

# Aldous Huxley: The Political Candidate Sold On TV As Deodorant

WASHINGTON – “Three years before Kennedy’s inauguration, Aldous Huxley argued in *Brave New World Revisited* that the modern methods “now being used to merchandise the political candidate as though he were a deodorant positively guarantee the electorate against ever hearing the truth about anything”.

## **Spinning**

The above quote is taken from an interesting book review essay by David M. Shribman, editor of the Pittsburgh Post-Gazette, (*The Power of Persuasion*, The Wall Street Journal, January 22, 2016). The book reviewed is *Republic of Spin* by David Greenberg.

The theme of the book is that American politicians have been consciously manipulating information to further their interests for the longest time.

But it is with the advent of television that old “spin” acquired a true industrial dimension.

## **The candidate as merchandise**

And I found Huxley’s notation made so long ago remarkably prescient. At that time Dwight Eisenhower was still President. And yet Huxley understood the perverse effect that TV (still in its infancy at that time) was going to have on the substance of political debates . He realized that politics had entered the mass media era. And he also realized that TV would become an incredibly effective tool –in fact by far the main tool– for both marketing politicians and for manipulating the

voters.

Henceforth, the political candidate and the elected office holder would be treated mostly as a product to be sold. And therefore the handlers would present only the favorable sides. Therefore, no truth about anything anymore.

Of course, one could argue about how much truth was actually delivered to the public before the advent of television. The "Yellow Press" and slanderous accusations were not invented in the 1950s. Plenty of material going back to the very origins of the American Republic.

### **TV political commercials**

Still, here we are today, in this media saturated environment. During campaigns, the TV political commercial, ever slanted, ever tendentious, quite often openly false and slanderous, is not only the norm, it is in fact the primary instrument used by all campaigns to reach large audiences. This is where most of the money raised by candidates ends up. It is used to pay for air time. No money, no way to produce and let millions see the commercials. No commercials aired in large media markets, no chance to deliver the candidate's message, and therefore slim or zero chances to win.

In these TV political ads records are routinely misrepresented; achievements are magnified or altogether invented. Enemies are vilified. Opponents' character assassination is the norm. Complicated international political dynamics are reduced to stupid simplifications.

### **Nobody complains**

And nobody complains. This is the accepted and some times celebrated way in which candidates bring their case to distracted and uninformed people who in most cases do not have the time or the interest to beef up their knowledge on "the issues". And so it is all about images, background music, and

emotional language hopefully leading to persuasion. And if it takes tricks or outright lies to sway voters, so be it. "This is the way it is done", all the pros will tell you.

What Huxley wrote almost 70 years ago is as true as ever. We have entered the era of lies routinely delivered by all candidates. But nobody seems to care. The one who can present his/her case in a few seconds in a persuasive way, however untruthful the whole thing may be, has a far better chance to win.

The truth does not matter anymore. And it seems that no one cares that much.

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## When Moral Behavior Is Based Purely On Convenience

**WASHINGTON** – A retired elder statesman came up with wise advice for President Obama. He just wrote that, many years ago, when he was just getting started in politics, he was told by a seasoned politician in his own state that one should always be loyal to one's friends. And he believes that this was and still is a valid guideline.

### **Loyalty pays**

And why? Because –you see– in the long run, this is the smart thing to do. Staying loyal may carry a price. In some cases it may be inconvenient. But, look, that fact is that you will need your friends' support when things get rough. Therefore, take my advice. Be smart: stay loyal to those who are on your side. You never know, but sooner or later you will need them.

Well, in principle this piece of advice may sound self-evident and unobjectionable, even though it is clear that, in practice, many leaders do not stick to this principle. No, they turn with the wind and change loyalties, if this seems to be politically convenient.

### **No moral foundation**

Anyway, my point here is not to debate the validity of the advice as it may apply to this or that issue.

***My goal here is to point out that the advice of “staying loyal” is based entirely on what is politically smart, as opposed to being moral.***

Here the advice to pursue loyalty is presented as the result of a careful and shrewd “cost-benefit analysis”. Even though it may cost you in the short run, in the long run the smart thing to do in politics is to be loyal to your friends. Trust me, when all is said and done, this is the wiser course of action.

### **Loyalty is smart**

So, here we are talking about good or bad tactics, and what may or may not lead to long-term political advantage, and not about moral principles. A business-like approach tells you that being loyal will benefit you more than being disloyal.

So, don't be stupid. You assess the pros and cons; and, if you are smart, you will see that it is more convenient to stay loyal to your supporters than to betray them.

***Again, note that no moral principle is invoked here. The wise advice is not that “You should be loyal because this is the moral thing to do”. No, “You should be loyal, because this is the shrewd thing to do. Because it pays. “***

**What if being disloyal pays more?**

But what if in the real world the opposite were true? What if we discovered that betraying one's supporters in fact benefits the elected leader more? Then what? Well, then the smart thing to do would be to betray. Because –you see– being disloyal pays more than being loyal.

Welcome to our unhinged world in which some do not even try to provide a genuine moral foundation for what they deem to be clever political behavior.

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## [The World Is In Crisis, But Obama Is Focused On The November Mid-Term Elections](#)

**WASHINGTON** – If Obama were an American statesman, then he would get seriously engaged in the foreign crises, from Gaza To the South China Sea, that are now threatening world order. But, in fact, Obama is mostly a politician. Therefore, he focuses only on the unfolding campaign for the mid-term elections and on the issues that will determine how people will vote in November. And international problems –he noted– are very low on the list. Therefore, why worry about them?

### **Iraq out of control**

As we know, there are plenty of international crises out of control. Iraq, until recently the primary focus of US foreign and security policies, is almost falling apart, with a chunk of its territory now controlled by Muslim fanatics who may use this vast territory as a launching pad for new international terror operations. Meanwhile, the Kurds in the north of the country are moving towards *de facto* secession.

Post-Gaddafi Libya is now essentially a failed state. The Syrian civil war continues, with millions of refugees now in Lebanon, Jordan and Turkey. Vienna negotiations notwithstanding, Iran is well on its way to get a nuclear weapons capability.

### **Russia...and China**

There is a serious probability that the Moscow-funded rebellion in Eastern Ukraine may escalate into a full-blown conflict between a weak and poor Ukraine and a much more powerful Russia.

China is flexing its muscles by attempting to establish legal claims on the territorial waters of neighboring states.

Terror groups are destabilizing parts of Nigeria and now Kenya.

Plenty to do for an American President who would want to lead the world.

### **Obama is focused on the November mid-term elections**

But do not count on American leadership. Obama is not a leader. He is a politician mostly worried about the upcoming mid-term elections to be held in November. He has looked at how all these foreign crises poll. And he has noted, with great relief, that foreign crises do not move many votes.

Yes, Americans do say in various polls that Obama is not doing well in managing US foreign policy. But in the same polls they also indicate that they do not want America to get involved in any new conflict, no matter what may be at stake. Most fundamentally, foreign policy is not a key concern; and therefore it is clear that it will not influence how most people will vote in November.

### **The economy will decide the elections**

The issues that people care about, as always, have to do with the economy. We are talking about jobs, financial security, the burden of student loans, health care costs. To the extent that America is doing a little better on the economic front, if your primary concern is the outcome of the November mid-term elections, then things do not look so bad.

### **Raise money for TV ads**

And it is quite obvious that Obama is focused on the elections, not on US world leadership. Therefore, as a true politician, the President is doing his best to improve the chances of the Democratic Party in November by hopping from fund-raiser to fund-raiser across America, with the goal of getting more and more cash for his party.

He knows very well that the elections in most cases will be won or lost by the candidates who will spend more on TV spots. And TV political commercials cost a lot of money. The more money Obama raises, the better the chances for the Democrats to forcefully counter the attacks of Republican challengers.

### **Smart politician**

In other words, Obama is behaving like a smart politician. Most Americans do not even know where Ukraine is. They will not decide how to vote in November on the basis of Obama's decisive or weak leadership in that crisis.

Yes, all those who wonder about the consequences of America's passivity on future world stability are genuinely worried. But they are not even a significant minority of likely voters.

Let's be frank. The average American does not care about who controls Mosul in Iraq, or Donetsk in Ukraine. And, in fairness, it is very difficult to articulate compelling reasons for US engagement in far away crises that, for the time being, do not touch the lives of average Americans.

Most likely voters care about having a job, affordable housing and health care. As I said, on the domestic front, things are getting a bit better in America. And this may give renewed hope to the Democrats, as they are getting ready to fight for the November elections. Hence Obama's focus on fund-raising events in order to improve his party's chances to win.

Obama is a good politician, in fact a shrewd politician; but he is not a statesman.

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## Is Obama's Long Term Iraq Strategy In Line With The Severity Of The Current Crisis?

**WASHINGTON** – Based on President Obama's tone and rather relaxed demeanor as he spoke about what the United States intends to do to contain the current Iraq crisis, I have to conclude that he has good intelligence indicating that, while the situation in Iraq is serious, it is not catastrophic.

### **How bad is the situation in Iraq?**

I really hope it is so. Otherwise it would be impossible to ignore the huge contrast between an Iraq on the verge of civil war (that's what we thought) and a President that talks about Iraq's predicament with considerable detachment.

Media talk about catastrophe, President Obama describes long term plans.



## **Crisis or problem?**

Indeed, on one side we have news media accounts of a country on the verge of collapse, whose soldiers are literally running away in front of a (not especially large) enemy force that materialized almost out of nothing, and that literally in a matter of days gobbled one third of Iraq.

And on the other side we have a US President who rather calmly describes a US multi-pronged "Iraq Plan" based on long-term counter terror and "terror containment" strategies, the (time-consuming) formation of broad-based political coalitions, diplomacy, negotiations and extremely limited US military actions, to be undertaken, in the future, if and when necessary, (these would include dispatching a few hundred additional US military trainers to Iraq).

## **Good intelligence?**

What can I say? I hope that the President is getting good intelligence. I hope that we have seen the worst of the ISIL (or ISIS) onslaught. May be they have run out of gas. May be it was easy for them to overrun areas inhabited mostly by Sunnis. May be Baghdad is not in danger.

If it were indeed so, then President Obama's action plan –a plan that assumes that time is not our enemy– can work.

## **Sensible plans**

In his White House press conference, the President very sensibly pointed out that it is impossible to have a country at peace if the Shiites in power in Iraq do not embrace genuinely inclusive policies regarding the large Sunni minority. Sunni resentment will make it easier for Sunni jihadists like ISIL to find more support in Sunni areas in Northern Iraq. Therefore it is sensible for Obama to recommend the establishment of a more enlightened government in Baghdad. All well and good.

## **Time on our side?**

However, as I said above, all this assumes that we have time to encourage new political arrangements, and broad-based international coalitions aimed at containing and ultimately defeating transnational threats such as ISIL. I only hope that the President is offering these –by definition– long term approaches (and hopefully solutions) because his intelligence people reassured him that the situation on the ground is not that bad, after all.

If the opposite is true, if Iraq is about to collapse, then the carefully laid out plan that Obama just presented would be useless. You do not discuss a new preventative health care program when a comatose patient has just been rushed to the ER and the doctors are fighting to keep him alive.

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## **What Will Obama Do About The Crisis In Iraq? Not Much**

**WASHINGTON** – America should respond swiftly and massively against the political and military threat represented by the self-proclaimed Islamic State of Iraq and al-Sham, or ISIS, now established in Northern Iraq and parts of Syria. We should use force in our self-interest and in the interest of stability in the Middle East.

### **The threat**

We should do so in order to show to the resilient Sunni Islamic radicals, within ISIS and beyond, that they do not have a chance to ever see their crazy dreams of a resurrected Caliphate come to life.

Of course, more broadly, it would also be good for America to support the political integration of peaceful Sunnis into the Iraqi political system, something that Prime Minister al-Maliki has failed to do. In fact, as we know, rather stupidly he has done exactly the opposite. As a Shiite, al-Maliki has openly worked to marginalize the Sunnis who used to rule Iraq until the demise of Saddam Hussein in March of 2003.

But this is political work for tomorrow. Right now we have to defeat ISIS –quickly and decisively. And for this military response to send the right signal to all would-be jihadists, it better be a mortal blow. The message should be: *“You do not stand a chance”*.

### **No sense of urgency**

But I do not see any of this happening. As ISIS progresses in its spectacular advance into southern Iraq, President Obama for a few days said nothing. Did he have the information? Do our intelligence services see what’s going on? Do they report it to the White House? Apparently yes; but Obama did not nothing anyway.

### **Advice to al-Maliki**

Now that he has spoken, we see that he intends to do little, or very little. For starters, Obama blamed publicly Prime Minister al-Maliki for his ill-advised discriminatory, anti-Sunni policies. He advised him to change course. Nice opening: start by blaming your ally for having caused the crisis. (I suggest that the President should have done this in private, and not as a public scolding).

As for what the US may do to reverse this Iraqi strategic debacle, well, stay tuned. We are probably going to do something –added Obama– but not much, and not very soon.

### **This is not an American problem**

What is the direct and indirect message here? The way I read Obama's preliminary assessment of this sudden tragedy is that this unprecedented military and political crisis affecting Iraq is really no big deal from the standpoint of America's national interest.

This is an Iraqi domestic problem –we are told by Obama– in large part caused by the ill-advised sectarian policies pursued by the al-Maliki government. They should change course. They should become more inclusive regarding the Sunni minority, and this would help deflate the support that regular Sunnis seem inclined to give to ISIS at this point.

This is a bit like responding to someone having a heart attack by giving them a nice list of healthy food they should start eating. This is all very well and good. But right now there is an emergency. And this requires swift action, not advice.

### **ISIS is no threat to America**

But, again, does ISIS represent a problem for America's security? Apparently not. Are we concerned that the establishment of something like an Islamic radical state in significant regions of Syria and Iraq may have negative consequences? Apparently not, even though this radical core may attract other radicals who from that base may over time resume plotting attacks against America and other Western interests. Does the history of al Qaeda and how it got itself established in Afghanistan teach us anything at all?

Well, it would appear that ISIS does not represent a threat to America. This is an Iraqi problem. Mercifully Obama got us out of the Iraqi mess back in December 2011. And we have no intention of revisiting that nightmare. Besides, all opinion polls indicate that Americans would not support any US intervention in any Iraqi fight, whatever the motives.

### **Follow the polls**

So, President Obama is correctly interpreting the popular sentiment. In the spirit of our times, he believes that leadership is just this: follow what the polls say. So, he is prepared to give al-Maliki advice; but not much else.

As to the fact that al-Maliki is already getting military help from Iran, a country that (in theory) we would like to contain given its dangerous hegemonic aspiration, apparently this does not matter either.

This is America's foreign policy in an age of myopia and retreat, rationalized as superior wisdom.

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## [Susan Rice: Bergdahl Served With "Honor And Distinction" Because He Volunteered – Really?](#)

**WASHINGTON** – The whole “liberation of Bowe Bergdahl” operation was supposed to be good public relations for President Obama. Instead, in the blink of an eye, it turned from heart warming *end-of-the -long-war* story into a gigantic fiasco for the Obama administration.

### **Fiasco**

It turns out that the US went to great lengths to free a deserter about whom nobody who served with him has anything nice or even charitable to say. And the President, who should have known all this, still went ahead and made a high profile White House announcement about the regained freedom of a good

American soldier held in captivity by the evil Taliban, with Bergdahl's parents on his sides. So these are the people this President believes deserve special recognition? Deserters?

### **Obama defends his decision**

Taken aback by the strong reactions about what was supposed to be good news, but still hoping that the general public will get tired of the story of how the administration traded 5 senior Taliban commanders held at Guantanamo Bay for 1 US soldier held by the Taliban who may actually be tried for desertion, Obama stood his ground.

Indeed, in subsequent days, the President reaffirmed –actually with defiance– that this was the right thing to do. You see, we are Americans. We do not leave any of our own behind, no matter who they are or what they did. We just do not do that, under any circumstances.

### **Why the White House statement?**

Well, this may be a good argument about working towards the liberation of any POW, Bergdahl included. But if it is so, if this is routine, established practice, what was the point of inviting Bergdahl's parents to the White House in order to make the announcement of the end of the long ordeal of a good American held in captivity ?

If Obama knew about Bergdahl's at least questionable service record, what was the point of describing him as a brave soldier who had to endure 5 long years in the hands of the Taliban?

Sadly, in all this Obama looks clueless, and therefore silly.

### **Susan Rice does it again**

But, wait, for there is more. Indeed, Susan Rice, Obama's National Security Advisor, looks even worse. She did say on CNN, after the prisoners exchange and the eruption of

the controversy, that Bowe Bergdahl was a good American soldier who had served "with honor and distinction". Really? A soldier who voluntarily abandoned his post in a war zone and disappeared served with "honor and distinction"?

### **"Honor and distinction"**

When given a chance to explain what she meant, Ms. Rice said this:

*"What I was referring to is the fact that this was a young man who volunteered to serve his country in uniform in a time of war. That is itself a very honorable thing".*

Ah, you see, that explains it. What Ms. Rice really meant is something like this: *All members of the United States Armed Forces, no matter their actual record during their service, served with "honor and distinction" , because they all volunteered in a time of war. Bergdahl volunteered and so, no matter what he did or did not do during his service, he served "with honor and distinction".*

### **Explanation worse than the statement**

This "explanation" is preposterous, lame and silly. Think about it, according to Ms. Rice, all enlisted men or women, whatever their record during their service, automatically are recognized as having served with "honor and distinction" by virtue of the fact that they volunteered. Imagine this: while wearing the uniform, you committed war crimes. But, hey, you volunteered, and so you served with "honor and distinction".

The honorable thing would have been for Ms. Rice to apologize for having said something really out of place, in the light of what she knew or should have known about Bergdahl's desertion.

### **Remember the Benghazi story?**

But no. She wanted to defend an absurd statement by explaining

it. And so she said another preposterous thing.

Of course, it is impossible not to connect this implausible characterization of Bergdahl's military record with her deceitful explanation of the "Benghazi Attack" a few years ago, in September 2012.

At that time, she went on several TV shows repeating a misleading story about what caused the (September 11) attack against the US Consulate in Benghazi, Libya that resulted in the death of the US Ambassador and three other Americans. The point of that fabrication was to protect the President who was running for re-election.

This time she did not say that the characterization of Bergdahl as a very good soldier came from some "talking points" she had been given. But the result is the same. She lost credibility.

### **Loss of credibility**

There you have it: as a result of yet another botched affair, the President lost credibility; the National Security Advisor lost credibility.

In the broader context of "red lines" about the use of chemical weapons in Syria that have been crossed, inconclusive "negotiations" with Iran bent on acquiring nuclear weapons capabilities, token reprisals against Putin who acts like the neighborhood bully regarding Ukraine, while we offer meals ready to eat and socks as military aid to the Kiev government, (*this is not a joke*), all this makes me sad.

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# Instead Of Funding Green Political Candidates, Billionaire Tom Steyer Should Use His Millions To Support More Research In Renewable Energy

**WASHINGTON** – TIME magazine has a lengthy portrait of Tom Steyer, (*Green Giant*, June 2, 2014), a California billionaire who decided to spend millions in order to support political candidates who pledge to fight global warming.

## **Global warming is the enemy**

According to the TIME article, Steyer seriously believes that global warming is the defining issue of our times. It is an urgent matter that requires immediate policy changes. Hence his determination to support political candidates and major legislative or regulatory initiatives that will result in diminishing the use of carbon based energy, while favoring renewables.

On the face of it, all this is really odd. Even assuming that Mr. Steyer is totally right and that indeed man-made global warming is real, the notion that throwing his money to elect Democrat Terry McAuliffe Governor of Virginia will help stop or reverse global warming –a planetary phenomenon– is so bizarre that it looks really stupid.

## **Electing green candidates in the US will change nothing**

Here are some simple facts. Whatever you may believe about global warming, without the active committment of China, India

and many more major polluters to drastically cut their emissions, there will be no total emission reductions. (By the way, it looks as if the world is in fact moving exactly in the opposite direction. In case Mr. Steyer missed it, China just signed the carbon energy deal of the century with Russia, worth \$ 400 billion. Russia will supply natural gas to China for the next 30 years. What's Mr. Steyer going to do about that? Will he fund a political campaign to unseat Vladimir Putin, so that he can force Russia to reverse this deal?)

And, even assuming that the worst Asian polluters were totally on board (as of today, obviously they are not), even assuming a global and enforceable commitment to reduce emissions by curbing the use of carbon based energy, the impact on global temperatures would be minimal. In other words, unless we want to outlaw carbon altogether, this way regressing to pastoral, pre-industrial societies, reducing carbon based energy consumption here and there would make little difference.

If this is so, does Mr. Steyer (and his political allies) really believe that passing this green measure in California or electing that Governor in Virginia will really move the needle on a vast problem that is by their own definition global?

Of course one might reply to this question by stating that *"Surely it is better to do something rather than stand by and do nothing, while our planet is cooked by global warming...you have to start somewhere to build an anti-global warming coalition, etc."*

OK, I get it. But I do not agree.

### **Futile effort**

Indeed, the whole effort, even if well-intentioned, looks really impractical, in fact utterly futile. And, from a public policy stand point, the approach –forcing emission cuts through laws and regulations– looks extremely expensive and

therefore ill-advised.

Even if Mr. Steyer won all his political battles and green friendly elected officials will be able to set policy for the entire United States, new mandates forcing everybody to use renewables will cost a fortune while they will produce negligible results.

*This is not a way to say that greenhouse gases emissions do not exist or that global warming is just a minor issue.*

### **Focus on developing cost-effective renewables**

This is to say that we need a different approach. And this has to focus not on curbing the use of carbon based energy but on producing economically viable alternatives to carbon.

To borrow a fictitious example, word processing did not get established as the normal way to compose documents because in the 1980s policy-makers put a tax on typewriters, while granting tax brakes to Microsoft.

***The market simply adopted a superior technology –but only after it was proven that the new technology was demonstrably superior.***

When it became obvious that word processing run through PCs was a better tool, typewriters disappeared. This revolution did not require special laws, mandates or policy changes. A more efficient tool replaced the old one.

The simple truth is that solar panels, wind and other alternatives have not yet reached this stage. While progressing, the renewable energy revolution is still immature. As yet, we simply do not have truly cost-effective alternatives to carbon based energy sources. If the currently available solar panels, wind farms and what not were economically viable, then they would be adopted by all users, whatever they believe about global warming, simply

because they would be efficient and cheaper. As of today, they are not.

And this is why well-intentioned policy-makers (some of them elected via Mr. Steyer's money) can deploy these still imperfect technologies only through mandates, subsidies and tax cuts. The simple reality is that, as of today, renewable energy solutions have to be imposed because they are not yet mature.

### **Europe tried and failed**

And Mr. Steyer should just look at the outcome of Europe's disastrous attempts to force an energy production revolution by deploying currently available renewable energy technologies.

Solar panels in Germany and wind power in Spain have produced some of the highest electricity prices in the world, with no appreciable environmental impact in Europe, let alone the world.

### **Use money to fund more R&D**

Given all this, here is a practical suggestion. Mr. Steyer's precious money should be devoted to fund more research and development in renewable energy alternatives. I am confident that human ingenuity sooner rather than later will come up with economically viable alternatives to carbon. More R&D money invested in this effort hopefully will accelerate the innovation-seeking process.

When we reach that point, the new zero-emission technologies will be adopted not because they are virtuous but because they are viable. Commercially competitive renewable energy, not politically mandated regulations, will help us cut emissions.

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# America's Economy: Stagnation and Inequality, A Bad Mix

**WASHINGTON** – Capitalism is still by far the best economic system we know. But it is not as good as we would like it to be. Here in America we are in the middle of what Tyler Cowen appropriately named “The Great Stagnation”.

## **No innovation**

Indeed, beyond the still vibrant IT sector, we seem to have lost the ability to innovate. There are no ground breaking inventions, no real “game changers” in power generation, civil aviation, biotech, agribusiness, and so on, that open up entire new sectors.

Stagnation also means little or no productivity growth, and that means thin margins for many industries. And technological changes, to the extent that they exist, usually have a negative effect on mundane functions, (and that means jobs), that can be easily replaced by automation.

## **Little growth, low wages**

Yes, the economy grows; but just a little. There are good news on employment. We have just added almost 300,000 jobs in April. But they are mostly low paying jobs. There are millions of Americans who would love to trade their current part-time jobs with full-time employment. The middle class is barely treading water. Millions of Americans are actually doing worse now than 10 or 20 years ago.

## **Growing inequality**

At the same time, whatever new wealth is produced, it ends up

in the hands of fewer and fewer people. So, here we have it. Very little economic growth and growing socio-economic disparities.

The US is becoming a bit like Brazil and other Latin American countries. Modest growth, huge inequality and a shrinking middle class.

### **No good answers**

These are really major issues. And nobody has a good answer. How do we reduce inequality without punitive actions against those who do better or very well? How can we help the shrinking middle class without creating a gigantic and ultimately unaffordable welfare state? And –most critical issue– how do we recreate the magic of broad based innovation? As I said, nobody really knows, for sure.

### **Retreaded political ideas**

But politicians are forced by the circumstances to come up with answers. Confronted with this phenomenon of lower incomes for the middle class, while those at the top have become fabulously wealthy, the left simply retrenched to familiar ground. This growing inequality –its leaders say– is unjust and immoral. The state should do more to help those at the bottom. And you finance these needed social safety nets by taxing the rich who are taking more than fair share anyway.

### **Redistribution**

This approach may make some people feel better. But in the long run it is self-defeating. No public policy founded on redistribution ever managed to give any real impulse to growth. The rich will hide their wealth whenever they can and/or move to another country if they have the opportunity. Those who cannot escape will lose their motivation to invest and expand. If things are bad today, you can rest assured that they will be worse tomorrow.

## **Free-market capitalism will work its magic**

That said, the orthodox pro-capitalist have no new insights either. The idea that, if you leave the system alone –that means deregulation, lower taxes– it will take care of itself, looks at best a bit naive, at worst utterly disingenuous. While one should not tinker with innovation by having politicians picking winners and losers and by subsidizing this or that, are there ways in which public policy can stimulate innovation and expand opportunity?

## **Expanding opportunity**

Is there anything that can be done to give a good, if not excellent, public education to millions of poor kids who are stuck in mediocre or failing public schools? These kids are part of our future human capital reservoir. If we let them grow up with no education, they will be able to do little for themselves and even less for society.

These lean times should stimulate new, constructive ideas. But they do not. The left thinks in terms of redistribution financed via higher taxes imposed on the rich. The right still thinks in terms of pure free market capitalism whereby the “invisible hand” will take care of everything.

## **Immediate handouts seem better**

These stale recipes will not work. Sadly, in this unimaginative political landscape it is likely that those on the left who promise a free lunch to people who are really hungry will get more attention.

The millions of Americans who are not doing well are more inclined to listen to the politicians who offer immediate relief. Paraphrasing the old story, for most people in need receiving a fish now seems more appealing than enrolling in a course that will teach them how to fish.

*The point is that we shall soon run out of fish.*

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## **Financial Aid To The Ukraine? Great Idea But Huge Costs**

**By Paolo von Schirach**

March 10, 2014

**WASHINGTON** – A few days ago, I argued [in a related piece](#) that it is hard to believe how Ukraine can be considered by either Russia or the West as a coveted prize in this emerging new version of an East-West confrontation. The country is vast, (almost the size of Texas), and it is home of a fairly large population, (somewhere around 45 million). Other than that, however, Ukraine is a real mess. It is poorly organized, very corrupt and essentially broke. Indeed, just to get things back together, we are talking about [a \\$35 billion bill](#). I assume that includes all the unpaid natural gas bills that Ukraine owes Russia's Gazprom.

### **Save the Ukraine?**

And yet, notwithstanding this economic train wreck, now the talk is about the (semi-broke) West bravely stepping up to the plate in order to “save” Ukraine. Indeed, if I understand correctly the still hazy plans articulated by US Secretary of State John Kerry and some European policy-makers, we are in for a lot more than just an emergency financial rescue operation.

***We are talking about a long-term commitment to turn the Ukraine around.***



We are talking a major, multi-year assistance package, (including money, tools, technical expertise), aimed at helping the new leaders of the courageous Maidan demonstrators in planning and then implementing major reforms. The goal is nothing less than a reborn Ukraine that would prove to the world (and of course to its Russian neighbors) that a messed up, post-Soviet Republic can become a viable, modern country by adopting best practices when it comes to ensuring basic freedoms via good governance and the adoption of sound economic management. In a nutshell: if we are serious about this, we are talking years and years of sustained work, and tens of billions of dollars.

## **This is going to be expensive**

Turning the Ukraine around is of course a great idea. The problem is that, even assuming good will and not too much negative Russian interference, (you can count on Moscow's attempts at sabotaging pro-Western policies), this is going to be difficult and very, very costly.

Therefore, Western leaders should make this very clear. For instance, I am not sure that US voters, worried about unemployment, stagnant wages and massive student loans debt burdening millions of young workers are that keen on pouring billions of dollars into the Ukraine mess.

## **Let's try**

That said, I do hope that America and Europe, with the support of the IMF and others, will try this. If the Ukraine succeeds, if it becomes like Poland, a former Communist country that successfully embraced Western values, this would strengthen Europe and America. Furthermore, it would show the world that our model works. Yes, a well-functioning democracy is the foundation for sustainable prosperity.

# **Nation building? Again?**

Look, I realize that here in the US any undertaking that even remotely resembles "*nation building*" evokes the truly bad experiences of Afghanistan and Iraq. And for very good reasons. Lacking judgment and even elementary common sense, the Bush administration and to a lesser extent the Obama administration poured tax payers' money into costly and generally ill-advised development assistance projects aimed at these two countries. The US "Grand Strategy" at the time of the Bush administration was to crush dangerous tyrants and autocrats, have free elections so that the people would finally have a say, and then help the new, democratically elected policy-makers rebuild their countries following the tried and tested Western model. And so, thanks to America, there would be genuine freedoms, market economies, no more corruption, gender equality –and a lot more. Yes, people would vote, children would get immunizations, girls would go to school. A New World.

Nice and noble ideas. But it could not be done. Not because the aims were bad, but because there was a gigantic disconnect between the lofty goals on one side and the relatively small resources allocated, plus the (almost insane) belief that much could be done in a relatively short period of time on the other.

## **It could not be done**

Simply put, you cannot have gigantic social and economic transformations –premised on new values being genuinely embraced by millions– in a matter of a few years. At the time of the US military occupation in 2001, Afghanistan was a semi-destroyed country with almost no viable economic activities. Thanks to the Taliban, it lived virtually in the Middle Ages. It was disconnected from the rest of world.

The very fact that some people in Washington embraced the notion of a turbo-charged modernization program as a viable proposition is baffling. And that approach, mind you, was developed before the rebirth of the Taliban-led insurgency made everything a lot more difficult.

## **Ukraine is different**

Well, if we fast forward to today's Ukraine with the still fresh memories of the Afghan and Iraqi failures in our minds, the idea of starting all over along the same path looks really unpalatable. And for very good reasons.

The huge difference, though, is that the Ukraine, while in truly bad shape, is a semi-modern country. It has educated people and some of the building blocks to make things work. Therefore we can assume that our chances of success would be a lot higher. And, again, let's keep in mind that helping to build a viable society in a vast country at Europe's immediate periphery in the long-term would help peace and stability in the Continent.

## **Uncertain mission, but worth pursuing**

That said, if America and Europe are serious about this undertaking, we are talking about tens of billions of dollars over a number of years. Beyond the immediate financial crunch, the Ukraine will need investments and help to modernize its industries, its infrastructure, its governance, its education systems, and what not. And, let's not forget that this noble attempt may fail. If the country will not abandon its deeply rooted culture of corruption nothing much can be done.

Still, even keeping in mind the lessons of Afghanistan and Iraq, and the uncertainties embedded in any undertaking of this magnitude, the Ukraine is a far better place. And the

stakes for the West are arguably much higher.

Vladimir Putin's dream is to bring major pieces of the old Soviet Union back into the fold. But he has nothing good to offer. Beyond oil and gas, Russia is not a leader in anything. Whereas Europe and America can offer a new path to democracy and prosperity (via investments, technology transfers and trade) to the Ukrainian people.

And ultimately it is in our own self-interest to demonstrate that our values and our systems really work. This is the best lesson that we can offer to all the people who suffer under autocratic regimes, in Russia and elsewhere:

*Democracy is the right choice, and it is really good for you.*

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## [Americans Waste One-Third Of All The Money Spent On Health Care](#)

By Paolo von Schirach

March 2, 2014

**WASHINGTON** – The Obamacare fiasco, or at least semi-fiasco, continues to generate media attention. From a political standpoint, the Republicans intend to make the mess caused by the faulty roll out of this bad legislation a major issue in the upcoming mid-term congressional elections.

### **Bigger issues**

That said, the heated debates about what Obamacare is doing or

not doing unfortunately obscures the bigger reality of the structural deficiencies of the entire US health care sector. The Obamacare critics would like you to believe that things were just about OK until President Obama and his leftwing technocrats started messing with it. Just repeal the Affordable Care Act and all will be well. Not so. Not so.

### **Enormous waste**

The US health care system was in deep crisis before this reform effort, and it will continue to be in a crisis, even assuming the (unlikely) repeal of Obamacare.

How bad a crisis? Read this, from a piece by Dr. Martin Makary published in TIME magazine, (*The Cost of Chasing Cancer*, March 10, 2014):

***“A 2012 Institute of Medicine report concludes that Americans spend as much as one-third of their health care dollars on tests, medicine, procedures and administrative burdens that do not improve health outcomes”.***

### **Health care waste up to 5% of US GDP**

Got that? Up to one-third of all our national health care spending is wasted. Now, if you consider that health care spending is beyond 17% of GDP, the waste (about 5% of GDP) amounts to more than the entire Pentagon budget. Yes, as bad as that. But nobody wants to discuss this. May be because the problem is too big? Who knows.

### **Perverse incentives**

But why are we in this mess? The health care crisis is largely due to perverse incentives that are not that difficult to understand. For starters, most US doctors are in private practice. And this means that they make money only if you, the patient, come and see them. And you will do so only when you are sick. And here is a key problem.

US doctors have no economic interest in encouraging healthy life style habits –beginning with good nutrition and regular exercise– in the same way as your auto mechanic has no interest in teaching you smart ways to prevent damages to your car engine. Indeed, just as your auto mechanic makes money only when your car breaks down, your doctor makes money only when you are sick. This may sound a bit simplistic, but it is so. If everybody is healthy, doctors make no money.

### **Insurance will pay**

And there is more. Unlike your auto mechanic, your doctor knows that you (or at least most people) have medical insurance. This means that you pay only a small portion of his bill. And this creates a powerful (and truly perverse) incentive to make the bill as large as possible.

And in medicine it is hard to determine in a conclusive way “how much is enough” when it comes to testing, diagnostics, treatments and surgeries. Therefore, as there is no real standard, let’s err on the side of caution. Let’s do “more” rather than “less”. In any event, the patient does not pay, and so he or she is not going to resist more treatment. And this explains how we get to wasting so much money: hundreds of thousands if not millions of unnecessary procedures and therapies that add no value.

### **Administrative costs**

Add to this disaster antiquated record keeping and billing systems and you see how we get to wasting one third of all the money we spend on health care. True enough, Obamacare made this mess possibly worse. But repealing it would be no solution.

As difficult as this is, it is time to modernize the entire US health care system.