,000 percent. To put this into perspective, in 1995, one U.S. dollar exchanged for eight Zimbabwe dollars; today, one U.S. dollar exchanges for 100,000 Zimbabwe dollars. Unemployment hovers around 80 percent. Its financial institutions are collapsing. The specter of mass starvation hangs over a country that once exported food.

What's the cause? President Robert Mugabe blames domestic

and foreign enemies, particularly England and the United States for trying to bring about his downfall. Of course, according to Mugabe, and some of the world's academic elite, there's that old standby excuse, the legacy of colonialism and multi-national firms exploiting the Third World. The drought is used to "explain" the precipitous drop in agricultural output. Then there's AIDS.

Let's look at drought and AIDS. Zimbabwe's next-door neighbor is Botswana. Botswana has the world's second-highest rate of AIDS infection, and if there's drought in Zimbabwe, there's likely a drought in Botswana, whose major geographic feature is the Kalahari Desert, which covers 70 percent of its land mass. However, Botswana has one of the world's highest per capita GDP growth rates. Moody's and Standard & Poor gives Botswana an "A" credit rating, the best credit risk on the continent, a risk competitive with countries in central Europe and East Asia.

Botswana compared to her other African neighbors prospers not because of foreign aid. There's rule of law, sanctity of contracts, and in 2004, Transparency International ranked Botswana as Africa's least corrupt country, ahead of many European and Asian countries. The World Forum rates Botswana as one of Africa's two most economically competitive nations and one of the best investment opportunities in the developing world.

Botswana shares a heritage with Zimbabwe, for it, too, was a British colony. What it doesn't share with Zimbabwe explains its success: the rule of law, minimal corruption and, most of all, respect for private property rights. No amount of western foreign aid can bring about the political and socioeconomic climate necessary for economic growth. Instead, foreign aid allows vicious dictators to remain in power. It enables them to buy the allegiance of cronies and the military equipment to oppress their own people, not to mention being able to set up "retirement" accounts in Swiss banks. The best thing westerners can do for Africa is to keep their money and their economic development "experts."

## Will the West Defend Itself?

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*Wednesday, August 23, 2006*

Does the United States have the power to eliminate terrorists and the states that support them? In terms of capacity, as opposed to will, the answer is a clear yes.

Think about it. Currently, the U.S. has an arsenal of 18 Ohio class submarines. Just one submarine is loaded with 24 Trident nuclear missiles. Each Trident missile has eight nuclear warheads capable of being independently targeted. That means the U.S. alone has the capacity to wipe out Iran, Syria or any other state that supports terrorist groups or engages in terrorism—without risking the life of a single soldier.

Terrorist supporters know we have this capacity, but because of worldwide public opinion, which often appears to be on their side, coupled with our weak will, we'll never use it. Today's Americans are vastly different from those of my generation who fought the life-and-death struggle of World War II. Any attempt to annihilate our Middle East enemies would create all sorts of hand wringing about the innocent lives lost, so-called collateral damage.

Such an argument would have fallen on deaf ears during World War II when we firebombed cities in Germany and Japan. The loss of lives through saturation bombing far exceeded those lost through the dropping of atomic bombs on Hiroshima and Nagasaki.

After the battle of Midway, and the long string of Japanese defeats in the Pacific, including Guam, Okinawa and the Philippines, had today's Americans been around, they'd be willing to negotiate with Japan for peace, pointing to the additional loss of lives if we continued the war. More than likely they would have made the same argument in 1945, when German defeat was imminent. Of course, had there been a peace agreement with Japan and Germany, all it would have achieved would have been to give them time to recoup their losses and resume their aggression at a later time, possibly equipped with nuclear weapons.

We might also note that the occupation of Germany and Japan didn't pose the occupation problems we face in Iraq. The reason is we completely demoralized our enemies, leaving them with neither the will nor the means to resist.

Our adversaries in the Middle East have advantages that the axis powers didn't have—the Western press and public opinion. We've seen widespread condemnation of alleged atrocities and prisoner mistreatment by the U.S., but how much media condemnation have you seen of beheadings and other gross atrocities by Islamists?

Terrorists must be pleased by statements of some members of Congress, such as those by Rep. John Dingell, D.-Mich., who recently said, "I don't take sides for or against Hezbollah." Hezbollah, backed by Iran, is responsible for the 1983 bombing of Beirut barracks killing 241 U.S. service members.

I'm not suggesting that we rush to use our nuclear capacity to crush states that support terrorism. I'm sure there are other less drastic military options. What I am suggesting is that I know of no instances where appeasement, such as the current Western *modus operandi*, has borne fruit.

What Europeans say about what should be done about terrorist states should fall on deaf ears. Their history of weakness and cowardice during the 1930s goes a long way toward accounting for the 60 million lives lost during World War II. During the mid-'30s, when Hitler started violating the arms limitations of the Versailles Treaty, France and Britain alone could have handily defeated him, but they pursued the appeasement route.

Anyone who thinks current Western appeasement efforts will get Iran to end its nuclear weapons program and end its desire to eliminate Israel is dumber than dumb. Appeasement will strengthen Iran's hand, and it looks as if the West, including the United States, is willing to be complicit in that strengthening.

## Foreign Trade Angst

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*Wednesday, October 18, 2006*

Patrick Buchanan's recent syndicated column titled "New Deal for U.S. Manufacturers" stokes the fires of misunderstanding and panic. Mr. Buchanan, my longtime friend, is right about a lot of things, but he's wrong about trade.

First, he laments, "Europeans, Japanese, Canadians and Chinese sell us so much more than they buy from us, because they have rigged the rules of world trade." But so what? I buy more from my grocer than he buys from me. It wouldn't make a difference if I lived 2 feet south of the U.S.-Canadian border and my grocer lived 2 feet north of it.

Like many, Buchanan worries about our foreign trade deficit, pointing out that it's reaching an annual rate of \$816 billion, and that means "dependency on foreigners." Actually, the foreign dependency is a two-way street. I'll explain it, starting with the alleged trade deficit I run with my grocer.

When I purchase \$100 worth of groceries, my goods account (groceries) rises by \$100, but my capital account (money) falls by \$100. That means there's really a balance in my trade account. By the same token, my grocer's goods account (groceries) falls by \$100 but his capital account (money) rises by \$100, also a balance in his trade account.

Mr. Buchanan writes, "Imports surged to \$188 billion for the month [of July], as our dependency on foreigners for the vital necessities of our national life ever deepens." That means we imported \$188 billion worth of goods. Do foreigners keep all those dollars they earned under a mattress? They are not that stupid. They use those dollars to import capital goods such as U.S. stocks, bonds and U.S. Treasury notes.

They might use some of it to build factories in the U.S. such as Honda, Novartis and Samsung. The dollar amount of those purchases is going to equalize the value of what we import. We sport a huge

surplus in our capital account with foreigners. As such, they are dependent on us for a safe and profitable place to invest their earnings. That dependency contributes to our economic growth.

Then there's Buchanan's worry about U.S. manufacturing job loss. U.S. farming has a similar history. Farm employment peaked between 1840 and 1870. In 1900, 40 percent of American workers were employed in farming; today, it's less than two percent. Technological advances made that possible. U.S. manufacturing employment reached its peak in 1950 and has been in decline ever since.

This has more to do with technological innovation than outsourcing. It's a worldwide phenomenon. Since 2000, China has lost 4.5 million manufacturing jobs compared to the loss of 3.1 million in the U.S. Nine of the top 10 manufacturing countries, who produce 75 percent of the world's manufacturing output (the U.S., Japan, Germany, China, Britain, France, Italy, Korea, Canada, and Mexico), have lost manufacturing jobs, Italy being the exception. Because of technological progress, manufacturing output has risen while manufacturing employment has fallen.

I'm one of those whom Pat calls "robotic free-traders." That might be another label for those of us who support peaceable, voluntary exchange, and I plead guilty. Buchanan, like so many others, points to the government subsidies and tariff protections given to businesses in other countries, a practice from which we can't plead complete innocence. Protectionists call for "free trade but fair trade." They call for a "level playing field."

In effect, they're saying that if other governments rip off their citizens with business subsidies and import duties, forcing them to pay higher prices, our government should retaliate by using the same tools to rip off its citizens.

The next time I see Pat, I might ask him what he would do if we both were at sea in a rowboat and I shot a hole in my end of the boat. Would he retaliate by shooting a hole in his end?

## Should We Trade at All?

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*Wednesday, October 25, 2006*

There are only a handful of products that Americans import that cannot be produced at home and therefore create jobs for Americans. Let's look at a few of them.

We import cocoa from Ghana and coffee from African and Latin American countries. We import saffron from Spain and India and cinnamon from Sri Lanka. In fact, India produces 86 percent of the world tonnage of spices. There's absolutely no reason these products cannot be produced by Americans, and we could be cocoa, coffee and spices independent.

You say, "Williams, that's crazy! We don't have the climate and soil conditions to produce those products. Many spices, for example, require a moist tropical environment." No problem. We have the technology whereby we can simulate both the soil and weather conditions. We could build greenhouses in which to grow cinnamon trees and get our scientists to create the same soil conditions that exist in Sri Lanka. Greenhouses could also be built to simulate the climate conditions in Africa and Latin America to grow cocoa and coffee. In the case of cocoa, the greenhouses would have to be Superdome size to accommodate trees as high as 50 feet.

You say, "Williams, that's still crazy! Imagine the high costs and the higher product prices of your crazy scheme." I say, "Aha, you're getting the picture."

There are several nearly self-evident factors about our being cocoa, coffee and spices independent. Without a doubt, there would be job creation in our cocoa, coffee and spices industries, but consumers would pay a much higher price than they currently do. Therefore, nearly 300 million American consumers would be worse off, having to pay those higher prices or doing without, but those with the new jobs would be better off.

So let's be honest with ourselves. Why do we choose to import cocoa, coffee and spices rather than produce them ourselves? The

answer is that it is cheaper to do so. That means we enjoy a higher standard of living than if we tried to produce them ourselves. If we can enjoy, say, coffee, at a cheaper price than producing it ourselves, we have more money left over to buy other goods. That principle not only applies to cocoa, coffee and spices. It's a general principle: If a good can be purchased more cheaply abroad, we enjoy a higher standard of living by trading than we would by producing it ourselves.

No one denies that international trade has unpleasant consequences for some workers. They have to find other jobs that might not pay as much, but should we protect those jobs through trade restrictions? The Washington-based Institute for International Economics has assembled data that might help with the answer. Tariffs and quotas on imported sugar saved 2,261 jobs during the 1990s. As a result of those restrictions, the average household pays \$21 more per year for sugar. The total cost, nationally, sums to \$826,000 for each job saved. Trade restrictions on luggage saved 226 jobs and cost consumers \$1.2 million in higher prices for each job saved. Restrictions on apparel and textiles saved 168,786 jobs at a cost of nearly \$200,000 for each job saved.

You might wonder how it is possible for, say, the sugar industry to rip off consumers. After all, consumers are far more numerous than sugar workers and sugar bosses. It's easy. A lot is at stake for those in the sugar industry, workers and bosses. They dedicate huge resources to pressure Congress into enacting trade restrictions. But how many of us consumers will devote the same resources to unseat a congressman who voted for sugar restrictions that forced us to pay \$21 more for the sugar our family uses? It's the problem of visible beneficiaries of trade restrictions, sugar workers and bosses, gaining at the expense of invisible victims—sugar consumers. We might think of it as congressional price-gouging.

## Should We Copy Europe?

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*Wednesday, November 22, 2006*

Some Americans look to European countries such as France, Germany and its Scandinavian neighbors and suggest that we adopt some of their economic policies. I agree, we should look at Europe for the lessons they can teach us. Dr. Daniel Mitchell, research fellow at the Heritage Foundation, does just that in his paper titled "Fiscal Policy Lessons from Europe."

Government spending exceeds 50 percent of the GDP in France and Sweden and more than 45 percent in Germany and Italy, compared to U.S. federal, state and local spending of just under 36 percent. Government spending encourages people to rely on handouts rather than individual initiative, and the higher taxes to finance the handouts reduce incentives to work, save and invest. The European results shouldn't surprise anyone. U.S. per capita output in 2003 was \$39,700, almost 40 percent higher than the average of \$28,700 for European nations.

Over the last decade, the U.S. economy has grown twice as fast as European economies. In 2006, European unemployment averaged 8 percent while the U.S. average was 4.7 percent. What's more, the percentage of Americans without a job for more than 12 months was 12.7 percent while in Europe it was 42.6 percent. Since 1970, 57 million new jobs were created in the U.S., and just 4 million were created in Europe.

Dr. Mitchell cites a comparative study by Timbro, a Swedish think tank, showing that European countries rank with the poorest U.S. states in terms of living standards, roughly equal to Arkansas and Montana and only slightly ahead of West Virginia and Mississippi. Average living space in Europe is just under 1,000 square feet for the average household, while U.S. households enjoy an average of 1,875 square feet, and poor households 1,200 square feet. In terms of income levels, productivity, employment levels and R&D investment, according to Eurochambres (The Association of European Chambers

of Commerce and Industry), it would take Europe about two decades to catch up with us, assuming we didn't grow further.

We don't have to rely on these statistics to make us not want to be like Europeans; just watch where the foot traffic and money flow. Some 400,000 European science and technology graduates live in the U.S. European migration to our country rose by 16 percent during the 1990s. In 1980, the Bureau of Economic Analysis put foreign direct investment in the U.S. at \$127 billion. Today, it's more than \$1.7 trillion. In 1980, there was \$90 billion of foreign portfolio investment—government and private securities—in the U.S. Today, there's more than \$4.6 trillion, much of it coming from Europeans who find our investment climate more attractive.

What's the European response to its self-made economic malaise? They don't repeal the laws that make for a poor investment climate. Instead, through the Paris-based Organisation for Economic Co-operation and Development (OECD), they attack low-tax jurisdictions. Why? To support its welfare state, European nations must have high taxes, but if Europeans, as private citizens and businessmen, relocate, invest and save in other jurisdictions, it means less money is available to be taxed.

Dr. Mitchell addresses this issue through his research at the Center for Freedom and Prosperity ([www.freedomandprosperity.org](http://www.freedomandprosperity.org)). The OECD has a blacklist for countries they've identified as "tax havens." The blacklisted countries include Hong Kong, Macao, Malaysia (Labuan) and Singapore. Also targeted are Andorra, Brunei, Costa Rica, Dubai, Guatemala, Liberia, Liechtenstein, the Marshall Islands, Monaco, the Philippines and Uruguay. The blacklisted jurisdictions have strong financial privacy laws and low or zero rates of tax.

The OECD member countries want the so-called tax havens to change their laws to help them identify the earnings of their citizens. Most of all, OECD wants these countries to legislate higher taxes so as to reduce their appeal. A suggestion that we should be more like Europe is the same as one suggesting that we should be poorer.

## Our Trade Deficit

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*Wednesday, May 25, 2005*

I buy more from my grocer than he buys from me, and I bet it's the same with you and your grocer. That means we have a trade deficit with our grocers. Does our perpetual grocer trade deficit portend doom? If we heeded some pundits and politicians who are talking about our national trade deficit, we might think so. But do we have a trade deficit in the first place? Let's look at it.

Insofar as the grocer example, there are two accounts that I hold. One is my "goods" account, which consists of groceries. The other is my "capital" account, which consists of money. Let's look at what happens when I purchase groceries. Say I purchase \$100 worth of groceries. The value of my goods account rises by \$100. That rise is matched by an equal \$100 decline in my capital account. Adding a plus \$100 to a minus \$100 yields a perfect trade balance. That transaction, from my grocer's point of view, results in his goods account falling by \$100, but when he accepts my cash, his capital account rises by \$100, again a trade balance.

The principle here differs not one iota if my grocer was located in another country as opposed to down the street. There'd still be a trade balance when both the goods account and the capital account are considered. Imbalances in goods accounts are all over the place. For example, my grocer buys more from his wholesaler than his wholesaler buys from him. The wholesaler buys more from the manufacturer than the manufacturer buys from him, but when we put capital accounts into the mix, in each case, trade is balanced.

International trade operates under the identical principle. When we as consumers purchase goods from China, and the Chinese don't purchase a like amount of goods from us, it is said that there's a trade deficit. But instead of purchasing goods, the Chinese might purchase corporate stocks, bonds or U.S. Treasury debt instruments. Just as in my grocer example, there is a balance of trade. The deficit in our nation's goods and services account, sometimes called current ac-

count, is matched by a surplus of equal magnitude in our capital account. A large portion of surpluses in our capital account consists of U.S. Treasury debt instruments held by foreigners. As of June 2004, China held nearly \$200 billion, Japan over \$1 trillion, and Europe combined held over \$2 trillion.

Some politicians gripe about all the U.S. debt held by foreigners. Only a politician can have that kind of audacity. Guess who's creating the debt instruments that foreigners hold? If you said it's our profligate Congress, go to the head of the class. If foreigners didn't purchase so much of our debt, we'd be worse off in terms of higher inflation and interest rates. What about the possibility of foreigners dumping our debt? Foreigners aren't stupid. Dumping large amounts of Treasury bonds would drive down their value. Foreigners as well as we would take a hit.

The fact that foreigners are willing to exchange massive amounts of goods in exchange for slips of paper in the forms of currency, stocks and bonds should be a source of pride. It means America, with its wealth, rule of law and the sanctity of contracts, inspires foreigners to hold large amounts of their wealth in U.S. obligations. Their willingness to do so means something else: Trade increases competition. Ultimately it's competition, many producers competing for his dollar, that truly protects the consumer. Producers are protected, at the expense of consumers, by restrictions on competition. The quest to restrict competition is what lies at the heart of the trade deficit demagoguery. When's the last time you heard a consumer complaining about his buying more from a Chinese or Japanese producer than that producer buys from him?

## Aid to Africa

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*Wednesday, July 13, 2005*

British Prime Minister Tony Blair is pressuring the rich nations of the world to give more foreign aid to Africa—to the tune of \$25 billion a year by 2010. The U.S. already gave \$3.2 billion last year. In the wake of this pressure, we might ask ourselves whether it's foreign aid that Africa needs most for economic development.

A standard myth is there's a "vicious cycle of poverty" that makes economic development virtually impossible for the world's poor nations. This myth holds that poor countries are poor because income is so low that savings cannot be generated to provide the kind of capital accumulation necessary for economic growth. Thus, it is alleged, the only way out of perpetual poverty is foreign aid.

Let's examine the "vicious cycle of poverty" myth and whether foreign aid is a necessary ingredient for economic development. The U.S., Britain, France, Canada and most other countries were once poor. Andrew Bernstein of the Ayn Rand Institute wrote in an article titled "Capitalism Is the Cure for Africa's Problems" that pre-industrial Europe was vastly poorer than contemporary Africa.

A relatively well-off country, like France, experienced several famines between the 15th and 18th centuries as well as plagues and diseases that sometimes killed hundreds of thousands. In France, life expectancy was 20 years, in Ireland it was 19 years, and in early 18th-century London, more than 74 percent of the children died before reaching age 5.

Beginning in the late 18th century, there was a dramatic economic turnabout in Europe. How in the world did these once poor and backward countries break the "vicious cycle of poverty" and become wealthy, without what today's development experts say is absolutely necessary for economic growth—foreign aid handouts, World Bank and International Monetary Fund loans, and billions of dollars of debt forgiveness?

The answer is simple: Capitalism started taking root in Europe.

Capitalism is an economic system where there's peaceable, voluntary exchange. Government protects private property rights held in goods and services. There's rule of law and minimal government regulation and control of the economy.

Check out the Washington, D.C.-based Heritage Foundation's "Index of Economic Freedom." Heading its list of countries with the freest economic systems are: Hong Kong, Singapore, Luxembourg, Estonia, Ireland and New Zealand. Bringing up the rear as the countries with little or no economic liberty are: North Korea, Zimbabwe, Angola, Burundi and the Congo. It's not rocket science to conclude that economic liberty and the wealth of a nation and its peoples go together, not to mention greater human rights guarantees.

Some economic development "experts" attribute Africa's troubles to its history of colonialism. That's nonsense, because some of the world's richest countries are former colonies, such as the U.S., Canada, Hong Kong and Australia. In fact, many of Africa's sub-Saharan countries are poorer now than when they were colonies, and their people suffer greater human rights degradations, such as the mass genocide the continent has witnessed.

One unappreciated tragedy that attests to the wasted talents of its peoples is that Africans tend to do well all around the world except in Africa. This is seen by the large number of prosperous, professional and skilled African families throughout Europe and the United States. Back home, these same people would be hamstrung by their corrupt governments.

The worst thing that can be done is to give more foreign aid to African nations. Foreign aid goes from government to government. Foreign aid allows Africa's corrupt regimes to buy military equipment, pay off cronies and continue to oppress their people. It also provides resources for its leaders to set up "retirement" accounts in Swiss banks.

What Africa needs, foreign aid cannot deliver, and that's elimination of dictators and socialist regimes, establishment of political and economic freedom, rule of law and respect for individual rights. Until that happens, despite billions of dollars of foreign aid, Africa will remain a basket case.

## Sweatshop Exploitation

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*January 26, 2004*

Here's a question. Suppose you see people lining up for hours, and people willing to pay a month's salary in bribes, in order to get a \$2 a day factory job, what might you conclude? Would you guess there are higher paying jobs around but the people are too lazy to look for them? Here's my guess: No matter how unattractive to us that \$2 a day job is it might be that person's best known prospect.

*New York Times* reporter, Nicholas Kristof, recently wrote "Inviting All Democrats," *New York Times Online* (1/14/04), a story documenting the plight of Cambodia's poor. In Phnom Pen, hundreds of Cambodians traipse through trash dumps scavenging for plastic bags, metal cans, bits of food and whatever else they can find to sell. Kristof says, "Nhep Chanda averages 75 cents a day for her efforts. For her, the idea of being exploited in a garment factory—working only six days a week, inside, instead of in the broiling sun, for up to \$2 a day—is a dream."

Many Democrat and Republican politicians, union leaders, and academic elite say that paying somebody \$2 a day is exploitation. They've called for actions against American companies who exploit Third World workers through low pay, use of child labor and poor working conditions. But let's examine this with an eye toward asking whether exploitation is the right word to use. Let's start off with a personal question. Suppose you're earning \$1,500 a month and I come along and offer you a job paying \$3,000 a month with better working conditions. In no way do I coerce you into accepting my job offer. If you accept my job offer, then the only unambiguous conclusion is that you saw my offer as being superior to your next best alternative. When a person is offered an alternative, superior to his next best alternative, how much sense does it make to characterize it as exploitation?

If Nhep Chanda, who earns 75 cents a day toiling in nasty trash dumps, is offered a factory job at \$2 a day, has she been made better

off or worse off? Any reasonable person would conclude that she's better off. When one person makes another person an offer that makes that person better off, does it make sense to characterize it as exploitation? While we're at it, we might ask if anti-free trade demonstrations and other public pressures stop companies from having manufacturing facilities in places like Cambodia, paying \$2 a day wages, will people like Nhep Chanda be worse off or better off? In other words, do we help people who have few miserable alternatives by destroying their best one?

Former presidential aspirant Congressman Dick Gephardt pledged that if he became president he'd press the World Trade Organization to establish an international minimum wage. Union leaders and their useful idiots in the anti-globalism movement have also called for minimum wages and better working conditions for workers of multi-national firms in Third World countries. Here's my question to you: Do you believe these people really care about the world's poor like Nhep Chanda? If you do, I have a fountain of youth I'd like to sell you.

There might be a few ministers, college students and other un-informed people who sincerely care about the Third World poor. But the thrust of the public relations campaign against the multi-nationals comes from the U.S. and European union movements and some businesses who see their jobs and profits threatened. They wish to raise the cost of overseas operations in order to forestall company relocation, or as Congressman Gephardt said he wants an international minimum wage high enough so that American workers are not competing with slave, sweat shop, and child labor around the world.

## Self-Inflicted Poverty

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*June 21, 2004*

Did you learn that the United States is rich because we have bountiful natural resources? That has to be nonsense. Africa and South America are probably the natural resources richest continents but are home to the world's most miserably poor people. On the other hand, Japan, Hong Kong, Taiwan and England are natural resources poor but its people are among the world's richest.

Maybe your college professor taught that the legacy of colonialism explains Third World poverty. That's nonsense as well. Canada was a colony. So was Australia, New Zealand and Hong Kong. In fact the richest country in the world, United States, was once a colony. By contrast, Ethiopia, Liberia, Tibet, Nepal, Sikkim and Bhutan were never colonies but they are home to the world's poorest people.

There's no complete explanation for why some countries are affluent while others are poor, but there are some leads. Rank countries along a continuum according to whether they were closer to being free market economies or whether they're closer to socialist or planned economies. Then rank countries by per capita income, we will find a general, not perfect, pattern whereby those having a larger free market sector its citizens enjoy a higher standard of living than those at the socialist end of the continuum. What is more important is that if we ranked countries according to how Freedom House or International Amnesty rates their human rights guarantees, we'd see that citizens of countries with market economies are not only richer but they tend to enjoy a greater measure of human rights protections. While there is no complete explanation for the correlation between free markets, higher wealth and human rights protections, you can bet the rent money that the correlation is not simply coincidental.

With but few exceptions, African countries are not free and most are basket cases. My colleague, John Blundell, director of the London-based Institute of Economic Affairs, highlights some of this in his article "Africa's Plight Will Not End With Aid," in *The Scotsman*

(6/14/04). Once a food exporting country, Zimbabwe stands on the brink of starvation. Last week President Robert Mugabe declared that he's going to nationalize all the farmland. You don't have to be a rocket scientist to figure that the consequence will be to exacerbate Zimbabwe's food problems. Sierra Leone, rich in minerals, especially diamonds, highly fertile land, the best port site in west Africa has declined into a condition of utter despair. It's a similar story in nearly all of south-of-Sahara Africa. Its people are generally worse off now than they were during colonialism both in terms of standard of living and human rights protections.

John Blundell says that the institutions westerners take for granted are entirely absent in most of Africa. Africans are not incompetent; they're just like us. Without the rule of law, private property rights, independent judiciary, limited government and an infrastructure for basic transportation, water, electricity and communication, we'd also be a diseased, broken and starving people.

What can the West do to help? The worst thing is more foreign aid. For the most part foreign aid is government to government and as such it provides the financial resources that allows Africa's corrupt regimes to buy military equipment, pay off cronies and continue to oppress their people. It also provides resources for the leaders to set up "retirement" accounts in Swiss banks. Even so-called humanitarian aid in the form of food is often diverted. Blundell reports that Mugabe's thugs rip labels off of wheat and corn shipments from the U.S. and Europe and re-label it as benevolence from the dictator. Most of what Africa needs the West cannot give and that's rule of law, private property rights, independent judiciary, and limited government. The one important way we can help is to lower our trade barriers.

## The Appeasement Disease

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*August 23, 2004*

President Bush's foreign policy critics at home and abroad share characteristics and visions that have previously led to worldwide chaos and untold loss of lives. These people believe that negotiation, appeasement and caving in to the demands of vicious totalitarian leaders can produce good-faith behavior. Their vision not only has a long record of failure but devastating consequences.

During the late 1930s, France and Britain hoped that allowing Hitler to annex Sudetenland from Czechoslovakia would satisfy his territorial ambitions. This was after a long string of German violations of the terms of the Versailles Treaty ending World War I. Appeasement didn't work. It was seen as weakness and it simply emboldened Hitler.

At the Yalta Conference, near the end of World War II, Winston Churchill and Franklin Roosevelt thought they could appease Josef Stalin by giving away Eastern Europe and making other concessions that ultimately marked the beginning of the nearly half-century Cold War and Soviet/China expansionism. War-weary westerners hoped that brutal tyrants would act in good faith.

Failing to stand up to Stalin resulted in unspeakable atrocities, enslavement and human suffering. Quite interestingly western leftist appeasers exempted communist leaders from the harsh criticism directed toward Hitler whose crimes made Hitler's slaughter of 21 million appear almost amateurish. According to Professor R. J. Rummel's research, in "Death by Government," from 1917 until its collapse the Soviet Union murdered or caused the death of 61 million people, mostly its own citizens. Since 1949, communist China's Mao Zedong regime was responsible for the death of 38 million of its own citizens.

History never exactly repeats itself but the vision of earlier appeasers was part of the West's vision of how to deal with Saddam Hussein. After devastating defeat in the first Gulf War, Iraq agreed to coalition peace terms. After documents were signed every effort

was made by the Iraqis to frustrate implementation of the terms, particularly UN weapons inspections. Westerner appeasers, most notably Europeans, were quite willing to respond to Saddam Hussein's violation of peace terms in a fashion similar to their earlier counterpart's response to Adolf Hitler's violation of the peace terms of the Versailles Treaty. Had Britain or France launched a military attack on Germany in 1934–35 when Hitler started his arms buildup in violation of the Versailles Treaty, and before he fully developed his military capability, he would have been defeated and at least 50 million lives would have been spared.

What deters terrorists? We try to thwart them or kill them. What deters nations that might harbor or assist terrorist? We show them the kind of destruction we're prepared to rain down upon them. Whether we ultimately find nuclear, chemical or biological weapons in Iraq is one thing, but one clear message has been sent as a result of our actions in Iraq and Afghanistan. The world now knows, where it didn't know in the past, that we have the will to destroy a nation that supports terrorism. One measure of the benefit of that message is that Libya's Mohammar Qaddafi has decided to forgo his weapons program and Iran and North Korea might reconsider their agenda.

Some appeasers would like us to cut and run in the wake of terrorist threats just as Spain and the Philippines did. Others, especially our increasingly anti-Semitic European allies, would like us to be more "even-handed" in the Palestinian-Israeli conflict. Even-handed might be translated as abandoning Israel. Such a move wouldn't bring any better results than when Britain's Prime Minister Neville Chamberlain sold the Czechoslovakians down the river to Hitler.

There's no evidence that today's fanatical terrorists and their nation state sympathizers have any taste for compromise and negotiation. They want western submission and they just might get that with presidential candidate John Kerry's promise that if elected he will wage "more sensitive war on terror."

## Economic Stupidity

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*April 28, 2003*

Imagine that you and I are in a row boat. I commit the stupid act of shooting a hole in my end of the boat. Would it be intelligent for you to respond by shooting a hole in your end of the boat? Or, imagine I were a politician and told you that the Russian, Chinese, Korean, Brazilian and German governments were ripping off their citizens by, on the one hand, taxing them to provide subsidies to their domestic steel industries, and on the other, erecting tariff barriers forcing them to pay higher prices for products made with or containing steel. Would you deem it responsible or intelligent of me to propose retaliatory tariff policy whereby Americans are ripped off until Russia, China, Korea, Brazilian and German governments stop ripping off their citizens?

Both of these scenarios are applicable to the Bush administration's 30 percent steel tariffs imposed last year. Those tariffs caused the domestic price for some steel products, such as hot-rolled steel, to rise as much as 40 percent. The clear beneficiaries of the Bush steel tariffs were steel industry executives, stockholders and the approximately 1,700 steelworker jobs that were saved. Tariff policy beneficiaries are always visible but its victims are mostly invisible. Politicians love this. The reason is simple. The beneficiaries know for whom to cast their ballots and the victims don't know whom to blame for their calamity.

According to a study by the Institute for International Economics, saving those 1,700 jobs in the steel industry cost American consumers \$800,000 in the form of higher prices for each steelworker job saved. That's just the monetary side of the picture. According to a study commissioned by the Consuming Industries Trade Action Association, higher steel prices have caused at least 4,500 job losses in no fewer than 16 states—over 19,000 jobs in California, 16,000 in Texas and 10,000 in Ohio, Michigan and Illinois. In other words, industries that use steel are forced to pay higher prices and the products they produce become less competitive and they must lay off workers.

The average hourly wage of steelworkers ranges between \$15 and \$20 plus fringe benefits; so we might be talking about an annual wage package averaging \$50,000 to \$55,000. Here's my question to you: How much sense does it make for American consumers to have to pay \$800,000 in higher prices to save a \$50 to \$55 thousand-dollar-a-year job? It'd make better economic sense for Congress to pass an Aid to Dependent Steelworkers Act whereby we'd tax ourselves so as to give each of those 1,700 steelworkers, whose jobs were saved, \$100,000 year so they might take off and live in a nice beachfront condo in Florida or Bermuda. While less costly to Americans than President Bush's steel tariffs, it has no political future. The handout would make the protectionist policies apparent and hence repulsive to most Americans.

Article I, Section 8 of the U.S. Constitution says Congress has the authority "To regulate commerce with foreign nations, and among the several states, and with the Indian tribes." It wasn't the Framers' intent to give one group of Americans, such as those in the steel industry, the power to use Congress to tax other Americans.

When Congress creates a special advantage for some Americans, it must of necessity come at the expense of other Americans. Those Americans who're harmed, such as steel-using industries, descend on Congress asking for some kind of relief for themselves. It all reminds me of a passage from Marcus Connelly Cook's play *Green Pastures* wherein God laments to the Angel Gabriel, "Every time, Ah passes a miracle, Ah has to pass fo' or five mo' to ketch up wid it." I think Congress ought to get out of the miracle business.

## Poverty Myths

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*November 4, 2002*

A typical belief among the world's foreign aid agencies is there's a "vicious cycle of poverty" that makes economic development virtually impossible for the world's poor nations. This idea holds that poor countries are poor because income is so low that savings cannot be generated to provide the kind of capital accumulation necessary for economic growth. Thus, it is alleged, that the only way out of the poverty quagmire is foreign aid. As popular as the vicious cycle of poverty theory is among economic development "experts," it has to be one of mankind's most foolish ideas. "Explain yourself, Williams!" you say, "That's what my professors taught when I went to college and they're teaching the same thing to my kids." Let's look at it.

The vicious cycle of poverty theory can't even pass the straight-face test. After all how did countries such as United States, England, Canada, New Zealand, Switzerland and others break that cycle and become rich; were they simply "born" rich? That's a big fat no. So how in the world did these once poor and backward countries become wealthy without what today's development experts say is absolutely necessary for economic growth—foreign aid handouts, World Bank and International Monetary Fund (IMF) loans? Maybe part of the answer lies in the fact that there were no foreign aid handout programs and economic development experts around during their economic development.

According to a recently released report by Foundation policy analysts Paolo Pasicolan and Sara Fitzgerald, "The Millennium Challenge Account: Linking Aid with Economic Freedom," despite decades of economic aid most recipient nations are poorer now than they were before they first received development assistance. What foreign aid usually achieves is that of enabling Third World tyrants to retain power by having the resources to build grandiose projects that make little economic sense, pay off cronies and buy military equip-

ment to suppress their people, not to mention setting up multi-million and even multi-billion dollar Swiss bank accounts.

Then there's the population myth that holds that countries are poor because they are overpopulated. That's nonsense. For example, the population density of China is 409 people per square mile; in Taiwan it's 1,478 per square mile and in Hong Kong, it's 247,500. Which people have higher incomes? If you said Hong Kong, you'd be dead right, but for people who see overpopulation as a cause of poverty, China should be the richest and Hong Kong the poorest. The late economist Lord Peter Bauer said, "Economic achievement and progress depend on people's conduct, not on their numbers."

The latest mythical explanation for Third World poverty is globalization and multinational corporation exploitation. Peaceable trade and contact with other nations have always raised the potential for higher living standards. In fact, Third World countries least touched by the West, whether the contact was in the form of imperialist conquest, trade, or multinational corporations, are among the poorest of the poor—countries like: Nepal, Tibet, Sikkim, Bhutan in Asia and Ethiopia and Liberia in Africa.

Poverty is mostly self-inflicted—indigenously created. What are some of the most commonly held characteristics of the non-poor world? In non-poor countries people tend to have greater personal liberty, their property rights are protected, contracts are enforced, there's rule of law and there's a market-oriented economic system rather than socialistic. A country need not be rich to create these wealth-enhancing institutions. That's much of the story of the U.S. In 1776 we were essentially a Third World nation but we established an institutional structure to become rich, an institutional structure that not only attracted investment but talented, hardworking immigrants as well. Contrast that to today's poor countries whose policies and institutional structure do just the opposite—repel investment and cause their most talented people to leave.

## Do Peace Treaties Produce Peace?

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*April 22, 2002*

Europe has been at peace for an unprecedented nearly six decades. Why? It surely is not because of peace treaties between enemy states and it's surely not because of disarmament. All that was tried before and failed. The best explanation for Europe's unprecedented period of peace is that it was an armed camp bristling with weapons. Both adversaries, NATO backed by the U.S. and the Warsaw Pact backed by the USSR, knew for sure that aggression would produce Armageddon. Another reason is that the previous aggressor, Germany, was utterly and completely defeated. Had the Nazis, seeing they were losing the war, successfully sued for peace and a cessation of the hostilities, there would not have been this unprecedented period of peace in Europe. The Nazis would have simply regrouped.

The world can be thankful that today's mindset wasn't around during the 1940s. When we laid waste through conventional and fire-bombing of Dresden and other German cities, and did the same thing to Tokyo and other Japanese cities, we didn't have to worry about the Red Cross and peace advocates going in afterwards taking pictures and then holding us up to ridicule for "collateral damage." If they did, the public would have turned a deaf ear. After all has there ever been war, at least during modern times, where non-combatants were not killed? Indeed, that is just one of the things that make war so horrible.

If we had captured Joseph Goebbels, Heinrich Himmler or Hideki Tojo during the war would anybody have cared much about their civil rights like some people are caring about the civil rights of Taliban captives in Guantanamo? I'm not making an argument for cruelty, but what civil rights are owed those hell bent on trying to destroy our civilization? During World War II, how many Americans would have demanded that a captured German spy or saboteur be supplied with a taxpayer-supplied legal team and jail amenities. Historically, spies and saboteurs have faced the hangman's noose or a firing squad.

This brings us to the Middle East crisis and the condemnation

Israel has received for its military retaliation for Palestinian terrorist attacks. During U.S. Secretary of State Powell's visit, world news cameras captured a haggard, bedraggled Chairman Arafat saying, "Is this acceptable? Is this acceptable?" referring to the Israel Defense Forces' quarantine and destruction of his headquarters. I was trying to imagine the response of Americans, back in the '40s, to one of our Axis adversaries asking the same question.

There's one weapon that international thugs have today that yesterday's international thugs didn't and that's "world opinion." Palestinian terrorists set off bombs to murder innocent Israeli civilians. When Israel retaliates, imposing high cost, Palestinians call up their only defensive weapon: world opinion. World opinion was also used by Saddam Hussein during the Gulf War by bringing the western media to see the destruction of a supposed baby milk factory by coalition forces.

How much should the western world care about the opinion of those who demonstrate open hostility to the values that we hold such as democratically elected officials, human rights, equality before the law? I say none whatsoever. At the same time neither am I of the mind that we should interfere with their choices except to say that their acts of aggression should be met with harsh retaliation. Were I prime minister of Israel, I'd trade peace for land on these terms: in exchange for each six months of peace, I'd completely turn over, say, five square miles of land and for just one terrorist attack, I'd send in the Israel Defense Forces to take it all back.

## Congressional and Leftist Lies

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*Wednesday, November 14, 2007*

An important component of the leftist class warfare agenda is to condemn President Bush's tax cuts for the rich. This claim is careless, ignorant or dishonest on at least two counts. First there's the constitutional issue. Article I, Section 8 reads, "The Congress shall have Power To lay and collect Taxes. . . ." That means the president has no taxing authority.

Presidents can propose or veto taxes and Congress can override vetoes. The bottom line is that all taxing authority rests with the U.S. Congress. The next time you hear someone condemn or praise Bush's tax cuts, ask them whether the Constitution has been amended to give the president taxing authority.

But what about those tax cuts for the rich? Are the rich now sharing a smaller burden of the federal income tax because their fair share of the burden has been shifted to the poor? The most recent Internal Revenue Service (IRS) statistics can give us some guidance. In 2005, the top 1 percent of income earners, those with an annual adjusted gross income of \$365,000 and higher, paid 39 percent of all federal income taxes; in 1999, they paid 36 percent.

In 2005, the top 5 percent of income earners, those having an adjusted gross income of \$145,000 and higher, paid 60 percent of all federal taxes; in 1999, it was 55 percent. The top 10 percent, earning income over \$103,000, paid 70 percent. The top 25 percent, with income of over \$62,000, paid 86 percent, and the top 50 percent, earning \$31,000 and higher, paid 97 percent of all federal taxes.

What about any argument suggesting that the burden of taxes have been shifted to the poor? The bottom 50 percent, earning \$30,000 or less, paid 3 percent of total federal income taxes. In 1999, they paid 4 percent. Congressmen know all of this, but they attempt to hoodwink the average American who doesn't.

The fact that there are so many American earners who have little or no financial stake in our country poses a serious political problem.

The Tax Foundation estimates that 41 percent of whites, 56 percent of blacks, 59 percent of American Indian and Aleut Eskimo and 40 percent Asian and Pacific Islanders had no 2004 federal income tax liability. The study concluded, “When all of the dependents of these income-producing households are counted, there are roughly 122 million Americans—44 percent of the U.S. population—who are outside of the federal income tax system.” These people represent a natural constituency for big-spending politicians. In other words, if you have little or no financial stake in America, what do you care about the cost of massive federal spending programs?

Similarly, what do you care about tax cuts if you’re paying little or no taxes? In fact, you might be openly hostile toward tax cuts out of fear that they might lead to reductions in handout programs from which you benefit. Survey polls have confirmed this. According to The Harris Poll taken in June 2003, 51 percent of Democrats thought the tax cuts enacted by Congress were a bad thing while 16 percent of Republicans thought so. Among Democrats, 67 percent thought the tax cuts were unfair while 32 percent of Republicans thought so. When asked whether the \$350 billion tax cut package will help your family finances, 59 percent of those surveyed said no and 35 percent said yes.

Whether you’re for or against President Bush matters little, but what do you think of politicians and their media dupes winning you over with lies about the rich not paying their fair share? And, by the way, \$145,000 or even \$345,000 a year hardly qualifies one as rich. It’s not even yacht money.