

# Trump Takes U.S. Out of Paris Accord on Climate

**WASHINGTON** – U.S. coal miners and out of work factory workers: this is for you! President Donald Trump publicly announced that the U.S. will withdraw from the Paris Climate Accord that his Democratic predecessor, Barack Obama, promoted and warmly endorsed. Trump's argument against the Paris deal is that it will penalize the American coal mining industry, and the overall American economy in the short term, with only vague hopes of somewhat lower world temperatures, way down the line.

## **Bad deal for America**

As Trump sees it, this is a bad deal for America; and so the right thing is to get out of it. Sticking to the obligations created by the Accord would amount to enacting the equivalent of a huge energy tax on the US economy, because compliance with new, strict emission controls (in order to limit the amounts of greenhouse gases released into the atmosphere) will be very expensive.

As a candidate, Trump promised that he would withdraw from this climate deal, and now that he is President he is doing it. We know that his close advisers are divided on this issue. His daughter Ivanka and son in law Jared Kushner, along with Secretary of State Rex Tillerson, recommended not withdrawing. Still, in the end Trump sides with the opponents.

## **What does this mean?**

That said, from a practical standpoint, America's exit, at least in the short term, will not amount to any worsening of the global climate. Indeed, the Paris Accord, if all goes well, promises only modest progress on lowering the temperature of the world, and only after many years. And this will happen only if we assume that all the other participants

will actually do what they promised to do in terms of enacting new policies aimed at lowering their consumption of fossil fuels, this way reducing greenhouse gases emissions. Do keep in mind that the Paris Accord has no enforcement mechanism. The commitments made by the signatories are purely voluntary. In the case of China, the world's biggest polluter, Beijing is theoretically bound to implement new policies several years from now.

## **Political consequences**

Still, Trump's decision on this rather emotional issue has had immediate political consequences. From the stand point of other nations, particularly the leaders of the G 7 Trump just met in Taormina, Italy, this amounts to America choosing to go it alone, openly dissenting from a global consensus on the global threats to the earth created by the unrestrained consumption of fossil fuels.

## **U.S. no longer leading**

In the short and medium term, this means that America is no longer leading the world on a critical policy issue, As most world leaders see it, America has now retreated in its narrow universe characterized by a bizarre anti-science fixation pursued by a strange president who is "anti everything".

## **Anti-everything Trump**

Indeed, Trump is so anti-immigrant and xenophobic that he wants to build a wall along the entire border with Mexico.

Furthermore, according to the now widely accepted narrative, this is a president who is openly against free trade, against the EU, against NATO, and against Muslims, (sort of). Given all this, Trump being also against joint international efforts aimed at stopping and hopefully reversing climate change is disappointing; but not surprising. This new development fits the now accepted narrative.

America is no longer leading. Trump's America has retreated behind a myopic worldview of narrow self-interest.

From the standpoint of old friends and allies, Trump's announcement on exiting the Paris Accord is yet another (sad) sign that America is no longer the "Leader of the free World".

In fact, even before this new development on the Paris Accord, German Chancellor Angela Merkel had already publicly argued that it is time for Europe to think of and plan for a future without close ties to the U.S., since Trump's America is no longer a reliable friend.

### **Political symbolism**

Again, keep in mind that all this is mostly about political symbolism. It will take four years for America to fully extricate itself from the obligations contracted under the Paris Accord. This is fairly long time. And again, keep in mind that under the terms of this Paris deal, major polluters like China and India have modest obligations when it comes to reducing their own emissions that will kick in much later. Which is to say that you should not expect world temperatures to start rising tomorrow, simply because today President Trump announced that America will pull out in four years.

### **No gain**

However, as indicated above, this decision is not without political consequences. In the end, all this is will amount to an additional loss of international prestige for Trump's America.

With all this in mind, whatever you may think about the intrinsic policy value of the Paris Accord, it would have been better for Washington to be part of it, as opposed to becoming now a big pariah in the eyes of the world.

### **Trump is talking to his base**

Well, then why did he do it? Very simple.

Trump's narrow concern here is to reassure his domestic political base –the millions of Americans who voted for him last November. This base includes out of work coal miners and people displaced by the closure of old manufacturing plants.

Trump's message to them is that his job is to revive the American economy. If this means heavy reliance on dirty energy, so be it. Out of work factory workers want money to pay their bills. They do not care about the fate of polar bears or about extreme weather phenomena in Africa. And they do not care about rising sea levels.

Finally, dire scenarios of New York City and Miami under water in just a few years (because of the rapid melting of the Polar Caps) are definitely a hoax –at least according to Trump and his supporters.

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## No Serious Discussion About Entitlement Reform In The U.S.

**WASHINGTON** – Much has been said about the first Trump budget recently released. The expected partisan critiques –in fact outcry– focus on proposed cuts in Medicaid and disability benefits. Therefore, this becomes a “cruel budget”, an open attack against weak, low income Americans, and so forth.

**No discussion about Entitlement Reform**

Well, this may be true. However, the biggest problem with this proposed federal budget, (and with many budgets that preceded it, coming from both Democratic and Republican Presidents), is that –leaving aside symbolic fights– it is a reflection of an unchanged (unchangeable?) fiscal *status quo* that will stay pretty much the same until the American political leadership –Democrats and Republicans acting together– will finally address its **Number One Policy Priority: Entitlement Reform.**

### **Symbolic cuts**

The Trump Budget, even assuming that it will be passed by Congress as is, (it will not), will never “solve” the structural fiscal imbalance –namely: permanent high deficits– that has regrettably become the norm in America. You may indeed cut spending for the State Department, the Education and Energy Departments, and more. You may reduce Medicaid and the Food Stamps Programs. But none of this would really “bend” the overall spending curve. Hence the deficits and a growing national debt, soon to be out of control.

How so? Very simple. Anybody who has given even a mildly serious look at U.S. Federal Budgets notices a trend. The main drivers of (over) spending are large and growing federal entitlement programs that are not even voted on. They are on automatic pilot.

### **Social Security and Medicare bigger than ever**

The fact is that these programs (first and foremost Social Security and Medicare, accompanied by many other smaller federal assistance program), have become so large that now they comprise almost 2/3 of total federal spending. If you add to this colossal total another 16% of overall federal spending devoted to national defense (sounds like a lot; but in relation to GDP defense spending is historically quite low), plus about 6% of total outlays that have to be set aside for debt service, (this is about paying interest on all the debt

we have accumulated until now), and you realize that there is almost nothing left to squabble about.

Indeed, “the rest” –what the budget professionals call “non defense discretionary spending”– is less than 15% of the total. Since the bulk of all spending (with the exception of defense) is essentially off-limits, all the budget battles are fought on this residual 15%.

Which is to say that, unless we want to entirely abolish most of the U.S. Government, (Agriculture, Justice, Transportation, money for NIH and medical research, NASA, and more), we cannot possibly change the present pattern of spending without seriously looking at entitlement reform, with the goal of reducing future outlays. Since most of the real money goes to these programs, they should be reformed so that there will still be benefits for seniors in the future, but sustainable benefits. Simply stated, for social programs to work in a sustainable way, in the future most Americans will get less.

### **Everybody knows this**

Again, every student of US public policy, beginning with House Speaker Paul Ryan, (He used to be Chairman of both the Budget and later on the Ways and Means Committees), knows all this.

***And yet, for fear of causing massive social unrest, nobody –Republicans and Democrats– want to go even near the entitlement reform issue. The topic is worse than a non starter. It is almost unanimously viewed as political suicide.***

Not straying from the conventional wisdom, as a candidate, Donald Trump promised that he would leave all key federal entitlements untouched, claiming that these benefits have been earned by individual Americans, and therefore they should not be messed with. A very conventional approach.

### **“The Moment of Truth”**

A few years back, (2010), President Barack Obama convened a special bipartisan commission (it became known as the "Debt Commission") that was chaired by Erskine Bowles (Democrat) and Alan Simpson (Republican) in order to give a serious look at the issues of taxation and spending.

These two elder statesmen took the lead and eventually issued a powerful report in December 2010 aptly titled "*The Moment of Truth*". They, and most of the members of their Debt Commission, argued convincingly about the need to seek and find broad bipartisan support for a thoughtful plan aimed at reforming entitlement programs that had been designed in another era with different demographics (starting with life expectancy, much shorter at that time), and much lower health care costs. They pointed out that, if we change nothing, we are headed towards financial ruin.

They argued intelligently and convincingly. But nothing, absolutely nothing happened.

### **No action**

As it turned out, President Obama (even though he created the Commission) did not want to tinker with issues viewed by most political insiders as "radioactive".

The Tea Party Movement, at that time growing in national popularity, was led by amateurs who understood practically nothing about the real dynamics of public spending. Their home spun wisdom was that America's run away public spending and ensuing annual deficits, were all due to "fraud, waste and abuse". As simple as that. Their remedy? Eliminate silly programs and politically motivated earmarks, tighten the system, punish a few offenders who get benefits via false claims, and all would be fine.

Well, it would not be.

Given the overwhelming and growing weight of federal

entitlements benefiting mostly senior Americans, you could abolish the entire Defense Department and you would still not be able to alter the overall pattern characterized by over spending and perennial budget deficits.

### **Spending favors senior citizens**

Simply stated, in America, just like in most other rich democratic countries, there is now an unwritten social contract whereby large and increasing amounts of national resources are devoted to assistance to the sick and to the elderly.

*The problem is not that the priorities are wrong. The problem is that this level of assistance has become unaffordable, because it is no longer matched by revenue. Hence our annual deficits that add to the already exploded national debt. Of course, we could raise taxes in order to rebalance the federal deficit. But this would mean significantly "higher taxes", another radioactive issue that no mainstream politician wants to address.*

### **More debt is the path of least resistance**

So, here is the thing. Politicians want to keep doling out large entitlement benefits. But they do not want to tell the country that there is not enough money to pay for them. Instead, they have chosen the path of least resistance: use most of the federal revenue to pay for the entitlements, this way starving the rest, and borrow the balance.

This may look clever in the short run. But this approach means that we are well on our way to becoming Europe or Japan: societies with enormous public spending and huge national debts that simply do not have any resources to invest in their own future.

Let me say this clearly: these are society headed towards decline. In fact, some of them are already beyond repair,



mostly due to the impossible fiscal burdens represented by gigantic national debts.

### **Where are we headed?**

Well, unless we want to become the next Italy or Japan, we need a serious conversation about the level of future federal benefits. This does mean *“throwing sick grandma in the snow, in the middle of winter”*. But it surely means readjusting benefits so that, going forward, we take care of the neediest first, while all the others will get smaller benefits, and later in life.

Anyway, all this is purely theoretical. The current budget debate, with all its theater of partisan acrimony, posturing and grand standing, does not even begin to address entitlement reform. And this means that what we are having is not a serious, adult debate. This is mostly rubbish.

### **We need a serious debate**

The American people deserve national leaders –in both parties– who will tell them the truth about what we can afford going forward, and how we can and must share sacrifice, (fewer benefits, higher taxes, at least for some), in a fair and equitable manner.

This is what mature political discourse in a republic should be about. But nobody wants to even think about it.

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**Wanted: Credible Centrist**

# Political Leaders

**WASHINGTON** – Recently, a Democratic party elected leader of national renown argued in a public forum that in order to regain lost momentum and credibility with the American voters the Democrats have to redefine themselves as the party of economic growth and inclusiveness.

## **Common sense messages**

At a national event focused on the future of U.S. small businesses, a Republican national leader claimed that America's greatness rests on its foundations as an opportunity society in which people can advance because of a rules based system that recognizes and rewards merit.

John Hickenlooper, the Governor of Colorado, a successful state chief executive, stated that through collaboration between Republican and Democrats we can find workable compromises on the future of the US health care system, and other national priorities.

Well, what do I make of all this? Very simple. These statements made by credible centrists in both parties raise the hope that it may be possible, even in this incredibly poisoned political climate, to rally millions of Americans, hopefully a majority, around the basic ideas of an optimistic country in which policy-makers promote economic growth, while upward mobility is based on genuine merit; and nobody is excluded or kept from advancing because of social class, gender, race, or anything else. In fact, the opposite –equal opportunity for all- is embraced by all.

And this must include quality education, the best foundation of future success in life, available to everyone; while bridges are built across every divide, and doors are wide open to all who are willing to make an effort.

## **It is an old idea**

This idea of America as a level playing field and fair rules used to be a shared vision embraced by most. Indeed, it was the belief that America offered genuine opportunity that attracted millions of immigrants who wanted to create in America a better life for themselves. It is about time to re-propose this vision in a manner that can be shared by today's Americans –Democrats and Republicans.

Indeed, who could object to public policies that promote economic growth, social advancement based on merit, while all citizens have genuine access to quality education, careers and consequently a good seat at the table?

## **Lost hope**

Of course, the last few years have told us an entirely different story. It is a story of lost hope, deep disappointment, and resentment. A story of popular distrust in the honesty and abilities of most elected leaders. A story of exaggerated promises not kept.

This has created an emotional anti-government rebellion on the right, (*"Washington is a rotten place"*), and the triumph of policy agendas on the left which advocate economic and social re-balancing achieved through redistribution by taking (ill-gotten gains) from the few ultra rich and giving to the rest of society. All this will be wisely designed and orchestrated by government, through taxation and subsidies.

## **Despondent America**

The outcome of all this is not pretty. The unexpected outcome of the November 2016 presidential elections is evidence of the widespread feeling of deep despair. Indeed, according to millions who voted for Donald Trump, "the system" failed –period. Its failure is so deep that it is not worth salvaging. In fact, it should be dismantled. In fact, millions

of Americans voted for Trump mostly because he is not a professional politician. Therefore he is untarnished by Washington's rot and well equipped to "*clean the stables*", "*drain the swamp*" and all by himself –with his power and superior intelligence– transform America.

Paradoxically, notwithstanding continuous economic growth and much lower unemployment since the end of the Great Recession in 2010, rightly or wrongly millions of Americans who used to be part of a self-confident middle class now are and feel poorer, left behind and alienated. At the same time, millions of young people feel hopeless facing a world of diminished opportunities, while laboring under the crushing weight of absurdly large student debts.

### **There is a way out**

That said, I sense that there is a way out of this. Difficult, yes; but not impossible. Yes, America needs house cleaning. It needs fresh faces not tainted by the old ways of doing business.

The unimaginative political elites still populating Washington, DC have survived by over promising everything to everybody, while pretending to pay for all the goodies they offered to various (of course deserving) constituencies, knowing full well that the only way to finance all this public largess (unaffordable entitlements) was and is to borrow more and more, this way getting the country deeper and deeper into debt.

Sadly, the Washington elites have no real economic growth strategy, while their policies aimed at buying votes through entitlements funded by public money and more and more borrowing are driving America towards the abyss of insolvency.

### **Credible people who will tell the truth**

Most Americans have common sense. However, they need credible

new leaders who will tell the unvarnished truth about the dangers of systemic and growing fiscal imbalances, (i.e. we have to agree on a sensible plan to reform all major federal entitlement programs, by far our biggest fiscal problem), while pointing the only way to get out of this ditch: economic policies (think tax reform and smart deregulation affecting business activities) that will promote a more robust economic growth in a genuinely open and inclusive society. An inclusive society in which elected leaders are committed to destroying all artificial barriers to entry, while opening new avenues of opportunity to all.

(President Donald Trump, a new leader who is not carrying the baggage of the distrusted establishment politicians, could lead the way in shaping a new American political conversation. As his presidency is just getting started, it is impossible to say whether he will engage in this effort or not. We should all hope that he will. This would benefit the country and him).

### **Impossible?**

Well, in the end all this “back to basics” idea founded on the values of openness, fairness and merit sounds too lofty, in fact unrealistic. Yes, this is an appeal to an admittedly mythologized idea of an America “*where anything is possible as long as you work hard and play by the rules*” which (truth be told) never fully existed in the way many refer to it.

And then there is the huge problem of yanking benefits away from millions (deserving or undeserving, it does not matter) who got used to getting them. “*Come on...get real. Nobody gets elected by promising less, let alone by promising to cut existing benefits. And we in Washington just do not know how to deliver stronger economic growth. We only know how to distribute subsidies*”.

### **The way ahead**

And yet, if we do not want to see America follow Europe on the path leading to historic decline, it is imperative to make real progress on these two related fronts:

***1) restore fiscal sanity by reforming all the major entitlement programs***

***2) genuinely and forcefully promote economic growth and real opportunity for all***

The alternative is political chaos, the de-legitimization of our institutions, and rapid economic decline.

Some elected leaders of both parties know this. I just hope that their common sense message will be heard, understood and embraced.

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## **China To Become Green Super Power?**

**WASHINGTON** – Many Western environmentalists and commentators openly praise China for its declared energy policy objective of turning itself into a truly “*Green Super Power*”. They claim that, unlike Trump’s America, (ignorant and backward), China (smart and forward-looking) truly understands the threat of global warming, and is actually doing something very serious about it.

### **Hundreds of billions for green power projects**

Indeed China has committed hundreds of billions of dollars to renewable energy projects. It is leading the world in massive investments in wind and solar projects, with more to come.

Contrast that with heretic America now led by a President who believes and publicly affirms that global warming is nothing but a hoax. Indeed, instead of leading the way in renewable energy investments, President Trump's America promises to revive (dirty, high emissions) coal production, while he just signed executive orders that will re-start two major oil pipeline projects that had been blocked by President Barack Obama, at least in part because of environmental concerns.

### **Responsible China**

So, there you go. Communist China's leaders are acting as responsible stewards of our Planet Earth, while democratic America is the prisoner of anti-science bizarre bigotry that ignores "the facts" about green house gases and global warming, and the dire consequences of disastrous energy policies still based on fossil fuels that will end up cooking the world.

### **The truth is more complicated**

Well, this is how the critics of American policies would like to frame the argument. But the truth is far more complex. It is indeed true that China is investing very substantial amounts in green energy projects. But it is also true that renewables are and will continue to be a small fraction of China's power generation capacity. The fact is that China relies today and will continue to rely in the future mostly on coal –yes, old-fashioned dirty coal– to produce about 66% of its electricity.

In contrast, if you look at the current mix, U.S. electricity generation is on balance far greener.

### **Green America?**

In the U.S. coal is now used for only 33% of power generation, a much lower proportion than China's, (50% less, in fact). On account of the shale gas revolution that made natural gas

abundant and cheap, America now relies on low emissions natural gas for 33% of electrical generation capacity. This percentage is destined to increase, mostly at the expense of dirty coal. While this transformation is driven by market factors, as opposed to government green policies, the added bonus here is that natural gas is a much more environmentally friendly fossil fuel.

If you add 20% of power generation produced by nuclear and 6% from hydro, (an old-fashioned source of renewable energy), the picture is not that disastrous.

### **Less coal, more natural gas**

While the contribution from other renewables is still rather small in America –solar represents only 0.6% of total power generation capacity, while wind is a still a modest 4.7%– the fact remains that America relies on coal for only 33% of its power generation, while China uses this dirty fuel for almost 70% of its total electricity generation.

So, looking at the numbers, (to date at least), America is far greener than China.

The truth is that coal-fired plants are and will continue to be for years to come the major electricity producers in China. Even at current levels of new investments in renewables, it will be a long time before China becomes green in a meaningful sense.

### **Biomass**

In the meantime, if we break down China's renewable energy mix, we see that (if we exclude hydro) by far the biggest percentage is represented by biomass. As noted by Bjorn Lomborg in a recent op-ed piece published in The Wall Street Journal (A "Green Leap Forward" in China? What a Load of Biomass, February 5, 2017):



*“It is peculiar—though unsurprising given the sensibilities of Western environmentalists—that those who celebrate China’s “Green Leap Forward” almost always focus on wind and solar technology. By far the largest source of renewable energy used in China is traditional biomass—that is, people burning charcoal, firewood and dung, as China’s poor do to stay warm. Biomass is the biggest source of killer air pollution in the world.”*

## **Health concerns**

As biomass energy production entails burning animal dung, wood and charcoal, this type of fuel is hardly green, because of the fumes and soot produced by its combustion. If you consider that in China biomass is used for home heating and cooking mostly by the rural poor, this means that the fumes released by these “green fuels” cause a variety of respiratory diseases to vulnerable, low income people.

## **It will take a long time**

So, what is really going on here? It is true that China is committed to increasing the percentage of its electricity generation provided by clean solar and wind. In absolute numbers, China’s renewable generation added capacity is truly impressive. However, as a percentage of the total (keep in mind that China has a population of 1.3 billion energy users), this contribution from renewables is and will continue to be rather modest.

## **Still reliant on coal**

The fact is that major efforts in wind and solar notwithstanding, China still relies and will continue to rely on traditional dirty coal as the key component of its power generation mix for many years. In fact, while wind farms are built, China is adding more coal-fired generation.

It is therefore a misrepresentation to state that China is

well on its way to becoming a “Green Super Power”. While the intention may be there, it will be a long time before China will be able to rely mostly on renewables for its power generation needs.

### **Let the markets decide**

The larger lesson here is that in the end it will be superior technology delivered at competitive prices that will tilt the power generation balance. When renewables will be really cost competitive without subsidies, then they will be adopted on a massive scale in China, in America and elsewhere.

Right now, at least in the West, the push for early adoption of still expensive technologies is not driven primarily by economic considerations. It is pushed forward by policy-makers through mandates, set asides and tax breaks created because of strong environmental concerns.

While this is understandable, we should not muddy the waters by arguing that if China can go all the way with renewables, so should America. China is doing something important. But, on close inspection, a lot less than what is stated by Western environmentalists.

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## **[The Tragedy Of The Uneducated](#)**

# Poor in America

**WASHINGTON** – Much has been said about the “crisis” of American public education. Indeed, if we look at the ranking of American high school kids compared to their peers in other developed countries, they do rather poorly in terms of academic achievement. In fact their performance is so bad that one wonders how on earth can America be and stay a leader in sophisticated technologies, innovation and business creation since its young people seem to be chronic under achievers.

## **The truth about education**

Well, here is the truth. The U.S. academic averages are bad. But the averages hide the fact that there is a new kind of segregation in America; and it is all about education opportunities.

The rich can pay for and get a good education for their children –public or private. The poor cannot. The children of the rich receive the instruction and the training that will open doors to good universities, and later on good or great careers. The children of the poor in most cases will go to bad schools –the only kind available in their chronically under served neighborhoods. Many of them will graduate with meaningless diplomas. Some will drop out of school and have absolutely nothing.

Therefore, it is incorrect to say that the American education system –in its entirety– is in crisis. Indeed, some of it is doing well, or very well. But some of it is in pitiful conditions. And it is the part serving the poor that skews the national averages.

## **The crisis is all about the poor**

So here is the thing. The children of the rich and well to do are doing reasonably well, or well in school. In most cases,

the chronic under performers are the poor and the minorities, (often times one and the same).

As Michael Petrilli and Brandon Wright put it in their article *America's Mediocre Test Scores*, (EducationNext, Winter 2016), it is an established fact that the poor do much worse in school. And the problem is not that lack of income impairs their ability to learn. The problem is that poverty in America very often comes along with homes where there is alcohol and drug abuse; or single parent households, child abuse, crime, and a lot more. In other words, poverty in many cases creates an environment that is truly toxic for young people who would need to concentrate on their studies.

*"Why do kids from low-income families –write Petrilli and Wright– tend to score so much lower on average than their more-affluent peers? Is it something about poverty itself, that is, a lack of financial resources in the family? This is likely the case, as financial stress can create "toxic" conditions in the home and also make it difficult (if not impossible) for parents to afford the tutoring, educational games, summer camps, after school activities, and other educational experiences that middle-class and upper-middle-class students take for granted (and that almost surely boost their achievement)."*

*"But it's not just about money –they continue– Poverty is associated with a host of other social ills that have a negative impact on learning. **For instance, children in poverty are much more likely to be living in single-parent families headed by young, poorly educated mothers. Poverty is also associated with higher rates of alcoholism and other substance abuse in the home; greater incidence of child abuse and neglect; and heightened family involvement in the criminal justice system.** [Bold added]. All of these are well-known "risk factors" that are associated with lower test scores as well as with a greater likelihood of dropping out of high school."*

## **Vicious cycle: poverty begets poverty**

So, you get the picture. Children who live in poverty don't do well in school. In part, this is due to the fact that at home there is no supporting system that encourages them to do their home work and do their best in school. Their parents are often uneducated. There are no books in the house. There are no conducive after school activities. No theater, and no trips to the local museum. On top of that, most of the poor tend to be African-Americans or Latinos. Belonging to these ethnic minorities already places them at a disadvantage in a still racially divided society.

***All in all, being a minority and poor is the kiss of death for most children when it comes to having a fair shot at a better life. For most of them, "upward mobility" is a dream.***

To make it worse, public schools in poor neighborhoods tend to be of lower quality when compared to those in rich areas. Which is to say that in America today the family you are born to and the neighborhood you live in is probably the single best predictor of future academic proficiency and life time career and economic achievement.

## **Birth is destiny**

***Put it differently, just like in many poor countries, and just like in Europe prior to the industrial revolution and the diffusion of democracy, in today's America "birth is destiny". Where you are born and grow up and the income and level of education of your parents in most cases determine what you will become as an adult. This is truly horrible. This is America. As a society, we should be able to do better than this. Much better.***

## **Charter Schools can help**

This does not mean that all poor and minority children are totally neglected by their families. Indeed the whole Charter

Schools movement, and its popularity, is about giving poor kids living in poor and under served neighborhoods –kids who otherwise can only enroll in mediocre or failing public schools– a choice. Not all Charter Schools are great. But many are by far better than what the public education system offers in poor neighborhoods.

At least some parents of poor children, quite often themselves people with little education, realize that a better education will give their children a shot at a better life. So much so that the best Charter Schools are literally under assault by low income and minority parents who desperately try to get their children enrolled. In order to give everybody equal chances, Charter Schools hold admission lotteries. If your number is drawn, you are the lucky one. You get in. For all the others there is the grim alternative of a mediocre or failing public school.

### **Winning the lottery**

Now, think about it. This is America. Once upon a time “The Land of Opportunity”. And yet, in this enchanted place where –we are told– all people are truly free to be whatever they want to be, the future of a poor child depends –literally– on winning a lottery. The winners get to go to a good Charter School; a school with good teachers who will prepare them for a life of higher achievements: college, good training, and a good job.

### **A good education for every one**

All the others, well all the others were just not lucky enough to get in. You see, they did not win the lottery.

This is a national disgrace. In the United States of America we should be able to offer all children, regardless of income, background or race, a good education; so that all of them would have the intellectual tools and skills to engage in our society, and have a shot at good lives in this fiercely

competitive global economy.

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## Can U.S. Fight Insurgencies?

**WASHINGTON** – Under pressure, the Obama administration released the estimated number of civilians killed (unintentionally) in the course of U.S. drone strikes that have taken place in various theaters. Along with the figures came new guidance aimed at further reducing “collateral damage”, i.e. the killing of civilians in the course of U.S. air attacks via drones. (These attacks are always aimed at military targets).

Indeed, sometimes, civilians get killed accidentally due to their proximity to military targets. (There have also been a few cases in which civilians have been mistakenly targeted, because it was wrongly assumed, based on the information available at the time, that they were in fact enemy fighters).

### **Civilians killed by drone attacks**

US Intelligence sources stated that 116 civilians were killed in the course of drone strikes aimed at hitting legitimate military targets in different theaters. This usually happens because enemy positions are located in the midst of populated areas.

President Obama stated that America, from now on, will do its very best to further reduce these numbers. Of course, several critics immediately argued that the real number of civilians killed is a lot higher. Besides, this total just announced excludes the death toll from operations in Iraq, Syria and Afghanistan.

This U.S. announcement could be just public relations; or it

could be an oblique way to tell the world that from now on the U.S., while fighting elusive enemies on different fronts, will be more restrained. It will bomb less, with drones or conventional aircraft. Indeed, if this new guidance will take effect as stated, hard to bomb more enemy positions most often located in populated urban areas, when your goal is to further reduce the chance of killing civilians.

### **Restrictive Rules of Engagement**

Still, whatever the real numbers of civilians accidentally killed, the truth is that America's current "Rules of Engagement" are already extremely restrictive on when and where U.S. bombs can be legitimately used.

Drones strikes are usually planned on the basis of carefully sifted intelligence. "Dynamic" strikes that occur in the context of ongoing military operations however are also subject to complex procedures. Tactical Operations Centers need to authorize them, often only after having received the input of military lawyers who are standing by 24/7 and who are called upon to assess the legality of strikes, on the basis of the available intelligence regarding the situation on the ground.

### **Is the way to fight a war?**

This way of fighting a war looks crazy. But these are the standard rules. Given all these restrictions on what targets can be bombed aimed at avoiding or at least reducing possible civilian casualties, quite often requested strikes are simply not authorized by the U.S. military authorities.

Well, then why do we have non combatants killed by U.S. bombs? Very simple. Al Qaeda, the Taliban and now ISIL do not follow the established laws of warfare. They routinely place their own assets (troops, ammunition, logistics) in the middle of densely populated areas. They deliberately use civilians as human shields. And the purpose of all this is obvious: to



deter American attacks.

### **Civilian deaths become propaganda tools**

And when some ISIL positions are indeed attacked and civilians are killed, then there is a huge publicity gain for the insurgents. *“The blood thirsty Americans bomb indiscriminately, deliberately targeting women and children”.*

Needless to say, ISIL and others have a vested interest in inflating the numbers of civilians killed through drone or other U.S. air strikes. This is their own way of fighting the propaganda war, using the argument of American barbarity in order to recruit more people willing to fight and die for the cause.

### **Impossible to avoid civilian casualties**

The fact is that, even with heroic efforts, it is impossible to avoid civilian casualties while fighting irregular forces that hide within populated areas. It is just impossible. Even with highly sophisticated satellites and other sensors that gather detailed images and provide real time data to those who operate drones, or to pilots of manned aircraft, it is just impossible for the U.S. military to neatly separate combatants who usually wear no uniforms from innocent civilians in populated areas.

### **No way to win**

So, here is the bottom line. If Obama is serious about cutting the number of casualties going forward, then this means that America cannot realistically fight aggressively and win against insurgents who routinely hide in urban areas. Even today, without new restrictions in place on the use of air power, the effort to minimize collateral damage means relatively few air strikes, because many targets are deemed to be unlawful by the military lawyers, and therefore excluded.

## **More targets will be declared off-limits**

If America wants to further diminish the likelihood of future civilian casualties while fighting insurgents, this means that an even larger number of possible military targets will be declared off-limits by the military lawyers, due to their close proximity to civilian areas.

And here is the absurdity. This is no way to fight any war. As troubling as this is to our civilized conscience, it is just impossible to fight an insurgency that operates in cities and towns without causing some unwanted suffering.

***If America wants to win against ISIL and other insurgents, it has to accept this fact: if you want to destroy enemy forces that hide in populated areas, you have to accept that civilians will also be killed.***

## **Long, inconclusive conflicts**

Otherwise, if avoiding civilian casualties is more important than destroying at least some enemy targets, let's prepare for an endless and inconclusive conflict with adversaries who do not play by the accepted rules of war.

With all the restrictions outlined above, and possibly more to come, the U.S. cannot fight properly; because Washington feels the pressure of a world public opinion that requires America to behave according to an impossible standard.

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## **Public Assistance Is A Curse**

**WASHINGTON – *“Continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to***

***administer a narcotic, a subtle destroyer of the human spirit***".

### **Aid is bad for you**

This is a pretty accurate description of the long-term (unintended, we hope) consequences of well intentioned, government-funded economic welfare programs. Indeed, if all you do is to give aid for free, and with no time limit to needy people, you end up making them perpetual dependents.

Like it or not, by allowing disadvantaged people to get by without any personal effort, you kill their motivation to do their best to help themselves. Yes, if this is the substance of public assistance programs, relief becomes indeed a "*narcotic, a subtle destroyer of the human spirit*".

### **Who said it?**

Well, agree or disagree, it is interesting to find out who said this. An easy answer would be Ronald Reagan, the somewhat romantic champion of unfettered free market capitalism, the high priest of celebrated American values centered on self-reliance, and indomitable "*do-it-yourself*" spirit.

According to Reagan, Americans do not want aid. No, they want freedom; so that they can take care of themselves, relying on their own efforts.

### **FDR warning**

But no. It was not Ronald Reagan who said this. Actually, it was President Franklin Delano Roosevelt. And he said this in 1935, when millions of impoverished Americans were still dealing with the devastating consequences of the Great Depression.

What? FDR, the Father of the New Deal, and of the beginnings of the U.S. Welfare State said that relief was a "*narcotic*"?

***Yes, he did. Which is to say that in a more enlightened era, even those who created new public assistance programs in order to deal with emergency situations, understood that those programs should be limited in size and scope.***

But already long ago we forgot FDR's warnings. Now nowadays anybody aspiring to elected office will promise more and larger programs, for ever larger constituencies. And yes, whatever may be said officially, all voters are led to believe that the benefits will never stop. In fact, now the recipients assert that they are entitled to receiving them. Welfare and relief somehow have become new civil rights.

### **Bad policies inspired by political goals**

And so politicians administer free benefits/narcotics, even though many of them know full well that these benefits are *"destroyers of the human spirit"*. In fact, this may be the main reason why they spread them around so lavishly. Giving away all sorts of free goodies may help them at election time. (*"If you re-elect me, there will be more programs, just for you"*).

However, because of these ill-advised policies the fabric of the American society will be progressively eroded. Large armies of people relying on some form of welfare cannot be expected to be productive citizens eager to face challenges.

### **More of the same**

Yes, after decades of experimentation with ill-advised welfare programs which induce dependence, by now we should know that ***"continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit"***. Yes, all politicians should know this. And yet they continue promoting these policies and remedies.

I guess trying to get elected is a much more important goal than promoting the public good.

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## **“The Economist” Mocking China**

**WASHINGTON** – It is no surprise that The Economist’s cover this week is about China. The Shanghai Stock Market is almost in free fall, notwithstanding highly publicized state interventions (unthinkable in real market economies) to stabilize share prices. And we know about the zigzagging yuan, China’s currency, in the midst of what appears to be policy confusion at the Central Bank.

### **“Everything’s under control”**

But what is interesting is that The Economist chose mockery, as opposed to a serious, even dramatic title, to depict the situation. The cover shows a drawing of a dragon with a totally terrified expression racing downhill (to nowhere), while a disheveled President Xi is struggling to stay in the saddle. The title says: *“Everything’s under control”*.

This is important. The Economist’s editors could have chosen a different cover to introduce a story of serious economic troubles in the world’s second largest economy. For instance: a picture of a stern looking President Xi, with a title saying something like: *“China in peril?”*.

### **Satire, not reverence**

But no, they chose mockery instead to portray a deteriorating economic situation. Well, this may not be the most irreverent satire. But it is satire nonetheless.

***And I think that this needs to be noted, because of the sharp***

*contrast with the almost reverential tone of most China coverage that used to be the norm until recently.*

### **In awe of China's leaders**

Indeed, until not too long ago, most western media were almost in awe of China. After all, this was the country that had done the impossible: 30 years of uninterrupted growth. Imagine that: 10% a year added to GDP, year after year. No other country had done that.

The Chinese technocrats in charge of economic policies were depicted as all-knowing, super smart technocrats, armed with refined long-range strategies that we mere mortals could not even begin to comprehend, and the super human gift of infallibility.

### **Show the cracks**

Well, now there seem to be huge cracks in the splendid Chinese economic edifice. The meteoric rise is over. In fact, more and more western business media openly say that most likely the real rate of growth in China is much lower than the still more than respectable 7% (if it were true) officially declared by Beijing.

### **Publish the bad news**

There seems to be less reluctance to publish "the bad stuff" that at least indirectly contradicts official rosy numbers. For example: in 2015 there have been 2,774 unauthorized strikes in China. This is up from 1,379 in 2014, according to The Economist. These strikes (all of them illegal) are a sign of growing restlessness, possibly of major troubles brewing. And, by the way, the authoritative Caixin survey of the manufacturing sector just recorded the 26th consecutive month of decline.

### **Clueless leaders**

Let's be clear. Nobody is suggesting that China is about to fall apart. But it is suggested, in fact declared, that China's heroic days are over. It is also argued more or less openly that the Chinese leaders are sometimes clueless, especially when it comes to managing financial and monetary affairs. As The Economist put it in the same issue: "*The past six months have been hard on the reputation of China's economic managers. Their attempts to bring troublesome stock markets to heel border on slapstick*". "**Slapstick?**" Yes, this is comedy, not tragedy. Hilarious levels of gross incompetence.

And, finally it is taken for granted that the Chinese publish inflated growth statistics that nobody believes anymore.

### **Now it is alright to mock**

Well, I think that when it becomes alright to make fun of completely humorless leaders who want to be taken very seriously all the time, then we enter a different dimension.

The cartoon message is that these stern looking people who want to appear in serene control of everything in truth do not know what they are doing, while they deliberately lie about the extent of their problems. Sure "*Everything's under control*" –they tell us– while the scared dragon races downhill, towards nothing.

Meaning: "*Sorry guys, we do not buy the old super-performing China story anymore*".

### **This hurts**

I believe that this scared dragon cartoon on the cover of one of the most influential news magazines in the world hurts more than any title that would criticize the merit of specific economic choices.

***This cover story does not say that China is pursuing wrong-***

*headed policies. This funny cartoon says that this a bunch of clueless amateurs, clearly out of their depth.*

I am sure that to be dismissed with a laugh hurts a lot more than to be criticized.

The China Myth is officially dead; and Thank God for that!

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## Why Self-Driving Cars? Upgrade Bus Networks Instead

**WASHINGTON** – The ongoing buzz about “driverless cars” is frankly bizarre. A great deal of money and effort is devoted to perfecting this futuristic technology. We know that Google and other high-tech companies are involved in this research. The latest news is that General Motors has entered a \$ 500 million partnership with Lyft to produce a robot vehicle that will drive itself. Eventually it will be used for ride-sharing.

### **The advantages**

To some extent, I see the point of getting into a car that can safely take you anywhere. Instead of focusing on driving, while in the car, you are just a passenger. You can do work, you can safely make phone calls, or rest.

I can also understand how older or disabled people who can no longer drive but need to go places would find a self-driving vehicle to be the perfect solution to their daily mobility needs.

### **You are still stuck in traffic**



That said, this is not a very good way to invest precious funds. And here is why. Suppose we get there. Suppose that there is some kind of breakthrough. Consumers will soon be able to buy an affordable, safe, intelligent car that they do not need to drive. Fine.

*Now imagine yourself in your new vehicle that drives you. You are in the middle of Los Angeles, or Cairo, or Paris, or Nairobi, at rush hour. Guess what, the car may drive you, but both the futuristic car and you are still stuck in horrible traffic. Sure, you are not as stressed as you used to be by bumper to bumper congestion, because the car does the driving. But you are still stuck in an endless traffic jam. Your daily commute still last hours. Your driverless car cannot fix any of that.*

*So, here is my point. All this focus on making cars smart is a poor allocation of scarce resources. The problem is not that cars are not smart enough.*

*The problem is that there are just too many cars on the road, in most large urban areas around the world.*

*As simple as that: just too many cars.*

**The car is a bad solution to mobility needs**

The fact is that we are way past the point of diminishing returns when it comes to the usefulness of the automobile in all large urban areas, anywhere in the world. In most settings the car is the wrong answer to our need to move around at leisure, in comfort, and reasonably fast. There are just too many people with too many cars.

The answer to epic traffic jams and slow-moving traffic, often 24/7, is not to make the cars more intelligent. The answer is to get rid of cars in large urban settings and opt for smart mass transit solutions. (Obviously there are significant exceptions to this general rule that is aimed at large cities.

People living in rural areas, in isolated communities, or remote farms need cars. And, of course, cars are necessary for road trips, long and short).

### **Bus Rapid Transit systems**

While there may be several options available, at the moment the most cost-effective solution seems to be Bus Rapid Transit, BRT, systems.

*“Come again? We are working on high-tech, intelligent cars and you are proposing buses?”* Yes, I recognize that this does not sound terribly sophisticated. And in fact it is not. And, yes, in the roll-out phase this option can be very disruptive.

### **Dedicated lanes, fast buses**

In most large cities, in order to create a BRT system you have to ban or at least restrict private cars. The new bus network becomes fast and efficient only if buses can have complete right of way via dedicated lanes not shared with other vehicles. And this means large areas where cars cannot travel.

Once we know that buses will be able to move freely without being stuck in traffic created by private vehicles, then BRT planners will be able to create the network with bus stops that become interchanges working just like subway stations. Passengers will buy their tickets before boarding. They will ride on a bus, exit at a stop that will also be an interchange, quickly board another bus if they need to, and get to their destination.

### **Just like a subway, minus the construction cost**

in other words, you get all the advantages of an underground subway system, in terms of easy access and speed, minus the cost of digging tunnels and building stations. *In most countries, these costs are prohibitive.* And this is why most cities do not have subway systems. Or, if they have them,

they are not large enough to serve the entire population. Hence the continued dominance of private cars.

***So, the humble bus can take care of all urban transportation needs? Yes, it can. But this assumes vision on the part of municipal leaders. They have to be able to sell to their citizens the vision of people moving around quickly and efficiently using surface public transportation that works exactly as a subway system. They have to convince them that it will be user-friendly, and efficient.***

### **It works**

Well, does this work? Has it been tried before? The answer is yes. And it works. It all started back in 1974 in the city of Curitiba, Brazil. The very first BRT system was the result of years of experimentation by urban planners. And then the model spread throughout Latin America. In 2000 Bogotá, the capital of Colombia, launched its own TransMilenio BRT system.

And now you have similar solutions in Brisbane, Australia; Stockholm, Sweden; Cape Town, South Africa; Ottawa, Canada; and many more cities around the world.

### **Political impediments**

The only reason why BRT systems have not been adopted more widely by other large cities is that municipal leaders do not want to deal with the unavoidable skepticism and probable resistance of millions of drivers who may not believe that the new BRT system will work as advertised.

So, this is mostly a political rather than a technical impediment. Meanwhile, however, millions of people spend hours and hours in traffic jams created by the shared, but totally mistaken, belief that the private vehicle is still the most cost-effective and most efficient way to address personal mobility needs.

## Getting there, fast

So, back to driverless cars. Would you rather have a high-tech car that drives you, but can do nothing to avoid traffic congestion and an endless daily commute, or would you rather get where you need to go by low tech bus that gets you there fast, thanks to a seamless and efficient network?

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## Republican Voters Want Change, Forget About Experience

**WASHINGTON** – Yes, Donald Trump is still the number one preference among likely Republican primaries voters. And the rich New York real estate developer is followed by retired neurosurgeon Ben Carson. If you put them together, these two outsiders *who never held any public office prior to their candidacy for the Republican nomination* get almost 50% of the stated preferences of probable Republican primaries voters. Astonishing, but true.

### Trump for President

And yet, we do know that Trump is at best a clever, media conscious populist who appeals to the raw emotions of lower middle class and working class Whites, an important but declining component of the national electorate.

His policy proposals are a mix of nationalism, protectionism, and grandstanding. With Trump as President –he tells everybody– we shall win again. We shall get really tough with China, Japan and Mexico, countries that steal our jobs.

We shall also engage in a massive deportation effort aimed at getting rid of all the 11 or 12 million illegal immigrants currently residing in America. We shall build a wall at the border with Mexico, and we shall force the Mexican Government to pay for it.

### **Populism sells**

Yes, to be charitable, none of this is doable. Most of it is just hot air. And yet a large segment of the potential voters love it. And they love the fact that Trump shoots from the hip. He rambles, he says amazingly crude things. But he says all this with vigor and conviction.

And he always reminds his audiences that he is not a traditional politician. The pros are weak, unimaginative, and stupid. He is very rich, and therefore smart. And he is his own man. He does not need funding from special interests.

Anyway, whatever the experienced Washington pundits may say, the package sells. Trump is ahead.

### **Not enough to get elected**

Of course, the caveat is that Trump is favored by a significant but narrow segment of the Republican voters. While lower middle class White people are important, they are not even close to being a national majority. In today's America they constitute an important voting block, but not big enough to get anybody elected.

And so, while Trump consistently polls around 28% or even 30% among Republicans he does not go beyond that ceiling. And it is obvious that 30% or even 40% of GOP primaries votes, while they may get Trump the Republican nomination, are simply not enough to win the national election in November 2016.

### **Carson is even worse**

Anyway, if Trump at number one is a bizarre leading candidate,

Ben Carson at number two is an even more improbable would-be President. Carson has a compelling personal story. He was born Black and poor; and yet through personal effort and perseverance he got a good education and he became a famed neurosurgeon.

This is a great American story, very appealing. And yet in the give and take of debates and interviews Carson has demonstrated to know almost nothing about major public policy issues. The man is obviously intelligent. But he is completely untutored. He cannot handle a serious conversation about the Middle East, or US fiscal policy. And yet at least 20% or more of would be Republican voters would pick him because he is likable, and because he looks honest.

### **Have the Republicans gone mad?**

What's going on here? Why select weird candidates who have no chance to win a national election? Have the Republicans gone mad? Yes, something like that.

Look, I do understand the yearning for change. Clearly there is deep frustration with unimaginative establishment politicians. There is a widespread perception that America is stuck; and yet the people we've been sending to Washington are not doing anything about it.

### **New faces**

***Hence the desire to look elsewhere: new faces, fresh ideas. Yes, except that Donald Trump and Ben Carson, while undoubtedly new, are also spectacularly unsuitable and inexperienced. Trump promises impossible or truly bad policies. Carson has no idea about most of the issues, let alone putting together a policy platform to deal with them, and a team that will execute.***

If you want to dig deeper into this baffling picture, take a look at the highlights of a recent Washington Post poll. What

motivates Republican voters to select their favorite? 52% replied that they picked the candidate who will bring needed change to Washington. (OK, so you get why Trump and Carson are popular. Most certainly they will bring change). 28% replied that their choice is for the most honest among the candidates. (A very low percentage. This means that for most Republican voters bringing change is more important than personal integrity. Not a good thing).

### **Prior experience not needed**

But it gets worse. Only 11% indicated that their choice is based on who has most experience. (And this explains why Jeb Bush and John Kasich are so far behind in the polls. They are proven and capable policy-makers. But right now very few voters care about real qualifications).

But wait, it gets even worse. Only 4% of potential Republican voters responded that they picked the candidate most likely to win against Hillary Clinton in the 2016 general election. In other words, almost zero consideration about which candidate can appeal to the (relatively narrow) Republican base but also to the millions of uncommitted voters who normally decide the outcome of a general election.

### **Change above all**

Here we go. In picking the person likely to become a national candidate in a presidential election, experience and electability at this stage hardly matter at all. The GOP primary voters are inclined to pick really strange "change candidates" simply because they are fed up with the old party leaders.

Broadly speaking, in a democracy change is good. There is inherent danger when we create a class of perennially re-elected professional politicians who dominate the scene with their established biases and prejudices.

## **What kind of change?**

Therefore, let's open up the field, by all means. Let's not go for yet another member of the Bush dynasty. (Jeb would be the third President Bush, after George Senior, and George Junior).

But if the GOP idea of change is Ben Carson or Donald Trump, then the Republican Party is in real trouble.