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THE FEE FREEMAN

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Catastrophic Plans

A president stands disgraced. Congress is scattering. Bureaucrats are baffled. Pundits are reaching. Industry is scared. Politicians are scrambling to do something, anything, to make it better. One political party is in meltdown and the other loving every minute of it, hoping to ride the calamity to electoral gains.

The so-called "Patient Protection and Affordable Care Act"—the showpiece of democratic welfareism in the 21st century—has made history as the largest, fastest failure in the history of state-provided welfare programs.

It turns out that you can't just pass a law that causes everyone to get all the healthcare he or she desires at extremely low cost. Nor can government create a market-like environment out of a nonmarket good or service and expect it to achieve efficiency, productivity, and customer satisfaction. Maybe this seems rather obvious to you. If so, you know more about economic reality than the many thousands of certified experts who worked for many years, in and out of government, to create the perfect storm that Obamacare has become.

In a real market, we would probably see medical care work much like veterinary care today—mercifully free of too much government involvement—in which you pay per service. Prices are clearly posted. Consumers pay the full cost of non-catastrophies. And there is healthy competition among providers who are trying to treat you best at the lowest price. Indeed, the restoration of the price system is the central requirement of any sane reform.

Obamacare was just another step in the wrong direction—albeit a big one—not unlike that which had occurred once every five years for the last fifty or so. It was hard to tell just how bad the effects would be. Everything we know about government and economics suggested that this plan would not end well. But not even the biggest skeptic could have fully prepared for the calamity that ensued in the weeks after the program was finally put in place.

The most obvious failure was the exploding healthcare.gov website that in the first day of operation only managed to enroll six people in the program. Will it be fixed? Possibly. But at what price? To prepare the site, the feds have already spent some $600 billion and deployed a dud. More than twice that will be spent on repair, but with what results? If the site follows the usual government pattern, it will only work so long as it is frozen in time. It can't adapt to change and will become antiquated in only a few years, and thereby require other massive infusions to keep up.

A government-run website is the digital age equivalent of the failure of government to run factories and farms in the 1920s and 1930s. Lenin made some progress in electrification even while major parts of the newly socialized Russia was experiencing famine.

Healthcare.gov has also become a costly symbol of a wider system failure. The website can and probably will be fixed—but will the program itself achieve its aims? The ACA promised to retain existing health-insurance coverage and then expand it. Upon implementation, the ACA immediately and dramatically reduced coverage by forcing many individually provided healthcare plans to be dropped. Otherwise, most are experiencing sticker shock.

There were several reasons. In many cases, mandated coverage items made continued service economically unfeasible. In other cases, existing plans were suddenly outside the law. The companies who dropped millions from the rolls were merely complying with the law. They were obeying government diktat. That few people expected this to happen reveals the true nature of government planning. Two lessons emerge from the mess: Planners cannot account for all contingencies and/or they must lie to get what they want.

Then came the doubling—in some cases tripling—of premiums of many individual plans because of the requirement that insurers can take no account of pre-existing conditions, which is a bit like a requiring that auto insurers cover drunk drivers in NASCAR training.

It is very easy after the fact to look at any government failure and point to all the reasons why the failures should have been anticipated and thereby prevented. But remember that this is knowledge gained after the fact. Before the trial there are a million possible contingencies and it is not possible for anyone to prepare for them all. That's why markets specialize in embedding trial-and-error as feature of the system itself. A market system learns over time, copying success and avoiding failure. Governments are terrible at this. They build, release, and forget about it—with very little ongoing adaptation.

After the disaster, some politicians immediately responded by saying: Make it illegal to stop dropping coverage. This is piling error on error. It amounts to a form of nationalization of already cartelized companies—another step away from the market and toward fully socialized healthcare. Of course, those who've always called for a single-payer system won't mind—even as this will turn US healthcare into a Brezhnevian breadline.

The system was broken before and now it is broken beyond repair. Daily we read reports of doctors, consumers, and institutions just bailing out completely. Businesses that take people abroad for high-quality, low-cost health care are suddenly booming. It seems that everyone is looking for a way out of the official system. This is the only promising development to emerge from the great healthcare disaster of 2013. If a new and independent sector emerges despite every attempt by government to stop it, the irony is that there will be a good basis for optimism about the future.

Government can't and won't fix healthcare. Only the private sector can do that. The full solution, then, will require complete secession from every plan put out by every politician, every political party, and every national commission of experts purporting to know better than the people who make up the market order.

—*Jeffrey Tucker* FEE

The New Libertarianism

Emerging leaders in a young movement are putting their ideas into practice

JEFFREY A. TUCKER

I spent a fascinating weekend this fall hanging out with a few hundred of the smartest, most forward-thinking college students I've met in years. It was a real inspiration to see how these young people are preparing to navigate an economic and social environment that is so radically different from anything their parents knew.

Rather than defeatism and despair, I detected a strong dedication to creativity, entrepreneurship, and living a great life despite a system that seems dedicated to bringing them down.

They were gathered for the New York regional conference of Students for Liberty, an organization that is absolutely on fire in its growth and spread around the world. My trip and closing speech were made possible by the Foundation for Economic Education, an innovative partner with Students for Liberty and other students.

This was one of four regional conferences taking place on that very day!

What seems at first to be a political movement is becoming more of a social movement of young people determined to claim human liberty as an operating principle in their lives and careers.

Many of the students I spoke with, for example, are thinking very seriously about launching startup companies and actively taking steps to make that happen. They are assembling their networks of talent and sharing ideas. They are dreaming of independent lives and making it big—on their own terms.

So here is the plan, which many out of college are already pursuing. Their educations and degrees are parlayed into jobs of whatever sort, 9-to-5 things that pay the rent and the cell phone bills but are not their careers or their dreams. They're just something they do. Thinking of it this way, even a terrible job can be endured with a sense of humor.

> I SEE THE emergence of a new form of libertarianism—something more intellectually and strategically sophisticated than forms from the last century.

Meanwhile, on nights and weekends, they work on their real goals. They are writing apps, working on digital services, thinking through new ideas, and cobbling together business models. They are acquiring new skills and filling in the gaps in their education. And they are very careful about money, too—all too aware of the dangers of debt from bad experiences in college.

Think of dumpy apartments with four or five people living off ramen noodles and cheap beer. This is where the megabusinesses of tomorrow are being hatched. These young people seem to live on two levels: their conventional lives, which they see as temporary holding points, and their revolutionary lives, which they see as their real passions and their actual paths to the future.

I can't remember anyone doing this when I was in college. We trusted that the system would take care of us, and our job was to fit in. These young people do not have this view. The existing system is something they will use, but only on the path to bypassing it with new innovations and businesses to change the future.

To be sure, this is a very commercially astute group. They see business as the way to change the world. The tools they use every day to navigate the world—buying everything from coffee to concert tickets, getting around cities, planning trips, talking to friends and family—came to them via the private sector. Government contributes nothing to their lives apart from annoyance.

What's more, among these libertarians, there is very little hope that political change is a viable option. What would be the mechanism of change? The two-party system? The trends in politics are inexorably worse, regardless of the promise. The trends in commercial life are toward progress every day. Which seems like the better path?

Having been around this world some time, I see within Students for Liberty the emergence of a new form of libertarianism—something more intellectually and strategically sophisticated than forms from the last century.

IT'S FINALLY dawning on libertarians that they have no model to impose on the world, no preset formula to improve society, and, therefore, no strict dogmas.

Vast Openness

First, among these young people there is a vast openness to radical ideas that rethink the relationship that politics has to the world. Rejecting the old-style collectivism of the prevailing regime is only the beginning. What about anarchism? If the State is useless and decaying, anarchism becomes the operational intellectual tableau through which to understand the world. This is a contrast to previous generations who romanticized some mythical past of freedom as guarded by a constitutional State.

As the hope that the State can ever purify itself has faded, a new hope in freedom has emerged. In the same way, edgier thoughts about production without intellectual property, Internet-based monies and cities, and new patterns of global social engagement are on the table. These visions are not dark, but hopeful: at once bourgeois and breaking bad, principled but broad, literate but also intuitive.

Second, there is a new pattern to learning among this generation. Whereas libertarians of the past learned from classic texts, large books of integrated but contained theory, these young people extract information from an hourly blizzard of news, memes, videos, social media threads, texts, forums, tweets, and group hangouts. There is no such thing as a protected sector of ideas, much less an information cartel. This setup produces broader and more agile minds with a less defensive posture.

For this reason, the ideological leanings borrow rhetoric and language from many sources. The most popular T-shirt among the Students for Liberty reads: "Peace, Love, Liberty." My own shirt that came with the conference is a blizzard of short words: Tolerance, Compassion, Entrepreneurship, Love, Reason, Trade, Wealth, Freedom, Creativity.

So you can see what's happening here. It's finally dawning on libertarians that they have no model to impose on the world, no preset formula to improve society, and, therefore, no strict dogmas on how things should or should not work in a world of freedom. The point is to free themselves and the whole of society from the shackles of statism and regimentation to allow for experimentation, evolution, and trial and error—an agenda that stems from the conviction that only a free people can discover the right path forward for themselves.

Third, liberty for these young people is not just a political ideal, something that pertains to the State and civic affairs but otherwise has no personal application. As with the old classical liberals, these young people are dedicated to discovering the relationship between the political ideal and their personal lives. They want to find ways actually to implement an ethic of liberty and live with character and an entrepreneurial drive. So, for example, if you can use a free-market cab service over a government one, you should. If you don't believe in "intellectual property" you should publish without it. If you believe that cooperation with others is the essence of social flourishing, you should seek to be a cooperative person. If entrepreneurship is the primary force behind economic progress, you should seek to make a contribution to that end.

> THIS GENERATION puts a premium on civilized thinking and behaving that includes absolute exclusion of bigotry in all its forms.

Fourth, there are some non-negotiables, and they aren't only about the ban on the use of power. As an extension of the above point, this generation puts a premium on civilized thinking and behaving that includes absolute exclusion of bigotry in all its forms. Racist, sexist, and anti-gay attitudes are not only tacky, but embody the opposite of the tolerance that old liberalism identified as a main bulwark against State oppression. This necessarily means a special identity with groups that have been victims of State oppression and remain so in many parts if the world.

So, for example, it is true that in our time many feminists look to the State for privilege, but it is also true that many racial minorities (and people of all races and classes) look to the State. But the fundamental history and drive of feminism and the anti-slavery movement, historically understood, are about empowering every member of the human family with the freedom that is his or her right.

If we love capitalism, we must remember that it alone has done more to bring about that empowerment than any political change. For this reason, we should embrace the ideals of feminism in the same way we embrace the anti-slavery cause. It is our cause, our banner, our history, our movement. We should never give this up to the oppressor class.

Limitless Spaces

Fifth, there is a generation of liberty-minded thinkers who are filled with hope about the future, and rightly so. The digital world has opened up new frontiers for them to make a difference in their own lives and the world at large. The space in which this is allowed to happen is limitless, and so are the possibilities. Despite all the despotisms in the world today, the digital cloud makes possible a new path of progress in which individual and community expression can take new forms outside the reach of power.

Consider that Students for Liberty itself wouldn't be nearly as successful without all the organizing tools of social media.

All of this crystallized for me this weekend. It is a gigantic departure from the darkness of the past and a new paradigm for the future. It reflects a confidence that liberty is right and effective, not only as a political philosophy, but also as a personal principle that helps us achieve new heights of personal accomplishment and well-being.

Thank you, Students for Liberty, and also Foundation for Economic Education, for existing and providing the platform and inspiration for the building of a new and better world. FEE

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Healthcare Reform for Your Facebook Friends

An Interview with Merrill Matthews

Merrill Matthews, Ph.D., is a resident scholar with the Institute for Policy Innovation. He is a public policy analyst specializing in healthcare issues and is the author of numerous studies in health policy and other public policy issues. When it comes to knowing your stuff on the complicated issue of healthcare, he's got plenty of laurels. Matthews is past president of the Health Economics Roundtable for the National Association for Business Economics. For nine years he was executive director of the Washington, D.C.-based Council for Affordable Health Insurance, a health insurance trade association. National Journal *recognized the Council as one of the most effective health policy organizations in Washington.*

The Freeman: Prior to the passage of Obamacare, what would you say were the three or four biggest problems with our healthcare system? (And can you describe them briefly?)

Matthews: There were four key problems: (1) uninsured people who developed a medical condition and then tried to buy coverage were often denied, the so-called "uninsurables"; (2) low-income workers had difficulty affording comprehensive coverage; (3) the tax treatment of health insurance (i.e., employees get a tax exclusion for money spent on premiums, which favored higher-income workers and encouraged spending more on health insurance); and (4) portability, meaning you lose your coverage when you change jobs.

The first two problems are not difficult to fix. For example, 35 states had set up safety-net programs to address the problem of the uninsurable. And seven more states required insurers to accept anyone who applied. Those programs needed some tweaking, with perhaps some "best practices" guidelines, but fixing the problem wouldn't have taken much effort or money.

The important factor here is the first two problems engendered a lot of public sympathy, which means politicians wanted to try and fix them. So free-market defenders were ultimately forced to point out the least economy-distorting solution, which Obamacare ignored.

The last two problems are more difficult, and are related. The tax treatment of health insurance has encouraged employer-based coverage since the 1940s. Today, about 165 million Americans get their coverage through an employer. When Republicans have proposed changing the tax treatment they have been pummeled by Democrats, labor unions, and even large employer groups. Finding a solution to the last two won't fix all of our health insurance problems, but it would go a long way.

The Freeman: Can you give ordinary people an example of how easy it is for people to overconsume when they go into a doctor with a PPO card?

Matthews: In the vast majority of cases, when a person goes to the doctor, hospital, or a pharmacy, a third party is paying most of the bill. In economic parlance, when a highly valued good or service seems cheap, consumers tend to overconsume. Patients pay a marginal cost of perhaps 10 cents or 20 cents on the dollar, after a deductible is met. That seems like a bargain and consumers respond accordingly.

And we have only made the system worse over the years. In 1960 about 48 percent of all healthcare spending was out of the patient's pocket (OOP); by 2009 it was down to about 12 cents. When you juxtapose a graph since 1960 of the declining OOP spending with a graph of rising total healthcare spending, you can see the correlation. Indeed, most health economists believe about a third of total healthcare spending is being wasted on care that patients wouldn't have bought had they been paying the marginal cost.

The Freeman: How do we restore a functioning price system to healthcare?

Matthews: There is only one way: Give consumers a reason to care about prices. That is actually happening,

Photo courtesy Institute for Policy Innovation

albeit slowly, and has been for a decade. Both employers and health insurers have been gradually turning to consumer-driven health plans (CDHPs) that include high-deductible insurance coverage for major accidents and illnesses and a tax-free account that can be used for smaller and routine medical expenditures. The idea behind the accounts, especially health savings accounts (HSAs), is to get patients to be value-conscious shoppers in the healthcare marketplace. And the evidence is that when patients control their healthcare dollars, healthcare spending, and therefore premiums, slows down or even declines.

The Freeman: What are coverage mandates and how much do they add to the cost of a policy?

Matthews: Since the 1960s the states have increasingly passed legislation requiring health insurance sold within that state to cover certain healthcare providers, services, and medical products. The federal government largely stayed out of health insurance until the mid-1990s, when it too started mandating coverages.

Proponents of the mandates always claim they will lower healthcare spending; but the actuaries almost always find that they increase spending. While some of the mandates can have a fairly significant upward impact on health insurance premiums—e.g., drug and alcohol abuse counseling, mental health coverage, chiropractors—the large majority of mandates have a relatively small impact, in part because not many people will use them given the size of the U.S. healthcare system. For example, in vitro fertilization is very expensive, but very few people actually use the service, so its impact may not be that large.

However, even minimal-cost mandates add up. If a state were to stick with five or 10 mandates, they might not have much of an impact, but most states have 50 or more, and that can easily push up health insurance premiums by, say, 25 percent.

The Freeman: So, we don't have an interstate health insurance market. In other words: Why—if I live in North Carolina or North Dakota—can I not buy a plan from a company in Iowa? (And what effects does this create?)

Matthews: In 1945 Congress passed the McCarran-Ferguson Act, which allows states to regulate insurance. The good news is that as a result the federal government stayed out of most health insurance issues until the mid-1990s, because it was seen as a prerogative of the states. Thus, the state where you live regulates the kind of health insurance you or your employer can buy. (Large companies that self-fund their health coverage—that is, they don't use a health insurer—are generally exempt from those state insurance laws.)

A number of conservatives have seen the option of buying health insurance available in another state as a way to create competition in the market. While I strongly support the idea, it probably won't be the panacea some people think. That's because insurers negotiate price discounts with doctors and hospitals, which can be one-third or one-fourth the hospital's "list price" for a procedure. An insurer with a policy available in another state may not have a provider network in the buyer's state, which could be a huge problem. If people could buy insurance across state lines, the market might come up with a solution to the provider-network problem, but we don't have one yet. But the original impetus for cross-state purchasing came from the fact that a handful of states (e.g., New Jersey, New York, and Massachusetts) have largely destroyed their individual health insurance markets. Giving people in New Jersey the option of buying a health insurance policy in neighboring Pennsylvania, which would likely cost about a third of the New Jersey policy, made a lot of sense.

The Freeman: How could this be reformed?

Matthews: Former Rep. John Shadegg introduced legislation that would create a national market for health insurance, and it addressed most of the problems raised, such as liability for an out-of-state health insurer. However, the legislation would probably work best in areas where a health insurer that had a policy available in a different state was also operating, and had contracted with providers, in the buyers' state. And it could work well where one or more states share urban centers, such as Kansas City or around Washington.

The best solution is to move to a system of real indemnity health insurance. Under that system an insurer indemnifies the policyholder when an accident or a medical condition occurs. Under that system, the doctor would likely give the patient a bundled price that would cover the various expenses. Indeed, this is exactly what happens in most cosmetic and Lasik eye surgeries, which usually are not covered by insurance. Under a pure indemnity system, buying a health policy available in another state would be much easier.

The Freeman: It seems crazy that most people get their health insurance through their employers. Why do they? And what perverse effects does this create?

Matthews: We have an employer-based health insurance system primarily as a result of government price controls and the tax code. During World War II the federal government imposed a system of wage and price controls at a time when labor was scarce, due to so many in the armed services.

The government tried to limit employers' ability to bid up the price of labor. So many employers began offering health coverage as a way to attract workers. In October 1943 the IRS ruled that the benefit was not taxable income—considered a "tax exclusion" because the money spent on benefits is excluded from income—making it even more attractive. The provision eventually became law. Thus by the 1950s, large employers increasingly offered health coverage as a benefit. Unions worked to make the coverage as comprehensive as possible. And that's where we are.

There are benefits to employer-provided coverage. If a worker is financially strapped one month, he won't be tempted to miss his health insurance premium because the employer is covering it. And many employers still see health coverage as a way to attract better workers and, because coverage doesn't travel with the employee in a job change, to keep them.

But there are also problems, and one is that lack of portability just mentioned. In addition, it's the employer, rather than the beneficiary, who is deciding what kind of coverage workers have. And, importantly, there is a tax fairness issue. Workers with employer coverage historically have gotten an unlimited tax benefit. The more the employer spends on coverage, the greater the benefit. And the higher the income the greater the benefit, because high-income employees are in a higher tax bracket.

While the self-employed get a 100 percent deduction for the money they spend on coverage, employees working for an employer who doesn't provide coverage get no tax break.

There have been some attempts to address this problem. President George W. Bush proposed an end to the tax exclusion, and giving everyone a standard deduction instead: $7,500 for an individual or $15,000 for a family. As a presidential candidate, Senator John McCain also proposed ending the exclusion and giving workers a refundable tax credit that would have offset much of the cost of a policy. Neither idea gained much traction.

The Freeman: How many of these problems we've been discussing does Obamacare address?

Matthews: Obamacare probably exacerbates all the current problems. Its two key components for expanding coverage to an estimated 30 million-plus Americans are expanding Medicaid to some 16 million low-income Americans and creating a system of health insurance exchanges (increasingly referred to as "marketplaces") where taxpayer-funded subsidies would help people afford coverage. And so Obamacare gives millions of Americans free or heavily subsidized health insurance that greatly insulates them from the cost of care. Sheltered from the price of care, total healthcare spending will likely go up significantly.

However, free-market advocates have been monitoring Obamacare to see if CDHPs would be allowed as "qualified coverage" under Obamacare regulations. Only recently did it become clear that many CDHP plans would slip under the wire. That's good news because they tend to be the least expensive plans. So as individuals begin choosing their policies, it's possible that CDHPs will take a big leap forward. If so, the explosion in health spending could be mitigated somewhat. The irony is that the Democrats who wrote and passed Obamacare generally don't like CDHPs, and yet they could be responsible for their expansion.

Another possible improvement has to do with portability. Private-sector companies are beginning to create their own health insurance exchanges, separate from the government—a good thing since the initial rollout of the government exchanges hit multiple snags. A number of large companies, representing hundreds of thousands of employees, have announced they are shifting their employees to these private exchanges—some of which actually began before Obamacare passed. The employers will provide a flat contribution to their employees, who will then be able to shop among several insurers within the exchange. If this works out well, it could be the first step in dismantling employer-based coverage. Employers still provide some of the funds for coverage, but the employee chooses among different plans and may even be able to keep that plan if he goes to work for another employer who is participating in the exchange.

So it is at least possible that some seeds of real reform are embedded in the legislation, which would be as big a surprise to the law's drafters, as well as to those who have to live with it.

The Freeman: It seems like Obamacare is both a special-interest boondoggle—a sharing of spoils between the healthcare providers, Pharma and the insurance companies—and a means to get us to a single-payer system. Which do you think it is?

Matthews: All of the major trade associations decided they wanted to have a seat at the table and are perceived as being supportive. During the Clinton healthcare reform battle, a lot of the trade associations also wanted to work with the administration, but eventually they decided the law would hurt them and began to oppose it. That didn't happen this time. In fact, some of them were being run or chaired by Democrats who wanted to give President Obama a victory.

Obama didn't believe he could get a single-payer system—which he and many Democrats prefer—passed through Congress. So he decided to go for a type of public–private hybrid. Many people suspect that Democrats who passed the legislation knew it wouldn't work, but supported it because they expect it to fail, opening the door for a single-payer system. Senate Majority Leader Harry Reid has recently made comments that can be seen as confirming that suspicion.

While that may be true, my own experience interacting with some Democrats is that they had no idea what they were doing or how health insurance worked, and like many bureaucrats, arrogantly assumed they could lay out a blueprint for how the health insurance market should work, and then draft legislation that would work as they envisioned. In short, they had the hubris to think they could restructure one-sixth of the U.S. economy, based upon their vision of equality and fairness, and the system would work.

So you might say the question comes down to whether you think the Democrats drafting the legislation were connivers or just arrogantly stupid. I don't necessarily doubt the former, but I saw a lot of evidence for the latter.

The Freeman: How much damage do you think Obamacare can do over the long term?

Matthews: I think that answer depends on how problematic Obamacare is—or becomes. Although I wouldn't call it likely, it is possible that the Obamacare rollout disaster, coupled with higher premiums and the possibility of many doctors refusing to participate, could drive public outrage and force major revisions in the legislation, if not a dismantling of it.

Alternatively, bureaucrats will get enough problems fixed to placate the public, and the subsidies will kick in so that it becomes impossible to repeal. Even conservatives in the U.K. support the country's single-payer system.

According to the U.S. Census Bureau, 49 percent of Americans already get some type of check from the federal government. By putting millions of people in Medicaid and redistributing billions of taxpayer dollars for subsidies, Obamacare will drive up that number significantly. For the first time ever, the majority of Americans will be dependent on the federal government for some portion of their income. That may be the tipping point to a headlong rush to a centrally planned welfare state, from which there will be no return. FEE

Bureaucrats Against Healthcare Access

Remote Area Medical offers a glimpse into a voluntary health sector

JOHN ROSS

Though the rollout of the Affordable Care Act (ACA) exchanges has dismayed even the law's supporters, the problem the ACA is designed to address is real enough: Millions of Americans, even those with insurance, lack access to adequate healthcare. In a voluntary society, civil-sector groups would step up to provide social services, like healthcare for the needy.

Government intervention in health markets currently crowds out such services—but not completely. Remote Area Medical (RAM), a Tennessee-based charity that is completely privately funded, offers a glimpse of what voluntary healthcare might look like. The group treats all comers at free, weekend clinics dotted across the country.

"Remote Area Medical provides stuff that no one else provides," says Dr. David Milzman, a professor of emergency medicine at Georgetown University School of Medicine and emergency physician at MedStar Washington Hospital Center. "They can make 1,200 to 1,500 pairs of glasses a day. Talk about a life-changing thing: doing an eye exam and then giving glasses to someone who's never had glasses."

Originally founded to do expeditions in South America, the group has shifted its focus homeward to address a need here. At a typical event, over a thousand patients arrive in the wee hours of the night to make sure they get a spot in line. Many drive for hours and sleep in their cars.

In addition to providing general medical care, RAM specializes in dental and vision work because diseases in these areas, although serious, can be permanently resolved in a few hours. Since 1992 RAM has organized over 700 events and seen over half a million patients in Tennessee, Illinois, California, Virginia, Texas, and other states.

But rather than welcome the organization, which operates at no cost to taxpayers, most state governments actively impede its efforts. In 2009, the D.C. Department of Health assessed it a $77,000 facilities fee and forced the group to apply for a certificate of need, which involves "proving" to a panel of bureaucrats that there is a need for services.

According to Dr. Milzman, who was part of an ad hoc group of doctors and nurses who tried to shepherd RAM through the approval process in D.C., the need for more services in the region is obvious. "They have beautiful dental facilities [for the poor] down at D.C. General," says Milzman, "but no one to staff it. They have 15–16 operatories there, but they only staff it with one or two dentists a day. It's crazy."

> RATHER THAN welcome the organization, most state governments actively impede its efforts.

Ultimately, D.C. officials refused to issue a one-time waiver to the district's occupational licensing law, according to Dr. Milzman, who relates D.C. officials' response as, "There is no medical problem in D.C. and we didn't need a free clinic." Milzman adds: "This was a disaster."

Unfortunately, few states allow health workers licensed in other states to see patients—even when they are working for free. And the majority of RAM's network of volunteers crosses state lines for events. "It's a question of mathematics," says RAM founder Stan Brock. More volunteers mean the group can see more patients.

According to Brock, occupational licensing laws are the biggest hurdle the group faces. Health officials cite safety concerns to justify barring out-of-state volunteers; for instance, how are California officials to know a nurse licensed in New Jersey is qualified?

But the objection rings hollow. All medical professionals must meet certification requirements administered by national specialty boards. Standards are thus nearly identical across states; the licenses themselves serve little purpose beyond raising revenue for state treasuries and keeping nurses' salaries higher than they might be otherwise.

According to Brock, RAM has worked with over 80,000 volunteers without encountering an incompetent practitioner. Nonetheless, health officials regularly insist on licenses—even in emergencies. After a hurricane demolished Joplin, Missouri, in 2011, RAM sent its mobile-eyeglass clinic to help in the relief effort. But they had to turn around without making a single pair of glasses because they couldn't find state-approved optometrists or opticians.

Medical malpractice liability is another stumbling block. The cost and complexity of insurance keeps many otherwise-willing practitioners from volunteering outside their regular practice. But efforts to ease liability rules face obstacles in state legislatures.

In Missouri this year, the state's trial attorney association objected to a bill lifting liability except for cases of "willful misconduct." Governor Jay Nixon vetoed the bill, which he mischaracterized as providing "blanket immunity" for volunteers. (Last month, legislators overrode the veto, prompting RAM to begin planning an event in St. Louis, its first in the state.)

But an absence of regulatory obstacles remains the exception not the rule.

"The frequent comment that I get from would-be volunteers," says Brock, "is that they throw up their hands and say, 'Gosh, it's easier for me to volunteer my time in Guatemala than it is in my own country.'"

Advocates for more government intervention often insist on referring to the pre-ACA status quo as the "free market." RAM provides a useful corrective to that narrative. In a free market, would intransigent officials have so much power to stifle voluntary efforts to address one of the country's most pressing problems? FEE

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TEMPLE

John Lane

Mother, when my blood rises
it is you that flows through
my veins—all these numbers
I never understood are yours—
diastolic and systolic.

Your heirlooms can kill—
a serious inheritance—
give me something else to pass
on, and not this mystery
strange as Delphi—

song rising in the temples,
rush of river though the gorge,
birthright, pulsing gift
raised on fatback, grits, and biscuits.

The pythia tends the oracle
so I tend these rising numbers—
and see your death
as water rising in a stream.

John Lane's latest book, Abandoned Quarry: New and Selected Poems, *was published by Mercer University Press in 2011 and won the Southeast Independent Book Association Award for poetry book of the year.*

Can This Man Save Healthcare?

JORDAN BRUNEAU

While the country focuses its attention on the sputtering implementation of the Affordable Care Act (ACA), one man is quietly revolutionizing American medicine. Dr. Keith Smith, founder of the Surgery Center of Oklahoma (SCO) in Oklahoma City, is bringing market forces to healthcare by posting his prices online.

Healthcare costs in the United States have increased at an average rate of 7.7 percent per year since 1980, compared to 4.6 percent for the consumer price index. Smith believes price wars and other market mechanisms, not increased government control, are the best way to stem and reverse this inflation. With the ACA's implementation, the prospects for formal healthcare policy changes are limited. Smith hopes, however, that he and a handful of other transparent fee-for-service providers will be the vanguard of a free-market movement that runs parallel to the ACA. "The price transparency and price deflation," Smith says, "aims at the soft underbelly of the beast."

First Came the Canadians

Smith knew that putting his prices online had been a great idea when Canadians began flying down to the SCO for treatment: "The first thing that happened once we started posting our prices online was the Canadians started showing up. They could pay $3,200 from Vancouver for a hernia operation to step out of line." The line Smith refers to is Canada's single-payer, government-run healthcare system, which boasts some of the longest wait times for surgical care in the Organization for Economic Co-Operation and Development (OECD), the rich-country club. Smith contracts with a Canadian health broker specializing in finding wait-listed Canadians access to care and describes the high number of Canadians he sees as "fascinating because that's the healthcare system that everybody in this town thinks we need."

In addition to targeting the uninsured and Canadians, Smith has also had success in appealing to people with high

Ricardo Reitmeyer/Shutterstock.com

deductibles and to mid-sized companies in Oklahoma and North Texas. He has directly courted companies that feel that they are overpaying for their HMOs, asking CEOs, "Why would you be OK with paying $14,000 for a tonsillectomy across town for one of your employee's children when we'll do it for $2,900?" In response, many companies have moved their health plans to the SCO, offering to eliminate employee copayments for treatment on the condition that surgeries are performed at the SCO. As a result, one medium-sized bank in the region was able to drop its premiums by 10 percent. Smith's corporate accounts have significantly improved his profitability: "In the last year, as a result of our outreach to CEOs of big companies, we are 40 percent busier than we were a year ago, and it's primarily due to us posting these prices."

Healthcare Doesn't Cost That Much

According to Smith, "Healthcare doesn't cost that much, but what healthcare professionals charge is another matter." By cutting out hospital administrators and the bureaucracy involved with third-party payers, the SCO is able to offer healthcare services at deep discounts. For example, for a patient with a bad back, the SCO was able to perform a two-level disc decompression for $8,500. That paid for the surgeon, anesthesia, and supply costs

> "THE PRICE transparency and price deflation," Smith says, "aim at the soft underbelly of the beast."

as well as an overnight stay. The patient's next-closest bid was $60,000, saving his company's health plan $51,500. While few would argue that high four- to low five-figure treatment costs are cheap in absolute terms, in relative terms they are. For major spine surgery, the SCO charges $16,500, which Smith admits "is a lot of money, but people are flying here from Alaska and Massachusetts to get this price because in their home states it's not uncommon for this surgery to cost $175,000."

Comparing the SCO's prices with national average prices backs up Smith's claims, though it's tricky: Estimates from different sources vary widely, which is a symptom of an inefficiently functioning market. That said, the SCO comes in under the lower end of national average estimates. The table below lists several surgeries that the SCO does for a fraction of the national estimates compiled by howmuchisit.org.

Price Comparison Between Surgery Center of Oklahoma and National Average

Surgery	Surgery Center of Oklahoma ($)	National Average ($)
Achilles repair	5,730.00	10,000.00 - 31,000.00
ACL replacement	9,900.00	40,000.00 - 65,000.00
Broken nose	1,900.00	4,500.00 - 9,000.00
Cochlear implant	8,800.00	40,000.00 - 125,000.00
Inguinal hernia	3,060.00	3,800.00 - 30,400.00
Pilonidal cyst	3,400.00	9,000.00 - 20,000.00
Rotator cuff	6,260.00	7,000.00 - 25,000.00
Spinal fusion	16,500.00	50,000.00 - 150,000.00
Thyroidectomy	6,160.00	16,000.00 - 65,000.00

Source:
Surgery Center of Oklahoma Pricing, www.surgerycenterok.com/pricing/ (accessed 09/13/13); HowMuchIsIt.org, www.howmuchisit.org/surgery-costs/ (accessed 09/13/13).

Put the Patient in the Canoe Where the Money Is

So if the SCO is able to offer care at mere fractions of national average prices, why is healthcare so expensive? A big reason is that consumers and providers are shielded from price signals by insurance companies or government. The healthcare industry consists of a triumvirate of consumers, providers, and payers; neither the consumer nor the provider has an incentive to economize because the former is not directly paying and the latter is not directly charging. Hoover Institution economist Russ Roberts sums up this phenomenon pithily with the statement, "If you're paying, I'll have top sirloin." Without incentives to economize, costs spiral out of control to such a ridiculous degree that providers can charge $100 for an aspirin and consumers can order a bevy of lab tests for a common cold.

Smith believes that the ACA, which further shields the consumer and provider from the cost of healthcare, will only exacerbate this problem. The best solution is to cut out the third-party payers and let consumers and producers negotiate directly, thereby allowing market forces to do for the healthcare sector what they have done for virtually every other sector of the economy: bring down prices and improve quality. Smith says, "Ultimately, the only way to control cost is put the patient in the canoe where the money is, they've got to feel like they have some accountability or they're going to want it all."

The Silicon Valley of Healthcare

Smith's transparent pricing has already had a significant impact on the healthcare market in Oklahoma City. Smith says, "What we've done by putting these prices online is created a price war, and it's really going on in Oklahoma City." With the SCO as an option for residents, the big nonprofit hospitals in the city are having difficulty continuing to charge their inflated rates. "The big hospitals," Smith says, "have been thrust into a market economy whether they like it or not." Consumers finally have the option to shop around for the best medical care.

The effects have been felt throughout the region. The Oklahoma Heart Hospital and the nearby McBride Orthopedic Hospital have both followed the SCO's lead in publishing their prices in an effort to attract consumers. Worried that they were losing heart patients to the Oklahoma Heart Hospital, Galichia Heart Hospital in nearby Wichita has also published its rates, creating the first semblance of the price war Smith has been trying to start.

As a result, Oklahoma and Kansas boast some of the cheapest open-heart surgery rates in the nation, at around $30,000. The procedure costs $106,000 at the Cleveland Clinic in Ohio. “In Oklahoma City,” Smith says, “we’re dragging people along because there is work out there for them if they adopt this strategy.” Even outside the region, the SCO is helping people save on their medical bills; patients from around the country are demanding that their hospitals match the SCO’s prices. Many relent. Smith says that he receives several letters each week detailing variants of this story: “I like to think of what is done with all those dollars that are not spent on giant hospital bills.”

Big Hospital’s Nightmare

It remains to be seen whether Dr. Smith’s business model can have a big enough impact to ameliorate some of the negative distortionary effects of the ACA. In the meantime, Smith seems to relish his role as a David figure fighting the entrenched and moneyed industry Goliaths. He believes that his model can cut into the profits of big healthcare: “The big hospital’s nightmare has arrived.”

Smith admits that his strategy hasn’t won him any friends in the healthcare establishment or, as he refers to it, the healthcare cartel: “I don’t get invited to any big hospital garden parties.” In fact, he claims that “giant hospital chains and insurance companies were lined up arm-in-arm” to prevent the SCO from succeeding. Following its opening, business suffered for several years because it was locked out of insurance plans that would rather pay the higher in-network amounts at the bigger hospitals across town. The SCO only became profitable when it went over insurers’ heads and pursued corporate clients directly. “The big hospitals and insurance companies hurt us for a while,” Smith says, “but we stayed with it; now they’re sucking wind.” **FEE**

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AUBADE

Emilia Phillips

“That kind of blockage, exiling one’s self from one’s self—have you ever experienced it?”

—William Carlos Williams

Sometimes we say to one
        a goodbye
    meant for another. Morning
& the meperidine dream
        breaks to shaking. My husband

guides me by his hands
    on my
    hips like a window-
dresser wheeling a mannequin
        into sunlight, toward its reflection. I dreamt

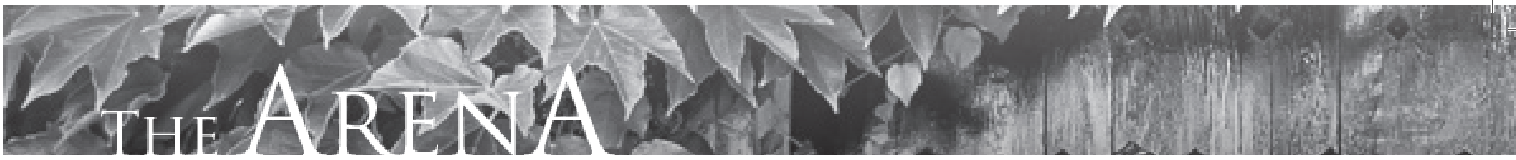
of being, like fruit,
    faceless.
    The surgeon insists it’s
the swelling. He must’ve learned
        to stitch on the flesh of an

orange, unless this idea is an ambrosia
    the gods pretend
    to eat so that when we steal,
we steal pathetically.
        The bath reminds me

of a lover. The meperidine
    guides me by its
    hands on
the glass. He holds my head as if a baby’s
        & tilts me back. I dreamed of being faceless

like morning. The bath reminds me
    of a window. The dream—
    it breaks like a stitch. . . .
Sometimes we say to one the goodbye
        another meant.

Emilia Phillips is the author of a collection of poems, Signaletics *(University of Akron Press, 2013). She is the prose editor at* 32 Poems *and is the 2013–2014 Emerging Writer Lecturer at Gettysburg College.*



Tech Will Fundamentally Transform Higher Ed

MICHAEL GIBSON

Two guys in a garage. In early 1998, back when Microsoft appeared to be a juggernaut and the Justice Department was sniffing around for an antitrust case, that's who Bill Gates said he feared. Journalist Ken Auletta recalls visiting Gates in Richmond, Washington, that year. What competitive challenge, Auletta asked, did Gates most fear? "Gates did not recite the usual litany of prominent foes—Netscape, Sun Microsystems, Oracle, Apple. Instead, he said, 'I fear someone in a garage who is devising something completely new.'"

Later that year, in Susan Wojcicki's Menlo Park garage, Larry Page and Sergey Brin founded Google.

One canonical measurement for technological change is Moore's Law, which forecasts that the performance of microprocessors will continue to improve on a logarithmic scale while costs plummet. In an ideal competitive market with low barriers to entry—as is the case for fabricating microprocessors—quality ought to increase and costs ought to decrease. This is why smartphones and tablets get better and cheaper every year. It is why Bill Gates feared two guys in a garage in 1998.

For higher education over the last three decades, nearly the opposite has been true. In real terms, the cost of a college degree has risen more than fourfold, a faster clip than both housing (even counting the run-up to the 2007 financial crisis) and healthcare. Total outstanding student loan debt has surpassed $1 trillion. According to a study by economist Richard Vedder, about 17 million Americans with college degrees work in jobs that the Bureau of Labor Statistics says they are overqualified for. More than 40 percent of students fail to graduate from four-year colleges within six years. No new, credible, tier-one universities have been founded in over half a century.

If we define innovation and technological progress as doing more with less, then it is undeniable that higher education has been stagnating for over 30 years. Indeed, we seem to be accomplishing less for ever-larger, more staggering sums—an anti-Moore's Law of sorts. Who do current colleges fear in the competitive landscape? It is quite telling that if you were to ask this of Drew Faust, the president of Harvard, or of L. Rafael Reif, the president of MIT, they would not say some brilliant starving technologist toiling on something new in a garage.

But they should.

The future of higher education—whatever else it may be—will involve reversing the woeful, stagnant trends of the last 30 years. Happily, it will be a future shaped by gales of Schumpeterian creative destruction set in motion by entrepreneurs, a force that universities have held at bay thanks to government protections and the limits of old technology. To help get a sense of where things are going, Alex Tabarrok recently drew an insightful analogy in a *Marginal Revolution* post. He posted a *TV Guide* schedule from 1963, when viewers only had one shot to watch their favorite shows: the one time it aired on a weeknight.

We now think of this situation as laughably archaic. Yet higher education has been like this until very recently—students have had to attend a lecture by a professor at a particular time, or else miss it forever. Now, with the advent of Khan Academy, Coursera, Udacity, and other massively open online courses, we are seeing the beginning of the end to the *Howdy Doody* era of education.

But college, some traditionalists say, is more than just learning. It is above all… an experience… that must be had on one particular sacred geographic plot of land… an obligatory rite of passage, the crucible of friendship, and so on and so forth. Against these arguments, I've taken to analyzing the college experience by its four main architectural elements: (1) the clock tower, (2) the stadium, (3) the frat/sorority house, and (4) the admissions office.

What these buildings will look like after the next decade will determine how education will have changed.

The clock tower. The clock tower, the most prominent architectural element on campus, represents the amount of time spent studying a subject. Here, as I intimated, colleges have a lot to fear. In four or five years, online offerings paired with man-machine tutoring services will outperform the best course at Harvard in terms of content and the rate of knowledge transmission.

For far too long, the hour chime from the clock tower has been the indirect, substitute measure for skill and knowledge acquisition. Consider that to this day, classes are measured in hours per week, exams are given in hour-length chunks, and students need some requisite number of hours in any subject to signal mastery. A degree is granted based on how many years you walked around a clock tower accumulating hours of study.

What the fireplace, another medieval invention, is to the cold, the clock tower is to learning. Proximity and a schedule used to matter. Now they don't. Central heating is better.

The stadium. The stadium represents the tribal element of the college experience. It refers to the social ties that bind alumni for

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Higher Ed Will Fundamentally Remain the Same

PETER BOETTKE

Sir Arthur C. Clarke famously wrote that "Any teacher that can be replaced by a machine should be." I agree with that statement 100 percent. But I think enthusiasts of the technological innovations in higher education that supposedly will eliminate the need for traditional teachers and classrooms are not contemplating the full sentence.

There is no doubt that higher education will be transformed over the next 20 years, but perhaps less so than many enthusiasts believe. The idea of a "university without walls" is not new—though ironically people in the Internet age seem to suffer more from "presentism" than previous generations, despite the availability of more information about the past at a keystroke. The idea that learning can take place beyond ivy-covered walls and that a true democratization of knowledge can be achieved has been the vision of many educational entrepreneurs through the ages. In the broadest context, the printing press was an early technological innovation that both promised and delivered on this ideal.

The same can be said for the development of audio technologies, from radio to recording, and capturing moving images on film to digital. Lectures have been recorded since the technology first developed and have been listened to by far greater audiences. My favorite economist of all time is Ludwig von Mises, and I have been able to listen to his lectures despite the fact that he passed away well before I ever even thought I'd care about economic issues. My intense interest in economics early in my education was sparked by watching Milton Friedman lecture and debate others on TV with his *Free to Choose* series (and as a teacher I have returned to those recordings to capture the imagination of new generations of students about the economic way of thinking). Finally, correspondence colleges have existed for years as an alternative model for higher education.

I mention these examples to stress only that (a) we have had the technology to learn beyond the classroom for centuries, and even modern technologies for roughly a century, and (b) I appreciate the aspiration of a university without walls, and have benefited myself from the use of modern technology to be exposed to economic ideas that I could not get within the confines of the particular walls and halls of higher education that I walked. But still I want to suggest that those predicting the disappearance of the traditional college/university are not considering several key factors.

The first thing I want to stress is that *any* institution that has persisted as long as the traditional college and university must have some efficiency properties that are perhaps hidden from the view of even the most astute observer; otherwise these alternative learning channels would have represented more of a challenge. I'd like to suggest that the alternative models—including the most technologically advanced version—simply cannot capture the educational experience that students receive in the traditional college/university. Online education and online peer-to-peer learning can be superior for many subjects, and the opportunity they provide to those who otherwise would be denied access to education is phenomenal. But what online education doesn't capture is the face-to-face teacher-student interaction, or the student–student interaction, that "clustering" in a single location delivers. In this sense, online education produces an inferior good to what could be (and should be) produced through the traditional college/university educational experience.

As an undergraduate, not only did I benefit from the exposure to Milton Friedman's teachings of economics through his *Free to Choose* series and book, but also from the writings and lectures of Ludwig von Mises, F. A. Hayek, Murray Rothbard, Israel Kirzner, and even Adam Smith, J. B. Say, and Carl Menger without having been in their physical presence. But I was able to benefit precisely because in developing an appreciation of these individuals and their work, I was guided by a master teacher, Hans Sennholz, who encouraged my study, forced me to consider questions I would not have thought to ask on my own at that stage of intellectual maturity, and caused me to think through answers that were startling to me at the time but now seem obvious.

My understanding of economics came from that teacher–student relationship, and it was further strengthened during my advanced studies in the discipline with Don Lavoie, Kenneth Boulding, James Buchanan, Gordon Tullock, and others in George Mason University's economics department in the early 1980s. Each of these teachers inspired me to probe deeper into understanding the logical structure of economic argument, and the historical record of the operation of these ideas in theoretical debate and in practical experience.

But as important as teachers are, so are the face-to-face peer interactions with students of similar interest. As a graduate student this is obvious, because you cluster together with roughly 30–40 other students who share a deep passion for a discipline. One gains knowledge exponentially in such environments. But even as an undergraduate with all the other social distractions around me, as I matured in my intellectual interests, I sought out conversations with

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life. They buy the t-shirts, they wear the war paint at football games, they cheer the team on in arctic air, and from time to time they riot when the enemy is crushed in a high-stakes match.

The love of the college tribe is big, big business. For example, college basketball and football together generate more than $6 billion in annual revenue. Two years ago, the NCAA and CBS/Turner Sports agreed on a $10.8 billion deal to broadcast March Madness basketball games until 2024.

To call college sports "amateur competition" is a cruel joke. If America were to treat college sports as the multibillion dollar professional league it is, then the demand for this portion of the so-called college experience would diminish.

The frat/sorority house. At their core, colleges are great real estate companies with dating sites attached. A key offering, the Greek house, represents friends and community and network. It represents all those serendipitous collisions, the parties and the hookups.

No direct competitor to this benefit of college has emerged. But gathering a large number of young, talented people into a small area to hang out does not appear to be an intractable problem on par with proving the Riemann hypothesis. It certainly should not cost $55,000 or more a year.

The admissions office. Simply by sending an acceptance letter, the admissions office imprints an identity and perhaps a higher income on a student for life. To be sure, entry to college helps sort quality in the labor market. But as alternatives to learning on campus sprout up, I predict the resemblance between Harvard and Greenwich Country Club will make many people uncomfortable. Instead of being an exclusionary sorting mechanism based on status, the diploma will become an updatable record of a student's skills and experience.

On a panel in Davos, Switzerland, this past year, Reif did at least acknowledge that the current economics are unsustainable. "How can MIT charge $50,000 for tuition going forward?" he asked, "Can we justify that in the future? We see three components to MIT: First there's the student life, then there's the classroom instruction, but for us, the projects and labs activity is where real education occurs. But I don't think we can charge that much for tuition in the future."

Somebody in a garage is working right this minute to ensure he's correct. FEE

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Higher Ed Will Fundamentally Remain the Same

peers who shared those interests. Online chat and social media sites do not compare to the hands-on, face-to-face working through of difficult issues that the physical clustering of learners provides.

If I had just watched Milton Friedman's *Free to Choose* and read his book on my own, I might have acquired *information* about economic policy, but I believe I would not have developed the *knowledge* of economic theory, economic history, and economic policy that I in fact did develop through teacher-student guidance and peer-to-peer interaction. The pure online experience is very good at communicating information, but very bad at producing knowledge. And that is the key reason that the traditional college/university will not disappear.

My prediction is that a hybrid model will continue to be perfected. I believe the competition from alternative educational institutions will spur teachers to be better and will enable students to learn faster. But as in my own example, students will continue to need the guidance of master teachers to learn that which they are unprepared to learn at the moment they most need to learn it. Once we know it, we often think we could have learned it on our own. But this conclusion is a mistake. Difficult ideas seem obvious because a master teacher has guided us through the process of transforming information into real knowledge. The physical plant associated with colleges and universities provides the setting for this sort of engagement, and online technologies will not replace that. If anything, online technologies will steer the most ambitious to wanting to learn more by attending the physical location where their favorite lecturers conduct their work.

Sir Arthur Clarke was right—any teacher that can be replaced by a machine should be—but the best teachers will not be, and the most curious students will seek out interactions with other curious students around those teachers. It happened in Athens, it happened in Oxford, and it is happening all the time in colleges and universities across the world to this day. Long and enduring institutions persist for a reason, and not just because of institutional inertia. The future of higher education will be different due to technological innovations, but shockingly it will also be a lot like it has been through the centuries precisely because of the benefits of face-to-face teaching and peer-to-peer learning. FEE

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Falsehoods About the Free Market

SANDY IKEDA

Just as there are timeless truths, there are also timeless falsehoods. Here are a few of the latter that I've recently encountered, but there are, of course, plenty more. Some libertarians may not agree with me (at least at first) on all of them.

1 *The free market creates scarcity and higher prices.* In any economic system—socialist, interventionist, or free market—the quantity of a good will typically not be enough to satisfy demand when the price is zero. In a free market, in which people trade their legitimate claims to those resources, prices will tend to rise or fall to the level where the quantity supplied equals the quantity demanded, and in that way prices help us to cope with scarcity. Not only that, the free market, via a system of profit and loss, gives entrepreneurs an incentive both to supply more of scarce resources and to discover alternatives to them. (But not all "trade" is conducted this way. See No. 4.)

2 *The free market means the government gives businesses special privileges.* This is a very common belief based on the idea that pro-market means pro-business. But the free market is free precisely because it denies special legal privileges to any person or group. People sometimes define "privilege" as any advantage a person or group may have over others. Certainly such advantages exist today and would exist in a free market—you may be born into a wealthy family or have superior drive and resourcefulness—but these advantages are consistent with the absence of privilege in the libertarian sense, as long as you acquired such advantages without fraud or the initiation of physical violence against the person or property of others.

3 *The pre-Obamacare healthcare industry was a free market.* Actually, it was a highly interventionist market, as John C. Goodman explains. Similarly, the failures of the housing and financial markets were hardly the result of "free-market policies," and the same could be said for practically every other sector of the American economy. The free market is free of legal privileges and discrimination; it is whatever happens in the absence of aggression and within certain "rules of the game"—for example, private property, freedom of association, and the rule of law. Again, it's not pro-business, pro-consumer, or pro-anything if that means using political power to intentionally help some and hurt others.

THE FREE market is not pro-business, pro-consumer, or pro-anything if that means using political power to intentionally help some and hurt others.

4 *The free market requires that all valuable resources be privately owned and traded on markets.* Even if this was possible, and I'm not convinced that it is, it's not always the best way to overcome a "tragedy of the commons." Sometimes the alternatives to individual ownership just work better. Indeed, Elinor Ostrom, who won the Nobel Prize in economics for her research on commons-type problems, found ways that people around the world and throughout history have avoided conflicts over such things as water usage and forest-cutting by using non-market methods of cooperation (and often without the use of government). Indeed, we typically "exchange" favors with family, acquaintances, and sometimes with strangers without the need for formal markets and market prices. And that's a good thing.

5 *The free market encourages racism, homophobia, and other types of bigotry.* Now, it's true that you can be a racist homophobe in a free market, and refuse to live next to a same-sex, interracial couple, or refuse to hire someone because their looks in some way offend you. The consequences of those actions, however, mean that you will tend to pay a higher price for a house or a higher wage to your employees because you've deliberately narrowed the range of your choices.

Some critics of the free market scoff at this explanation and argue that it doesn't address the underlying racism or sexism. Much can be said in response, but I'll limit myself to two things. First, paying for prejudice may not eliminate it, but it will tend to reduce it (i.e., the demand curve for prejudice slopes downward). Indulging in prejudice means losing out to the family that is more tolerant or the employer who is more competitive. Second, trying to change a person's attitude toward homosexuality and racism by the use or threat of aggression is not really an effective method; indeed, it usually does more harm than good and causes enormous complications in the long run. The free market gives you an incentive to profit from associating with and learning from others who might be very different from you, who operate outside your normal social networks. Legal mandates tend to breed resentment and rent-seeking that undermine the tolerance necessary to connect to people who are socially distant from you.

6 *The free market is pro-war.* It's true that besides being "the health of the State" and the enemy of liberty, war does benefit some special interests such as businesses that produce the weapons of war. But war undermines the free market in general. War and the government interventions that inevitably accompany it restrict markets (domestically and in the countries against which our government is fighting) and free association, make it more costly for most people to buy and sell, reduce the purchasing power of households and businesses, and disrupt the peace that is necessary for a thriving free market.

7 *The free market is always efficient.* The real world is populated by real people who don't have complete information, who may have bad information, and who may just make mistakes. An "ideal" economic system is not one in which no one ever makes a mistake; it is one in which the mistakes that people inevitably make are corrected as effectively as possible. Competition in a free market will tend to let you know if you charge too much or too little, overlook an opportunity to lower your cost or raise your revenue, or utilize a new method of consumption or production. The free market is not ideal because it always operates to perfection, but rather because it does better than any other system that we know of so far in correcting mistakes.

AN "IDEAL" economic system is not one in which no one ever makes a mistake; it is one in which the mistakes that people inevitably make are corrected as effectively as possible.

Seven More

How's that for a start? These things tend to be regarded as conventional wisdom by a lot of people, and they underlie a lot of misunderstandings. The list doesn't end there, of course, so I've assembled seven more (in no particular order).

1 *The free market is "dog eat dog," encouraging people to cheat and steal from one another with impunity.* The free market operates within a framework of rules. Some of these rules are formal or explicit, such as property rights and contracts, while others are informal or tacit—such as rules of honesty, reciprocity, and fair play. No serious advocate of the free market denies that either kind of rule is essential for social order and that effectively enforcing them, by government or by private governance, promotes peaceful exchange.

2 *The free market promotes monopoly.* In the competitive market process, monopolies may sometimes emerge. They usually don't last long, but if they do it's not necessarily bad. By monopoly I mean a single seller of a product

in a market. In a free market monopolies arise for two reasons: (a) a business drives competitors from the market by being more efficient or providing a better product, or (b) an entrepreneur is the first to offer a new product. In each case, if the monopoly persists it means that provider is more efficient or more innovative than its rivals. When government protects businesses from competition or subsidizes costs, efficiency and innovation suffer. But that, of course, is not the free market. (See No. 6.)

3 *The free market stifles innovation.* Now, some argue that a big company will buy up innovations from potential competitors in order to protect its market share. But as a rule, in a free market a business's primary concern is not market share, it's making profit. If an innovation is profitable it makes no sense for anyone to withhold it from the market. Company X may buy a new invention from Company Y in the hopes of, say, being better placed to market it; but if it turns out not to be profitable then, well, the company won't sell it. That's not stifling innovation, it's avoiding a loss. When the L.A. Angels obtained the slugger Albert Pujols from the Cardinals, they didn't do it to sit him on the bench but so he could hit more home runs for them. When he did "ride the pine" it wasn't to hurt St. Louis, but because he couldn't help the Angels.

4 *The free market makes people selfish.* People are just as selfish under socialism as they are in the free market (if not more so). Any system has to address the problem of how to harness that selfishness to promote the general welfare. The free market does it by maximizing the potential for voluntary exchange: Jack and Jill don't have to trade unless each of them expects to gain from doing so. As Adam Smith explained in *The Wealth of Nations*: "It is not from the benevolence of the butcher, the brewer, or the baker, that we can expect our dinner, but from their regard to their own interest."

Some interpret Smith to mean that people will (or should) only help one another for material gain. But as Smith explained in his earlier book *The Theory of Moral Sentiments:* "How selfish soever man may be supposed, there are evidently some principles in his nature which interest him in the fortune of others and render their happiness necessary to him though he derives nothing from it except the pleasure of seeing it." In the daily, face-to-face contacts between buyers and sellers in a free market, people deal successfully with all kinds of strangers, which gives them the confidence to be beneficent. It's not just good business (which of course it is), but the kind of sympathy Smith writes about is essential to the greater free society of which the free market is only one aspect. Which brings us to…

IN AN UNFREE society beneficence is typically limited to those you know well; the free market broadens our contacts.

5 *The free market discourages charity and sympathy.* Strange that some would think that voluntarism wouldn't thrive in a social order that is all about voluntary action and non-aggression. Perhaps that's because many, including too many libertarians, believe the libertarian credo is, "Don't tread on me!" Instead, I think it comes closer to the truth to say, "Don't tread on others!" In an unfree society beneficence is typically limited to those you know well; the free market broadens our contacts. As Dierdre McCloskey has explained, the "bourgeois virtues" go well beyond what she terms "prudence alone." And as a practical matter, wealth makes charity possible, and there is no better system for creating wealth than the free market, which decades of research have confirmed again and again.

6 *The free market means profit comes at the expense of others.* This falsehood conflates profit-seeking with rent-seeking, or the free market with crony capitalism. In a free market, a person will voluntarily trade only if she expects to profit—that is, if she thinks the value of the house she gives up is less than than the value of the cash she gets in return. If the trade takes place it means both sides expect to gain. (Whether they do depends on their alertness and the unavoidable uncertainty of the world.) But in crony capitalism people use political power for privileges and benefits paid for by taxes, regulation, and inflation. Here,

one person's gain is indeed another person's loss—truly "dog eat dog"—which characterizes our current "mixed economy." That means, unfortunately, that today it's very hard to tell whether the "profits" and "losses" we see are due to profit-seeking or rent-seeking.

ONE OF THE risks we take in a free society is to allow ourselves and others to make mistakes. Why? Perhaps because we can never be certain when something is a mistake or not.

7 *The free market means that we approve of everything that goes on in it.* I've written before that a free society flourishes in the presence of radical tolerance and radical criticism (tinyurl.com/mdo3xas). One manifestation of criticism is free-market competition among goods and services. If you like something you buy it, if you don't you don't. But a free society is also tolerant: "Don't tread on others!" I wouldn't want my son to smoke meth, but I'm willing to allow its open sale. One of the risks we take in a free society is to allow ourselves and others to make mistakes. Why? Perhaps because we can never be certain when something is a mistake or not. And in a free society, even if we do feel certain about something, we refrain from using political power to force our beliefs onto others. True, we don't compromise on the principles of private property and non-aggression, but we do tolerate (and peacefully criticize) what we disagree with. FEE

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A Quick Fix Courtesy of Karl Marx

Privatize Social Security and the economy will roar back

NATHAN SMITH

It is always a good time to privatize Social Security. In the long run, it is better for people to save for retirement, via portfolios of stocks and bonds, than to be dependent in old age on government handouts. The long-run case for Social Security privatization has been discussed before, especially in 2005, when George W. Bush had just been elected on a platform featuring Social Security reform. But doing it *now* has short-run benefits. Privatizing Social Security is the best way to get us out of this economic slump. Here's why.

In broad terms, a pay-as-you-go system of public pensions, such as America's Social Security program, reduces the overall savings rate and therefore the growth of the capital stock and the economy. It corrupts the political system, turning it into a tug-of-war for society's resources, as older generations demand payback for years of forced contributions—but get it from younger generations' current production, via public tax-and-transfer systems. The government gets more current income, which it spends, and long-term obligations, burdening future taxpayers. Pay-as-you-go systems cheat the future, but the government can't save without partially nationalizing private banks and corporations.

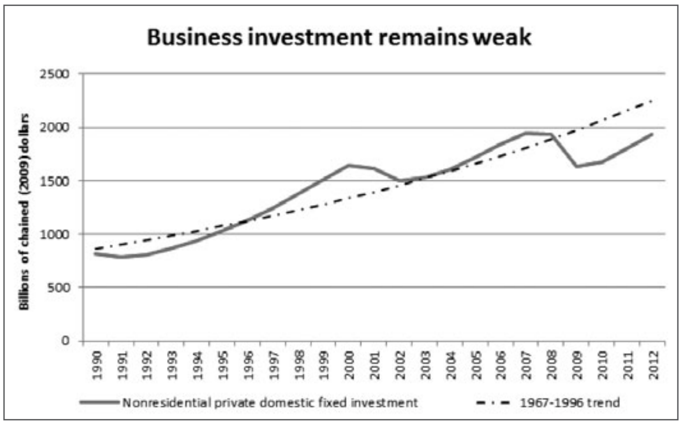
> MARX WANTED the workers to own the means of production; Social Security privatization would bring this about.

As for the current recession, economists and other pundits have a number of explanations. Keynesians like Paul Krugman and Matt Yglesias blame a "liquidity trap," in which further injections of liquidity don't stimulate the economy; they just get hoarded. In their own way, "market monetarists" like Scott Sumner (who blogs at www.themoneyillusion.com) believe this as well.

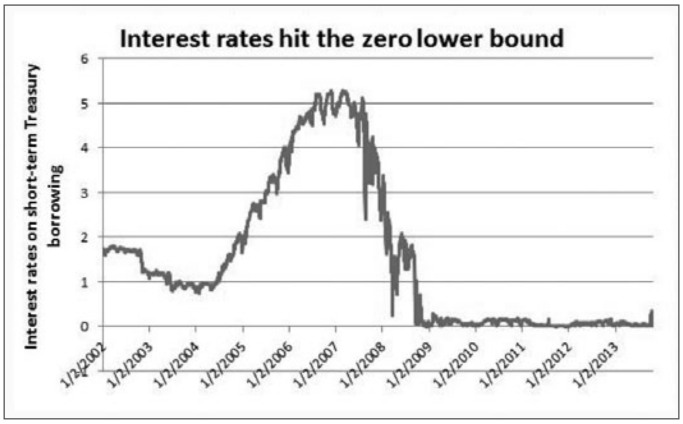
On the other side, Tyler Cowen sees the 2008 financial crisis and the slump that followed as a symptom of a "Great Stagnation" that has been decades in the making, while Casey Mulligan argues that we are suffering a "redistribution recession" because minimum wages, more generous unemployment insurance, and other policy changes have made people less willing to work.

Escaping the Liquidity Trap

All of them are right. But it is the liquidity trap that Social Security privatization could solve. Two charts will help to illustrate what the liquidity trap means. First, look at business investment (using Bureau of Economic Analysis data):



Whereas strong business investment created jobs and raised wages during the late 1990s boom, business investment grew slowly under Bush and plummeted under Obama. I constructed a somewhat arbitrary but nonetheless revealing "trend" based on the years 1967–1996. By this standard, business investment is about 14 percent too low. Second, look at the time path of the "safe" interest rate paid on U.S. Treasury bonds:



Do you see what's happening? Since 2008, interest rates have stopped their normal fluctuations and become stuck at the *zero lower bound*. That's the liquidity trap.

The obvious part of the liquidity trap is that U.S. Treasury bonds can't pay less than 0 percent nominal interest. If they did, investors would hold cash instead. The subtle part is that just because interest rates are stuck at zero doesn't mean the forces that affect the interest rate have stopped operating. Rather, it is a safe bet that the natural equilibrium interest rate has been fluctuating as usual, only in negative territory. Money, by offering a riskless 0 percent return, has been preventing the market for investment funds from clearing properly.

WHATEVER THE reason, interest rates don't lie. Expected returns on entrepreneurs' projects, minus risk premiums, must be zero or less. Otherwise, investors wouldn't buy T-bills that pay so little interest.

The Natural Interest Rate

The natural rate of interest is a tricky concept to understand. Start here: Economic growth requires risk-taking. Indeed, even for the economy to hold steady requires risk-taking, since even routine maintenance is an investment that may not pay off. But initiating new economic activity—launching new projects, developing new products, building new plants, founding new companies, hiring new employees—usually involves more risk. To attract investors to a risky project, you need to compensate them. You need to offer a risk premium.

In an investments class, you might be taught to treat the rate paid on T-bills, or the "safe" interest rate, as a baseline to which a risk premium must be added to attract money into riskier asset classes. To understand the concept of the natural or equilibrium interest rate, we can turn this around. Think of the expected rate of return on the risky projects entrepreneurs want to pursue. Then subtract the risk premium. That's the natural rate of interest.

Of course, that explanation is a bit vague and oversimplified. Entrepreneurs have many projects in mind; not all will be pursued. There are many different risk premiums, and financial markets cunningly sift through it all in setting asset prices that balance risk and return. Still, for present purposes all we need to understand is that *the natural rate can be negative*, if entrepreneurs' projects offer rather poor returns and/or investors are especially risk-averse.

That is what has happened since 2008. Why is debatable. If we believe in Cowen's *Great Stagnation*, we might say there just aren't many good projects around for entrepreneurs to pursue right now. If we believe in Mulligan's redistribution recession, we might say that unemployment benefits are turning potential entrepreneurs into couch potatoes. Uncertainty, especially due to huge deficits and Obamacare, is a major culprit in the eyes of the business community, but uncertainty is hard to measure. Keynesians like to say investment is down because aggregate demand is down: Why build capacity when you have too much already? That can't be the whole story, because much investment is oriented toward the medium- to long-run future. The graying of the U.S. population may be reducing investors' collective appetite for risk. Seniors, set in their ways, like fixed incomes. Whatever the reason, interest rates don't lie. Expected returns on entrepreneurs' projects, minus risk premiums, must be zero or less. Otherwise, investors wouldn't buy T-bills that pay so little interest.

When interest rates hit the zero lower bound, you're in a liquidity trap.

The Money Store

Money is said to have three functions: (1) as a medium of exchange, (2) as a unit of account, and (3) as a store of value. In normal times it is a poor store of value. When you get it, you want to either spend it or buy assets that pay interest. At the zero lower bound, though, money becomes competitive as a store of value.

This can initiate a vicious cycle. With interest rates at zero, people start taking cash out of circulation to use it as a savings vehicle. Money in circulation gets scarcer and rises in value vis-a-vis goods—that is, prices fall. Deflation makes the real return on holding money positive: Hoard a dollar today, and it will buy more tomorrow. So hoarding leads to falling prices, which encourages more hoarding. That's more or less what happened in the Great Depression.

The Fed since 2008 has been determined not to let that happen again. It flooded the system with money and, though housing prices fell sharply, it prevented a general deflation. But we're still stuck at the zero lower bound.

In a liquidity trap, entrepreneurs who could use investors' money to grow the economy have to compete for investment capital against cash and against T-bills that are now almost equivalent to cash. Entrepreneurs would try to create real future value. Cash and T-bills don't. So when money goes to cash and T-bills instead of to entrepreneurs, too little economic activity occurs. But we can't get out of the liquidity trap by abolishing cash. So what is to be done?

We tried fiscal "stimulus" in 2009. In the wake of the financial crisis of 2008, federal deficits surged to over $1 trillion per year. In Keynesian theory, tax cuts and extra spending should have boosted consumption by putting more money in people's pockets, but they didn't. Instead, people and firms saved more. That's just what "Ricardian equivalence," the theory that people are rational and save to offset future fiscal policy, predicts.

Since 2011, the government has raised taxes and begun to bring spending under control. In Keynesian theory, these moves should have curtailed consumption, but they didn't. As the government began to get the budget under control, the stock market surged. Consumers with less disposable income but more wealth have little reason to cut their spending. Again, the facts fit "Ricardian equivalence"—a nemesis of Keynesianism—operating in this case via stock prices.

> EVEN AS investors' high demand for government debt is causing all these problems for the economy, there is a lot of quasi-government debt outstanding whose owners would be happy to sell it, if only they were allowed to do so.

Although the Fed's normal methods for managing the macroeconomy via interest rates don't work in a liquidity trap (if they ever do, which is debatable), the Fed could get us out of the liquidity trap by printing enough money to ignite inflation. In that case, since cash would be losing value, entrepreneurs' projects would become relatively more attractive to investors. But inflation makes it hard for people and firms to make long-term plans. Relative prices become maladjusted, as some rise faster than others, causing inefficiency. A lot of unfair redistribution takes place: for example, from lenders to debtors, or from people on fixed incomes to landowners and workers. Once inflation gets started, it's hard to control. That cure may be worse than the disease.

A Way Out

So far, so bleak. And yet there is a solution. The irony is that even as investors' high demand for government debt is causing all these problems for the economy, there is a lot of quasi-government debt outstanding whose owners would be happy to sell it, if only they were allowed to do so. This debt consists of the Social Security Administration's largely unfunded promises to future retirees.

Legally, these promises are not debts. According to the Supreme Court decision *Flemming v. Nestor*, there is no right to collect Social Security benefits; Congress can revoke them at will. It would be nice to convert these revocable "entitlements" into real property rights, but how to do so is tricky.

Transitional challenges aside, Social Security privatization would essentially convert people's entitlements to future Social Security benefits into explicit government debts contained in private accounts. That done, individuals would be allowed to sell at least some of these bonds in exchange for private-sector stocks and bonds—and they would, since stocks perform best over the long run, yielding an average of 7 percent per year. Volatility doesn't matter for workers far from retirement. So Social Security privatization would lead to (a) a flood of Treasury bonds into the bond market, and (b) a flood of money into the stock market, as individuals optimized their portfolios.

With so many new Treasury bonds coming into the market, flight-to-safety investors would be more than satiated. The government's liabilities under Social Security are huge, and there's no way investors would buy them all at a near-zero interest rate. Interest rates would rise. We would be free of the liquidity trap.

At the same time, the new money flowing into the stock market would push stock prices up further, and that would drive a revival in business investment. Nobel laureate James Tobin long since explained why high stock prices promote business investment, and the data back him up. Stock prices express the market's opinion about what the existing capital stock is worth, and therefore whether it's worth making more of it. When stock prices are low, the best way to get structures and equipment is to buy existing firms that have them, not to build. When stock prices are high, entrepreneurs are motivated to start new companies and make initial public offerings. Existing companies can sell new shares to raise capital to finance new ventures.

As Social Security privatization raised stock prices, therefore, it would fuel a boom in business investment, leading to job creation and rising wages. Goodbye, economic slump. The financial logic is a little tricky, but here's the essential point: Someone needs to take risks to get the economy moving, and Social Security privatization would empower ordinary Americans to do it.

> SOCIAL SECURITY privatization is more a smart-government reform than a small-government reform, though it does give individuals a bit more say in how their lives are run.

Social Security privatization is more a smart-government reform than a small-government reform, though it does give individuals a bit more say in how their lives are run. It has been adopted both in the world's best-run capitalist mecca, Singapore, and in the world's best-run social-democratic welfare state, Sweden.

Ironically, especially for a free-market economist like myself, Karl Marx provides some inspiration. Marx wanted the workers to own the means of production; Social Security privatization would bring this about. Through private retirement accounts, ordinary workers would own shares in the private firms that own the country's productive capital stock. That promotes social solidarity. Workers of the world could unite—to make bets on the country's future. With that vote of confidence from all these newly minted capitalists, the economy would come roaring back. **FEE**

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Master Jugglers and Social Engineers

Good economics, bad economics, and our unprecedented debt

PETER BOETTKE

"Economics," Henry Hazlitt wrote in *Economics in One Lesson*, "is haunted by more fallacies than any other study known to man. This is no accident. The inherent difficulties of the subject would be great enough in any case, but they are multiplied a thousandfold by a factor that is insignificant in, say, physics, mathematics, or medicine—the special pleading of selfish interests."

Hazlitt, who in essence was simply updating Frédéric Bastiat's "What Is Seen and What Is Not Seen," defines the bad economist as one who looks only at the immediate consequences of a policy, whereas the good economist looks not only at the immediate consequences, but at the longer-term (and often indirect) consequences of the policy.

Calm Examination and Spending

In normal economic times, interest groups have a strong incentive to align with bad economics to lobby for direct benefits from public policies. In times of economic crisis, this natural tendency to concentrate benefits and disperse costs becomes even more pronounced. Thinking becomes emotional and political, and the logic of economic analysis fails to win the day. As Hazlitt put it: "Emotional economics has given birth to theories that calm examination cannot justify."

Consider the current discussion about government spending and public debt. This is clearly an economic issue that evokes strong emotion and little careful economic analysis—that is, more heat than light. This is not new. On January 6, 1935, Hazlitt published a *New York Times* article, "The Road to Recovery: Spending or Saving," in which he gives a fair hearing to both sides of the debate. To the contemporary reader, the discussion will be eerily familiar. Government spending, then as now, is seen to be a source of immediate and direct benefit. If we don't spend, people will have less money; if people have less money in their pockets they will not buy; if they don't buy, then stores will not be able to sell; if they don't sell, they cannot stay in business; if they don't stay in business, people will lose their jobs; and if they don't have jobs, they will not have money in their pockets, and so on.

Spenders do not address the indirect consequences of public policies requiring increased government spending. On the other hand, the savers support long-run growth. The savings of some become investment funds for private actors through financial intermediation. The savers also criticize the spending agenda in a twofold manner: Government spending tends to crowd out private investment, and public investments tend to be far less efficient than private investments. Government spending distorts the pattern of investment in an economy, and comes with serious costs for the long run.

The Triumph of Bad Economics

Ignoring the long-run consequences of spending policies is what leads Hazlitt to label such thinking as bad economics. Good economics not only looks at the direct and immediate consequences, but traces out the logic of the indirect and long-run consequences. Good economics is what led Adam Smith to condemn the fiscal irresponsibility of government. "When it becomes necessary for a state to declare itself bankrupt," Adam Smith wrote in the fifth book of *The Wealth of Nations*,

> in the same manner as when it becomes necessary for an individual to do so, a fair, open, and avowed bankruptcy is always the measure which is both least dishonourable to the debtor, and the least hurtful to the creditor. The honour of a state is surely very

poorly provided for, when in order to cover the disgrace of a real bankruptcy, it has recourse to a juggling trick of this kind, so easily seen through, and at the same time so extremely pernicious.

Juggling Tricks

Unfortunately, as Smith points out in the next paragraph, all governments, ancient as well as modern, have resorted to juggling tricks rather than face up to their fiscal irresponsibility. The juggling trick that Smith is referencing is the cycle of deficits, debt, and debasement. The classical economists and many modern-day political economists argue that due to the negative consequences of "juggling," we need to establish binding rules that curtail such behavior on the part of governments. Keynes—or more accurately Keynesians—broke with this tradition of constraining public authorities and binding them by rules. They opted instead to embrace the juggling with theory and train generations of economists as social engineers to be master jugglers. But for all their "mastery," we are right here: bankrupt.

If you believe official public accounting, we are $16 trillion in debt. If you look at the work on intergenerational accounting by Laurence Kotlikoff, the fiscal gap is far greater: roughly $211 trillion. Promissory government has resulted in a bill that there is simply no way to pay without crippling our economic future.

What this implies is that we have not fixed the problems that led to the bankruptcy six decades ago; the State has simply been attempting to cover the disgrace with juggling tricks. This is what the economist Albert Hahn referred to as *The Economics of Illusion*, and the United States and Europe embraced the economics of illusion after World War II. The sort of $211 trillion fiscal gap that Kotlikoff reports is not a figure you arrive at overnight; it takes decades of promissory politics backed only by faith.

How to undo this mess is the task that has fallen on this generation. One method is repudiation. Polite folks will not want to talk about matters, believing as they do that you can simply carry on with the juggling. For most of us, this juggling has lasted a lifetime, after all. But this is simply another example of bad economics. Perhaps repudiation is not the answer, but we need to encourage a bold, public conversation about fiscal responsibility and, I would add, sound money. We need to rethink the damage caused by efforts at master juggling by public authorities, and think seriously about Adam Smith's claim about a policy choice that is "least dishonourable to the debtor, and the least hurtful to the creditor." FEE

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Alex Emanuel Koch/Shutterstock.com

Debt-Ceiling Crises: Imagined and Real

A lot of the talk about the debt ceiling amounts to fearmongering

D.W. MACKENZIE

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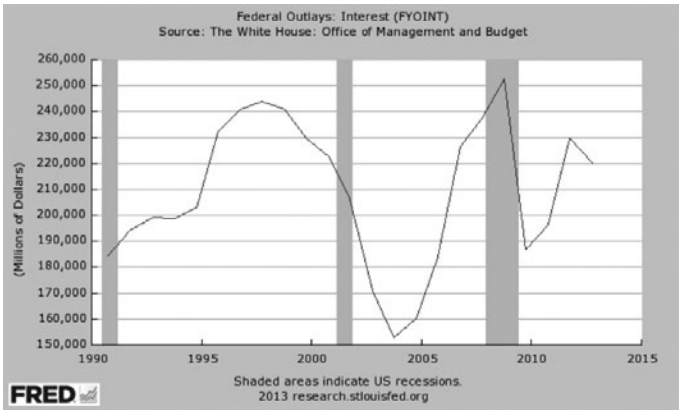
The government shutdown and impending debt ceiling "deadline" led to near panic over possible default on the national debt. This imagined "default crisis" is a canard used for demagogic fearmongering. That said, the long-term federal financial issues are all too serious.

Without a debt ceiling increase, the Treasury would have been unable to meet some of its financial obligations. Treasury bills would have taken a hit in international markets. With T-bills losing value in markets, interest rates—especially short-term interest rates—would have started to rise. Rising interest rates would have impaired recovery from the 2008 financial crisis.

The assertion that a debt crisis would impair an already weak economic recovery is correct. On the other hand, any claim that the federal government was up against a hard deadline to meet its legal financial obligations is utterly untrue. The federal government holds vast amounts of property, all of which is available to be sold off. How much is needed to cover federal interest payments?

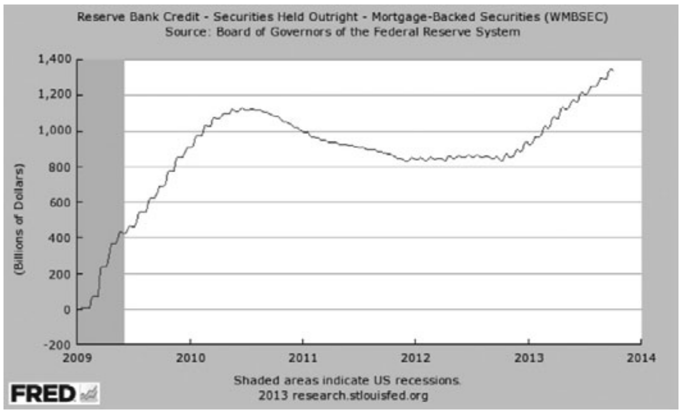
Interest rates are, for the moment, very low. Accordingly, interest payments on the debt are a small percentage of the total federal budget, despite the large size of the national debt.



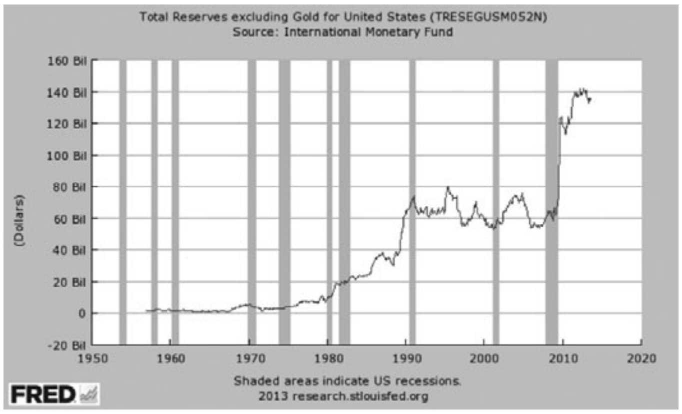
With annual interest payments at a couple of hundred billion dollars, there is no impending debt-ceiling default crisis.

How exactly could the federal government pay interest on the national debt? To start with, the Federal Reserve now holds large numbers of mortgage-backed securities. There is some uncertainty over the market value of these securities, but their *face value* is immense, well over

$1 trillion. Sales of some of the better-quality mortgage-backed securities could fund interest payments in the short term.



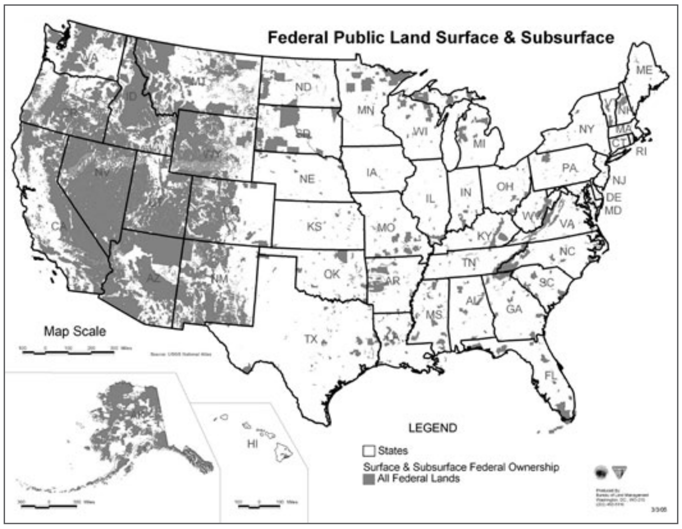
U.S. gold reserves are also substantial. The U.S. holds thousands of tons of gold at Fort Knox and at the New York Federal Reserve.



Sales of a small part of U.S. gold reserves could be used to make immediate interest payments.

The U.S. government also holds large amounts of idle real estate. The federal government spends $8 billion on vacant buildings annually. That's for an estimated total of 55,000 to 77,000 buildings. The fact that our federal officials aren't sure how many buildings they manage is itself disturbing, and a sign of incompetence. However, it seems that there are at least over 50,000 such buildings. How many hours would it take for federal employees who "manage" these buildings to post some of them on eBay? Surely sales of these properties would raise enough money to cover federal interest for about a month or two of the next year, even if each of these buildings sold for only a half a million dollars on average.

Efficient, competent public officials could simply announce auctions and begin to sell some of these buildings. Of course, red tape could delay property auctions. However, the Fed could make immediate interest payments by using its discretionary powers to sell mortgage-backed securities and gold reserves. President Obama could, in the meantime, expedite sales of vacant federal buildings—not to mention federal lands—by cutting red tape.



Crisis of Choice

The President has already acted in arbitrary—and some would say illegal—ways: by granting special exemptions from the Affordable Care Act to favored corporations, by using drones to kill U.S. citizens, and by targeting unfriendly political groups for audits. If Obama really wants to save his beloved federal government from default, why shouldn't he just use the extraordinary powers that *he has already claimed* to order the immediate sale of vacant buildings? The point here is not to encourage further illegality on the part of this President (he needs no assistance in such matters). The point here is that Obama does not have his back against a wall; there is no "gun to his head." Obama has already claimed more than enough discretionary powers to prevent a debt-ceiling default. If default does happen it is *entirely* his choice, given that he has legal options and has already assumed various unconstitutional powers.

Obama has occasionally mentioned that some programs might be trimmed or cut. As Obama put it in 2010, “We cannot sustain a system that bleeds billions of taxpayer dollars on programs that have outlived their usefulness, or exist solely because of the power of a politician, lobbyist, or interest group.” He added, “We simply cannot afford it.”

The federal government holds over 700 million barrels of oil in the Strategic Petroleum Reserve. Obama could raise billions of dollars for interest payments without selling the whole reserve. Some people might see sales of the SPR as irresponsible. However, the oil in this reserve is a small fraction of monthly oil consumption, U.S. oil production is rising, and owners of foreign oil have overwhelming financial interests in continued oil sales to the United States.

The federal government also holds a Strategic Helium Reserve. It was created for “national security,” for blimps used by the military leading up to and during World War II. This program is archaic and the government already sells some helium. It could sell all of it and shut this program down.

Default on the debt is always possible. Obama and his people at the Treasury Department could refuse to pay interest on the national debt even though they have this money at hand. They could choose to default next month even though they can get the money—either through legal means or according to Obama’s demonstrated willingness to act illegally. The sale of federal assets and closing of federal programs would do more than just meet short-term interest payments on the national debt. Movement of securities, gold, buildings, oil, and helium would put these resources in the hands of people who would not merely put these resources to better use, but to *actual* use. The leeway that exists in federal finances points to longer-term financial and economic problems. Why would Obama engage in fearmongering on the national debt when obvious solutions to this problem exist? For that matter, why would federal officials hold so many idle resources for so long?

The federal government runs deficits nearly every year, despite collecting trillions in annual taxes, because it wastes vast amounts of money on dysfunctional programs and special-interest payoffs. An efficient government would not need to tax and borrow nearly as much as does the federal government. The gross inefficiency of government has put federal finances in long-term jeopardy.

The real debt ceiling is determined by the ability of all working Americans to pay more taxes. How much more can we pay? Continued structural deficits and rising entitlement spending will result in default on the national debt, but not for a number of years. The existing path of long-term federal spending does surpass the capacity of taxpayers to fund the federal government, as it is currently designed. Future default on the national debt will have severe consequences. However, Obama’s willingness to engage in demagoguery on the immediate debt-ceiling issue is one of many signs that politicians are unwilling to take necessary steps to fix long-term fiscal finances.

AN EFFICIENT government would not need to tax and borrow nearly as much as does the federal government. The gross inefficiency of government has put federal finances in long-term jeopardy.

The legal debt-ceiling crisis of 2013 is manufactured and phony. Even if Congress refuses to raise the legal debt ceiling this year, there are many ways of avoiding immediate default. The real problem we face is wasteful and irresponsible spending that will make default unavoidable eventually. Long-run default is, of course, avoidable. What we need are real cuts in federal spending, actual sales of federal assets and properties, and rationality in federal finances. Cutting spending and selling assets are easier said than done. Achieving smaller government will require a dramatic shift in public opinion. Americans need to realize that politicians who try to scare us are the ones that we really should fear. FEE

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TV's Third Golden Age

Programming quality is inversely proportional to regulatory meddling

B.K. MARCUS

Over the summer, Netflix made history, receiving 14 Emmy nominations for its original TV programming. The number of nominations was not remarkable. What was unprecedented was that the nominated comedies and dramas—now recognized as the highest quality available for television—are not for broadcast television. They're not cable shows, either.

Netflix is the leading provider of on-demand Internet streaming media—and its "TV shows" are produced for the Internet. The company's 38 million subscribers can stream the new videos to their computers, tablets, and smartphones, as well as their online TV sets.

Most of the nominations Netflix garnered, including outstanding drama series, went to the hour-long political drama *House of Cards*, which debuted on the streaming service at the beginning of the year. David Fincher, who directed the first episode, won the Emmy for outstanding directing.

The star of *House of Cards* also got a nod. The primetime Emmy Award nomination for outstanding lead actor went to film and stage veteran Kevin Spacey, who told an audience at the Guardian Edinburgh International Television Festival in August that TV has entered a "third golden age."

Spacey isn't the first to make the claim. In the last decade, TV aficionados have begun to talk of a new golden age of television beginning around the turn of the century with HBO's *The Sopranos*.

The first golden age of television took place at the beginning of the medium, over half a century ago—and at first glance, it could not look more different from the era we enjoy now.

In the 21st century, we have several national broadcast networks, hundreds of cable and satellite channels, and an increasingly dizzying array of video entertainment options emerging online. At the beginning of television, original primetime programming was only available on two and a half networks, CBS and NBC—with latecomer ABC the stunted offspring of NBC.

> FOR DECADES the most popular form of entertainment in America was not focused on pleasing the audience.

TV dramas now are cinematic in their production values, carefully edited, and serial in their narrative structure. In the first golden age, mistakes by the actors and mishaps in staging went out live to the TV audience—and the best-remembered dramas were complete, single-episode stories, written and directed as stage plays for the camera.

Perhaps most significantly, the shows that stand out today—*Mad Men*, *Game of Thrones*, *Homeland*, *Breaking Bad*, and Spacey's own *House of Cards*—are produced for cable networks, premium channels, and private subscription services, with little or no advertising.

The Age of Ad Men

In contrast, the era that first became known as the Golden Age of Television was arguably pure advertising. Sponsors not only attached their names to the TV shows they sponsored—*Kraft Television Theater*, *Goodyear TV Playhouse*, *The U.S. Steel Hour*—they developed shows, produced them, and paid the networks to put them on the air.

As Professor Robert J. Thompson writes in *Television's Second Golden Age*, "This arrangement led to some legendary stories of sponsor interference." Alcoa, producers of aluminum, would not let a tragic drama be set in a trailer park, because trailers are made of aluminum. The Mars company, makers of M&Ms, instructed the producers of one of their shows not to let the scripts mention anything that competed with Mars candies—not even ice cream or cookies! A particularly chilling example of sponsors' editorial interference took place in a program about the trials of Nazi war criminals. The American Gas Association required a reference to "gas chambers" to be removed from the story for fear that it created negative associations with its product.

ADVERTISERS once acted as surrogates for the audience when a cartelized industry did not allow that audience to act as customers of their own entertainment.

But there were surprising benefits to the 1950s arrangement. In his book *Television's Greatest Year: 1954*, TV critic R. D. Heldenfels points out that single sponsors were more patient than network executives, willing to wait for good ratings—or they settled for lower ratings because a show increased the sponsor's prestige.

TV producer Sherwood Schwartz goes even further, claiming that the reason the quality of television was higher in the 1950s than in the 1960s was that in the '50s, "The networks were conduits and they had no control of programming. Sponsors had more power, *and the creative people who created the shows had more authority*" (emphasis added).

As Paul Cantor explains in "America's First Television Czar,"

> When sponsors were largely responsible for developing prime-time shows, the television industry had a more free-wheeling, bottom-up structure. Just about any business was a potential sponsor, and anyone with an idea for a TV show could shop his proposal to a wide variety of prospects.

Art requires risk-taking, and while the screenwriters of the 1950s may have felt that the sponsors they wrote for discouraged certain risks, a much more serious threat to creativity would soon come from the public sector.

In the 1960s, the Kennedy administration decided that television content was the legitimate purview of the federal government. Newton Minow, JFK's chair of the FCC, instructed broadcasters to "provide a wider range of choices."

The Age of Centralization

Yet, writes Cantor, "Minow's speech resulted in centralizing power in the television industry and thus actually reducing the range of choices in programs."

Schwartz again:

> Minow gave networks authority and placed the power of programming in the hands of three network heads, who, for a long time, controlled everything coming into your living room. They eventually became the de facto producers of all prime-time programs by having creative control over writing, casting, and directing.

New shows were aired that displayed the sort of social consciousness the network heads thought would please the Kennedy administration. Media professor Mary Ann Watson described the products of this brief trend as "New Frontier character dramas"—with heroes such as a dedicated public-school teacher, a New York City social worker, and even, as Thompson describes one show's protagonist, "a state legislator trying to pass social programs over the objections of the evil Speaker of the House."

But few of the politically correct dramas lasted. Instead we remember the 1960s for shows like *Green Acres*, *The Beverly Hillbillies*, and *Hee-Haw*—"arguably," as Professor Cantor puts it, "the blandest decade of American television."

If we agree with Spacey about the three "golden ages" of TV, then the waxing and waning of government's interference with television content over the next several decades correlates to the rise and fall of quality in the medium.

The late 1970s marked the beginning of the deregulation trend that we associate with Ronald Reagan's presidency (even though it began under Jimmy Carter), and the 1980s are now remembered as the renaissance of the TV drama for shows like *Hill Street Blues* and *Thirtysomething*.

According to Thompson,

> The free-market philosophies inherent in deregulation fostered the growth of cable services that ultimately pushed the networks toward quality.… Seen as just another business, network TV was given tacit leave by the FCC to do whatever it took to compete in the marketplace.

But the chill was put on this second golden age when Attorney General Janet Reno loudly announced, as Thompson puts it, "her commitment to reducing violence on television, suggesting that government legislation might be necessary if the industry was unable to shape up on its own."

Thompson notes,

> The gritty realism that characterized Steven Bochco's 1980s TV series (*Hill Street Blues*) was held up to a great deal more scrutiny when Bochco went for an encore (*NYPD Blue*) during Bill Clinton's first fall season as president.

BUT AS THE market has become freer, it has eroded the older model, finally allowing TV's viewers to become customers.

It's Not TV

Broadcast television at the end of the century may have staggered under the burden of another interventionist government, but cable TV began to grow and expand into the formats we used to associate with the networks—transforming them as it went.

Not only do cable and online programs enjoy less interference from government regulation; they can also do away with commercial interruptions.

The turn-of-the-century slogan "It's Not TV—It's HBO" was more than just a clever bit of copywriting; a premium channel's business model is entirely different from the one that dominated the broadcast industry for half a century.

"If you're not paying for television, you're not the customer," says Jeffrey Bewkes, head of HBO's parent company. "You're the product."

From the inception of the medium, the job of the commercial broadcast networks has been to deliver quality audiences to their customers: the advertisers.

This means that for decades, the most popular form of entertainment in America was not focused on pleasing the audience; its objective was delivering receptive consumers to the sponsors. This model remained dominant as long as the market was hampered by a federal bureaucracy that controlled broadcast licenses. But as the market has become freer, it has eroded the older model, finally allowing TV's viewers to become customers. We shouldn't be surprised when entertainment seekers get what they pay for, whether the entertainment is free or comes at a premium.

This doesn't make the advertisers the bad guys in this story. They once acted as surrogates for the audience when a cartelized industry did not allow that audience to act as customers of their own entertainment. The sponsors simulated, in effect, some of the competition and diversity that comes from a free market.

From its beginnings, every permutation of the TV industry has involved complex tradeoffs between art and commerce on the one hand, and between creative expression and government interference on the other. But whenever the medium and the market have gotten freer, art and creative expression have achieved greater leverage.

With this year's Emmy Awards recognizing Internet shows among the best available, television has left behind the age of the airwaves, the dominance of advertising, and, we can hope, the restrictions of government interference. FEE

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The Root of Evil

SARAH SKWIRE

Geoffrey Chauscer • "The Pardoner's Tale." In *The Canterbury Tales* • Circa 1387

"The Pardoner's Tale" from Geoffrey Chaucer's *Canterbury Tales* is a grisly little moral tale that we are told is intended to illustrate the grim truth of the maxim, "*Radix malorum est cupiditas*" or "The love of money is the root of evil." It is referenced quite often as evidence of the way literature feels about money. But stories are not mathematical equations, and the things they say they will accomplish are not always the things they really want to accomplish. This is particularly true of Chaucer's set of tales—told by remarkably unreliable storytellers, for a variety of complex reasons, to a fairly unpredictable audience. So when the Pardoner is urged to tell "some moral thing" and promises to provide a tale that will illustrate the wickedness of avarice, we should be cautious about assuming that we know what will happen next.

It is true that the plot of "The Pardoner's Tale" is a classic example of greed gone wrong. After a long introduction in which the Pardoner (a layman who sells pardons or indulgences to sinners) excoriates the sins of drunkenness, gluttony, and gambling, he begins to tell the tale of three young men who indulge in all these vices—plus a few more just for fun. They are sitting and drinking in a tavern one day when they hear a bell announce a funeral procession in the street. Finding out that the deceased is an old drinking and gambling companion, they vow to take their revenge on Death.

The three friends wander out into the street and come across an old man who tells them that if they are seeking Death, he can help them find him. He sends them to look for Death under an old oak tree. They find the tree, and underneath it they find eight bushels of gold coins. Distracted by their newfound wealth, they put their plans to wreak vengeance on hold and decide to wait until nighttime and carry the treasure home under cover of darkness. One of the three is sent into town to bring food and wine to sustain the group until then.

The two friends who remain guarding the gold rapidly decide to kill the third friend for his share of the coins. He, meanwhile, is poisoning their bottles of wine for exactly the same reason. When he returns with the bread and wine, they kill him. Celebrating their success with healthy swigs of the wine he brought, they fall dead as well.

The moral lesson could hardly be clearer: Sin leads to sin. And the love of money leads to the worst sins of all.

The tricky thing about this apparently transparent little tale is the person who tells it. Chaucer's Pardoner is not a particularly reliable moral guide. In fact, he's a fraud, a con artist, and a blasphemer. In "The Pardoner's Prologue," before the tale, he tells his audience all about it quite plainly. He begins by describing the false holy relics he carries with him to display and to use to solicit donations, and notes that:

> By this fraud have I won me, year by year,
> A hundred marks, since I've been pardoner.

KN/Shutterstock.com

I stand up like a scholar in pulpit,
And when the ignorant people all do sit,
I preach, as you have heard me say before,
And tell a hundred false japes, less or more.
I am at pains, then, to stretch forth my neck,
And east and west upon the folk I beck,
As does a dove that's sitting on a barn.
With hands and swift tongue, then, do I so yarn
That it's a joy to see my busyness.
Of avarice and of all such wickedness
Is all my preaching, thus to make them free
With offered pence, the which pence come to me.
For my intent is only pence to win,
And not at all for punishment of sin.*

In other words, the Pardoner is dishonest, immoral, and driven by the same sin he preaches against. Indeed, he is worse than just avaricious. Because his job is to sell real indulgences and provide sinners with an honest opportunity to repent and be saved, his fraudulence damns the souls of those who trust him to assist in their salvation. He is at least as murderous as the three men in his tale, if not more so.

The Pardoner insists that "though I am myself a vicious man,/Yet I would tell a moral tale, and can." But surely we cannot be meant to take his story at face value, knowing what we know of him. Indeed, the moment his tale is told he swings into his old sales pitch, trying to persuade his audience to overlook what he has told them about his false relics and his personal avarice, trying to sell them a lying salvation as well. We are not allowed, for a minute, to forget the vile lying huckster he really is.

So is "The Pardoner's Tale" really about "*Radix malorum est cupiditas*"? Yes and no. Certainly the tale that is told has that as its moral. But that particular tale, told by that particular teller, may well serve more as a cautionary tale about trusting in clerics and their promises of salvation, than as a warning about the dangers of wealth. **FEE**

*For ease of reading, I've cited a modern translation of Chaucer here.

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Chemistry Is What We Are

Breaking Bad *shows exactly how entertainment can become art, and why the distinction matters*

MICHAEL NOLAN

[Warning: The column is called "Spoiler Alert" for a reason.]

It's been awhile since *Breaking Bad* ended, but I'm still not sure where to begin thinking about it, let alone writing about it. That's largely down to how well it was capped off: It now feels like a singular, unified work of art unto itself, made up of 62 individual works of art. It's a lot to digest. Given how many of my off hours I gave over to the pre-finale marathon on AMC, it's akin to one godalmighty wonderful Thanksgiving feast, complete with some family drama to offset the tryptophan.

I'D LIKE TO imagine that this is what Cormac McCarthy sees after a bottle of Wild Turkey and a John Ford marathon.

And it has given way, similarly, to one profoundly gaseous aftermath. Which isn't to say that everyone's full of hot air, but is to say that a lot of what it can make a person write really stinks.

That's really a testament to the show, though, particularly the orneriness that makes it so much *fun*—even without happy endings or good guys.

Consider how the show uses the New Mexico landscape: In some shots, the borderlands utterly overwhelm with emptiness whatever tiny specks of humanity happen to be passing through. The mountains can't even manage to loom. The conversation in one little part somewhere in the middle distance, between one man on his feet and another on his knees, seems insignificant, its outcome a matter of cosmic indifference. When the camera follows these creatures back to their habitats, it shows us grim neighborhoods, crack houses, junkyards—the bedraggled edges of a city out at the end of the world. It seems richly symbolic: Humans are a blight or a cancer, but of an especially benign and impotent sort.

But then there are occasional time-lapse shots of the same desert, devoid of any people whatsoever. The clouds race away—or hurry off to join some maelstrom—while the blasted scrubland quivers in place. Lurid colors, high definition. So when two other humans, twins born seemingly of pure malevolence, emerge from this landscape and commit atrocities without so much as a change of facial expression, the violence and horror seem native to this place.

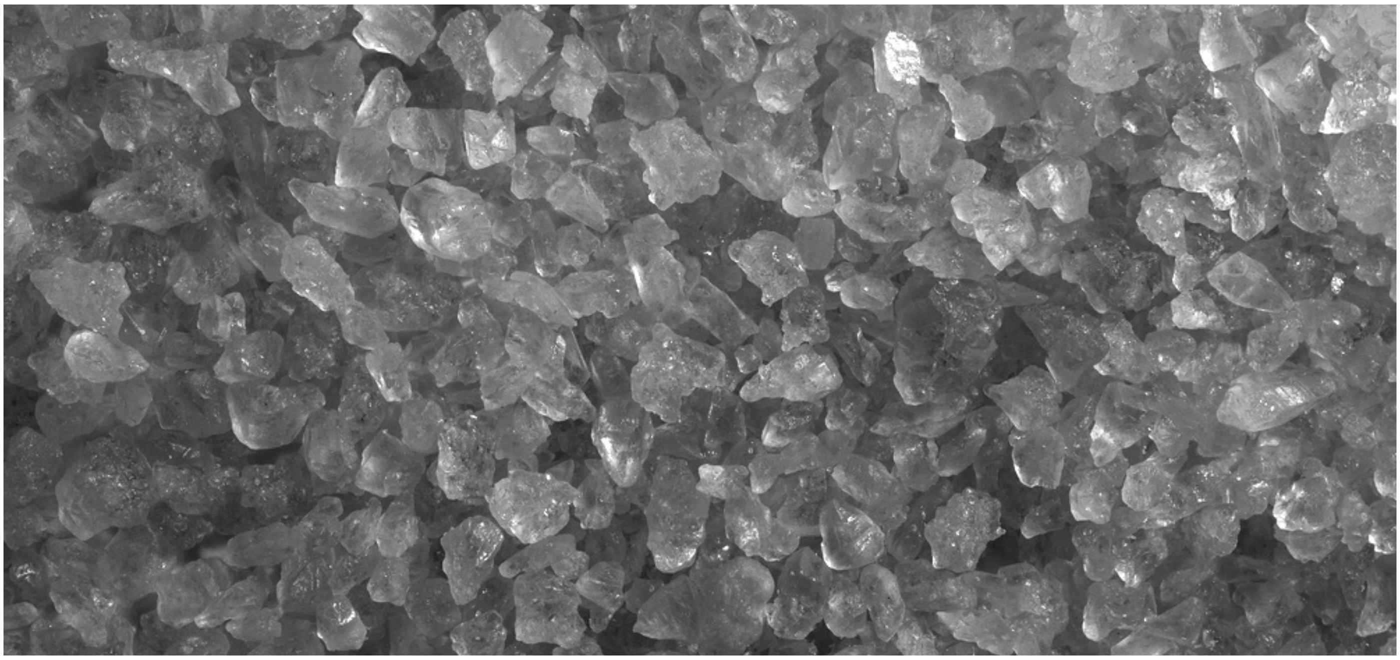
I'd like to imagine that this is what Cormac McCarthy sees after a bottle of Wild Turkey and a John Ford marathon.

Or maybe it's just that this is Walter White's world in the sense that he creates it: It is beautiful and terrible, grand and sinister, and ultimately as immune to simple description as a human life itself.

Or maybe it's just that there's a lot of meth made, used, and trafficked in this region—and where else would an underworld develop but in the areas where nobody wants to look?

Very Specific Gravity

Which is a roundabout way of saying that the creators only ever served their elevator pitch: A high-school chemistry teacher gets lung cancer, so he goes into the



swatchandsoda/Shutterstock.com

methamphetamine business to make money. Walt's marriage? Interesting only as a precursor, then catalyst; it's ultimately consumed by the process. The slapstick of that pathetic fight between the chemotherapy patient and his partner, the former junkie? Just part of the way the chemical transformation proceeds. The monster Walt becomes? Just the unavoidable result of harrowing circumstances met with one fateful, naive decision—then jolted with a big gag on the part of fate.

Ornery.

It actually reminds me of Thomas Hardy, and I mean that as high praise: It tells you flat out, from the get-go, what kind of guy you're dealing with. Walter doesn't leave a job half done. And he doesn't accept that he can't outthink and outwork impossible circumstances. Oh, and he also has his first chance in 30 years to act in some way as master of his fate rather than victim of it. We see that he was swindled out of his share of a biotech startup. But we never see him fighting very hard in the wake of it. What we see is his passion—his sheer joy in chemistry—wasted on bored high schoolers before he packs up to go wash cars, whatever about him that could have been special washing down the drain along with the bugs and dust.

So it's not going to end well for Walter once his diagnosis seems to doom him to leaving nothing behind but a bankrupt family.

Some critics have complained about this rigorous commitment to process. Makes it too hard to relate to the characters, they say. Or it ends too well for Walter, given that he sort of makes amends: He makes a fair bid to get a nice chunk of his money to his family, sets Jesse free, kills a bunch of neo-Nazis, cops to the fact that he enjoyed the empire business, then dies, since he cannot live free. He does a lot of terrible things, and causes others to happen. If there is not a hell, one would have to be invented to make sure Walter gets punished—at least according to this strain of analysis.

This suggestion is curious to me, because Walter is certainly punished. He's punished by the very forces to which he subjects himself by his decision. He dips a toe into this world. Then he tours it like a Tijuana weekender. Then he saunters in like Josey Wales. And it all keeps going to hell.

And much of the plot turns on slapstick. Consider what happens after Walt spends a few seasons in the abyss: He's all but gotten away with everything, and has his in-laws over for a barbecue. But the guy who thinks of everything leaves a crucial piece of evidence on the back of his toilet;

we are left to wonder whether it was a mistake or a boast. Hank, the DEA agent and brother-in-law, happens to spot it and has an epiphany right there on the can. Cue the kazoo music and slide whistle.

It's almost as funny as what I think is the show's central gag: Remission is actually the death sentence for Good Walt.

So the people who've noted that the show's commitment to process and story evokes a chemical reaction are onto something, just not the idea that this is a shortcoming. It's as if the show is a chemical reaction that, if it contains suspense and surprise, does so only for the students who don't yet understand the subject. For the instructor? It is inherently and deeply beautiful *because* he does. Watching the show, we are transformed from one to the other.

WALT DOESN'T know what he doesn't know; that includes parts of himself he cannot or will not see. He's living out an experiment, and he's the primary catalyst.

Jack London by Way of Georgia O'Keefe?

This is not to say that anything about the show is mechanistic. It's not presenting a world in which all forces are known and humans are mewling little nothings without free will.

It traffics in the unknown and how people react to it, given what they think they know and what they know they desire. Walt's initial decision to cook meth always seemed to me understandable. Ill-advised, sure, but that was never up for debate. Understandable, though? The only part of his situation that Walt seems at all capable of addressing is the financial aspect. His talent and passion should have made him a lot of money before. Why can't they do so now?

But then Walt doesn't know what he doesn't know; that includes parts of himself he cannot or will not see. He's living out an experiment, and he's the primary catalyst. But he does not know its chemical makeup, for all his rigor in maintaining sterile conditions and purity of process in the lab.

I think of Walt making only one actual decision, even though this isn't technically true. But again, this is the overarching story of the series: Once he's decided to test a hypothesis—"Applying myself to meth will at least offset the financial catastrophe of my cancer"—it's basically a matter of refining his process until he can get a decisive answer. Except, of course, that he doesn't simply get to tweak the process and run it again; each action has unintended consequences, so each cook is more complicated than the last. You can't step into the same lab twice.

Consider Skyler, Walt's wife. At one point she winds up being seen as a crime boss in her own right. Realizing the advantage this confers (it reminded me of Peter Leeson's discussion of the purpose of the pirate flag in *The Invisible Hook*), she accepts it. But she doesn't understand how she wound up at this point.

She had other choices. All of the characters have other choices and several chances to get out.

So this ain't Jack London out on a vision quest. But there are transformations going on, shaped and bounded by the amount of unknown information rather than ground forward by inexorable—and known—natural law. It changes Walt's *nom de guerre*—Heisenberg—from a well-chosen running gag into a bit of gallows humor.

Or, put another way, it means there aren't really spoilers here: You know, in general, where this story is going. But that doesn't help you figure out where it is at any particular point. That's why I found myself holding my breath throughout the final episodes, even though we'd been given glimpses of Walt's final hours as far back as the beginning of season 5.

Gray Matter

The morality of this or that character at this or that point seemed, to me, a kind of byproduct without much use. Maybe another trick played by the writers, dangling out this temptation to moralize. But then I reconsidered: The show itself seems to be fairly neutral. *This* happens, so *this* happens, which eventually leads to *this*. Our reactions are another story.

Which brings up the more important point: We know this show is entertainment, but it becomes art when it reveals something about oneself to anyone willing to think about which characters he winds up rooting for.

Consider Skyler again: She's more than willing to accept martyrdom via financial ruin as a consolation prize, if Walt can't survive. She never forgives Walt for refusing to comply. The particulars of his plan (Gasp! *He broke the law!*) are just icing. And of course she later seizes control of the money-laundering operation, and costs them a chance to flee the cartel and the entire business while trying to protect it. But she believes until the end that Walt and only Walt is responsible.

WE KNOW THIS show is entertainment, but it becomes art when it reveals something about oneself to anyone willing to think about which characters he winds up rooting for.

Or consider Hank, the cardboard cowboy. For all his talent as an investigator, we find out his tough-guy bluster is all smokescreen. He can't hack it when he gets promoted to the big leagues, where he deals with guys who aren't intimidated. He's a bully and a bigot—not to mention a direct cause, as a DEA agent, of the violence of the drug war. He believes that he is on the good guys' side, and therefore immune to blame. He's a hero in his own eyes first, last, and always.

But then again, that doesn't excuse the cartels, dealers, or hit men of their acts—nor does it earn him that bullet in the head.

Marie, Hank's wife, has the kind of eyes you'd expect to find on a bald eagle with schizophrenia and a bad coke habit. Maybe even the same grasp on reality. But she does not deserve to be widowed.

It's not as if the show is purely amoral, or that I'm arguing that art must be amoral. It is to say that Gilligan, the actors, the writers (maybe even the *caterers*, for all I know) focus on telling the story, and they populate it with characters who are recognizable humans put into extreme circumstances. They don't say much about what anyone *should* do. They show what these people *actually did*.

So sorting out good guys and bad guys is entirely beside the point: There are no true innocents here. The only purity in this story comes from Walt's meth, and even that's only ninety-odd percent (and it fluctuates). Walt's children are of course guilty of nothing, but really they're just not guilty *yet*.

Of course, ultimately Walt does become monstrous, and makes everyone else his victim. This transformation can obscure the questionable actions and motives of the other characters. Some probably deserve something like what they get; most definitely don't—or at least, I can't imagine believing they do. But the story doesn't end until everyone's gone but Walt. And really, Walt's not even there. All that's left is the ambition that consumed him and the smoldering remains of everything that ever made it worth pursuing.

So it's fair to point out that this show isn't about the real world. It's about a world that Walt either invites in or creates (with a lot of help). In the real world, it would have been much better if Walt had sought fulfillment, agency, fortune, and renown elsewhere but in the underworld. Or if he'd maybe found a way to reverse his fleecing by outcompeting Gray Matter. This is how, surely, it would have been better to respond to the crisis in which he found himself. But as good as that would have been in real life, it would have been terrible TV. There's a difference: One of them can be ordered, examined, packed full of meaning and instruction, and the other is what we have to live through. At least now we have Walt's blessedly fictional blue meth to ease our passage. FEE

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