

January 26, 2012

Nile Gardiner on Obama's last SOTU.

Two words hardly mentioned in Barack Obama's 65-minute [State of the Union address](#) to Congress: freedom and liberty. President Obama's fourth and possibly last State of the Union speech was long on big government proposals, but short on the principles that have made America the world's greatest power. His lecturing tone exuded arrogance, and he failed to present a coherent vision for getting the United States back on its feet after three years of economic decline. It was heavy on class-war rhetoric, punitive taxation, and frequent references to the Left-wing mantra of "fairness", hardly likely to instill confidence in a battered business community that is the lifeblood of the American economy.

Above all, he remains in denial over the levels of federal debt that threaten the country's long-term prosperity. This was not a speech that was serious about the biggest budget deficits since World War Two. There was no sense at all that America is a superpower on a precipice, sinking in a sea of debt that threatens to undermine America's power to project global leadership for generations to come. In fact, his interventionist proposals will only make matters worse.

From new federally funded infrastructure projects to increasing regulations on financial institutions, President Obama remains wedded to big government – an approach rejected by a clear majority of Americans, who view it as a millstone around their necks. As [Gallup's polling has found](#), nearly two thirds of Americans see big government as "the biggest threat" to their country. ...

Yuval Levin comments on the speech for the Corner.

Toward the end of his State of the Union address, President Obama delivered a paragraph that was so blatantly absurd and self contradictory as to actually become clarifying—so incoherent that it shed a bright light on his thinking and his grave dilemma. It's hard to believe he actually said this, but he did:

"I'm a Democrat. But I believe what Republican Abraham Lincoln believed: That Government should do for people only what they cannot do better by themselves, and no more. That's why my education reform offers more competition, and more control for schools and States. That's why we're getting rid of regulations that don't work. That's why our health care law relies on a reformed private market, not a Government program."

The examples he chose of course jump out as ludicrous: K-12 education in America is thoroughly dominated by the government, and the president has not proposed to make it less so. (And state governments, by the way, are also governments.) "Getting rid of regulations that don't work" is certainly an unusual way to describe the regulatory agenda of this administration, which has involved a series of unprecedented delegations of authority to regulators (especially in health care and financial regulation) and which continues every day to spew forth an interminable array of costly, complex, and highly assertive rules that will give the federal government (and the executive agencies in particular) previously unimagined discretion over vast swaths of our economy. And "relies on a reformed private market, not a government program" is surely the most unabashedly dishonest and Orwellian way yet devised to describe Obamacare—a law that begins from the premise that the solution to our health care financing problems is to make the government an even greater provider and purchaser of health insurance, ...

Because he was a presidential speech writer, [Peter Wehner](#) has some creds when it comes to the SOTU.

I have some sympathy for President Obama's speechwriters. A State of the Union address is inherently challenging to write because there's a laundry list quality to them. (That was not the case for President Bush's early State of the Union speeches, as we were able to focus on the war on terror, which created a clear hierarchy of priorities, allowing us to reject the usual input from various federal agencies). But what made Obama's address last night doubly challenging is he clearly understands he cannot defend his record and won't even try. That was obvious, given the glaring omissions in his speech. For example, Obamacare barely made a cameo appearance last night while his stimulus package was kept off-stage completely.

Then there is the fact that the president has no compelling second-term agenda to offer (something I wrote about yesterday). And since a State of the Union address imposes some constraints on Obama's favorite rhetorical device these days, which is to accuse Republicans of being unpatriotic and very nearly sadistic, what's a presidential speechwriter to do?

One option is to have Obama say in 2012 almost exactly what he said in 2010 and 2011. The problem with that is it's not only rhetorically uncreative, it's downright embarrassing. ...

[Megan McArdle](#) thinks the speech was filled with nostalgia.

... I think the speech made it even clearer than other speeches have that the president's vision of the world is a lightly updated 1950s technocracy without the social conservatism, and with solar panels instead of rocket ships. Government and labor and business working in tightly controlled concert, with nice people like Obama at the reins--all the inventions coming out of massive government or corporate labs, and all the resulting products built by a heavily unionized workforce that knows no worry about the future.

There are obviously a lot of problems with this vision. The first is that this is not what the fifties and sixties were actually like--the government and corporate labs sat on a lot of inventions until upstart companies developed them, and the union goodies that we now think of as typical were actually won pretty late in the game (the contracts that eventually killed GM were written in the early 1970s).

And to the extent that the fifties and sixties were actually like this, we should remember, as [Max Boot points out](#), that this was not actually the day of the little guy. Big institutions actually had a great deal more power than they do now; it was just distributed somewhat differently--you had to worry less about big developers slapping a high-rise next to your single-family neighborhood, and a whole lot more about Robert Moses deciding he wanted to run a freeway through the spot where your house happened to be.

The military model of society--employed by both Obama, and a whole lot of 1950s good government types--was actually a kind of creepy way to live. As Boot says, "America today is far more individualistic and far more meritocratic with far less tolerance for rank prejudice and far less willingness to blindly follow the orders of rigid bureaucracies." If you want the 1950s except without the rigid conformity and the McCarthyism, then you fundamentally misunderstand what made the 1950s tick. ...

Both Mitt and Newt made money from a Denmark drug company. Mitt made it out in the open as an honest man. Newt made his under cover of his lobbying activities.

[Nicole Gelin](#) has the story.

Whose financial activities tell us what's wrong with America — Mitt Romney's or Newt Gingrich's?

Romney released some tax returns this morning. In 2010, Goldman Sachs, one of the Romneys' investment firms, reported that a trust set up for Ann Romney booked a \$17,728.21 profit on the sale of stock in Novo Nordisk, a global pharmaceutical company based in Denmark. The Romneys paid a 15 percent federal tax levy on this capital gain, or \$2,659.23.

Romney's Novo investment was unremarkable. It was a tiny part of his portfolio. It catches the eye only because Gingrich, too, made cash off Novo Nordisk in recent years — just in a different way.

As the New York Times reported last month, Novo Nordisk paid \$200,000 annually to be a big part of Gingrich's "Center for Health Transformation." Novo paid Gingrich separately, too, for lobbying in all but name.

What did Novo want? It wanted Gingrich to wring money from the U.S. government. The Times says: ...

[Volokh Conspiracy](#) provides a good example of the benefits of the government leaving the economy alone.

Interesting column by James Grant on the short but severe post-WWI Depression of 1920–21: "Our Great Recession ended 2½ years ago, according to the official cyclical timekeepers, but you wouldn't know it by a glance at the news. Zero percent interest rates and \$1 trillion in "stimulus" notwithstanding, the U.S. economy can hardly seem to heave itself out of bed in the morning. Now compare this with the first full year of recovery from the ugly depression of 1920–21. In 1922, under the unsung stewardship of the president best remembered for his underlings' scandals and his own early death in office, the unemployment rate fell from 15.6 percent to 9 percent (on its way to 3.2 percent in 1923), while constant-dollar output leapt by 16 percent. After which the 1920s proverbially roared.

And how did the administration of Warren G. Harding, in conjunction with the Federal Reserve, produce these astonishing results? Why, by raising interest rates, reducing the public debt and balancing the federal budget. Let 21st-century economists rub their eyes in disbelief. Eighteen months after the depression started, it ended."

I've been fascinated by the contrast of Harding's response to the 1920 depression versus Roosevelt's seemingly-counterproductive response to the Great Depression since I read several discussions a few years back (see [here](#), [here](#), and [here](#)). The problem with macroeconomics, of course, is the paucity of data points and the inability to control for relevant variables. But it is nevertheless striking to me that discussion always seems to focus on what at first glance appears to be the failed Hoover-Roosevelt response to the Great Depression rather than the apparently effective Harding response to the 1920 Depression.

The only discussions I've seen of the 1920 Depression are those that support Harding. Has anyone written a good response to that story, because what I've read seems fairly compelling (at least to the extent that macroeconomics can ever tell a compelling story).

[Cato](#) has a chart that shows the growing state dependency on the federal government. The chart is defective in that it does not clearly show the devastating effect of the present administration. In 2002 the percentage was 27.2% and in 2008 it dropped to 26.3%. In 2011 it increased to 34.1% That is an increase of 23% in just three years. So it was stable for a good bit of time until Barack Obama was elected. *The president's fiscal 2013 budget proposal is scheduled to be released on February 13th. State officials are predictably sounding the alarm on the coming "deep cuts" to federal subsidies now that stimulus funds are running out and Washington is being forced to confront its mounting red ink.*

State officials have become addicted to federal subsidies because they allow them to spend money taken from taxpayers across the country instead of having to ask their voters to pony up the funds. As the following charts shows, total state spending continued to increase during the economic downturn because the federal government picked up the slack. Note that the federal share of total state spending went from 25.7 percent in 2001 to 34.1 percent in 2011.

Ever wonder why the Glock handgun is so popular? [WaPo](#) reviews a book on the gun and the man who invented it.

As you pass through airport security, graphics depict items prohibited in your carry-on luggage. While the representations of a knife and an aerosol spray can are fairly generic, the pictograph of a handgun is unequivocally the silhouette of a Glock pistol.

In 1982, an obscure Austrian engineer named Gaston Glock, who worked in a radiator plant and had a side business with his wife making curtain rods, knives and belt buckles, invented a type of pistol that changed the worlds of law enforcement and firearms and powerfully influenced politics and popular culture. Glock is now 82, and his surname has become synonymous in some circles with "handgun."

Less than three decades ago, few had heard of Glock, the man or the gun. Just how a pistol developed by an unknown engineer with little firearms experience became the dominant, if not iconic, law enforcement handgun in the United States is the subject of Paul M. Barrett's "Glock."

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Telegraph, UK

Barack Obama is still driving America towards decline

by Nile Gardiner

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Above all, he remains in denial over the levels of federal debt that threaten the country's long-term prosperity. This was not a speech that was serious about the biggest budget deficits since World War Two. There was no sense at all that America is a superpower on a precipice, sinking in a sea of debt that threatens to undermine America's power to project global leadership for generations to come. In fact, his interventionist proposals will only make matters worse.

From new federally funded infrastructure projects to increasing regulations on financial institutions, President Obama remains wedded to big government – an approach rejected by a clear majority of Americans, who view it as a millstone around their necks. As [Gallup's polling has found](#), nearly two thirds of Americans see big government as "the biggest threat" to their country.

This should have been a serious speech addressing the economic problems facing the United States. Instead it was a laundry list of half-baked proposals designed to appease the Left. The president should have been talking about reining in spending, lowering taxes, and fostering greater economic freedom, but he opted for policies that will speed America's decline, not reverse it.

It is a pity that Mr Obama's uninspired speechwriters did not spend a bit more time learning from both the policies and the message of a truly visionary president, Ronald Reagan. In [the last State of the Union address of his first term in office](#), in 1984, he had these stirring words for the American people, reminding them that it is freedom and liberty that drive this great country:

As we came to the decade of the eighties, we faced the worst crisis in our postwar history. In the seventies were years of rising problems and falling confidence. There was a feeling government had grown beyond the consent of the governed. Families felt helpless in the face of mounting inflation and the indignity of taxes that reduced reward for hard work, thrift, and risktaking. All this was overlaid by an evergrowing web of rules and regulations.

On the international scene, we had an uncomfortable feeling that we'd lost the respect of friend and foe. Some questioned whether we had the will to defend peace and freedom. But America is too great for small dreams. There was a hunger in the land for a spiritual revival; if you will, a crusade for renewal. The American people said: Let us look to the future with confidence, both at home and abroad. Let us give freedom a chance.

... How can we not believe in the greatness of America? How can we not do what is right and needed to preserve this last best hope of man on Earth? After all our struggles to restore America, to revive confidence in our country, hope for our future, after all our hard-won victories earned through the patience and courage of every citizen, we cannot, must not, and will not turn back. We will finish our job. How could we do less? We're Americans.

I've never felt more strongly that America's best days and democracy's best days lie ahead. We're a powerful force for good. With faith and courage, we can perform great deeds and take freedom's next step... Let us be sure that those who come after will say of us in our time, that in our time we did everything that could be done. We finished the race; we kept them free; we kept the faith.

The Corner

A State of Denial

by Yuval Levin

Toward the end of his State of the Union address, President Obama delivered a paragraph that was so blatantly absurd and self contradictory as to actually become clarifying—so incoherent that it shed a bright light on his thinking and his grave dilemma. It's hard to believe he actually said this, but he did:

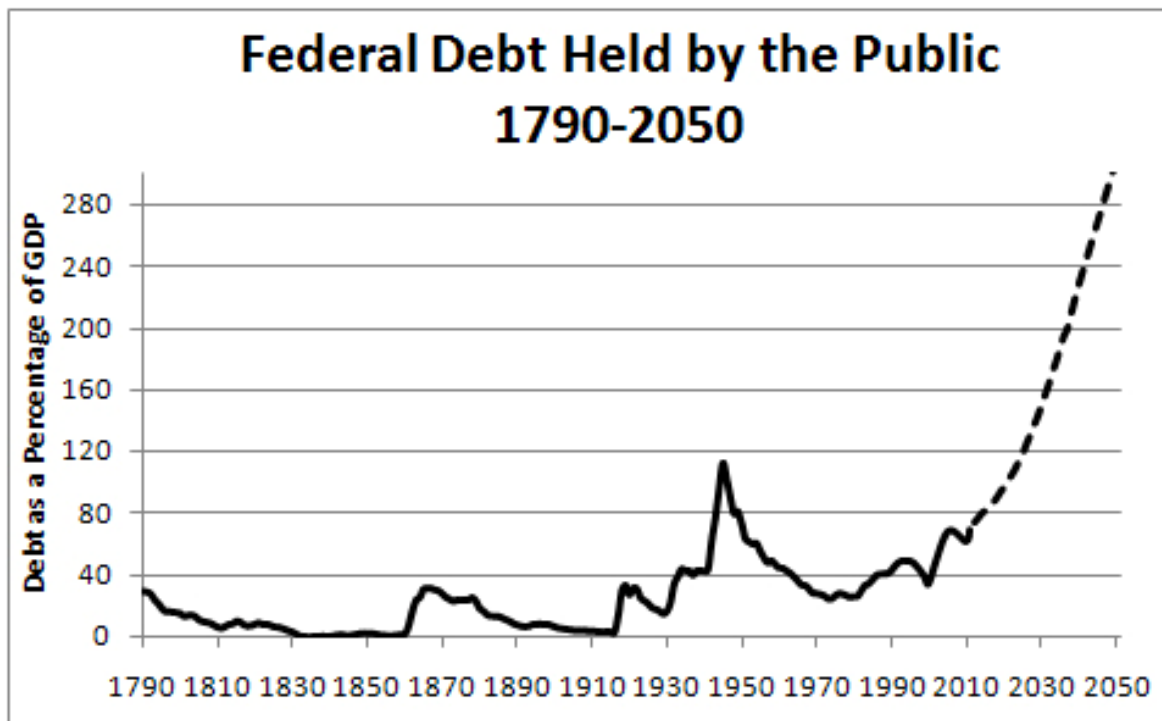
"I'm a Democrat. But I believe what Republican Abraham Lincoln believed: That Government should do for people only what they cannot do better by themselves, and no more. That's why my education reform offers more competition, and more control for schools and States. That's why we're getting rid of regulations that don't work. That's why our health care law relies on a reformed private market, not a Government program."

The examples he chose of course jump out as ludicrous: K-12 education in America is thoroughly dominated by the government, and the president has not proposed to make it less so. (And state governments, by the way, are also governments.) "Getting rid of regulations that don't work" is certainly an unusual way to describe the regulatory agenda of this administration, which has involved a series of unprecedented delegations of authority to regulators (especially in health care and financial regulation) and which continues every day to spew forth an interminable array of costly, complex, and highly assertive rules that will give the federal government (and the executive agencies in particular) previously unimagined discretion over vast swaths of our economy. And "relies on a reformed private market, not a government program" is surely the most unabashedly dishonest and Orwellian way yet devised to describe Obamacare—a law that begins from the premise that the solution to our health care financing problems is to make the government an even greater provider and purchaser of health insurance, would spend well over a trillion dollars in the coming decade on yet another health care entitlement program and on the expansion of an unreformed Medicaid system, would micromanage the insurance industry in ways likely to make it even less efficient, would employ even heavier price controls in an otherwise unreformed Medicare system, and would raise half a trillion dollars in taxes on employment, investment, and medical research.

But even more galling than the examples was the very use of the Lincoln quote itself, which makes precisely the opposite point to the one made by the rest of the president's speech. This speech offered a vision of a profoundly technocratic and activist government, with its hands in every nook and cranny of the nation's economic life—a government guiding particular business decisions and nudging individual choices through just the right mix of incentives and rules to

reach just the right balance between fairness and growth while designing the perfect website for job retraining programs and producing exactly the proper number of “high-tech batteries.” The president described the government’s bailout of the Detroit automakers as a roaring success and then said “What’s happening in Detroit can happen in other industries. It can happen in Cleveland and Pittsburgh and Raleigh.” If he thinks that all the tasks he laid out for government are things that people “cannot do better by themselves” then he must have a very high opinion of how well government can do things, or a very low opinion of how well people can do things by themselves, or (most plausibly) both.

The intensely activist tone of the speech also meant, of course, that no real attention could be paid to what was the dominant theme of our political debates over the past year: Our out-of-control deficits and debt. Indeed, this was probably the foremost purpose of the speech. As he prepares for his reelection campaign, the president is clearly trying to move voters away from a focus on our coming fiscal disaster and toward a renewed focus on public spending and public programs—the outlook that defined the beginning of his administration, before his specific public spending and public programs soured the public on such spending and programs and (having resulted in unprecedented deficits) alarmed the Tea Party movement into being and yielded the [2010 election](#). But of course, those deficits and debt have only gotten worse, not better. And if we do not bring them under control—above all by reforming our health entitlement programs—we face fiscal prospects that would make an utter joke of the kind of approach to public policy and government embodied by this speech, with its explosion of spending, its barriers to economic growth, and its laughably misguided little millionaire’s surtax. Those prospects, according to the Congressional [Budget Office](#), would involve debilitating levels of debt unlike anything we have experienced in America. This is the future from which the president needs to distract us:



These projections, especially compared to our fiscal circumstances in past years, also make a mockery of the now familiar nostalgia with which the president opened his speech—harkening back to the meteoric growth of the immediate postwar era in America. Even if his wistful

remembrances of that bright yesterday were better grounded in reality, the fact is that we simply cannot recreate the economic circumstances of those years, when America's global competitors had just burned each other's economies to the ground while ours stood ready to gallop ahead. It is true that the unique explosive growth of those years also allowed for major expansions of government spending, and persisted despite fairly heavy tax and regulatory burdens. But that does not mean that it was caused by that spending or those burdens. It obviously wasn't. And under very different circumstances, in which we must effectively compete and innovate in order to grow, we cannot afford such spending or such burdens. We must find other paths to broadly shared prosperity.

But the president does not seem interested in finding those paths. Instead, he prefers to shadowbox the familiar bogeymen held up by progressives for a century and more. Indeed, his striking appeals to replace our raucous republican politics with the model of military discipline at the beginning and the end of the speech offered conspicuous echoes of the progressive longing to overcome politics.

It all adds up to an attempt to shift the political conversation away from reality, as Mitch Daniels's response so ably showed. But I don't think it adds up to a very effective political strategy for the president. If tonight's speech was indeed a preview of his election-year pitch, he's going to have some problems.

Contentions

Obama's Fictional Narrative

by Peter Wehner

I have some sympathy for President Obama's speechwriters. A State of the Union address is inherently challenging to write because there's a laundry list quality to them. (That was not the case for President Bush's early State of the Union speeches, as we were able to focus on the war on terror, which created a clear hierarchy of priorities, allowing us to reject the usual input from various federal agencies). But what made Obama's address last night doubly challenging is he clearly understands he cannot defend his record and won't even try. That was obvious, given the glaring omissions in his speech. For example, Obamacare barely made a cameo appearance last night while his stimulus package was kept off-stage completely.

Then there is the fact that the president has no compelling second-term agenda to offer (something I [wrote about](#) yesterday). And since a State of the Union address imposes some constraints on Obama's favorite rhetorical device these days, which is to accuse Republicans of being unpatriotic and very nearly sadistic, what's a presidential speechwriter to do?

One option is to have Obama say in 2012 almost exactly what he said in 2010 and 2011. The problem with that is it's not only rhetorically uncreative, it's downright embarrassing. ([See here:](#)) Another is to try to recapture the glory days of 2008 by attacking "cynicism" and declaring "Washington is broken." The problem here is the president himself has done an extraordinary amount to deepen cynicism and add to the disrepair of Washington. A third option would be to parrot Bill Clinton's approach, right down to advocating "small ball" proposals and using Clintonian phrases like siding with Americans who "work hard and play by the rules." But we can all agree there's something a bit pathetic in seeing a president who views himself as a world-historical figure giving more attention to his proposed Trade Enforcement Unit than to his signature domestic achievement.

In any event, last night the president embroidered all three approaches into his speech, along with the usual touch of class warfare rhetoric and a few dollops of misleading claims. (To take but one example: Obama again said billionaire Warren Buffett “pays a lower tax rate than his secretary,” even though this assertion is at best wildly incomplete. What the president won’t tell you is that (a) corporations pay up to a 35 percent tax on their profits before shareholders receive a plug nickel and (b) the real tax rate on corporate income paid to individuals through capital gains and dividends is roughly 45 percent once you count the tax on corporate profits.)

The result of all this was yet one more mediocre address by a president who was, his supporters assured us only a few years ago, the greatest American orator since Lincoln. Obama’s State of the Union address was a political document, not a governing one, and the goal of this speech was transparently political: use poll-driven language and poll-driven proposals to appeal to white working-class Americans, a demographic which Obama is doing terribly with right now.

But what was perhaps most striking is the State of the Union address last night had almost nothing useful to say about how to create economic growth. Beyond that, there was no correspondence between the speech and the objective needs of the nation. The greatest domestic threat we face is our exploding debt. The main driver of it is entitlement programs, most especially Medicare. Which means the structural reform and modernization of Medicare should be a top priority for America. Yet the president not only isn’t addressing that problem; he’s done a tremendous amount during the last three years to worsen it. And now, with nine months to go before re-election, he’s attempting to distract the polity by offering up a counter-narrative that goes like this: The main problem in America today is income inequality, not the unprecedented projected trajectory of our debt. (Whatever one makes of income inequality, and there are problematic elements to it, it does not belong in the same galaxy of concerns as our exploding debt.)

Obama is doing everything in his power to promote this fiction. It is the duty of the loyal opposition and every honest public intellectual to call the president out on this.

The Atlantic **[The President's Nostalgianomics](#)**

by Megan McArdle

I was on Stossel's State of the Union special last night, so I watched the speech in the company of David Boaz, Matt Welch, and Governor Gary Johnson. I had a lot to say about it on television, which you can watch [here](#).

I thought the speech was better-written and better-delivered than many of the critics I read this morning; it had a lot of good applause lines (along with, yes, the groaner about spilled milk), and the president is stylistically a very good speaker.

But I also thought that, three years in, I'd like to see a little more from his speeches than base-pleasing applause lines and pleasing delivery. The content of the speech was sorely disappointing.

The harsh way to put it is that the speech was an extended whine about how all the rich bankers and George Bush have screwed everything up. That was fine campaign rhetoric when he was a

Senator. But it's pretty weak when he's been in charge for most of a full term--two years of that with a majority in congress.

Of course, one can argue--correctly--that Obama actually doesn't have the power to fix the economy; the recession was deeper than he thought it would be. I'm entirely sympathetic to this argument except for one thing, which is that Barack Obama got himself elected by claiming that "the Republicans have driven the economy into a ditch" and he could drive it out again. It doesn't seem unfair to judge him on his failure to actually deliver what [he promised](#):

Lauer: "At some point will you say, 'Wait a minute. We've spent this amount of money, we're not seeing the results. We've got to change course dramatically.' "

Obama: "Yeah, look, I'm at the start of my administration. One nice thing about the situation I find myself in is that I will be held accountable. You know, I've got four years and..."

Lauer: "You're going to know quickly how people feel about what's happened."

Obama: "That's exactly right. And you know, a year from now I think people are going to see that we're starting to make some progress. But there's still going to be some pain out there. If I don't have this done in three years, then there's going to be a one-term proposition." If Obama didn't want to be judged on the basis of the economy's performance, he shouldn't have let his mouth write checks that he couldn't cash. If it turned out to maybe be a little harder to steer the economy where you want it than he thought it was, then maybe he should lay off claiming that the Republicans drove the thing into a ditch.

But he hasn't. Instead he's complaining that the GOP won't let him steer--pretty rich considering that he started out with a 60-seat majority in Congress, and chose to ignore the economy in favor of passing a health care bill that has gotten even less popular since we passed it to find out what was in it.

That's the harsh version. The slightly kinder version is that Obama, stymied by an economy that's still pretty weak, and an opposition that has no more interest in cooperating with him than Republicans did with Hoover, has turned to a laundry list of weak proposals that sound pleasing to interest groups, but wouldn't achieve much. Of those, the best was allowing students who study here to stay here; the stupidest was probably adding yet another investigation of bank fraud (what have you been doing for the last three years, Mr. President?) And the worst was the bizarre proposal for states to force students to stay in school until graduation or the age of 18. Beyond the obvious enforcement questions, by the time people drop out of high school, they're normally already badly lagging their classmates, with low grades and test scores, and high rates of truancy. Commanding them to physically stay in the building for another two years is not going to fix those problems; presumably, it's a sop to any teachers he pissed off by proposing that we might fire those whose students aren't learning.

There's no real common thread holding all of these proposals together except what you might call "nostalgianomics".

Think about the America within our reach: a country that leads the world in educating its people; an America that attracts a new generation of high-tech manufacturing and high-paying jobs; a future where we're in control of our own energy; and our security and prosperity aren't so tied to unstable parts of the world. An economy built to last, where hard work pays off and

responsibility is rewarded.

We can do this. I know we can, because we've done it before. At the end of World War II, when another generation of heroes returned home from combat, they built the strongest economy and middle class the world has ever known.

What a strange thing to say. "We know how to do this?" Do what? Have World War III?

Surely Obama's economic advisors have not told him that they know how to replicate the growth of the 1950s--and if they did, surely the last three years have given the lie to this belief.

I think the speech made it even clearer than other speeches have that the president's vision of the world is a lightly updated 1950s technocracy without the social conservatism, and with solar panels instead of rocket ships. Government and labor and business working in tightly controlled concert, with nice people like Obama at the reins--all the inventions coming out of massive government or corporate labs, and all the resulting products built by a heavily unionized workforce that knows no worry about the future.

There are obviously a lot of problems with this vision. The first is that this is not what the fifties and sixties were actually like--the government and corporate labs sat on a lot of inventions until upstart companies developed them, and the union goodies that we now think of as typical were actually won pretty late in the game (the contracts that eventually killed GM were written in the early 1970s).

And to the extent that the fifties and sixties were actually like this, we should remember, as [Max Boot points out](#), that this was not actually the day of the little guy. Big institutions actually had a great deal more power than they do now; it was just distributed somewhat differently--you had to worry less about big developers slapping a high-rise next to your single-family neighborhood, and a whole lot more about Robert Moses deciding he wanted to run a freeway through the spot where your house happened to be.

The military model of society--employed by both Obama, and a whole lot of 1950s good government types--was actually a kind of creepy way to live. As Boot says, "America today is far more individualistic and far more meritocratic with far less tolerance for rank prejudice and far less willingness to blindly follow the orders of rigid bureaucracies." If you want the 1950s except without the rigid conformity and the McCarthyism, then you fundamentally misunderstand what made the 1950s tick.

Finally, there's the fact that the 1950s ended in the 1970s. In the 1950s, American products were envied all over the world; by 1980, they were a joke. This is not some radical disconnect; it is the beginning and end of the same process. The technocratic American institutions became sclerotic agents of inertia. Bosses whose pay was capped poured their energy into building [personal empires](#) instead of personal fortunes. Unions like the UAW began making demands on their companies so heavy that even the UAW president who had negotiated these amazing pay increases began to fear that his members had lost their minds.

As David Boaz said last night, Obama's talk of blueprints was telling. A blueprint is a simple plan that an architect imposes on an inanimate object. Obama really does seem to think that he can manage the economy in the same way. No, I don't think that he is a socialist. Rather, I think that he really believes there are technocratic levers that can make the income distribution

flatter, the rate of innovation faster, and the banking system safer, without undesirable side effects.

The problem with all nostalgia isn't even that it's necessarily wrong--by many standards, the 1950s was a great time to live. Rather, the problem is that it almost always wants to turn a transient moment into a steady state--or worse, only "the good parts" of those transient moments.

I had hoped that the last three years had taught Obama the limits of this sort of thinking. But if they have, he certainly hasn't chosen to share that hard-won knowledge with the rest of us.

The Corner **[Mitt, Newt, and Paula Deen](#)** by Nicole Gelinias

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What did Novo want? It wanted Gingrich to wring money from the U.S. government. The *Times* says:

Mr. Gingrich's health center went on to help Novo Nordisk create a national diabetes campaign, and worked to shape government policies toward the disease. According to a presentation by a Gingrich aide to health care executives in 2004, the [Gingrich] center was "working to insure" that Medicare covered insulin products manufactured by Novo Nordisk, and Mr. Gingrich planned to meet with members of Congress "to help them develop priorities" on fighting diabetes.

Novo now boasts that its headliner diabetes drug, Victoza — the one that southern celebrity chef Paula Deen is hawking — [is covered by Medicare](#).

This coverage — a key part of Novo's strategy — could cost the taxpayer a pretty penny. The *New York Post*'s Steve Cuozzo, a diabetes sufferer, [says Victoza can cost \\$500 monthly](#).

If we measure a person by taxes alone, Gingrich is the better [presidential candidate](#). Gingrich made his Novo money by, well, working. It follows that Gingrich paid the ordinary income-tax rate — a rate twice as high as what Romney paid for investing in Novo stock.

Yet it is Gingrich, not Romney, who has created a huge liability for the U.S. taxpayer.

Okay, let's say, for the sake of argument, that the capital-gains tax rate is too low relative to the regular income-tax rate. All that will happen is that someday, probably soon, the government will raise the capital-gains rate and get its money back anyway.

It's not as easy to unwind what Gingrich has done. Gingrich's lobbying — er, non-lobbying — activities have helped to turn much of the “private sector” into just another arm of the government.

These activities push the cost of health care up. Gingrich has perpetuated the idea that the government, not individuals, should pay for health care, even if that care is needed at least in part because of a lifestyle choice (see Paula Deen).

How Gingrich has made his money in the past decade carries a much more pernicious and long-term cost to the U.S. taxpayer and citizen than does how Romney made his money.

And it's Gingrich's activities, because they eventually push costs and taxes up for *everyone*, that it make it more difficult for a working-class person to get a new job if Mitt Romney's private-equity successors lay him off (hey, Mitt — you're welcome).

To be sure, the financial industry's whole-scale takeover of the U.S. economy hasn't been a *good* thing. Romney benefited from it, even if he didn't invent it.

But Gingrich's own industry — what Romney yesterday called “influence peddl[ing]” — and its similar takeover of the U.S. economy has been worse.

Volokh Conspiracy

[The Lessons of the 1920-21 Depression](#)

by Todd Zywicki

Interesting column by James Grant on the short but severe post-WWI Depression of 1920–21:

"Our Great Recession ended 2½ years ago, according to the official cyclical timekeepers, but you wouldn't know it by a glance at the news. Zero percent interest rates and \$1 trillion in “stimulus” notwithstanding, the U.S. economy can hardly seem to heave itself out of bed in the morning. Now compare this with the first full year of recovery from the ugly depression of 1920–21. In 1922, under the unsung stewardship of the president best remembered for his underlings' scandals and his own early death in office, the unemployment rate fell from 15.6 percent to 9 percent (on its way to 3.2 percent in 1923), while constant-dollar output leapt by 16 percent. After which the 1920s proverbially roared.

And how did the administration of Warren G. Harding, in conjunction with the Federal Reserve, produce these astonishing results? Why, by raising interest rates, reducing the public debt and

balancing the federal budget. Let 21st-century economists rub their eyes in disbelief. Eighteen months after the depression started, it ended."

I've been fascinated by the contrast of Harding's response to the 1920 depression versus Roosevelt's seemingly-counterproductive response to the Great Depression since I read several discussions a few years back (see [here](#), [here](#), and [here](#)). The problem with macroeconomics, of course, is the paucity of data points and the inability to control for relevant variables. But it is nevertheless striking to me that discussion always seems to focus on what at first glance appears to be the failed Hoover-Roosevelt response to the Great Depression rather than the apparently effective Harding response to the 1920 Depression.

The only discussions I've seen of the 1920 Depression are those that support Harding. Has anyone written a good response to that story, because what I've read seems fairly compelling (at least to the extent that macroeconomics can ever tell a compelling story).

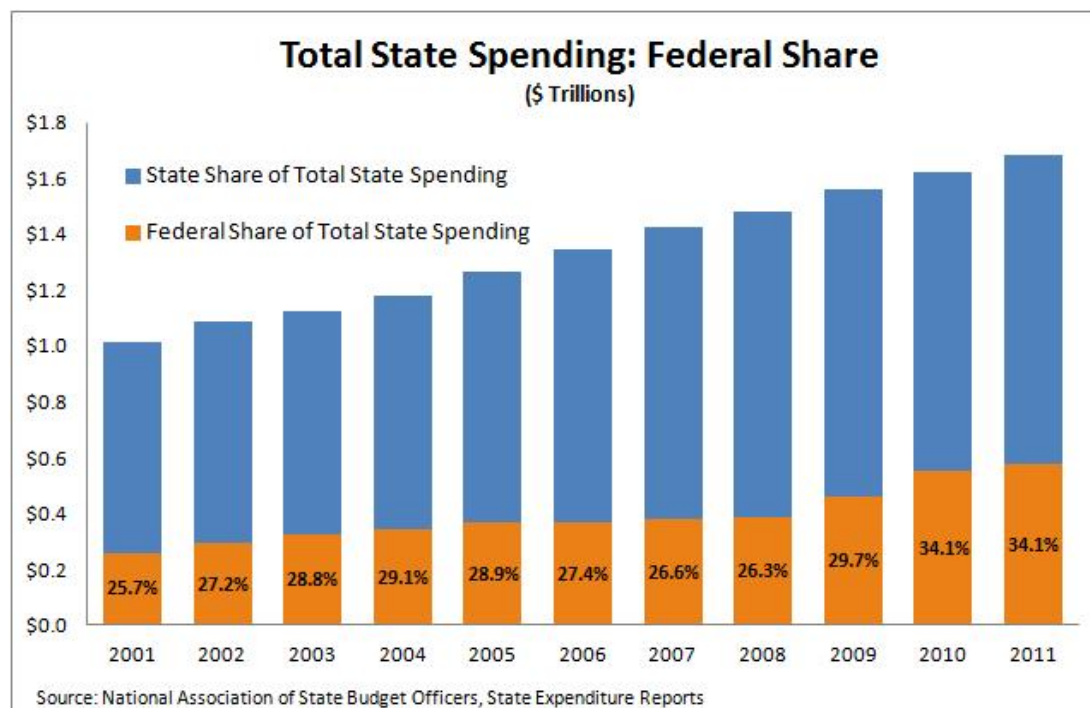
Cato

[State Dependency on the Federal Government](#)

by Tad DeHaven

The president's fiscal 2013 budget proposal is scheduled to be released on February 13th. State officials are predictably sounding the alarm on the coming "deep cuts" to federal subsidies now that stimulus funds are running out and Washington is being forced to confront its mounting red ink.

State officials have become addicted to federal subsidies because they allow them to spend money taken from taxpayers across the country instead of having to ask their voters to pony up the funds. As the following charts shows, total state spending continued to increase during the economic downturn because the federal government picked up the slack. Note that the federal share of total state spending went from 25.7 percent in 2001 to 34.1 percent in 2011.



See this Cato essay on [federal subsidies to the states](#) for more on why it is critical to reverse this trend.

Washington Post

[“Glock: The Rise of America’s Gun,” by Paul Barrett](#)

The handgun that shot to the top

By Mark A. Keefe IV, Published: January 20

As you pass through airport security, graphics depict items prohibited in your carry-on luggage. While the representations of a knife and an aerosol spray can are fairly generic, the pictograph of a handgun is unequivocally the silhouette of a Glock pistol.

In 1982, an obscure [Austrian engineer named Gaston Glock](#), who worked in a radiator plant and had a side business with his wife making curtain rods, knives and belt buckles, invented a type of pistol that changed the worlds of law enforcement and firearms and powerfully influenced politics and popular culture. Glock is now 82, and his surname has become synonymous in some circles with “handgun.”

Less than three decades ago, few had heard of Glock, the man or the gun. Just how a pistol developed by an unknown engineer with little firearms experience became the dominant, if not iconic, law enforcement handgun in the United States is the subject of Paul M. Barrett’s [“Glock.”](#)



Thirty years ago, Glock knew that the Austrian army wanted 20,000 new service pistols made in Austria, and no suitable gun existed. So he set out to design one. As former Austrian Lt. Ingo Wieser, who tested the new pistol in 1983 for the military, put it: “Mr. Glock was at the right place at the right time.”

The all-black pistol had unconventional lines, sleek simplicity and extreme reliability — and its adoption shocked the firearms industry.

In designing the gun, Glock started with no preconceived notions — just a clean sheet of paper, a practical idea, good advice, sound engineering and no investment in any particular manufacturing method. When he received the contract, his workspace was the garage where he made his knives.

He had a gift for blending plastic and metal. By mating polymer and machined steel components, he was able to manufacture his pistol at an extremely competitive price. His process gave his fledgling company a profit margin of, at times, an estimated 70 percent, considerably higher than his competitors’.

Although he had the Austrian military contract, Glock had little in the way of a business plan. “Where there really is money to be made is to convert U.S. police departments from revolvers to pistols,” Karl Walter — who soon became an executive with the Glock firm — told the inventor in an early meeting.

Then, on April 11, 1986, a watershed event occurred: the “Miami Massacre,” in which a pair of armed robbers killed two FBI agents and wounded five more. The bloodshed demonstrated to U.S. law enforcement that more police firepower was needed. The Glock offered the high-magazine capacity police craved (17 rounds) as well as an often overlooked advantage: Officers could be easily trained in its use.

The revolvers typically used by American police for decades had a cylinder capacity of six rounds, and officers were trained to fire them double-action, meaning one long, heavy trigger pull would cock the hammer and then release it to travel forward and fire a cartridge. The Glock trigger — just point and pull — operated much like that of the double-action revolvers, a concept law enforcement embraced, but the trigger pull was lighter weight and of shorter length. The pistol was also easy to clean and maintain.

The rise of the man and his gun, as ably reported by Barrett, is a story of innovation, manufacturing, marketing, money, lawsuits, power, influence, politics and a little sex. Barrett does an admirable job of describing the Glock’s cultural and corporate ascendancy. He also explains how the company was able to remain profitable despite allegations of corruption, tax avoidance and malfeasance. A seasoned reporter and now assistant managing editor of Bloomberg Businessweek, Barrett originally covered the more disturbing allegations of Glock’s financial and managerial irregularities in a series of articles for the magazine.

As sales of the pistol took off, money flowed into Glock, lots of it, prompting one former employee who stole from the company to liken the cash to “Monopoly money.” When Charles Ewert, a former director of Glock and a corporate trustee, was about to be exposed for embezzling company funds in 1999, he hired a Belgian mercenary and professional wrestler to mash in Gaston Glock’s skull with a rubber mallet in a Luxembourg parking garage. Despite

taking seven blows to the head, the 70-year-old Glock put up the fight of his life and managed to render his would-be assassin unconscious before the police arrived.

Much of Barrett's information comes from court documents — including the attempted murder-for-hire that landed Ewert and the wrestler in jail — and interviews with former company executives.

Barrett also reveals the depth of the [Glock's impact on modern culture](#). Snoop Dogg and Dr. Dre have rapped about Glocks; Hollywood has played up the gun in movies such as ["Die Hard 2: Die Harder"](#) and ["Cop Out,"](#) which was promoted with the tagline "Rock out with your Glock out." In ["The Social Network,"](#) the gun is a topic of conversation when Stuart Singer tells Vikram, "Mark Zuckerberg now thinks we got into Harvard on a dimwit scholarship." To which Vikram replies, "If I had a Glock, I'd kill you."

The pistol is used competitively by world-champion shooters and defensively by honest citizens; it rides in the holster of two-thirds of American police officers, including FBI agents (they carry Glock 22s today). It has also been used to perpetrate heinous crimes by mass murders such as George Hennard, Seung Hui Cho and Jared Lee Loughner.

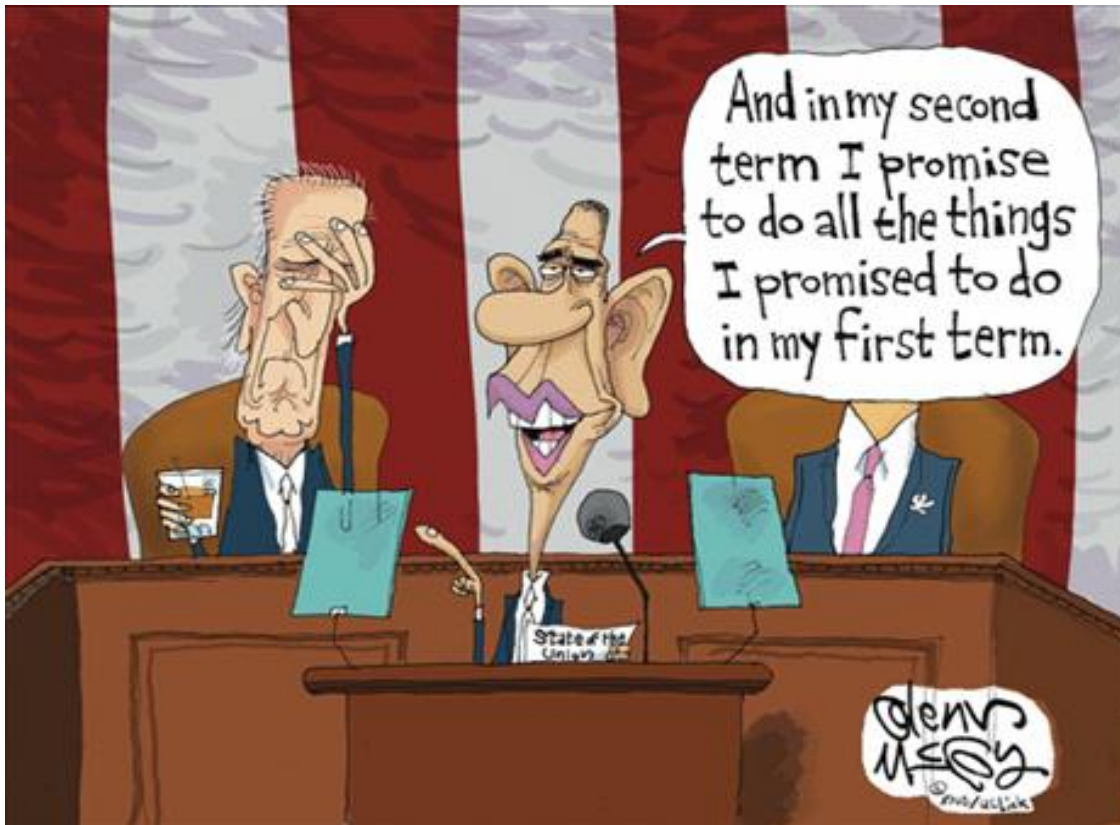
Much of the Glock's success can be attributed not only to [its sharp design](#), but also to political campaigns and media coverage focused on banning the pistol. Glocks have been on the front line of the [gun-control debates](#) since they were first imported and dubbed "hijacker specials." (They have also been labeled "plastic pistols" and "pocket rockets.") It was feared that Libyan terrorists would smuggle them aboard airliners, taking advantage of the polymer frames, but it turns out that Glocks are just as easy to detect as other handguns.

Indeed, Glock's success is proof that any media coverage in the gun industry is good media coverage. Political heat and Hollywood's limelight helped propel the Austrian handgun from obscurity to curiosity to dominance.

While Barrett's deeming of Glock as "America's gun" is uncomfortable for many firearms enthusiasts, the Glock is indisputably the most widely distributed pistol among [American law enforcement today](#), and quite popular with sport shooters, too. While its octogenarian inventor has said he hopes to live to age 120, his pistol and its impact on our culture and society will inevitably outlast him.



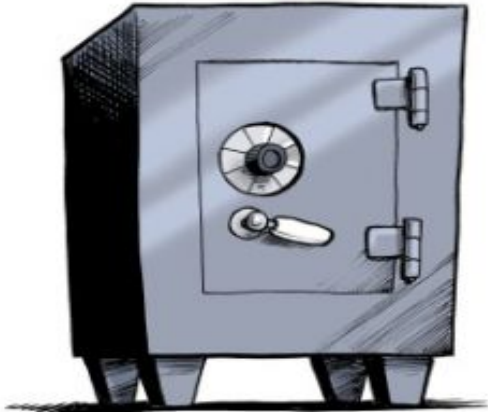
THE STATE OF THE UNION





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