Blog Articles: Blog Posts

Article 1

Title: Ed Conard's Publications

Author(s)	Mark Hill
Publish Date	2023-10-06
Publish Time	0:46:09

Content: Edward Conard has published two top-ten New York Times bestsellers, The Upside of Inequality: How Good Intentions Undermine the Middle Class and Unintended Consequences: Why Everything You've Been Told about the Economy is Wrong. Most recently he contributed a chapter, "The Economics of Inequality in High-Wage Economies" to Oxford University Press' United States Income, Wealth, Consumption, and Inequality. The books have received a variety of positive reviews from noteworthy economists including the former president of Harvard University and economist Larry Summers, a very tough critic on the other side of the aisle, who blurbed: "I disagree but respect the argument," calling it "a very valuable contribution" that will "sharpen your thinking on critical economic issues." He is a Nonresident Fellow at the American Enterprise Institute and a retired Bain Capital Partner.

Primary Topic: Blog

Topics: Blog,Blog Highlights

Permalink: https://www.edwardconard.com/2023/10/06/ed-conards-publications

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2023/02/video-1-cover.png

Article 2

Title: Ed Conard's Media Appearances

Author(s)	Mark Hill
Publish Date	2023-10-05
Publish Time	16:02:05

Content: Conard has made over 200 media appearances and has debated top economists and journalists including Nobel Prize-winning economists Paul Krugman, Joe Stiglitz, and Ken Arrow, former CEA chairs Austen Goolsbee, Greg Mankiw, and Kevin Hasset, and a variety of journalists, including Fareed Zakaria, Andrew Ross Sorkin, and Jon Stewart. He has also won two IQ2 debates by defeating the motions “Income Inequality Impairs the American Dream of Upward Mobility” and “Central Banks Can Print Prosperity,” by audience vote. Conard is currently publishing a daily summary of noteworthy economic news.

Primary Topic: Blog

Topics: Blog,Blog Highlights

Permalink: https://www.edwardconard.com/2023/10/05/ed-conards-media-appearances

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2023/02/video-2-cover.png

Article 3

Title: About Macro Roundup

Author(s)	Mark Hill
Publish Date	2023-09-12
Publish Time	16:41:21

Content: My research staff searches academic papers, blogs, and the media for facts, opinions, and arguments I might find useful, but otherwise may not have seen. As such, their summary is intended to supplement the news, not rehash it. From their review, they produce a daily and weekly summary as well as a searchable database of past entries. As a public service, I make their work freely available to anyone who might have an interest—e.g. economists, policymakers, investors, content producers, and anyone looking for macro perspectives. Their work is available by email, my website, Twitter/X, and eventually other social media. While they focus on economics, my researchers try to include other noneconomic factors that may bear on the economy, such as scientific breakthroughs, politics, and foreign affairs. I'd like to think the Macro Roundup makes me a more interesting cocktail party guest but, depending on the guest, it can have the opposite effect. Hopefully, it will make you more informed. To ensure accurate reporting, my researchers try to summarize each entry using the words of the author. Some authors are better writers than others. To make the summary more skimmable, they summarize each entry in a short tweet in their own words, include a relevant graph, and links to other related entries. The headline links to the source via my website. We try to weed out propaganda and misinformation, which sounds easier than it is. I would love to hear rejoinders when you think we get it wrong. Unfortunately, the world is full of propaganda. I don't closely supervise the output. Although sometimes we make changes after the fact. If someone noteworthy makes an argument, my researchers may bring it to my attention, even if they find the logic wanting. Although, they try to minimize blatant partisanship. I don't necessarily agree with the arguments in every entry. Frankly, the entries I value most are the ones that change my mind. If you read or write something that you think we should include, please alert us.   Ed Conard NYT Best-Selling Author | Adjunct Fellow, AEI | Former Partner, Bain Capital

Topics: Blog

Permalink: https://www.edwardconard.com/2023/09/12/about-the-macro-roundup

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/about-macro-roundup.png

Article 4

Title: Read Former White House CEA Chairman Kevin Hassett's Interview of Ed Conard in National Review

Author(s)	Assistant
Publish Date	2022-04-28
Publish Time	12:30:06

Content: In National Review, Kevin Hassett, the former Chairman of the Council of Economic Advisers, asks Ed Conard to defend conservative free market capitalism and how it promotes entrepreneurial risk-taking that has grown middle-class incomes faster than Europe. Five Questions for Ed Conard National Review Online August 21, 2020 1) Many liberals claim capitalism no longer works for the middle and working class. Is it true? No. According to the Congressional Budget Office, prior to the pandemic, middle-class incomes had grown 60 percent more than inflation since 1980. The income of the poorest 20 percent had doubled. Those increases don't include the full value of innovations such as cell phones, cleaner air, more-effective cancer treatments, fewer automobile accidents, and less crime. In 1995, America's middle-class incomes were 19 percent larger than Germany's — the most prosperous economy in Europe. Today, America's middle-class incomes are 28 percent larger than Germany's. They are 65 to 70 percent larger than Southern Europe's (wages less taxes plus government services). These large differences significantly understate the true superiority of America's economy. With three to four times as many low-skilled workers per high-skilled worker as in Northern Europe, America would be significantly richer if we enjoyed Northern Europe's distribution of talent. And Europe would be poorer if it weren't freeloading off America's disproportionately large contributions of innovation, defense spending, and health-care profits. Europe has contributed shockingly little innovation. Apple alone is worth more than the 30 largest companies in Germany. America is producing five times as many billion-dollar startups. U.S. productivity, as measured by GDP per hour worked, has grown 50 percent faster than Northern Europe's since 2000, and three times faster than Southern Europe's with demographics similar to America. Growth increases wages when the supply of workers is constrained. Otherwise, it increases employment. Despite employment growth that has been twice as fast as Europe's since the 1980s, Americans still enjoy higher and faster-growing incomes. Unlike Europe, America isn't cannibalizing its competitive advantage in the long run to produce higher incomes in the short run. We shouldn't take America's success for granted. Liberalism has greatly diminished the vibrancy of Europe's economy and slowed the growth of its middle-class incomes relative to America. The cost of liberalism is hidden by ignoring the enormous difference between America and Europe. Despite claims that inequality is rising after accounting for government benefits, taxes, and investment, the amount consumed by the rich (the 90th percentile) — the most relevant measure of inequality by far — has barely increased relative to the poor (the 10th percentile) since the 1960s. Most studies of wealth inequality ignore the value of Social Security and Medicare, which substantially increase the consumption of retirees. Including the value of this consumption, in effect, triples the wealth of the bottom 80 percent from 15 percent of the wealth to 45 percent. Nor has America's middle class been hollowed out. Although the Pew Research Center claims America's middle class has declined from 61 percent of the population in the 1970s to 50 percent today, seven percentage points of the eleven-point decline came from families whose income moved upward. And Hispanic immigrants account for three of the four points of the decline. So native-born Americans have enjoyed a seven-point upward shift in income offset by a single point of decline. A recent Brookings study finds the share of working- and middle-class families falling from about 80 percent of families in the late 1960s to 50 percent today, with the entire loss coming from families with rising incomes. 2) If higher taxes slow growth, why wasn't growth slower in the 1990s, in California today, and in the 1950s? The internet was commercialized in the 1990s. It was like creating the telephone. It increased the payoffs for successful risk-taking more than the Clinton administration's tax increase reduced them. Higher payoffs increased entrepreneurial risk-taking. Successful risk-taking produced innovation that accelerated growth and raised middle-class incomes. Similarly, Silicon Valley increases the payoff for entrepreneurial risk-taking more than higher California state taxes reduce them. Higher payoffs increase entrepreneurial risk-taking. Even though marginal tax rates were higher in the 1950s, with loopholes, investment incentives, and 25 percent marginal tax rates on business income and capital gains, the average tax rate paid by the top 1 percent was almost the same then as it is today. There was also much less regulation and income redistribution. Nor does history provide evidence that high marginal tax rates in the 1950s didn't gradually slow growth. Innovation-driven productivity growth fell from 3.5 percent a year after World War II to less than 0.5 percent a year by the 1980s before it gradually accelerated after the Reagan tax cut. Since the 1950s, we have transitioned from a more command-and-control manufacturing economy with faster productivity growth to a harder-to-manage decentralized service economy with slower productivity growth. We also enjoyed a large one-time increase in productivity growth from saturating the population with education. Decades of risk-taking have gradually built American institutions, such as Google, that can successfully mine the technological frontier. This exposure trains workers, spins off valuable ideas, and raises the expected payoffs for risk-taking that produces innovation. With greater rewards, talented Americans have gotten better training, worked longer hours, taken more entrepreneurial risk, and produced a lot more innovation than their counterparts in Europe. Lack of access to companies like these greatly diminishes the motivation and productivity of Europe's talent. Europe is surprisingly unproductive despite its abundance of talent relative to America. Researchers who underestimate the gradual growth-draining effects of high marginal tax rates concede that estimates "should reflect not only short-run labor supply responses but also long-run responses through education and career choices." They nevertheless assume the long-run effects are nonexistent despite growing differences between America and the rest of the high-wage world. Nor can economists specify optimal tax policy independent of the expected payoffs for risk-taking. Tax rates high enough to discourage risk-taking may have costly consequences when expected payoffs are high, as they appear to be in America, and have little, if any, consequences when expected payoffs are low, as they appear to be in Europe. Lacking good ideas, Europeans may not take risk no matter the tax rate. Analysis that considers the long-term effect of tax rates on innovation and growth derives revenue-maximizing marginal tax rates of 30 percent or less. 3) Why do Bill Gates and other billionaires need to earn so much? It's true that billionaires such as Steve Jobs and Bill Gates earned a lot more money than they expected to earn when they initially took risk. Unlike in Europe and Japan, their outsized success motivated an army of talented risk-takers to follow in their wake. The success of that army produced higher and faster-growing middle-class incomes and employment than in all other high-wage economies. A small amount of innovation bubbles up unexpectedly from large pools of failure. We don't need payoffs to motive success; we need them to motivate failure. It's hard to find improvements and nearly impossible to get rich. Some liberal pundits insist the rich are merely lucky, but luck is the flip side of risk. If people knew what worked, it would already be invented. No one has a clue. This is the core problem with liberalism. Liberals are certain their ideas are good ideas. Ideas are overwhelmingly byproducts of mistaken analysis of a world that is too complex to analyze. The rare good idea largely emerges unexpectedly from fiercely competitive survival of the fittest, a process the leviathan of government need never endure. Ultimately, liberals and conservatives want the same thing: to maximize middle- and working-class incomes, pay for retiring baby boomers, and protect America from the risk of a rapidly growing China. They just disagree on how to achieve it. Even liberal economists agree that investors must produce $5 of value for others — customers, employees, and suppliers — to earn a dollar for themselves. With half the share of high-scoring workers as Northern Europe, America must squeeze more value out of its talent to remain competitive. We can discourage growth by confiscating more of the 50 cents that business owners keep after taxes, or by maximizing incentives for risk-taking by restraining the never-ending increase in the share of the economy consumed by government. With America's current tax system, only the most productive workers pay more taxes than they consume in government services. To succeed, America must maximize the number of net taxpayers and motivate them to take risk. With talent and good ideas constraining growth, we must train more high-skilled risk-takers if we can, or recruit them from abroad if we can't. Unlike Einstein, who pursued science to "escape from everyday life with its painful crudity and hopeless dreariness," the most productive workers distinguish themselves by earning money, power, and fame by embracing the unrelenting demands of serving customers more effectively than their competitors do. Were status merely relative, Europe's economy would be as competitive as America's. Money motivates. Every investor knows that returns are disproportionately earned by a handful of home-run investments. With unlimited upside, venture capital and other private-equity investments have scarcely outperformed public markets. Capping returns significantly diminishes expected returns. Lower expected returns diminish risk-taking and the demand for training, which gradually slows growth. And why discourage innovators such as Jeff Bezos from creating large companies, like Amazon, by limiting how much money they can earn? Large companies are more competitive. They are more productive, invest more, pay higher wages, and spin off valuable ideas that grow the economy faster — all characteristics we want America's economy to achieve. 4) How big of a role has rising cronyism played in the success of the 0.1 percent? Proponents of income redistribution insist rich people earn their money unfairly. Were it true, we could redistribute income without slowing growth. But if America were misallocating resources, growth in America — the country with the greatest inequality — should be slowing relative to countries such as those in Europe with more equally distributed incomes. America's growth is faster than Europe's. It's true large companies are gaining market share, but they are more productive, invest more, and pay higher wages — the opposite of misallocated resources. Aside from the slow-growing automotive sector, America's 200 largest companies are investing twice as much as their European counterparts in R&D. The U.S. economy is investing nearly 25 percent more in intangible assets, such as software and training, than Europe. America is investing about eight times more venture capital per dollar of GDP. Rising cronyism isn't evident in any of these revealing comparisons. Were cronyism rising, we should also expect to see an increasingly entrenched status quo. We see the opposite. The turnover of the Fortune 500, CEO tenures, and the Forbes 400 richest Americans have also increased. Of the 500 companies in the Fortune 500 in 1955, only 51 remain. Most of America's growth is coming from technology, which has been in turmoil. Excluding Microsoft, the 15 largest NASDAQ technology companies at the peak of the internet bubble have lost almost 60 percent of their market value. Meanwhile, ten of today's 15 largest NASDAQ companies, with a combined market capitalization over $4 trillion, were worth less than $100 billion in 2000. Today, the Forbes 400 richest Americans are increasingly self-made entrepreneurs, not heirs. Fewer than 10 percent of the U.S. billionaires on Forbes's list in 1982 are still on the list. Most of the top tenth of a percent are working-age owners of skill-intensive businesses that lose almost all of their profits when the owner retires or dies. That's hardly evidence of unearned profits. If crony boards were overpaying CEOs, we wouldn't find CEO pay rising no faster than the pay of private-company CEOs, where board members own the company. Nor would we find CEOs recruited from outside the company being paid more than those promoted from the inside, or CEO pay rising no faster than the income of the rest of the top tenth of a percent. None of this evidence suggests crony boards are overpaying CEOs. Nobel Laureate Joe Stiglitz claims we can pay CEOs less because they can't work any harder. Investors don't pay CEOs to work hard; they pay them to take prudent risks. Without that motivation, CEOs avoid risking their positions atop the status quo and deliver satisfactory underperformance — exactly what we have seen from the rest of the high-wage world — a world with lower incomes than America. Oligarchical control of the government is obviously suboptimal. But long ago, de Tocqueville was attributed with recognizing that "the American Republic will endure until the day Congress discovers that it can bribe the public with the public's money." With a majority of consumers eager to consume income that would otherwise by invested by a minority of voters, and an uninformed electorate easily misled by propaganda, it's hardly obvious that more influence by a minority of investors necessarily endangers democracy and threatens prosperity at the margin. It is true that lobbying is growing. But much of lobbying is like steroids in sports where competitors largely fight each other to a draw. 5) People are hurting. Don't we have a moral obligation to help them? Most everyone agrees that we should help those in need; and we do. But we shouldn't do it blindly. People demand more spending without knowing how much we spend. Last year — not counting the $1.6 trillion the government spent on retirees — America spent $1.25 trillion helping the poor (welfare, Medicaid, and disability). That's enough to give every person in the bottom 20 percent under the age of 65 $22,500, or $90,000 per family of four — 50 percent more than America's middle-class family earns, which we've already seen is the richest middle class in the world by far. Unfortunately, we don't give a large share of that money to the poor. Instead, lawmakers use it to buy votes. Nevertheless, America spends more after tax helping the poor than the richest countries in Europe, who, unacknowledged by most, tax their poor with 20 percent sales taxes. While most everyone agrees that we should help the poor, not everyone agrees that we need to increase government spending from 36 percent of GDP (including state and local government) — which is expected to rise to 41 percent of GDP as Baby Boomers retire — to do it. Countries that have increased government spending as a share of GDP have significantly smaller and slower-growing middle-class incomes. Unfortunately, we can't legislate prosperity. We have to earn it the old-fashioned way — with hard work, investment, good ideas, and entrepreneurial risk-taking. America's Founders didn't write the Constitution to protect us from capitalism; they wrote it to protect us from government. Ed Conard is an American Enterprise Institute visiting fellow, a former Bain Capital partner, and the author of The Upside of Inequality: How Good Intentions Undermine the Middle Class.

Primary Topic: Blog

Topics: Blog,Blog Highlights,Fiscal Policy,GDP,Highlight,Investment,Noteworthy,OpEds,OpEds Highlights,Politics,Print Interview,Productivity,Workforce

Permalink: https://www.edwardconard.com/2022/04/28/read-former-white-house-cea-chairman-kevin-hassetts-interview-of-ed-conard-in-national-review

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2022/04/Hasset-2-1.jpg

Article 5

Title: My Oxford University Press Chapter, "The Economics of Inequality in High-Wage Economies," Is Available Free Online

Author(s)	Assistant
Publish Date	2022-04-28
Publish Time	12:28:24

Content: Oxford University Press has provided free online access to my chapter, "The Economics of Inequality in High-Wage Economies," for a limited time in their new book "United States Income, Wealth, Consumption, and Inequality." In the chapter, I argue, "Inequality is mostly the result of an increasing premium on returns from risk and high-skilled labor ushered in by technological disruption and the feedback loop of elite talent working to increase their own productivity—a logical outcome when properly trained talent constrains growth. The answer … lies in increasing the ratio of high- to low-skilled workers chiefly by training and recruiting more high-scoring domestic and immigrant workers. Rather than greater income redistribution slowing growth by dampening high-skilled productivity and incentives to innovate, these alternatives would accelerate growth and narrow income inequality by relieving constraints on talent and increasing resources devoted to raising low-skilled productivity."

Primary Topic: Blog

Topics: Blog,Blog Highlights,Other Work Product,Productivity,Work Product,Workforce

Permalink: https://www.edwardconard.com/2022/04/28/my-oxford-university-press-chapter-the-economics-of-inequality-in-high-wage-economies-is-available-free-online

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2020/09/0720-CSliders820x455_pinned.png

Article 6

Title: Ed Conard Debates Poverty and Inequality at Susquehanna University

Author(s)	Assistant
Publish Date	2022-04-28
Publish Time	12:10:02

Content: Ed Conard debunks myths about poverty and debates the ways U.S. policymakers can maximize middle and working- class incomes with Washington University in St. Louis's Professor of Social Welfare Mark Rank. The discussion was moderated by Matt Rousu, Dean of Susquehanna University’s Sigmund Weis School of Business and students. https://edwardconard.wistia.com/medias/bbc1vzgvi2?embedType=async&videoFoam=true&videoWidth=960

Primary Topic: Blog

Topics: Blog,Videos

Permalink: https://www.edwardconard.com/2022/04/28/ed-conard-debates-poverty-and-inequality-at-susquehanna-university

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2022/04/Ed-at-Susquehanna-U._4.29.22.png

Article 7

Title: Ed Conard Discusses His Oxford University Chapter at Harvard's Program on Constitutional Government

Author(s)	Assistant
Publish Date	2022-04-27
Publish Time	11:21:00

Content: Ed Conard recently joined Harvard's Harvey Mansfield to discuss his Oxford University Press chapter, "The Economics of Inequality in High-Wage Economies," at Harvard University's Program on Constitutional Government. The video, audio, and text of his speech and the Q&A session are available below. Opening Speech AUDIO [accordions id="12958"] Q&A PART 1 AUDIO Q&A PART 2 AUDIO 14 Questions for Ed Conard Tom Palmer (Snr. Fellow, Cato Institute): Do we have the ability to recruit high-skilled labor from around the world? Can we identify and restrict immigration only to them? What happens to the rest of the world if the U.S. recruits their best and brightest? Jeff Bristol (Snr. Partner, Parrish Associates): Is a return to a 1960s economy a viable alternative to your proposed policies i.e. close the borders, build a wall, and reindustrialize our low-skilled workers? Would reindustrializing low-skilled labor allow them to eventually become high-skilled labor? David Epstein: What about the demand-side view of productivity growth and income/wealth inequality? Does income/wealth inequality slow growth because there isn't enough consumption to demand goods and services? Bernhardt Trout (Prof. Chemical Engineering, MIT): Your proposal could lead to further working-class decline. How would you help the working class? Secondarily, how does your proposal for recruiting high-skilled labor consider U.S. security, political impact, and cultural systems since many immigrants won't necessarily share our values? Harvey Mansfield (Prof. Government, Harvard University): What is the driving force that your argument relies on? Isn't it culture, as opposed to purely economics? Peter Hansen: What are the synergies between MBAs and engineers? What do the MBAs bring to productivity that engineers and entrepreneurs can't? Eileen McDonagh (Prof. Political Science, Northeastern University): America's founding myth is rebellion and mistrust of centralized government. Does that impede society and government cooperation to solve our biggest challenges? Avi Nelson (Entrepreneur + fmr. Radio Host): Do you see resentment of wealth and income inequality as the driver of Trump or was it political correctness and the denigration of America by the left? Is economic resentment really the issue? Andy Zwick (Exec. Director of Harvard's Program on Constitutional Gov't): How does technology affect lower-skill workers, i.e. worker training vs software that allows lower-skilled workers to serve functions with less formal training? Is there an opportunity for software to improve lower-skill workers' productivity? Anna Schmidt: Should there be government incentives to encourage people to study computer engineering and software development? Is the future very big companies occupying multiple niches, like Amazon? What is your view of universal basic income (UBI)? Avi Nelson (Entrepreneur + fmr. Radio Host): Is there any country that utilizes its talented workers as well as U.S.? If not, why has the U.S. been so uniquely successful? Is there a formula others could follow to replicate U.S. success? David Epstein: Who benefits most from a high-skill worker optimizing the productivity of a low-skill worker? Does increased low-skilled productivity translate into higher low-skilled wages? Jeff Bristol (Snr. Partner, Parrish Associates): Is another answer to inequality and redistribution something akin to workers guilds? Paul Peterson (Prof. of Government, Harvard Kennedy School): What impact has the COVID-19 pandemic had on the economy? It looks to me like the largest upward redistribution of wealth in history.

Primary Topic: Blog

Topics: Blog,Blog Highlights,Videos

Permalink: https://www.edwardconard.com/2022/04/27/ed-conard-harvard-forum

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2021/06/Harvard-Talk_7.6.21-tn.png

Article 8

Title: Ed Conard Debates the Economics of Inequality on Bill Martinez Live

Author(s)	Assistant
Publish Date	2021-07-23
Publish Time	18:53:33

Content: Ed Conard joins Bill Martinez to discuss his Oxford University Press chapter, "The Economics of Inequality in High-Wage Economies."
[embed]https://edwardconard.wistia.com/medias/c4s1pck2a9?embedType=async_audio[/embed]

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2021/07/23/ed-conard-debates-the-economics-of-inequality-on-bill-martinez-live

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Bill-Martines-logo.png

Article 9

Title: Praise for my Oxford University Press chapter, "The Economics of Inequality"

Author(s)	Assistant
Publish Date	2020-11-09
Publish Time	17:16:54

Content: San Antonio Express columnist Michael Taylor praised my chapter, “The Economics of Inequality,” in Oxford University Press’ new “United States Income, Wealth, Consumption, and Inequality.” "In Chapter 10, Edward Conard makes the case for what I think of as the Mitt Romney — or previously orthodox Republican — view of economic policy. If we are unequal, Conard asks, what explains it? Is it unfair crony capitalism? Or is it from innovation and gains to productivity? Conard firmly believes it’s the latter. Conard argues it would be reckless to attack or diminish — meaning tax and regulate — the innovators in the United States. Conard’s diagnosis of wealth and income inequality is that we have too few highly educated, highly skilled workers. Rather than bemoan inequality, Conard points to just the opposite, writing, “We should celebrate rising payoffs for successful risk-taking as good fortune.” As for transfer payments and social safety nets, Conard has a warning: “It would be reckless to confiscate outsized rewards for success, whether from companies or individuals.” And further, “redistributing the ownership of future cash flows to consumers will not only demotivate risk-taking, but it will also diminish the amount of risk and investment owners demand businesses take. Less risk-taking and investment will slow growth and diminish prosperity.” I’ve been a fan for a number of years of Conard, whose bestselling books are “Unintended Consequences,” about the 2008 mortgage debacle, and “The Upside of Inequality,” about, well, exactly what the title says. I’m not saying I’m a fan because I agree with everything he advocates. I’m a fan because he is clear, rational and consistent. He’s somebody you can debate with. He takes his pro-market ideas seriously. He makes capitalism sound like something to be proud of. Taken as a whole, “The United States Income, Wealth, Consumption and Inequality” sets the table for the money conversation we should be having." Read the full review here.

Primary Topic: Blog

Topics: Blog,Print,Review/Reference

Permalink: https://www.edwardconard.com/2020/11/09/praise-for-my-oxford-university-press-chapter-the-economics-of-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2020/11/tn-SAEN-logo.png

Article 10

Title: My chapter, "The Economics of Inequality," joins Saez, Burkhauser, and other distinguished economists in Oxford University Press' new "United States Income, Wealth, Consumption, and Inequality"

Author(s)	Assistant
Publish Date	2020-11-05
Publish Time	11:56:25

Content: In my chapter, "Economics of Inequality in High-Wage Economies," I argue, "Inequality is mostly the result of an increasing premium on returns from risk and high-skilled labor ushered in by technological disruption and the feedback loop of elite talent working to increase their own productivity—a logical outcome when properly trained talent constrains growth. The answer … lies in increasing the ratio of high- to low-skilled workers chiefly by training and recruiting more high-scoring domestic and immigrant workers. Rather than greater income redistribution slowing growth by dampening high-skilled productivity and incentives to innovate, these alternatives would accelerate growth and narrow income inequality by relieving constraints on talent and increasing resources devoted to raising low-skilled productivity." Read more and buy the book here.

Primary Topic: Blog

Topics: Blog,Book,Inequality,Productivity,Wages/Income,Workforce

Permalink: https://www.edwardconard.com/2020/11/05/my-chapter-the-economics-of-inequality-joins-emmanuel-saez-richard-burkhauser-and-other-distinguished-economists-in-oxford-university-press-newly-published-us-incom

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2020/09/tn-Ed-Conard-OUP-slider.png

Article 11

Title: Official Stats Overstate Poverty by Measuring Before $1T in Government Spending on "Just the News"

Author(s)	Assistant
Publish Date	2020-09-17
Publish Time	14:35:34

Content: Ed explains that official statistics overstate poverty by measuring it before $1 trillion of government spending. So employment gains appear to have an exaggerated effect on reducing poverty and inequality.

Primary Topic: Blog

Topics: Blog,Videos

Permalink: https://www.edwardconard.com/2020/09/17/declining-poverty-and-inequality-rates-on-just-the-news

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2020/10/tn-Just-the-News.png

Article 12

Title: Waking Up to a Misleading Inequality Report on the Sunday Morning News

Author(s)	Assistant
Publish Date	2020-09-16
Publish Time	12:04:11

Content: If these reporters had winning arguments, they wouldn't resort to misleading their audiences. Last week, I was briefly featured in one of the major networks' Sunday morning news programs. The main thrust of the segment was the argument that Americans aren't doing their fair share to help families who lost their jobs during the pandemic despite a recently published report by the Brookings Institute showing, "government policy effectively countered [the pandemic's] effects on incomes, leading poverty to fall and low percentiles of income to rise across a range of demographic groups and geographies." It's true Democrats and Republicans have been unable to reach an agreement to extend enhanced pandemic-related unemployment benefits. But which party gains politically from withholding aid prior to the upcoming presidential election? Surely the Democrats. Arguments were made during the segment that played fast and loose with the facts; the claim, for example, that 38 million people live in poverty. But that's only true if you exclude the nearly $1 trillion annually the government spends on welfare helping people under 65 years old. (We also spend nearly $1.5 trillion on Social Security and Medicare.) The number of people living in poverty after government assistance is less than a third of those who would be living in poverty were it not for this help. Read more on National Review Online

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2020/09/16/waking-up-to-a-misleading-inequality-report-on-the-sunday-morning-news

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2020/09/tn-nro-money-slide.jpg

Article 13

Title: CBS Sunday Morning Features "The Upside of Inequality"

Author(s)	Peter Barden
Publish Date	2020-09-06
Publish Time	13:54:58

Content: “CBS Sunday Morning” feature on inequality, which includes Hitler, Marie Antoinette, beatings, starving paupers in coffins, Thomas Piketty, and poverty statistics that don’t account for the trillion dollars America spends helping the poor, gives me 20 seconds to defend capitalism. Here are all the things I said that they chose not to use. https://edwardconard.wistia.com/medias/bm46pvbgkl?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Highlight,Inequality,Media Appearance,The Upside of Inequality,Videos,Videos Highlights

Permalink: https://www.edwardconard.com/2020/09/06/cbs-sunday-morning-features-the-upside-of-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2020/09/tn-JP-intro-CBS-Sunday.jpg

Article 14

Title: Lies, Damned Lies, and Steve Rattner's Statistics

Author(s)	Assistant
Publish Date	2020-08-31
Publish Time	15:35:25

Content: Lies, Damned Lies, And Steve Rattner's Statistics If liberal economists could win the economic debate with honest arguments, they would make them. As President Reagan once joked, "Well, the trouble with our liberal friends is not that they're ignorant; it's just that they know so much that isn't so." In his New York Times op-ed, Steve Rattner adds his name to the list of people willing to compromise their reputation to mislead the American people. No serious economist would measure a president's performance blindly from the day they stepped into office until the day they left. The Trump administration should be evaluated for its response to the pandemic, but not for the pandemic itself. With eight years to shepherd the economy, President Obama should be measured by how his policies left the economy relative to the economy prior to the financial crisis, rather than by the economy's growth from a temporary recession as if the recession were permanent. By that measure, the Obama administration's polices grew employment by seven million workers over employment prior to the financial crisis at end of 2007. His policies did so at a time when the population of 25 to 64 year-olds grew by 8.6 million people. So, after eight years at the helm, the Obama administration created 1.6 million fewer jobs than the growth in working-age adults — the supposed "new normal." In contrast, the Trump administration's policies grew employment by 6.6 million workers at a time when the population of 25 to 64 year-olds grew by 1.4 million people. In three years, President Trump's policies created 5.2 million more jobs than the growth in working age adults. Unemployment consequently fell and workforce participation rose. No honest person could compare the two administrations and conclude the Trump administration's economic performance was inferior. Read more on National Review Online

Primary Topic: Blog

Topics: Blog,GDP,Growth,Op-ed,OpEds,OpEds Highlights,Politics,Taxation

Permalink: https://www.edwardconard.com/2020/08/31/lies-damned-lies-and-steve-rattners-statistics

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2020/08/tn-NR-black.png

Article 15

Title: Ed’s CBS Interview Notes

Author(s)	Jane Metcalf
Publish Date	2020-07-21
Publish Time	12:42:48

Content: [accordions id="12078"]

Topics: Blog

Permalink: https://www.edwardconard.com/2020/07/21/eds-cbs-interview-notes

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/eds-cbs-interview-notes.png

Article 16

Title: Innovation Hubs Like New York Don’t "Deserve" Federal Bailouts

Author(s)	Assistant
Publish Date	2020-07-20
Publish Time	14:32:44

Content: With the migration of America's talent to hubs of innovation, like New York, it's disingenuous to claim the hubs subsidize America and therefore deserve bailouts by other states because they pay a disproportionate share of federal taxes. Federalism is based on the notion that some taxation and spending should follow Americans wherever they live. Many of New York's highly taxed millionaires were raised and educated elsewhere and moved to New York at the expense of their hometowns’ diminished future, while Florida's retirees moved there after paying a lifetime of taxes elsewhere. States, like California, enjoy the good fortune of heavily taxing national treasures, like Silicon Valley, largely created by people raised in other states, while many other states must keep taxes and spending low to attract talent. Through migration, America heavily subsidized New York and California, who spent their good fortune rashly. They should be ashamed to ask the rest of the country for bailouts.
https://www.wsj.com/articles/blue-states-deserve-money-from-washington-11595193775

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2020/07/20/innovation-hubs-like-new-york-dont-deserve-federal-bailouts

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2020/07/getty-wsj-thumbnail.jpg

Article 17

Title: Ed Conard Debates Income Inequality on CBS Sunday Morning

Author(s)	Wendi Westrate
Publish Date	2020-07-15
Publish Time	11:10:39

Content: Ed’s CBS interview notes [accordions id='12078']

Topics: Blog

Permalink: https://www.edwardconard.com/2020/07/15/ed-conard-debates-income-inequality-on-cbs-sunday-morning

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-debates-income-inequality-on-cbs-sunday-morning.png

Article 18

Title: Ed Conard Featured in CQ Researcher Report “Inequality in America: Can the Growing Wealth Gap Be Closed?"

Author(s)	Peter Barden
Publish Date	2020-05-22
Publish Time	11:23:18

Content: CQ Researcher released its latest report “Inequality in America: Can the Growing Wealth Gap Be Closed?” featuring an interview with Ed Conard. Excerpts from the report: On incentivizing risk-taking to grow the economy: Edward Conard, a visiting scholar at the conservative-leaning American Enterprise Institute (AEI), calls the wealth gap an inevitable byproduct of an economy that prospers by rewarding innovators and risk-takers. Before the coronavirus struck, the United States had enjoyed a strong economy with low unemployment rates and rising wages. After an 11-year bull market, the Dow Jones Industrial Average hit a record high of 29,551 on Feb. 12. “You want people to take risks and work very hard and produce the kinds of innovate on that grows the economy,” Conard says. Because Americans are rewarded for doing so, he adds, “we have been way more successful [than other countries] at motivating our talent to take entrepreneurial risks.” On Sen. Sanders’ and Warren’s tax proposals: Critics also argue Sanders’ and Warren’s taxes would damage the economy. “A tax on success,” the American Enterprise Institute’s Conard says, would discourage the innovative work of entrepreneurs who create wealth for the entire society, not just for themselves. “Entrepreneurs capture a small fraction of the value they create,” he argues. Taxation is not the best way to “extract value from that talent,” he says. “The way is to motivate them to create a dollar for themselves in order to create five for everybody else.” A wealth tax “won’t blow up Silicon Valley,” Conard says, “but you probably will slow growth.” On Sen. Warren’s and Sanders’ free college tuition proposal: Making something free usually is a bad idea, the American Enterprise Institute’s Conard says. “We see in health care that a little bit of co-pay makes resources be better rationally allocated.” On the political pressure to reduce inequality: The American Enterprise Institute’s Conard says he fears political pressure to act on inequality will lead to slower growth and less innovation. “I think there’s political will building for such liberal proposals as tax the rich,” he says. On big tech’s contribution to inequality: Edward Conard, a visiting scholar at the conservative-leaning American Enterprise Institute, says a hands-off approach enables innovators to prosper and the economy to remain strong. You can read the full CQ Researcher report “Inequality in America: Can the Growing Wealth Gap Be Closed?” here.

Primary Topic: Blog

Topics: Blog,Inequality,Print,Print Interview

Permalink: https://www.edwardconard.com/2020/05/22/ed-conard-featured-in-cq-researcher-report-inequality-in-america-can-the-growing-wealth-gap-be-closed

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2020/05/tn_CQ-Researcher-lol.png

Article 19

Title: Ben Shapiro Again Recommends Ed Conard's NYT Bestselling Books

Author(s)	Assistant
Publish Date	2020-04-08
Publish Time	13:37:25

Content: Ben Shapiro again recommended Ed Conard's New York Times bestselling books, The Upside of Inequality: How Good Intentions Undermine the Middle Class (2016) and Unintended Consequences: Why Everything You've Been Told About the Economy is Wrong (2012). https://edwardconard.wistia.com/medias/row9fnmd4n?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2020/04/08/ben-shapiro-again-recommends-ed-conards-nyt-bestselling-books

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/05/tn_Upside-cover.jpg

Article 20

Title: Kitchen Quarantine, Maverick's Return, and the Ultimate Cuda

Author(s)	Assistant
Publish Date	2020-04-03
Publish Time	15:34:29

Content: The Land Rover Defender of Phones via FT How to Spend It read Planet Computers' Cosmo Communicator is a smartphone that runs Google's Android operating system but also has a QWERTY keyboard attached. shop But wait there's more…. If the Cosmo Communicator seems a little too big (it is), checkout the F(x)tec Pro1 which features a fully integrated QWERTY Slider, faster processor, sleeker design and better camera. specs review Kitchen Quarantine: Michelin-Starred Chef Massimo Bottura Launches Cooking Classes on Instagram Live via Robb Report read "In the first few delectable episodes, Bottura showed viewers how to make a Thai curry, a warm bollito salad, tortellini and an "everything Mac and Cheese" dinner..." https://www.instagram.com/p/B9uHfGJpqm4/?utm_source=ig_web_copy_link Editor's Note: The show airs live every day at 8:00PM CET / 2:00PM ET on Bottura's Instagram page which can be found here. You will need to be signed-in to watch live videos. Quarantine Bartender: 3 Mocktail Recipes for a Buzz, Energy, and Sleep via Goop Men recipes How to Reduce Stress Like a Navy SEAL in 5 Minutes Flat via Gear Patrol try it There is one simple way to cage the monkey on your back we call stress, and it can be done anytime, anywhere. It's called box breathing — a time-honored stress-reducing technique endorsed by none other than the U.S. Navy SEALs. That's Pretty Cool: Playtronica's Midi Turns You (or Your Vegetables) Into Instruments via Design Boom discover "… the idea is to connect humans and objects in one electric chain and measure the intensity of human touch, which is technically a change of electric resistance,' explains the studio. 'usually, we don't think about it, but our bodies are batteries, using electricity to communicate the brain with other body parts. so why not use the same idea to interact with other organic materials using sound as a medium?" https://youtu.be/wF15V6zMSS4 Learn more at Playtronica read shop Super Rare Super Sale: 1971 Plymouth Cuda V-Code 440-6 Convertible via HiConsumption read Only 1 of 17 ever produced. Available at Mecum's Indy Auction Tues, 5/12 – Sun, 5/17 specs REMINDER: Top Gun 2 (maybe) in theaters on Fri, 6/26 https://youtu.be/NSmkA7hcNjs 2 Cubes 1 Guy via r/nextfuckinglevel be amazed Animating initial unemployment insurance claims from 1967 until now via r/dataisbeautiful watch Data sources: http://www.dol.gov/ui/data.pdf & https://oui.doleta.gov/unemploy/claims.asp. These are numbers from the United States. Data points are weekly unemployment claims from 1967 to the most recent number from March 20, 2020. Marvels of Minimalism – the Ultimate Barn Conversions via FT How to Spend It read The 2020 Pritzker Prize Is Awarded to Yvonne Farrell and Shelley McNamara via SURFACE Magazine read Highly Covetable: 101 East 63rd Street "This is the way I wish my house looked" – Andy Warhol Tom Ford purchased Halston House in 2019 for $18m via Garage source

Primary Topic: Stuff Ed's Assistant Thought He Might Like

Topics: Stuff Ed's Assistant Thought He Might Like

Permalink: https://www.edwardconard.com/2020/04/03/kitchen-quarantine-mavericks-return-and-the-ultimate-cuda

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2020/04/zine-2-new.jpg

EDWARD CONARD

TOP TEN The New York Times BESTSELLER

Article 21

Title: TB x TB, Rem's Countryside, and Eothen Dreaming

Author(s)	Assistant
Publish Date	2020-03-29
Publish Time	15:23:25

Content: Tom Terrific + Tampa Bay Bucs SB odds went from 60/1 to 14/1 via Sports Illustrated read “We all know that Brady loves to utilize his tight ends and he will have two athletic playmakers at that position who could flourish under his tutelage, Cameron Brate and O.J. Howard.” Iron Mike is on CAMEO sign him up Is This the Most Terrifying Wave Ever Filmed at Nazare? via Surfer [embed]https://youtu.be/eqWYTCH08MA?t=116[/embed] Here’s What a Googol-to-One Gear Ratio Looks Like via DIGG more Daniel Bruin's device has a gear reduction of one googol (that's a 1, followed by 100 zeroes), meaning you'd need "more energy than the entire universe has" to spin the final gear once. [embed]https://www.youtube.com/watch?v=nFslB0AcVmM[/embed] Picking up glowing hot space shuttle tiles with bare hands via Kottke read Space Shuttle thermal tiles conduct heat so poorly that after being in a 2200 °F oven for hours, you can pick them up with your bare hands only seconds after they come out, still glowing hot. [embed]https://www.youtube.com/watch?v=Pp9Yax8UNoM[/embed] Billions Season 5 premiers Sun, 5/3/20 via Showtime tune in [embed]https://www.youtube.com/watch?v=gh1sTYIJoyQ[/embed] The people want more WAGS An Exhaustive Guide to Streaming via The Ringer peruse Netflix optimizer: the full list of genre codes study Recommendations: HBO Hobbs & Shaw Fast 5 Casino Royale The Town Barry Amazon Prime Mission: Impossible - Fallout Netflix Icarus Ex Machina Blade Runner Step Brothers Kingpin Hulu Creed II Bumblebee What the hell is Quibi? The mobile-centric short-form streaming service founded by former Disney + DreamWorks chief Jeffrey Katzenberg w. billions in backing launches Mon, 4/6 w. projects from Steven Spielberg, Paul Feig, Chrissy Teigen, and others in the form of scripted and unscripted stories in 10-minute chunks. Free trial available now. read A running list of all Quibi show trailers via AV Club review Screen Time Is Dangerous For Babies, Kids, and Teens But Is It the Screen? via Slate read “Until more large-scale projects like Rasmussen’s and Radesky’s are completed, we’re left mostly with correlational data to guide our decisions about screen time… It’s not so much the screen that causes problems, but the fact that it often supplants opportunities to engage in richer activities instead.” Your next computer is an iPad Pro via Mac Rumors specs [embed]https://www.youtube.com/watch?v=09_QxCcBEyU[/embed] Rem Koolhaas Makes the Case for Leaving Cities Behind @ Guggenheim via BBG read Countryside, the Future” runs thru Fri, 8/14/20 “The inevitability of Total Urbanization must be questioned,” Koolhaas writes in an accompanying catalog, “and the countryside must be rediscovered as a place to resettle, to stay alive.” This notion will have particular resonance in the age of the new coronavirus, as urban crowds have become synonymous with contagion. The Guggenheim is closed until further notice for this very reason, making Koolhaas’s message strikingly urgent.” Simon de Pury aka "the Mick Jagger of art auctions,” interactive print books for sale buy “Plain old soap and water absolutely annihilate coronavirus” via Vox [embed]https://www.youtube.com/watch?v=-LKVUarhtvE[/embed] Summer Dreaming: Aaron Franklin, pit master legend and Franklin BBQ owner, will build you a custom pit. specs https://www.instagram.com/p/B1nHblSl00V/?utm_source=ig_embed Where would Andy be bunkering up right now? In Montauk at Eothen. Eothen, which means "from the east", is the 30-acre compound purchased by Andy and his partner Paul Morrissey in 1972 for $225,000. JCrew CEO Mickey Drexler bought it in 2007 from Morrisey for $27M and sold it (minus the horse farm) to billionaire art collector Adam Lindemann in 2015 for nearly $50M. Link

Primary Topic: Stuff Ed's Assistant Thought He Might Like

Topics: Stuff Ed's Assistant Thought He Might Like

Permalink: https://www.edwardconard.com/2020/03/29/tb-x-tb-rems-countryside-and-eothen-dreamin

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2020/03/zine-1-tn-new.jpg

Article 22

Title: How Will the Coronovirus Change the Way We Work and Do Business on Fox Business News

Author(s)	Assistant
Publish Date	2020-03-26
Publish Time	12:20:56

Content: nan

Primary Topic: Media Appearances Only

Topics: Media Appearances Only

Permalink: https://www.edwardconard.com/2020/03/26/11779

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/how-will-the-coronovirus-change-the-way-we-work-and-do-business-on-fox-business-news.png

Article 23

Title: Predicting How Coronovirus May Impact the Economy on Fox Business

Author(s)	Assistant
Publish Date	2020-03-16
Publish Time	14:51:46

Content: Ed Conard joins Stu Varney to discuss the coronavirus's potential impact on the U.S. and global economy on Fox Business's "Varney & Co." Will the coronavirus send us into a recession? https://edwardconard.wistia.com/medias/8ep53d6wb1?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Growth,Media Appearance,Videos,Work Product

Permalink: https://www.edwardconard.com/2020/03/16/predicting-how-coronovirus-may-impact-the-economy-on-fox-business

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2020/03/tn_conard-fbn-3.16.20-3.png

Article 24

Title: Debating the Strength of the Trump Economy on Bill Martinez Live

Author(s)	Peter Barden
Publish Date	2020-03-11
Publish Time	17:34:52

Content: Ed Conard discusses the on going strength of the Trump economy on Bill Martinez Live. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2020/03/conard-billmartinez-3-2-20vesion3.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Politics,Radio

Permalink: https://www.edwardconard.com/2020/03/11/debating-the-strength-of-the-trump-economy-on-bill-martinez-live

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Bill-Martines-logo.png

Article 25

Title: Thomas Philippon Claims the US Has Grown Less Competitive Than Europe. Seriously?! I Take Him to Task in My NRO Review of His Book

Author(s)	Assistant
Publish Date	2019-11-25
Publish Time	12:11:30

Content: With profits rising, productivity growth slowing, investment middling despite near-zero interest rates, and large competitors gaining market share, proponents of income redistribution insist that an increase in monopoly rents — profits earned by cooperating with competitors to raise prices and restrict output rather than competing honestly with them — has misallocated resources, increased income inequality, and slowed middle- and working-class wage growth. If cronyism increasingly misallocates resources, theoretically policymakers can redistribute income without significantly slowing growth and diminishing prosperity — the proverbial free lunch. Politicians such as Elizabeth Warren insist that, without slowing growth and gradually reducing middle-class prosperity, America can tax the rewards of success and redistribute income that would otherwise be invested. Unbiased economists must scrutinize such claims. Unfortunately, in his newly published book, The Great Reversal, Thomas Philippon offers one-sided support for them. Read more here. Tyler Cowen promoted my review in his Marginal Revolution blog. The Boston Globe noted my review in its review of the book. Revue Concurrentialiste's Thibault Schrepel promoted my review as one of his best November reads.

Primary Topic: Blog

Topics: Blog,Growth,Op-ed,OpEds,Politics,Print,Review/Reference,Work Product

Permalink: https://www.edwardconard.com/2019/11/25/thomas-philippon-claims-the-us-has-grown-less-competitive-than-europe-seriously-i-take-him-to-task-in-my-nro-review-of-his-book

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_NR-logo.jpg

Article 26

Title: I Take Sides in Taylor Swift's Fight with Private Equity Over Music Rights on Fox Business

Author(s)	Assistant
Publish Date	2019-11-25
Publish Time	12:09:33

Content: Ed Conard take sides in Taylor Swift's fight with private equity over music rights Fox Business's "Varney & Co." Listen to Ed Conard and Stuart Varney's discussion. https://edwardconard.wistia.com/medias/ye7ib8jl2a?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Videos

Permalink: https://www.edwardconard.com/2019/11/25/i-take-sides-in-taylor-swifts-fight-with-private-equity-over-music-rights-on-fox-business

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/11/fb_FBN-Varney_11.25.19.png

Article 27

Title: Debating What Warren Gets Wrong About Private Equity on FBN's "Cavuto Coast to Coast"

Author(s)	Assistant
Publish Date	2019-11-19
Publish Time	10:26:15

Content: Neil Cavuto and I debate what Elizabeth Warren gets wrong about investors and private equity—investment makes the US middle class 30% more prosperous than their counterparts in Northern Europe. https://edwardconard.wistia.com/medias/vt8kx1y7hs?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Politics,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/11/19/debating-what-warren-gets-wrong-about-private-equity-on-fbns-cavuto-coast-to-coast

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/11/tn_FBN-Cavuto_11.18.19.png

Article 28

Title: Defending JPMorgan CEO Jamie Dimon's $31m Salary on FBN's Making Money with Charles Payne

Author(s)	Assistant
Publish Date	2019-11-11
Publish Time	17:31:43

Content: Charles Payne, Heather Higgins, and I defend JP Morgan Chase CEO Jamie Dimon’s $31 million annual salary on “Fox Business’s Making Money with Charles Payne.” https://edwardconard.wistia.com/medias/z8tn98sce3?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Source of Info,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/11/11/defending-jpmorgan-ceo-jamie-dimons-31m-salary-on-fbns-making-money-with-charles-payne

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/11/tn_FBN-Making-Money_11.11.19-3.png

Article 29

Title: American Innovation Drives Prosperity in the U.S. and Abroad on Varney & Co

Author(s)	Assistant
Publish Date	2019-11-06
Publish Time	15:27:44

Content: I discuss how American innovation is driving economic prosperity for the middle class here in the United States and in Europe on Fox Business's "Varney & Co." https://edwardconard.wistia.com/medias/fev6nli2sh?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2019/11/06/american-innovation-drives-prosperity-in-the-us-and-abroad-on-varney-co

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/11/tn_FBN-Varney_11.6.19-3.png

Article 30

Title: The Success of the Most Successful Workers Benefits the Middle Class on Varney & Co.

Author(s)	Assistant
Publish Date	2019-10-18
Publish Time	16:20:54

Content: I explain why the success of the most successful workers benefits the middle class on Fox Business's "Varney & Co." https://edwardconard.wistia.com/medias/vkoq8j2pnq?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2019/10/18/the-success-of-the-most-successful-workers-benefits-the-middle-class-on-varney-co

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/10/tn_FBN-Varney_10.18.19.png

Article 31

Title: Sanders’ and Warren's Wealth Tax Proposals Will Hurt the Middle Class

Author(s)	Assistant
Publish Date	2019-09-25
Publish Time	17:21:50

Content: I explain why Bernie Sanders’ and Elizabeth Warren’s wealth tax proposals will ultimately hurt the middle class. We also discuss Walmart stock performance, WeWork’s delayed IPO and leadership fight, and, surprisingly the strength of my tennis game on Fox Business’s “Varney & Co.” https://edwardconard.wistia.com/medias/dau393qj9p?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Politics,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/09/25/sanders-and-warrens-wealth-tax-proposals-will-hurt-the-middle-class

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/09/tn_FBN-Varney_9.24.19.png

Article 32

Title: Warren's Proposals Will Extract a Heavy Cost From the Middle Class

Author(s)	Assistant
Publish Date	2019-09-04
Publish Time	16:37:14

Content: I explain why Elizabeth Warren’s proposals will extract a heavy cost on the middle class on Fox Business’s “Varney & Co.” https://edwardconard.wistia.com/medias/t9jbxbhmko?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Politics,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/09/04/warrens-proposals-will-extract-a-heavy-cost-on-the-middle-class

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/09/tn_FBN-Varney_9.4.19-3.png

Article 33

Title: Democrats Are Campaigning for European Socialist Policies That Would Hurt the Middle Class on FBN’s Varney & Co

Author(s)	Assistant
Publish Date	2019-08-12
Publish Time	15:54:30

Content: David Asman and I discuss how Democrats are campaigning to bring European socialism to America which would slow growth and hurt the middle class. https://edwardconard.wistia.com/medias/6fbonilv0q?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Growth,Inequality,Politics,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/08/12/democrats-are-campaigning-for-european-socialist-policies-that-would-hurt-the-middle-class-on-fbns-varney-co

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/08/tn_FBN-Varney_8.12.19.png

Article 34

Title: Debating the Logic Underpinning the Expected Fed Rate Cut on Fox Business’s “Making Money”

Author(s)	Assistant
Publish Date	2019-07-30
Publish Time	18:24:28

Content: Charles Payne, David Nelson, and I debate the logic underpinning the expected Fed rate cut on “Fox Business’s Making Money with Charles Payne.” https://edwardconard.wistia.com/medias/ll6ffsiv0y?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Banking,Blog,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/07/30/debating-the-logic-underpinning-the-expected-fed-rate-cut-on-fox-businesss-making-money

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/07/tn_FBN-Making-Money_7.30.19.png

Article 35

Title: Ed Conard Responds to Pres. Trump's Claim That Fed Policy Is Fostering Trade Deficits with China on FBN's "Varney & Co."

Author(s)	Assistant
Publish Date	2019-06-11
Publish Time	14:17:03

Content: Ed responds to President Trump’s claim that Fed policy is fostering trade deficits with China, on Fox Business’s “Varney & Co.” https://edwardconard.wistia.com/medias/a5npba1qy3?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/06/11/ed-conard-responds-to-pres-trumps-claim-that-fed-policy-is-fostering-trade-deficits-with-china-on-fbns-varney-co

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/06/fb_FBN-Varney_6.11.19-1024x576.png

Article 36

Title: A Strong Economy Makes Trump the Favorite to Win in 2020 on Fox Business's "Varney & Co."

Author(s)	Peter Barden
Publish Date	2019-05-30
Publish Time	10:02:24

Content: America’s strong economy, driven by President Trump’s pro-growth policies of tax cuts and regulatory restraint, puts him in the best position to win in 2020, on Fox Business’s "Varney & Co." https://edwardconard.wistia.com/medias/3hlkdgzgf2?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Politics,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/05/30/a-strong-economy-makes-trump-the-favorite-to-win-in-2020-on-fox-businesss-varney-co

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/06/fb_FBN-Varney_5.29.19-1024x576.png

Article 37

Title: Joe Scarborough and Ed Conard Debate Pres. Trump's Immigration Plan on MSNBC's "Morning Joe"

Author(s)	Assistant
Publish Date	2019-05-23
Publish Time	14:26:58

Content: Joe Scarborough and I debate President Trump's new immigration plan and its emphasis on high-skilled immigration to produce economic growth on MSNBC's "Morning Joe." https://edwardconard.wistia.com/medias/uq081761pc?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Inequality,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/05/23/joe-scarborough-and-ed-conard-debate-pres-trumps-immigration-plan-on-msnbcs-morning-joe

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/06/fb_MSNBC-Morning-Joe_5.23.19-1024x576.png

Article 38

Title: Matthew Continetti in NRO Analyzes My Proposal on How to Help the Middle Class

Author(s)	Assistant
Publish Date	2019-05-23
Publish Time	14:20:18

Content: How to Help the Middle Class by Matthew Continetti for National Review Ed Conard, former business partner of Mitt Romney and author of Unintended Consequences and The Upside of Inequality, appears on the most recent episode of Conversations with Bill Kristol. The interview is worth your time. It arrives at a moment when conservatives are debating what economic policies are best for the middle class. Conard challenges some widespread assumptions and offers intelligent if controversial suggestions. First, like his American Enterprise Institute colleague Michael Strain, Conard says the middle class is neither stagnating nor disappearing. He cites a study last year by the Congressional Budget Office that found middle class incomes grew around 45 to 50 percent between 1979 and 2015, and 10 percent in the years since. Also, Conard's review of the academic literature leads him to conclude that the middle class is either stable or shifting upward. He cites a recent Pew study that found the share of Americans living in middle-class households falling from 61 percent in 1971 to 52 percent in 2016. When you look into the numbers, he says, most of the decline in the "middle class" over the last 40 years can be attributed to people's enrichment. Much of the rest is from an increase in low-skilled immigration. Politicians and journalists often compare America unfavorably to Nordic countries. Conard says this is a convenient appeal for votes and ratings."If you look at the average Scandinavian American, today he's earning about 50 percent more than the median Scandinavian in Scandinavia." America provides more innovation, more growth, and more jobs, at higher wages, than our European allies. "France hasn't created a new large company since the 1970s." Read more at National Review.

Primary Topic: Blog

Topics: Blog,Review/Reference

Permalink: https://www.edwardconard.com/2019/05/23/matthew-continetti-in-nro-analyzes-my-proposal-on-how-to-help-the-middle-class

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/06/facebook_NR-logo-1024x536.jpg

Article 39

Title: Debating a Book’s-Worth of Economic Issues on “Conversations with Bill Kristol”

Author(s)	Assistant
Publish Date	2019-05-20
Publish Time	11:00:13

Content: I cover a book’s-worth of economic issues in my 90 minute discussion with Bill Kristol on “Conversations with Bill Kristol.”

Primary Topic: Blog

Topics: Blog,Blog Highlights,Source of Info,Videos,Videos Highlights,Work Product

Permalink: https://www.edwardconard.com/2019/05/20/debating-a-books-worth-of-economic-issues-on-conversations-with-bill-kristol

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/06/fb_Ed-Bill-Kristol-5.20.19-1024x534.png

Article 40

Title: Frank Hill Reviews The Upside of Inequality for The North State Journal

Author(s)	Assistant
Publish Date	2019-05-20
Publish Time	10:19:04

Content: Review: The Upside of Inequality by Frank Hill for The North State Journal Many people hear the term “income inequality” and think: “We gotta do something to fix that!” Which almost always means pass more legislation and give more power to government officials. Ed Conard, former managing partner of Bain Capital, thinks differently. He sees rising income inequality as a good sign for an economy, not as a negative. As he writes in his eminently readable book, “The Upside of Inequality”: “Rising income inequality is the by-product of an economy that has deployed its talent and wealth more effectively than that of other economies — and not from the rich stealing from the middle and working classes.” How can an increasing amount of wealth in the hands of relatively few people at the top of the wealth ladder be “good” for America when the press and the left keep telling us that the middle-class is disappearing and the poor and near-poor are starving to death? Since time immemorial, poor and working-class people have viewed rich people with a mixture of envy, distrust and distance. For good reason. Prior to World War I, working people the world over were essentially serfs to the king of the country or the powerful oligarchs who ruled commerce and government with an iron fist to protect their wealth, interests and superior way of life. Robber-barons of the late 19th century used unscrupulous methods and bribery to gain their wealth at the expense of competitors, and they kept many workers as close to poverty as possible to maximize their personal profits. As a result of that experience 100 years ago, the left sees capitalism as a zero-sum game; the rich get richer while the poor get poorer. Vote for them and they will fix it, they say. With more government, more laws and more distortions to market forces. Conard takes a penetrating look at the root causes of income inequality at its core in economic terms, not emotional or political terms. He cites study after study that confirmed what most people know intuitively: “high-wage economies that diminish incentives to produce innovation by taxing success more heavily, increasing government spending and distributing incomes more equally have grown more slowly with lower median incomes.” The reason for stagnant low wages for unskilled and uneducated people in America can be attributed, he says, primarily to three factors: a near unlimited supply of low-skilled, low-wage workers domestically and abroad; lack of proper education to meet the needs of 21st century businesses; and anything that diminishes the appetite to take on higher levels of risk by investors and entrepreneurs. Conard’s book is a compendium of useful facts and figures anyone interested in this issue should have handy. To prove his point about American free enterprise being the best vehicle for job growth, he cites many facts including: -- Since 1980, five times as many companies have been created in the U.S. that became worth more than $1 billion than in all of Europe combined. -- Since the mid-1970s, not one single company has been created in France that has grown to be worth more than $1 billion. -- Since 1980, the U.S. economy has produced enough jobs to increase employment by 50%, twice the growth rate of Germany and France and three times the rate of Japan. -- Employment has surged from 99 million people working in 1980 to 156 million today in America. -- Median after-tax incomes for Americans are 15-30% higher than for Europeans and Japan We should be overjoyed and thankful to have had the good fortune to have lived during such a time. Instead, we have a political left and a compliant press painting a dystopian present and future for all Americans almost exclusively for political purposes. The 2020 elections will offer us a country a clear choice between capitalism and socialism. Why choose socialism when capitalism offers much higher prosperity and standards of living for everyone? Read more at The North State Journal.

Primary Topic: Blog

Topics: Blog,Op-Ed/Blog Post,Source of Info,The Upside of Inequality

Permalink: https://www.edwardconard.com/2019/05/20/frank-hill-reviews-the-upside-of-inequality-for-the-north-state-journal

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/06/tn_NSJ-logo.jpg

Article 41

Title: I Debate the Merits of Capitalism v. Socialism with socialist Jacobin Magazine's Bhaskar Sunkara on Fox Business's "Making Money"

Author(s)	Assistant
Publish Date	2019-05-18
Publish Time	17:31:59

Content: I debate the merits of capitalism versus socialism with socialist Jacobin Magazine founder Bhaskar Sunkara on "Fox Business's Making Money with Charles Payne."
https://edwardconard.wistia.com/medias/ce26b9fzb5?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Politics,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/05/18/i-debate-the-merits-of-capitalism-v-socialism-with-socialist-jacobin-magazines-bhaskar-sunkara-on-fox-businesss-making-money

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/06/fb_FBN-Making-Money_5.17.19-1024x576.png

Article 42

Title: Harvard Symposium on My Views: “What Advocates of Free Enterprise Can Learn from Populism.”

Author(s)	Assistant
Publish Date	2019-05-17
Publish Time	10:55:46

Content: Watch my Harvard symposium presentation “What Advocates of Free Enterprise Can Learn from Populism.” The symposium was hosted by Professor Harvey Mansfield and Harvard’s Program on Constitutional Government. Harvard Economics Professor Greg Mankiw participated in the discussion. Discussion https://edwardconard.wistia.com/medias/j0apy9ycy8?embedType=async&videoFoam=true&videoWidth=640 Q&A https://edwardconard.wistia.com/medias/1l0rgi3j8b?embedType=async&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Blog Highlights,Growth,Work Product

Permalink: https://www.edwardconard.com/2019/05/17/harvard-symposium-on-my-views-what-advocates-of-free-enterprise-can-learn-from-populism-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/06/tn_Harvard_QA_2-12-18-2.png

Article 43

Title: Ed Conard Discusses His NYT bestselling book The Upside of Inequality at Susquehanna University

Author(s)	Assistant
Publish Date	2019-05-17
Publish Time	10:46:09

Content: Ed discusses his top-ten New York Times bestselling book The Upside of Inequality with Matt Rousu, Dean of Susquehanna University's Sigmund Weis School of Business and students. Discussion https://edwardconard.wistia.com/medias/ttn51hknpq?embedType=async&videoFoam=true&videoWidth=640 Q&A https://edwardconard.wistia.com/medias/zerx440hj3?embedType=async&videoFoam=true&videoWidth=640

Topics: Blog,The Upside of Inequality,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/05/17/ed-conard-discusses-his-nyt-bestselling-book-the-upside-of-inequality-at-susquehanna-university

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/06/fb_Susquehanna-U-Talk_5.22.19-1024x576.png

Article 44

Title: Dem Socialist Proposals Would Gradually Drag U.S. Growth and Wages to Stagnant European Levels

Author(s)	Assistant
Publish Date	2019-05-16
Publish Time	9:24:17

Content: Socialist policy proposals from 2020 Democratic presidential candidates would irrevocably alter the American economy, gradually dragging it to Europe's stagnant growth rate and lowering middle-class wages, on Fox Business's Varney & Co. https://edwardconard.wistia.com/medias/ek0pbnu8qv?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Videos

Permalink: https://www.edwardconard.com/2019/05/16/dem-socialist-proposals-would-gradually-drag-u-s-growth-and-wages-to-stagnant-european-levels

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/06/fb_FBN-Varney_5.15.19-1024x576.png

Article 45

Title: Tariff Threats May Be Needed to Negotiate Fair Trade with China on Fox Business's "Making Money with Charles Payne"

Author(s)	Assistant
Publish Date	2019-05-07
Publish Time	18:23:25

Content: I join Fox Business's "Making Money with Charles Payne" to discuss how President Trump's threatened tariffs may be needed to negotiate fair trade with China. Nothing else has worked well. We also discuss the cost of universal basic income's incentives to work. https://edwardconard.wistia.com/medias/xl45npfw7j?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Growth,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/05/07/tariff-threats-may-be-needed-to-negotiate-fair-trade-with-china-on-fox-businesss-making-money-with-charles-payne

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/06/fb_FBN-Making-Money_5.7.19-1024x576.png

Article 46

Title: Exposing Socialism's Cost to the Middle Class on Fox Nation's "Deep Dive"

Author(s)	Assistant
Publish Date	2019-05-02
Publish Time	18:34:54

Content: I expose the cost of socialism to the middle class, its long term effect on economic growth, and whether libertarianism can win elections with the Wall Street Journal's Mary Anastasia O'Grady.
https://edwardconard.wistia.com/medias/vx20bp1yce?embedType=async&videoWidth=640
PART 2
https://edwardconard.wistia.com/medias/9n5auprzx6?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Politics,The Upside of Inequality,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/05/02/exposing-socialisms-cost-to-the-middle-class-on-fox-nations-deep-dive

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/06/fb_Fox-Nation_4.25.19-1024x576.png

Article 47

Title: Debating the Impact of GOP Tax Cuts and How They're Paying for Themselves on Bold TV

Author(s)	Assistant
Publish Date	2019-05-02
Publish Time	16:36:38

Content: Ed Conard joins Bold TV to debate the long term impact of GOP tax cuts on the economy, how they're paying for themselves, and why they'll make future generations better off. https://edwardconard.wistia.com/medias/uxa9zknrsk?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Politics,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/05/02/debating-the-impact-of-gop-tax-cuts-and-how-theyre-paying-for-themselves-on-bold-tv

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/05/fb_Bold-TV_4.30.19-1024x576.png

Article 48

Title: Ed Conard Debates Democratic Presidential Candidates’ Growth-Killing Economic Proposals on "Varney & Co."

Author(s)	Assistant
Publish Date	2019-04-18
Publish Time	17:38:53

Content: Stuart Varney and I debate the growth-killing economic proposals of Democratic presidential candidates Cory Booker and Andrew Yang, as well as Elizabeth Warren’s proposal to restrict oil drilling on public lands, on Fox Business’s Varney & Co.
https://edwardconard.wistia.com/medias/iyn8t4gmx8?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Growth,Politics,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/04/18/ed-conard-debates-democratic-presidential-candidates-growth-killing-economic-proposals-on-varney-co

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/04/fb_FBN-Varney_5.15.19-1024x576.png

Article 49

Title: Successful CEOs Have a Single-Minded Determination to Serve Customers. That's Not Psychopathy

Author(s)	Peter Barden
Publish Date	2019-04-10
Publish Time	18:15:24

Content: I debate Rep. Ocasio-Cortez' claim that billionaires and CEOs have psychopathic tendencies on Fox Business's "Making Money" with Susan Li. Successful CEOs have a single-minded determination to serve customers more effectively than competitors. https://edwardconard.wistia.com/medias/bcmyqyhtsl?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2019/04/10/successful-ceos-have-a-single-minded-determination-to-serve-customers-thats-not-psychopathy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/04/fb_FBN_Making-Money_4.9.19-1024x576.png

Article 50

Title: A Strong U.S. Economy is Capitalism’s Best Defense on Fox Business's "Cavuto: Coast to Coast"

Author(s)	Assistant
Publish Date	2019-04-10
Publish Time	11:54:35

Content: Ed Conard vigorously defends capitalism with David Asman on Fox Business’s “Cavuto: Coast to Coast.” A 3.8% unemployment rate, rising wages, and a 40% stock market increase since President Trump’s election demonstrate the unparalleled success of American capitalism.
https://edwardconard.wistia.com/medias/63q1auhu2s?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Politics,Videos

Permalink: https://www.edwardconard.com/2019/04/10/a-strong-u-s-economy-is-capitalisms-best-defense

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/05/tn_FBN-Cavuto_4.8.19.png

Article 51

Title: My new National Review op-ed explains why CBO expects the tax cut to pay for itself

Author(s)	Assistant
Publish Date	2019-03-21
Publish Time	10:35:02

Content: Is the tax cut expected to pay for itself? Yes — if we use the Congressional Budget Office's forecast and any economically logical standard, the tax cut makes both current and future generations better off. The CBO now expects the nominal gross domestic product to increase nearly $750 billion more per year by 2020 than in its forecast prior to the tax cut. It originally attributed about one third of that growth to the tax-cut legislation — even by that estimate, the cut more than pays for itself. The CBO expects that, through a combination of real GDP growth and a burst of inflation, the cut will produce more tax revenue when the middle-class tax cuts expire than would have been the case without the cut. The expected increase in tax revenue, together with the elimination of the health-care mandate, which saves more money than it costs, and other pushes and pulls, more than pays for the interest expense from deficits that accumulate in the interim. That expense includes additional interest paid on all federal debt from an expected rise in interest rates stemming from the tax cut. The eventual increase in tax revenue enables the cut to pay off its debt gradually. With its financing costs covered and the debt accumulated from the cut now declining, the legislation leaves future generations to enjoy more real after-tax GDP than would have been the case without the tax cut. Distributional analysis indicates that households across all income levels share these gains. Contrary to popular belief, a tax cut doesn't need to recover its lost tax revenues to make future generations more prosperous. That's an illogically high standard used as spin by opponents of tax cuts. If you borrow money to buy an asset that permanently produces more income than the cost of the interest on the money you borrowed to buy the asset, you and your children are made richer by the additional income the asset produces, not poorer by the amount of the money you borrowed. That's why investors make investments. The 2018 tax-cut legislation is no different. Borrowing makes future generations poorer only if borrowers consume rather than invest the proceeds, leaving future generations with no increased earning capacity to pay for the interest on the debt. By increasing real GDP and collecting more in additional taxes than the incremental cost of its financing, the tax cut makes future generations better off. Unfortunately, some zealous proponents of tax cuts foolishly promised that cuts would immediately produce more tax revenues. Opponents of tax cuts seized on that standard — that a tax cut hasn't paid for itself until it has paid down all of its resulting debt — for propaganda purposes. It is simply not the case that an investment that leads to a permanent increase in income large enough to cover its financing cost need ever pay back its debt. A permanent increase in GDP and tax revenues — what this legislation produces — produces a permanent increase in debt capacity. Without this basic understanding of finance, all deficits look the same, with no apparent difference between deficit-financed consumption and its opposite, legislation that increases GDP and fully covers its financing cost, as this legislation does. Deficit-financed consumption increases debt without increasing America's capacity to finance the increased interest expense. That hurts future generations, unlike this tax-cut legislation. Misinformed deficit hawks and opponents of tax cuts fail to differentiate between the two kinds of deficits. A more relevant comparison asks whether this investment is better than alternative investment opportunities. It is surely the case that the business-tax cuts on their own would have grown GDP without producing the large deficits created by the middle-class tax cuts. The latter create little, if any, long-term growth. But it's hardly obvious that the legislation would have passed without the cuts for the middle class. Cuts that lower taxes for most voters, as this legislation does, run the risk that lawmakers will extend the cuts beyond their stipulated expiration. For that reason and others, I opposed the middle-class cuts. But analysis that avoids debating the legislation in its entirety — legislation that includes not only cuts but also a partial expiration of those cuts and a rollback of the health-care mandate, both measures contributing substantially to deficit reduction — deceives the public. Saying that the tax-cut legislation is risky is different from saying that the enacted legislation doesn't pay for itself. Every investor knows that gains come with risk. There is no free lunch. Another deceptive strategy used by opponents of the cut is to conflate GDP levels and growth rates. The cut produces a one-time increase in GDP that unfolds gradually over many years. Once increased, GDP returns to its prior long-term growth rate, but it now grows from a permanently higher level. This permanent long-term gain is somewhat obfuscated by the CBO's forecast. Reductions in the business-tax rate increase the rate of investment, which gradually increases GDP. At the same time, reductions in the personal-tax rate lead taxpayers to work harder until those cuts expire. This causes short-term growth to overshoot expected long-term growth. Growth declines at the end of the forecast period, when the personal-tax cuts expire and work rates return to pre-cut levels. The business-tax cuts lead to a permanent increase in GDP. Eventually, growth, together with the expiration of the personal-tax cuts and the rollback of the health-care mandate, produce enough additional revenue and cost reduction to more than pay for the additional financing cost that occurs as a result of the cut. This surplus eventually produces more deficit reduction than would have been the case without the legislation. From the broader perspective, the relevant question is whether the Republican-controlled Congress passed legislation that made future generations more prosperous. It did that and more. The tax cut not only pays for itself, but the CBO now expects nominal GDP to be much higher than the increase needed to pay for the tax cut. Perhaps the CBO underestimated growth and these expected additional gains would have occurred anyway. Other actions implemented by the Republican administration, such as deregulation and the appointment of conservative judges, may have also contributed to accelerated growth. But a strong case can be made that a large share of the additional growth would not have occurred without a Republican-controlled government and its pro-business tax-cut legislation. Despite growing concerns that a glut of risk-averse savings now slows growth, the CBO assumes that increased government borrowing from the deficit-financed tax cut will significantly crowd out increased investment that the business-tax cuts would otherwise produce. Evidence suggests that the risk of crowding out is currently reduced. Today, a quarter of all sovereign debt garners negative interest rates; interest rates remain low late in the business cycle when normally they would be rising; and subprime consumers outbid investors for savings prior to the financial crisis, indicating that savings are not constraining growth. Ironically, larger deficits, rather than slowing growth by crowding out investment, may accelerate it by utilizing otherwise underutilized savings. At the very least, the CBO probably overestimates the extent to which deficits crowd out investment at this time. The CBO also underestimates how increased work effort accelerates the accumulation of knowledge, which is critical for today's information- and innovation-driven growth. And the CBO fails to take into account that impending legislation may drive economic change. If optimism grows in advance of anticipated legislative changes, it is difficult to know exactly what caused it. No surprise that since 2016, when Republicans won control of the presidency and both houses of Congress, the Dow Jones Industrial Average has soared over 40 percent — an extraordinary gain eight years into a business cycle. The Dow has stalled at that level since Democrats gained control of the House and threatened disruption. Unlike the U.S. stock market, the German stock market, for example, has given back most of its gains since the 2016 U.S. election. These patterns make it hard to believe that the gains in the U.S. stock market have not been to some extent the result of investor confidence stoked by Republican legislation such as the tax cut. One thing is certain: American investors and the CBO grew more optimistic at the time of the tax cut. And half a year later, when the world beyond the U.S. borders is growing more pessimistic, the CBO has grown yet more optimistic. However much of that optimism you attribute to the tax cut, by any reasonable standard the legislation is on track to more than pay for itself — most likely, by a wider margin than the CBO admitted in its original forecast. Read at National Review Online.

Primary Topic: Blog

Topics: Blog,Blog Highlights,Op-ed,OpEds,OpEds Highlights

Permalink: https://www.edwardconard.com/2019/03/21/my-new-nr-op-ed-explains-why-cbo-expects-the-tax-cut-to-pay-for-itself

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_NR-logo.jpg

Article 52

Title: Read My USA Today Op-Ed: "Tax Cut Law Helps Future Generations"

Author(s)	Assistant
Publish Date	2019-03-12
Publish Time	9:47:42

Content: Tax Cut Law Helps Future Generations A one-time increase in gross domestic product that generations can enjoy for years to come is not a 'sugar high' Borrowing to buy an asset that produces more income than the interest expense makes your children richer. The debt doesn't make them poorer. Without this basic understanding of finance, deficit hawks can't distinguish deficit-financed consumption from borrowing that increases the economy's capacity to pay the interest on the borrowed money, including any resulting increase in the interest rate. The latter makes future generations richer, as the Republican tax cut law does. The cut also spreads these gains across all income levels. A one-time increase in gross domestic product that generations can enjoy for years to come is not a "sugar high." Read more here.

Primary Topic: Blog

Topics: Blog,Op-ed,OpEds,OpEds Highlights,Work Product

Permalink: https://www.edwardconard.com/2019/03/12/read-my-usa-today-op-ed-tax-cut-law-helps-future-generations

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/03/tn_USA-Today.jpg

Article 53

Title: Upside of Inequality Available in Ukrainian!

Author(s)	Assistant
Publish Date	2019-03-08
Publish Time	17:14:23

Content: The Ukrainian translation of my top-ten New York Times bestselling book The Upside of Inequality is now available!

Primary Topic: Blog

Topics: Blog,The Upside of Inequality,Type of Info

Permalink: https://www.edwardconard.com/2019/03/08/upside-of-inequality-available-in-ukrainian

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/03/tn_Upside_Ukraine-Edition.png

Article 54

Title: Discussing How The Upside of Inequality Is Faster U.S Economic Growth and Higher Wages on "Varney & Co."

Author(s)	Assistant
Publish Date	2019-03-06
Publish Time	11:39:45

Content: Stuart Varney and I discuss my top-ten bestselling book The Upside of Inequality on Fox Business's Varney & Co. What is the upside of inequality? It's faster U.S. economic growth and American middle-class incomes that are 15 to 30% higher than in Northern Europe and Japan. https://edwardconard.wistia.com/medias/jxmhr9s0w1?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Growth,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2019/03/06/discussing-how-the-upside-of-inequality-is-faster-u-s-economic-growth-and-higher-wages-on-varney-co

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/03/tn_FBN-Varney_3.5.19.png

Article 55

Title: Ed Conard Discusses his WSJ op-ed, “The Crippling Cost of 70% Tax Rates,” on Bill Martinez Live

Author(s)	Assistant
Publish Date	2019-03-04
Publish Time	16:22:13

Content: Ed Conard discusses his recent Wall Street Journal op-ed, “The Crippling Cost of 70% Tax Rates," and how unleashing the forces of capitalism drives innovation and middle-class prosperity, on Bill Martinez Live. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2019/03/Bill-Martinez-Live_3.4.19.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Politics,Radio,Work Product

Permalink: https://www.edwardconard.com/2019/03/04/ed-conard-discusses-his-wsj-op-ed-the-crippling-cost-of-70-tax-rates-on-bill-martinez-live

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Bill-Martines-logo.png

Article 56

Title: Ed Conard Debates the Democrats’ Green New Deal on "Cavuto: Coast to Coast"

Author(s)	Assistant
Publish Date	2019-02-28
Publish Time	14:23:25

Content: Ed Conard debates the long-term cost of the Democrats’ Green New Deal with Neil Cavuto on “Cavuto: Coast to Coast.”
https://edwardconard.wistia.com/medias/c9pq0kujk6?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/02/28/ed-conard-debates-the-democrats-green-new-deal-on-cavuto-coast-to-coast

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/02/tn_FBN-Cavuto_2-27-19.png

Article 57

Title: Valentine’s Day: This man devised a formula for finding love, and followed it

Author(s)	Mark Hill
Publish Date	2019-02-14
Publish Time	16:39:54

Content: By Justin Rowlatt BBC News What’s the best way to find the husband or wife of your dreams? Think what society tells us about finding the perfect life partner: it’s all about love; follow your instincts; it’s down to fate. Now consider what would happen if you followed similar advice in your job, or even trying to run a company. Imagine telling investors you hadn’t done any market research, had no long-term plan and hadn’t bothered to study business. It wouldn’t inspire confidence, would it? Yet the choice of who to marry is without question the biggest decision you are ever going to take. This is someone you’re going to see virtually every day for the rest of your life; if you have kids, you’ll almost certainly have them with this person; you’ll share a bed, holidays, money, a home – pretty much everything, in fact Wouldn’t it make sense to take a more rational approach? The statistics certainly suggest lots of us are getting it wrong: 42% of marriages in England and Wales are thought to end in divorce. In the US, the estimated figure is even higher: about half all married couples divorce. That’s why Ed Conard decided he needed to “optimise” his search for a spouse when he wanted to get married 20 years ago. Mr Conard is an uber-capitalist. He made millions running the venture capital company, Bain Capital, with former US presidential candidate Mitt Romney. He is now an economic commentator and the author of the magnificently bombastic bestseller, Unintended Consequences: Why Everything You’ve Been Told About the Economy Is Wrong. He calls the process he chose “sequential selection, no turning back” – romantic, eh? Here’s how it works. STEP ONE: CALIBRATION You start off by “calibrating” your choice. That means meeting as many suitable partners as possible. Cast your net wide, he urges, but initially you must forget about lust and even love: “that’s evolution trying to get us to have babies,” cautions Mr Conard. You won’t date anyone now, you are just gathering people who might make the grade. There probably won’t be that many, maybe a handful or two. Once you’ve got a set of promising candidates, you move to phase two. You’re going to date a third of this subset, choosing them pretty much at random. You won’t marry any of these people, according to his rules, so be prepared to be hard-hearted, moving on however attractive a potential partner seems. The most suitable person in this period “calibrates” your choice, setting the standard for the next stage in the process. STEP TWO: EVALUATION What follows is what Mr Conard calls the “evaluation” period: this is when you actually choose your future spouse. Once again, you’ve got to drop potential partners like a stone if you can’t resolve problems fairly easily. “You have to be ruthless,” he insists. “If you are not highly confident that that person is a person you can be successfully married to… you have to get rid of them.” Here’s Mr Conard’s key rule: “When you find someone better than the best person in the calibration period, you marry them. And if you haven’t found anyone by the end, you marry the last person.” Follow this process, he claims, and the statistics suggest they’ll be as good a match as you’re going to get. Job done. BETTER MATCHES, HAPPIER MARRIAGES? Mr Conard’s approach to choosing a wife is a well-established method for buying things like a new place to live but, says Nobel Prize winning economist Alvin Roth, spouses aren’t like houses: marriage is a market without prices. You can do too much calibrating and evaluating, cautions Prof Alvin Roth Prof Roth of Stanford University won his Nobel for his work on balancing the supply and demand of all sorts of resources that don’t carry a price tag – schools and students, kidneys and patients, doctors and hospitals. He agrees that it is important to meet quite a few possible partners before you take the plunge – “don’t marry the first person you meet”, he warns. You’ve also got to have realistic expectations: “The first thing a matrimonial agency has to do is persuade clients they aren’t a 10.” But, he says, you can do too much calibrating and evaluating. Choosing a partner is a two-way thing: it is only when you are serious about marriage that potential partners will take you seriously. “Part of being well matched is the history you share and this starts when you first meet," Prof Roth says, "so investing in that history improves the quality of that match." To use an economic metaphor, you have to build up some capital.   WHAT ABOUT LOVE? That's no doubt what lots of you will be asking. "It sounds a little bit cold, a little bit calculating, very unromantic," says Nicola Cornick, a bestselling author of dozens of romantic novels and the chair of the Romantic Novelists' Association. Not surprisingly, she is a big fan of love and romance in relationships. "If working your way through a checklist with a whole load of people works for you, then hey, that's great," she laughs. "What I would counsel against is throwing out the element of spontaneity." Mrs Cornick believes the idea that being swept off your feet is always irrational is just plain wrong. "I think if you examine what lies under an instant attraction, there are probably rational criteria there as well," she says. "You've got the same sense of humour, you've got shared values or interests." And she's not alone in thinking that. Let's cut to the chase…   HOW DID THE REAL STORY END? Did Ed Conard meet his perfect match? Jill Davis is the woman he finally fell for – or should that be "selected"? She acknowledges his systematised approach is probably "unique" and – you may be surprised to discover – she was "charmed" that he had put so much thought into the process. But there was no methodical reasoning for her when she met Mr Conard on a blind date. "I just went with my gut," she admits. "I thought Ed was a brilliant person. I'd not met anyone like him before." And think about it this way. Jill had ranked top in Ed's brutal search process so she was, judged by his objective criteria, the woman of his dreams. But what about romance, I want to know. "For him, this is romantic," she says, "but a different version of romance." Jill and Ed have been happily married for 18 years, so maybe their romance is evidence the head and the heart can work together. Now there's a thought for Valentine's Day!

Topics: Blog

Permalink: https://www.edwardconard.com/2019/02/14/valentines-day-this-man-devised-a-formula-for-finding-love-and-followed-it

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/04/logo-bbc-world-service.png

Article 58

Title: Ed Explains Why High Marginal Tax Rates Hurt the Middle Class with WSJ's Paul Gigot on Fox News’s “Journal Editorial Report”

Author(s)	Peter Barden
Publish Date	2019-02-11
Publish Time	18:37:13

Content: I explain why high marginal tax rates hurt the middle class with Wall Street Journal editorial page editor Paul Gigot on Fox News’s “Journal Editorial Report.” https://edwardconard.wistia.com/medias/wtw0xc6z0a?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/02/11/ed-explains-why-high-marginal-tax-rates-hurt-the-middle-class-with-wsjs-paul-gigot-on-fox-newss-journal-editorial-report

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/02/tn_Fox-News-JER_2.10.19.png

Article 59

Title: Ed Debates Liberal Darling of Davos on BBC’s Business Daily

Author(s)	Peter Barden
Publish Date	2019-02-11
Publish Time	18:02:55

Content: I debate the liberal darling of Davos Rutger Bregman on the only true way to increase middle and working class incomes—by not stifling growth and innovation with high taxes. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2019/02/BBC-Business-Daily_2-11-19.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Radio,Work Product

Permalink: https://www.edwardconard.com/2019/02/11/ed-debates-liberal-darling-of-davos-on-bbcs-business-daily

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/02/tn_bbc-logo.png

Article 60

Title: Ed Conard and Stuart Varney Try to Take the Green New Deal Seriously, But It Isn’t Easy

Author(s)	Assistant
Publish Date	2019-02-11
Publish Time	17:33:00

Content: Stuart Varney and I try to take Rep. Ocasio-Cortez's Green New Deal seriously, but it isn’t easy. It would plunge the U.S. into deep recession, hurt middle-class workers and eventually lead to an economy with enormously high-cost energy and much slower growth. https://edwardconard.wistia.com/medias/bl3oda5wrh?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Growth,Videos

Permalink: https://www.edwardconard.com/2019/02/11/ed-conard-and-stuart-varney-try-to-take-the-green-new-deal-seriously-but-it-isnt-easy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/02/tn_FBN-Varney_2.8.19.png

Article 61

Title: My Op-ed Today's WSJ: Is the Tax Cut Paying For Itself? By a Mile.

Author(s)	Assistant
Publish Date	2019-02-05
Publish Time	9:44:08

Content: Tax Reform Is Covering Its Costs Faster growth is on track to outpace debt in the next decade. Is the 2017 tax reform paying for itself? It's a complicated question, but the critics have made up their minds. Outlets like the Tax Policy Center claim the Tax Cuts and Jobs Act has diminished federal revenue rather than increase it as some supporters predicted. Other skeptics lament surging government deficits and debt. Some point to last year's brief economic spurt as evidence of the law's failure to drive long-term growth. Even if one accepts these arguments, none of them offers a conclusion about whether the tax cut was worth its cost. Comparing expected growth in gross domestic product with growth in publicly held federal debt, before and after the tax cut, is a better way to answer that question. This comparison captures the long-term impact of tax reform on the economy and the federal budget. Read more here.

Primary Topic: Blog

Topics: Blog,Growth,Highlight,Importance,Op-ed,OpEds,OpEds Highlights,Very Important

Permalink: https://www.edwardconard.com/2019/02/05/is-the-tax-cut-paying-for-itself-by-a-mile-i-make-my-case-in-todays-wsj

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/08/tn_WSJ-logo.jpg

Article 62

Title: Ed Conard Explains Why Howard Schultz Isn’t Running as a Democrat on "Cavuto: Coast to Coast”

Author(s)	Assistant
Publish Date	2019-01-31
Publish Time	16:24:46

Content: Ed Conard explains on Fox Business’s "Cavuto: Coast to Coast” why Howard Schultz is reluctant to run as a Democrat despite his innovation increasing the demand, and therefore the wages, of low-skilled workers, something we should all celebrate.
https://edwardconard.wistia.com/medias/nkgc58atld?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Politics,Videos

Permalink: https://www.edwardconard.com/2019/01/31/ed-conard-explains-why-howard-schultz-isnt-running-as-a-democrat-on-cavuto-coast-to-coast

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_FBN-Cavuto_1.31.19.png

Article 63

Title: Read My New National Review Op-Ed: “Let’s Not Kid Ourselves About 70% Tax Rates”

Author(s)	Assistant
Publish Date	2019-01-29
Publish Time	10:01:35

Content: Let’s Not Kid Ourselves About 70% Tax Rates Their only justification is to confiscate others’ money. My op-ed in Tuesday’s Wall Street Journal argued that academic justifications for 70 percent marginal tax rates, such as Peter Diamond and Emmanuel Saez’s, are nothing more than a veneer intended to deceive a wider audience that doesn’t know better. Saez’s expansion of his justification for confiscatory taxes in the New York Times does little to prove otherwise. Diamond and Saez’s original argument for a 70 percent tax rate – that it would enhance both tax revenue and social welfare – ignores the long-term consequences of high tax rates on growth. They assume that taxing, redistributing, and consuming income that taxpayers would otherwise invest doesn’t reduce investment. While admitting that taxes discourage work, they similarly assume that a reduced supply of properly trained talent has no effect on the willingness of investors and entrepreneurs to take risks that grow the economy. Nor, in their model, does lower pay reduce the number of students willing to pursue tedious and arduous fields of endeavor that grow the economy — e.g., accounting, engineering, and computer programing — or the willingness of talented workers to immigrate to America. Nor do reduced amounts of investment, talent, and risk-taking slow the rate at which the economy builds growth-magnifying institutions such as Google, which exposes workers to cutting-edge knowledge that spawns innovation, and Silicon Valley in general, which facilitates the commercialization of new ideas. They also ignore the effect of slower growth on tax revenues more broadly. Honest analysis that endeavors to estimate these effects finds welfare-maximizing tax rates of 30 percent or less. Saez’s op-ed in the New York Times avoids all his far-fetched economic assumptions, abandons his prior economic justifications for higher taxes and now claims America needs higher taxes to prevent “oligarchical” control of the government, a topic on which he has no expertise. Like his sometimes partner Thomas Piketty, Saez implies that success is largely ill-gotten and so policymakers can tax it without slowing growth. And he uses disingenuous historical examples, such as high tax rates in post-WWII Japan – a nation of savers who merely needed to copy the hard-earned success of the U.S. to catch up rapidly, circumstances that have little, if any, application to America today — to provide evidence that tax rates don’t slow growth. Read more

Primary Topic: Blog

Topics: Blog,Op-ed,OpEds,OpEds Highlights,Print,Work Product

Permalink: https://www.edwardconard.com/2019/01/29/read-my-new-national-review-op-ed-lets-not-kid-ourselves-about-70-percent-tax-rates

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_Conard-NRO_1-29-19-3.jpg

Article 64

Title: Why High Marginal Taxes Hurt America’s Middle Class on Fox Business's "Varney & Co."

Author(s)	Assistant
Publish Date	2019-01-25
Publish Time	12:09:35

Content: Ed Conard joins Stuart Varney on Fox Business Network's “Varney & Co.” to discuss his latest Wall Street Journal op-ed "The Crippling Cost of 70% Tax Rates" and Sen. Elizabeth Warren's tax proposal.
https://edwardconard.wistia.com/medias/wpgfu5juuu?embedType=async&videoWidth=640

Topics: Blog,Videos

Permalink: https://www.edwardconard.com/2019/01/25/why-high-marginal-taxes-hurt-americas-middle-class

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/1.25-Varneyco_thumb.png

Article 65

Title: Thomas Piketty on Ill-Gotten Gains

Author(s)	Peter Barden
Publish Date	2019-01-23
Publish Time	18:15:53

Content: "....One possible explanation of this is that the skills and productivity of these top managers rose suddenly in relation to those of other workers. Another explanation, which to me seems more plausible…is that these top managers by and large have the power to set their own remuneration, in some cases without limit and in many cases without any clear relation to their individual productivity...." (Piketty, 24) Thomas Piketty, Capital in the Twenty-First Century (Cambridge, MA: Harvard University Press, 2013).

Topics: The Upside of Inequality

Permalink: https://www.edwardconard.com/2019/01/23/thomas-piketty-on-ill-gotten-gains

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/thomas-piketty-on-ill-gotten-gains.png

Article 66

Title: Read My New Wall Street Journal Op-Ed: "The Crippling Cost of 70% Tax Rates"

Author(s)	Peter Barden
Publish Date	2019-01-21
Publish Time	22:29:11

Content: The Crippling Cost of 70% Tax Rates Alexandria Ocasio-Cortez’s proposal would smother investment and innovation, leaving America poorer. Newly elected Rep. Alexandria Ocasio-Cortez spent her first few weeks on Capitol Hill calling for a 70% top marginal income-tax rate, and suddenly the debate over optimal rates has reopened. To support her charge, some liberals are citing a 2011 study by economists Peter Diamond and Emmanuel Saez, which advocates for confiscatory upper-range tax rates. But a quick look at their analysis reveals grave caveats that only an advocate of higher taxes could possibly overlook. Messrs. Diamond and Saez admit that taxes can have detrimental long-term effects on growth. Yet they ignore the long-term effects of marginal tax rates on growth. Their analysis assumes there is no effect on growth when the government taxes, redistributes and consumes income that Americans otherwise would have invested. Read more here.

Topics: Blog,Blog Highlights,OpEds,OpEds Highlights

Permalink: https://www.edwardconard.com/2019/01/21/my-new-wall-street-journal-op-ed-the-crippling-cost-of-70-tax-rates

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/08/tn_WSJ-logo.jpg

Article 67

Title: Extraordinary Circumstances in 1950s Overwhelmed Economic Policy

Author(s)	Assistant
Publish Date	2019-01-19
Publish Time	8:13:50

Content: Economists who claim fast growth in the 1950s (when the marginal tax rate was high and government spending was low) indicates high taxes and spending don't slow growth are playing you for a sucker and shouldn't be trusted. Extraordinary circumstances in the 1950s overwhelmed economic policy. From my book The Upside of Inequality: Even academics, on whom we depend for the truth, write papers with provocative conclusions intended to garner media attention based on simplifying assumptions overlooked by a time-pressed media and their audience. This is how Piketty and Saez can make headlines with research based on income tax returns, which the public understandably assumes represents household income. Yet scholars have shown there are significant differences. Unfortunately, by then, nobody is listening. Because the academic review process largely focuses on the quantitative findings of a paper, researchers enjoy a great deal of rhetorical latitude when writing introductions and conclusions, which often fail to summarize their papers' objective findings. For example, International Monetary Fund researchers can report that redistribution doesn't hinder growth in the introduction and conclusion of their paper, without acknowledging that their own evidence indicated income redistribution policies more aggressive than United States' hurt growth.[i] A time-pressed media reports no more than the headline. Critical differences in circumstances are easily overlooked, often intentionally so by propagandists. How else to explain why advocates of income redistribution point to the higher growth in the 1950s when marginal taxes rates were higher as evidence that higher payoffs don't affect the amount of risk-taking? It doesn't take a PhD to understand circumstances in the 1950s were vastly different. In the 1950s, the economy was recovering from the Great Depression and the Second World War. The value of mass production and related capital investment, education, rural migration, and population drove economic growth, more so than today. Corporate investment, where marginal tax rates were lower, drove growth rather than the entrepreneurial success of individuals, where marginal tax rates were higher. The government was much smaller relative to the economy so, ultimately, taxes paid were much lower relative to GDP despite higher marginal rates. Circumstances are very different today. Winston Churchill understood the problem well. He cautioned, "A lie gets halfway around the world before the truth has a chance to get its pants on."[ii] Provocative misperceptions leave truth seekers to sort through the complexities long after the audience has moved on to a continual stream of new provocations. Sadly, lies divide us instead of the truth uniting us. ________________ [i] Jonathan D. Ostry, Andrew Berg, and Charalambos G. Tsangarides, "Redistribution, Inequality, and Growth," International Monetary Fund, Discussion Note, February 2014, http://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf. [ii] Often attributed to Winston Churchill, BrainyQuote.com, Xplore Inc., 2015, http://www.brainyquote.com/quotes/quotes/w/winstonchu103564.html.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2019/01/19/extraordinary-circumstances-in-1950s-overwhelmed-economic-policy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_Gordon-Extraordinary-Circumstances-in-1950s-Overwhelmed-Economic-Policy.png

Article 68

Title: Corporate R&D; Creates Knowledge Spillovers That Increase Entrepreneurial Activity

Author(s)	Assistant
Publish Date	2019-01-18
Publish Time	19:45:18

Content: New research by Tania Babina and Sabrina Howell finds “a one standard deviation increase in R&D is associated with an 18.7 percent increase in entrepreneurial spawning”—employees leaving to start new firms. It also finds “the results are robust to including four-digit SIC code fixed effects, suggesting that narrow industries do not explain the result.” The authors claim that “for the parent firm, the spawning effect of R&D yields no obvious contractual benefits, nor is it observably costly.” They observe “that a remarkable 88 percent of spawns are located in the same state as the parent." From this, the authors conclude “the spawning effect of R&D implies greater corporate underinvestment in R&D relative to the social optimum than previously thought,” and suggest “knowledge spillovers are one motivation for offering firms tax credits that lower their cost of R&D investment.” Their findings parallel Charles Jones’s recent work that corrects glaring shortcomings in the famous Diamond/Saez’s optimal tax analysis to show why top marginal tax rates of 30%, or less, likely maximize social welfare in an innovation-driven economy where the accumulated body of knowledge drives widespread social prosperity for everyone—a critical element of growth ignored by Diamond/Saez’s flawed analysis. Jones concludes, “When the creation of ideas is the ultimate source of economic growth, this force sharply constrains both revenue-maximizing and welfare-maximizing top tax rates. For example, for extreme parameter values, maximizing the welfare of the middle class requires a negative top tax rate: the higher income that results from the subsidy to innovation more than makes up for the lost redistribution.” Babina and Howell similarly conclude, “the spawning effect of R&D implies greater corporate underinvestment in R&D relative to the social optimum than previously thought” and that “knowledge spillovers are one motivation for offering firms tax credits that lower their cost of R&D investment.” Each seeks to maximize the rate of innovation, a primary source of prosperity. On first reflection, it might seem more cost-effective to subsidize R&D directly rather than indirectly by reducing taxes on success more broadly. Jones argues that the successful commercialization of innovation is different than easier-to-subsidize research, critical to spawning further advancement, and inoperable to subsidize without subsidizing success.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2019/01/18/corporate-rd-creates-knowledge-spillovers-that-increase-entrepreneurial-activity

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_Corporate-RD-Creates-Knowledge-Spillovers-That-Increase-Entrepreneurial-Activity.jpg

Article 69

Title: Rising Median Household Income Dispels Commonly Repeated Misperception That Incomes Are No Longer Rising

Author(s)	Assistant
Publish Date	2019-01-18
Publish Time	19:34:17

Content: Rising median household income dispels commonly repeated misperception (disingenuously citing peak to trough comparisons) that incomes are no longer rising.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2019/01/18/rising-median-household-income-dispels-commonly-repeated-misperception-that-incomes-are-no-longer-rising

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_Rising-Median-Household-Income-Dispels-Commonly-Repeated-Misperception-That-Incomes-Are-No-Longer-Rising.png

Article 70

Title: 20-40% of Declining Workforce Participation from Prime Working-Age Men Dropping Out (for Less Than 2 Years) to Increase Their Leisure

Author(s)	Peter Barden
Publish Date	2019-01-18
Publish Time	17:35:12

Content: New research finds: The rise of in-and-outs [men 25 to 54 years old who leave the workforce for 2 years or less] has [increased] steadily over time. … While in-and-outs only comprised 1.5% of the prime age male population in any given month in 1984, this share had risen to 2.9% by 2010. Given that there were nearly 62 million prime age men in the US in 2010, the increase in this share represents about 1 million additional men out of work at any point in time due to this margin alone. Depending on the share of the indeterminate spells which were actually in-and-out spells, in-and-outs are responsible for 20-40% of the rise of nonparticipation over this time period. In-and-outs are highly attached to the labor force, work typical jobs, and are only notable in that they take brief breaks out of the labor force. Nearly 60% of in-and-outs work continuously for every year of the subsequent decade after their break, and an additional 30% or so work either eight or nine years out of ten. In-and-outs do not represent men switching between market-sector work and home production. In-and-outs replace time spent on work mostly with additional leisure activities. In-and-outs do not substantially increase their time spent on child care, care for adults, education, or health-related care. [There is] little evidence to suggest that changes in labor demand are responsible. Instead, the rise of in-and-outs may be due to changes in the desired amount of labor supply among prime age men in the US. Employment shocks appear to have little effect on temporary non-participation in the form of in-and-outs. On the whole, income tax rates for in-and-outs fell substantially over this time period, implying that the rise of in-and-outs cannot be attributed to rising income tax rates. In-and-outs have been largely unaffected by changes to Social Security Disability Insurance (SSDI) program, one of the largest cash-based transfer programs. Most in-and-outs receive no cash-based transfers of any kind.

Topics: Blog

Permalink: https://www.edwardconard.com/2019/01/18/20-40-of-declining-workforce-participation-from-prime-working-age-men-dropping-out-for-less-than-2-years-to-increase-their-leisure

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_20-40-of-Declining-Workforce-Participation-from-Prime-Working-Age-Men-Dropping-Out-for-Less-Than-2-Years-to-Increase-Their-Leisure.jpg

Article 71

Title: Evidence Indicates 75% of Business Pass-Through Income Is Owners' Labor Income

Author(s)	Assistant
Publish Date	2019-01-18
Publish Time	16:22:58

Content: Contrary to Thomas Piketty's far-fetched claim that "[human capital] is far less consequential than one might imagine," a new NBER paper finds "top earners are predominantly working rich," mainly "undiversified working-age owners of midmarket firms in skill-intensive industries," who "derive most of their income from human capital, not physical or financial capital," and that, "Less than 13% of people in the 99.9th percentile derive most of their income from interest, rents, and other capital income." "Match[ing] 83% of top 1% individuals born in 1980-1982 to their parents," and "classif[ing] an individual as self-made if her parents were not in the top 1%," the researchers find, "More than three out of four of these top earners did not have top 1% parents." They authors note, "This is a conservative classification, as many children of the top 1% do not work for their parents' firms and do not receive especially large financial inheritances." To estimate the share of business income attributable to owners' labor, the researchers measure the effects of owner deaths and retirements on firm profitably. They find a "-72:9% impact of top 1% owner-deaths [on profits] and a noisier -92:3% impact of top 0.1% owner-deaths." Their "preferred owner-retirement percentage impact of -82:5% … is nearly identical to [their] owner-deaths estimate. From this, they conclude, "Three-quarters of private business profit" is "human capital income." They caution, "We may in fact understate the working-rich share of top owners because pass-through income is not the only form of "capital" income that includes disguised wages." Superior firm profitability is a persistent and systematic characteristic of high earners. Firms owned by top 0.1% earners enjoy profitability ($14K per worker) that is over twice as large as the profitability ($5K per worker) of firms owned by individuals in the bottom half of the top decile. The authors note: Our classification of three-quarters of pass-through income as labor income reverses the earlier finding in [Piketty, Saez and Zucman] that a minority (45%) of top 1% imputed national income is labor income. Even among million-dollar earners, 71% of fiscal income and 50% of imputed national income is labor income. In the top 0.1%, labor income shares fall to the still large numbers of 69% and 46%, respectively. Turning to growth in the share of business income, the authors conclude: Growth in entrepreneurial income is explained by both rising labor productivity and a rising share of value added accruing to owners. In contrast, after accounting for the growth due to organizational form changes, rising firm scale in the form of employment plays no role in the growth of top entrepreneurial income. From 2001 to 2014…63% of the growth in top 1% entrepreneurial income … comes from rising labor productivity, -24% comes from lower employment, and the remaining 61% comes from a growing owner share of value added. The authors note: If 0% of pass-through income is labor income…a minority of top-earners are wage earners. For example, among million-dollar earners … 46.8% are wage earners in the fiscal income definition and only 34.6% are wage earners in the imputed national income definition. That conclusion reverses when classifying 75% of pass-through income as labor income. For example, among million-dollar earners, 89.2% are working in the fiscal income definition and 69.8% are working in the imputed national income definition. Even among the top 0.1% in the imputed national income series, 59.3% are working. They explain their reasoning for using two estimates: Fiscal income has the advantage of being directly observed on personal income tax returns, but has the disadvantage of understating top capital income because some components do not appear on personal tax returns. Imputed national income has the advantage that it sums to national income, but has the disadvantage of relying on imputation assumptions. Retained earnings ($649bn in 2014) are a substantial part of national income but do not appear on personal tax returns and thus are not in fiscal income. PSZ allocate the household share of aggregate retained earnings to individuals in proportion to the sum of the individual's observed dividends and realized capital gains.

However, published IRS reports indicate that at least 25% and as much as 75% of realized capital gains are not from the sale of C-corporate stock and are instead gains from real estate and other asset sales or carried interest. This fact can explain how total realized capital gains ($732B in 2014) vastly exceeds the total household share of retained earnings ($306B in 2014). Realized capital gains are much larger than dividends and much more concentrated among top earners. Hence, imputing retained earnings in proportion to each individual's sum of dividends and 100% of realized capital gains may allocate too much retained earnings to top earners and not enough to lower earners. These competing considerations motivate the presentation of our findings in both series, likely (in our view) bounding the truth.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2019/01/18/evidence-indicates-75-of-business-pass-through-income-is-owners-labor-income

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_Evidence-Indicates-75-of-Business-Pass-Through-Income-Is-Owners’-Labor-Income.png

Article 72

Title: Marginal Tax Rate above 30% Likely Suboptimizes Social Welfare

Author(s)	Peter Barden
Publish Date	2019-01-17
Publish Time	17:59:21

Content: Stanford's Charles Jones corrects glaring shortcomings in the Diamond/Saez's optimal tax analysis to show why top marginal tax rates of 30% or less likely maximize social welfare in an innovation-driven economy. Jones concludes: "Because ideas are nonrival, each person's wage is an increasing function of the entire stock of ideas. A distortion that reduces the production of new ideas therefore impacts everyone's income, not just the income of the inventor herself. These conditions lead to a new term in the Saez (2001) formula for the optimal top tax rate: by slowing the creation of the new ideas that drive aggregate GDP, top income taxation reduces everyone's income, not just the income at the top. When the creation of ideas is the ultimate source of economic growth, this force sharply constrains both revenue-maximizing and welfare-maximizing top tax rates. For example, in a baseline calculation, the revenue-maximizing top tax rate that ignores the innovation spillover is 92%. In contrast, the rate that incorporates innovation and maximizes a utilitarian social welfare function is just 29%. Moreover, if ideas play an even more important role than assumed in this baseline, it is possible for the optimal top income tax rate to turn negative: the increase in everyone's income associated with subsidizing innovation exceeds the gains associated with redistribution."

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2019/01/17/marginal-tax-rate-above-30-likely-suboptimizes-social-welfare

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/Screen-Shot-2019-01-17-at-5.31.05-PM.png

Article 73

Title: Economists Agree by a 3:1 Margin; Raising Marginal Tax Rates to 70% Is a Bad Idea

Author(s)	Peter Barden
Publish Date	2019-01-16
Publish Time	17:20:45

Content: Economists agree by a 3:1 margin; raising marginal tax rates to 70% is a bad idea.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2019/01/16/economists-agree-by-a-31-margin-raising-marginal-tax-rates-to-70-is-a-bad-idea

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_Economists-Agree-Raising-Marginal-Tax-Rates-to-70-Is-a-Bad-Idea.jpg

Article 74

Title: Doesn’t Taxing the Middle Class Less Than the Full Cost of the Government Services They Consume Weaken Democracy?

Author(s)	Peter Barden
Publish Date	2019-01-16
Publish Time	11:47:57

Content: The true measure of taxation is the amount one pays over and above the cost of the government services they consume—the dollars redistributed from one person’s pocket to another’s. We don’t consider it taxation when we buy food. We should think about taxation for government services in the same way. Taxes are what we pay over and above the cost of the government services we receive. Interestingly, the Congressional Budget Office (CBO) has conducted the complex exercise of allocating the cost of federal government services directly consumed by the elderly—chiefly Social Security and Medicare—and then separately, for each of the income quintiles of nonelderly workers.[i] With a little more elbow grease, one can also allocate the indirect government services that everyone shares. For example, military expenditures—60 percent of shared government services—can be allocated to households based on their income.[ii] By that, I mean the true measure of their income—not just their earned income, but their earned income plus the value of government services and transfers less taxes. That allocation scheme presumes rich families have more to protect and lowers everyone else’s allocation. . . . From this perspective, the non-elderly middle class paid about $13,000 in taxes in 2006, including payroll taxes paid by individuals and their employers and allocated deficit spending, for the $14,000 of government services they received (see Figure 10-1, “Federal Government Expenditures and Taxes by Household Type”). They received nearly a $1,000-a-year stipend to supplement their nearly $60,000 a year of household earnings, plus they expect to receive $28,000 a year of retirement benefits in the future, for which, in truth, they contributed nothing.[iii] Nor did they pay any assistance to the poor or the elderly. In 2006 non-elderly working-class households earning between the twentieth and fortieth percentiles of income paid about $7,000 a year in taxes, including payroll taxes, for $15,000 a year of government services. They received an $8,000 stipend on their approximately $36,000 of household income, not including their expected retirement benefits. In fact, they paid about the same amount of taxes as they received in direct government benefits. . . . Figure 10-1: Federal Government Expenditures and Taxes by Household Type Perhaps we have already seen what happens when we no longer ask people to feel responsible for setting aside some portion of their income for others (namely, for the poor and the elderly) or even to save for their own retirement, because they assume others will provide it for them. The moral fabric seems to fray when people no longer have fundamental responsibilities for others. When political leaders insist that the handful of successful entrepreneurs—who took the risks and made the sacrifices necessary to produce innovation in an economy that would otherwise grow more slowly, and who serve their fellow man by serving customers—are nothing more than cheaters who succeeded at the expense of the middle class, moral obligations fray further. Advocates of redistribution insist that these successful leaders refuse to pay their “fair share” of taxes, despite their financing almost all of the aid to the poor and elderly. Rather than uniting society’s leaders and followers and calling for everyone to fulfill their civic obligations, advocates of redistribution claim middle- and working-class taxpayers deserve to pay less—when they are already paying less than zero. And is it any wonder the moral fabric frays when we look to our elders and find that they take more than everyone else, no matter how high their income, when this money could be used to help the poor, lower the deficit, or fund research and development that improves the future? Doesn’t it fray even more when political leaders, especially advocates of redistribution, refuse to demand any entitlement reforms whatsoever? Don’t most people throw up their hands and justify looking after only themselves? _______________ [i] “The Distribution of Federal Spending and Taxes in 2006,” Congressional Budget Office, November 7, 2013, https://www.cbo.gov/publication/44698. [ii] Ibid. [iii] Ibid.

Primary Topic: Government Spending

Topics: Government Spending

Permalink: https://www.edwardconard.com/2019/01/16/the-upside-of-inequality-pp-260-264

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/doesnt-taxing-the-middle-class-less-than-the-full-cost-of-the-government-services-they-consume-weaken-democracy.png

Article 75

Title: Even Liberal Economists Agree Investors Must Create $5 for Others to Put a $1 in Their Pocket

Author(s)	Peter Barden
Publish Date	2019-01-16
Publish Time	11:31:11

Content: In truth, investors profit relatively little from their creations. A study by the Yale economist William Nordhaus concludes, “Only a miniscule fraction of the social returns from technological advances over the 1948–2001 period was captured by producers indicating that most of the benefits of technological change are passed on to consumers rather than captured by producers.” Nordhaus estimates that innovative producers capture less than 5 percent of the value their inventions create for society.[i] And those are the innovators who succeed! Nordhaus cautions: “The low appropriability of innovation should caution investors about committing the alchemist fallacy. . . . Some believed that such a virtual substance had been found in the electronic world [or in the information world as the case may be]. But the laws of economics teach us that were anyone to find such a miraculous substance, its value would quickly fall. . . . In retrospect, the laws of economics look like a safer bet than the lure of alchemy.”[ii] Because the benefits of innovation garnered by the public are far greater than the payoff captured by successful innovators, it is surprising how eager the advocates of redistribution are to maximize taxes collected from innovators rather than to maximize the pace of innovation. They focus on the tail instead of the dog. Tax policy that seeks to maximize tax revenues in the short run is horribly shortsighted. A more logical policy seeks to maximize the pace of innovation and the benefits captured by the middle and working classes in the long run. In my previous book, I argued that redistribution hurts the middle and working classes because they forgo more value from lost investment than they reclaim from redistributed income. While I argued that investment likely produces 20 times more value for consumers and workers than is captured by investors—in line with Nordhaus’s estimates—my analysis was based on consumers and workers capturing only 3.8 to 5.7 times more value than investors.[iii] I reasoned that no one would dispute estimates that conservative. The New York Times erroneously reported (although perhaps intentionally so) that a 20-times multiplier was “crucial” to my argument.[iv] The reporter admitted that “the idea that society benefits when investors compete successfully is pretty widely accepted.”[v] The article used Dean Baker, “a prominent progressive economist with the Center for Economic and Policy Research,”[vi] as expert testimony to dispute the 20:1 multiplier. The article reported: “Baker estimates the ratio is 5 to 1, meaning that for every dollar an investor earns, the public receives the equivalent of $5 of value.”[vii] Ironically, that’s essentially the value I assumed in my calculations to avoid disputes with liberal economists like Dean Baker! . . . At Nordhaus’s 20:1 ratio, the value of investment to noninvestors obviously overwhelms the value of redistribution for all but the poorest households—households that only participate indirectly in the economy through redistribution. ________________ [i] William D. Nordhaus, “Schumpeterian Profits and the Alchemist Fallacy,” Yale Economic Applications and Policy Discussion Paper No. 6, April 2, 2005, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=820309. [ii] Ibid. [iii] Edward Conard, Unintended Consequences: Why Everything You’ve Been Told About the Economy Is Wrong (New York: Portfolio, 2012), 255. [iv]Adam Davidson, “The Purpose of Spectacular Wealth, According to a Spectacularly Wealthy Guy,” New York Times Magazine, May 1, 2012, http://www.nytimes.com/2012/05/06/magazine/romneys-former-bain-partner-makes-a-case-for-inequality.html?pagewanted=1&ref=magazine&_r=0. [v] Ibid. [vi] Ibid. [vii] Ibid.

Primary Topic: Government Spending

Topics: Government Spending

Permalink: https://www.edwardconard.com/2019/01/16/the-upside-of-inequality-pp-76-79

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-discusses-how-the-markets-will-respond-to-the-nomination-of-janet-yellen-as-the-new-chairman-of-the-federal-reserve-with-trish-regan-on-bloomberg-tv.png

Article 76

Title: Americans Pay 26% Less Than the True Cost of Government

Author(s)	Peter Barden
Publish Date	2019-01-15
Publish Time	9:52:40

Content: In a Wall Street Journal op-ed, economists Steve Hanke and Stephen Walters show how most Americans pay 26% less than the true cost of the government services they consume because politicians hide the true cost in long-term deficits. When taxpayers pay 26% less than the true cost of government—even less as they earn less—what incentive do they have to optimize government spending and taxes? I wrote about this in my book The Upside of Inequality (pp. 108 and 248).

Primary Topic: Blog

Topics: Blog,Inequality

Permalink: https://www.edwardconard.com/2019/01/15/americans-pay-26-less-than-the-true-cost-of-government

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_Americans-Pay-26-Less-Than-the-True-Cost-of-Government.jpg

Article 77

Title: Ed Conard Says a 70% Top Tax Rate Would Be "A Growth Killer" on Fox News "Cavuto: Coast to Coast"

Author(s)	Assistant
Publish Date	2019-01-11
Publish Time	16:43:50

Content: Ed Conard says liberal Rep. Alexandria Ocasio-Cortez’s 70% top tax rate proposal would be “a growth killer” on Fox Business Network’s “Cavuto: Coast to Coast.” https://edwardconard.wistia.com/medias/fhhgadlthi?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Politics,Videos

Permalink: https://www.edwardconard.com/2019/01/11/ed-conard-says-a-70-top-tax-rate-would-be-a-growth-killer-on-fox-news-cavuto-coast-to-coast

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_FBN-Cavuto_1.11.19.png

Article 78

Title: Ed Conard Discusses Potential U.S. Bond Rating Downgrade, China Trade on Fox Business's "Varney & Co"

Author(s)	Assistant
Publish Date	2019-01-09
Publish Time	10:37:13

Content: Ed Conard joins Stuart Varney on Fox Business's "Varney & Co." to discuss the status of trade talks with China and Fitch's threat to downgrade the U.S. bond rating if the partial government shutdown doesn't end soon.
https://edwardconard.wistia.com/medias/559y5pmhjm?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Growth,Videos

Permalink: https://www.edwardconard.com/2019/01/09/ed-conard-discusses-potential-u-s-bond-rating-downgrade-china-trade-on-fox-businesss-varney-co

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_FBN-Varney-Co_1.9.19.png

Article 79

Title: Krueger and Katz Agree Impact of Gig Economy Smaller Than They Claimed

Author(s)	Peter Barden
Publish Date	2019-01-08
Publish Time	15:30:29

Content: According the Wall Street Journal, famed labor economists Larry Katz and Alan Krueger, former Chairman of President Obama's Council of Economic Advisors, now admit their estimate of the gig economy was overstated, after the Bureau of Labor Statistics released a study in June showing the gig economy had not grown significantly since 2005, contrary to their claim.

Topics: Blog

Permalink: https://www.edwardconard.com/2019/01/08/krueger-and-katz-agree-impact-of-gig-economy-smaller-than-they-claimed

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_Krueger-and-Katz-Agree-Impact-of-Gig-Economy-Smaller-Than-They-Claimed-2.png

Article 80

Title: Preponderance of Significant Results Fell From 57% to 8% of Experiments When Protocols Preregistered

Author(s)	Peter Barden
Publish Date	2019-01-07
Publish Time	14:14:43

Content: Another worrisome story in the New York Times reports "...A 2015 study published in PLOS ONE followed how many null results were found in trials funded by the National Heart, Lung and Blood Institute before and after researchers were required to register their protocols at a public website. This rule was introduced in 2000 in part because of a general sense that researchers were subtly altering their work — after it was begun — to achieve positive results. In the 30 years before 2000, 57 percent of trials published showed a 'significant benefit.' Afterward, only 8 percent did...." These findings parallel many other studies here, here, and here, for example, and also here, here, here and here. I raised similar concerns about the statistical integrity of supposedly unbiased academic studies in my last book, The Upside of Inequality (pages 224-225).

Primary Topic: Blog

Topics: Blog,Science

Permalink: https://www.edwardconard.com/2019/01/07/preponderance-of-significant-results-fell-from-57-to-8-of-experiments-when-protocols-preregistered

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_Preponderance-of-Significant-Results-Fell-From-57-to-8-of-Experiments-When-Protocols-Preregistered.jpg

Article 81

Title: Market Risen to Top Decile Equity Risk Premium

Author(s)	Peter Barden
Publish Date	2019-01-04
Publish Time	11:12:12

Content: Aswath Damodaran finds the equity premium has risen to 6%—in the top decile historically. He estimates shocks from 2 of the following have already been priced in: • Slower growth • Political/economic crisis • Higher interest rates • Reduced corporate cash flows

Primary Topic: Blog

Topics: Blog,Comparisons,Cross-country,Historical,Importance,Very Important

Permalink: https://www.edwardconard.com/2019/01/04/market-risen-to-top-decile-equity-risk-premium

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2019/01/tn_Market-Risen-to-Top-Decile-Equity-Risk-Premium.png

Article 82

Title: Harvard Symposium on My Views: “What Advocates of Free Enterprise Can Learn from Populism.”

Author(s)	Assistant
Publish Date	2019-01-02
Publish Time	10:45:51

Content: Watch my Harvard symposium presentation “What Advocates of Free Enterprise Can Learn from Populism.” The symposium was hosted by Professor Harvey Mansfield and Harvard’s Program on Constitutional Government. Harvard Economics Professor Greg Mankiw participated in the discussion. OPENING REMARKS Q+A

Primary Topic: Work Product

Topics: The Upside of Inequality,Videos,Work Product

Permalink: https://www.edwardconard.com/2019/01/02/harvard-symposium-on-my-views-what-advocates-of-free-enterprise-can-learn-from-populism

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/12/tn_Harvard-Mansfield-Talk.png

Article 83

Title: Ed Conard Discusses the Economy and Impact of Midterm Elections on Stock Market on Fox Business's "Varney & Co"

Author(s)	Assistant
Publish Date	2018-12-20
Publish Time	16:10:32

Content: Ed Conard discusses the state of the economy and the impact of the midterm elections on the stock market with Stuart Varney on Fox Business's "Varney & Co."
https://edwardconard.wistia.com/medias/qtplbqkb53?embedType=async&videoWidth=640

Topics: Blog,Growth,Investment,Videos

Permalink: https://www.edwardconard.com/2018/12/20/ed-conard-discusses-markets-and-the-economy-on-fox-businesss-varney-co

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/12/tn_FBN-Varney-Co_12.20.18.png

Article 84

Title: Atlanta's Living Standard Is Higher Than San Francisco (When Adjusted for Real Estate Cost)

Author(s)	Peter Barden
Publish Date	2018-12-17
Publish Time	11:14:34

Content: After adjusting for the cost of real estate, Demographia finds the median standard of living in Atlanta is higher than San Francisco.

Topics: Blog,Government/NGO,Source of Info

Permalink: https://www.edwardconard.com/2018/12/17/atlantas-living-standard-higher-than-san-francisco-when-adjusted-for-real-estate-cost

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/12/atlanta-vs-sanfran-cost-of-living.png

Article 85

Title: Millennial Incomes Are Comparable to Prior Generations

Author(s)	Peter Barden
Publish Date	2018-12-14
Publish Time	17:38:32

Content: A new Pew study finds Millennial household incomes are higher today than they have been for every other comparable generation, except in the year 2000. Using the Pew data, Ernie Tedeschi finds Millennial household incomes today are comparable to past generations after adjusting for education. But such comparisons assume education is as productivity-enhancing today as it was in the past when America educated fewer people at the margin. Bryan Caplan, for example, claims education does not increase productivity significantly at the margin, which would render Tedeschi's adjustments unnecessary. However, a recent Federal Reserve study finds Millennial male household heads earned 10% less than comparably aged Boomers in 2014, although the economy has rebounded somewhat since then. These historical comparisons demand pushes and pulls. For example, fewer Millennials head households than prior generations, an increasing share of women work and head households, and demographics have shifted, largely from low-skilled Hispanic immigration. Based on these studies, Millennial incomes appear to be comparable to prior generations.

Primary Topic: Blog

Topics: Blog,Comparisons,Government/NGO,Inequality,Other Comparison,Source of Info

Permalink: https://www.edwardconard.com/2018/12/14/millennial-incomes-comparable-to-prior-generations-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/12/Pew-HH-income-by-generation-4-e1547822592481.png

Article 86

Title: U.S. Is Not An Outlier on Economic Mobility

Author(s)	Peter Barden
Publish Date	2018-12-14
Publish Time	9:10:06

Content: Scott Winship's indispensable review of economic mobility studies finds the "U.S. (is) not an outlier" even if absolute mobility is less because growing income gap between rich and poor "says nothing" about whether it's harder for poor kids to become rich.

Topics: Blog,Government/NGO,Inequality,Source of Info

Permalink: https://www.edwardconard.com/2018/12/14/u-s-not-an-outlier-on-economic-mobility

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/12/winship-thumbnail.png

Article 87

Title: Study Finds 72% of SSDI Applications Result of Recession

Author(s)	Peter Barden
Publish Date	2018-12-13
Publish Time	16:24:30

Content: A new NBER study finds 72% of Social Security Disability Insurance applicants between 2008-2012 wouldn't have applied but for the recession, resulting in 400,000 beneficiaries who otherwise would not have entered the system and increasing present value costs by $100 billion.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/12/13/study-finds-72-of-ssdi-applications-result-of-recession

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/12/SSDI-post-thumbnail.png

Article 88

Title: Worrisome News About Welfare Fraud

Author(s)	Peter Barden
Publish Date	2018-12-13
Publish Time	11:54:12

Content: Worrisome news from AEI's Robert Doar in the Wall Street Journal about welfare fraud. 82 of 100 randomly selected Medicaid recipients were not qualified for all benefits received. The Obama Administration gutted income verification requirements. The recession expanded fraud.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/12/13/worrisome-news-about-welfare-fraud

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/12/tn_AEI-image-social.png

Article 89

Title: Harvard Study Finds 11% MBTA Gender Pay Gap Despite Guaranteed Equal Pay

Author(s)	Peter Barden
Publish Date	2018-11-27
Publish Time	10:52:02

Content: The WSJ reports on a study by Harvard economists, Valentin Bolotnyy and Natalia Emanuel, that finds an 11% gender pay gap—"60% of the earnings gap across the United States"—among union members of the Massachusetts Bay Transit Authority, despite rigorous seniority rules and guaranteed equal pay for equal work. The authors conclude: "The gap…can be explained entirely by the fact that, while having the same choice sets in the workplace, women and men make different choices. … Women value time and flexibility more than men." Men worked 83% more overtime hours than women. They accepted twice as many last minute overtime shifts. And they worked more higher-paying nights, weekends, and holidays. Women took twice as much unpaid family leave. The authors note, "Since the operators at the MBTA are selected for their ability to work 24 hours a day, 7 days a week, it is likely that our estimate of the role of choice in the nationwide gender earnings gap is a lower bound." University of Michigan economist, Mark Perry, provides a more comprehensive list of the different choices made by men and women. These findings align with those reached by Harvard economist, Claudia Goldin, who finds cumulative career hours worked accounts for the remaining gender pay gap beyond the lower-paying professions women tend to choose—e.g., social work versus computer programming.

Primary Topic: Blog

Topics: Blog,Gender Pay Gap,Importance

Permalink: https://www.edwardconard.com/2018/11/27/harvard-study-finds-11-mbta-gender-pay-gap-despite-guaranteed-equal-pay

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/11/Screen-Shot-2018-11-27-at-10.50.24-AM-e1547821333807.png

Article 90

Title: New Study Shows 83% of Criminals Rearrested Within 9 Years

Author(s)	Peter Barden
Publish Date	2018-11-26
Publish Time	14:34:00

Content: A 9-year Justice Department study shows 44% of released prisoners are rearrested within 1 year; 83% within 9 years. 77% of drug offenders are rearrested for non-drug related crimes including 34% for violent crime. On average, released prisoners are rearrested 5 times.

Topics: Blog,Comparisons,Data,Historical,Importance,Source of Info,Type of Info,Very Important

Permalink: https://www.edwardconard.com/2018/11/26/new-study-shows-83-of-criminals-rearrested-within-9-years

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/11/tn_2018-Update-DOJ-Prisoner-Recidivism.png

Article 91

Title: Should America have concentrated its offshored production in China?

Author(s)	Peter Barden
Publish Date	2018-11-20
Publish Time	18:20:30

Content: From a foreign policy perspective, was it wise to concentrate America's offshored production in China rather than spreading it across smaller, low-wage economies?

Topics: Blog

Permalink: https://www.edwardconard.com/2018/11/20/should-america-have-concentrated-its-offshored-production-in-china

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/11/Economy-size-thumbnail.png

Article 92

Title: Survey of Scientists Indicates Productivity of Scientists is Slowing

Author(s)	Peter Barden
Publish Date	2018-11-19
Publish Time	12:30:08

Content: The Atlantic reports on a revealing survey of top scientists who compared the importance of scientific discoveries in a “round robin tournament.” The survey finds: The picture this survey paints is bleak: Over the past century we’ve vastly increased the time and money invested in science, but in scientists’ own judgment we’re producing the most important breakthroughs at a near-constant rate. On a per-dollar or per-person basis, this suggests that science is becoming far less efficient. The authors, Patrick Collison and Michael Nielsen, also note: In the early days of the Nobel Prize, future Nobel scientists were 37 years old, on average, when they made their prizewinning discovery. But in recent times that has risen to an average of 47 years. They conclude: Perhaps scientists today need to know far more to make important discoveries. As a result, they need to study longer, and so are older, before they can do their most important work. That is, great discoveries are simply getting harder to make. And if they’re harder to make, that suggests there will be fewer of them, or they will require much more effort. In a similar vein, scientific collaborations now often involve far more people than a century ago. When Ernest Rutherford discovered the nucleus of the atom in 1911, he published it in a paper with just a single author: himself. By contrast, the two 2012 papers announcing the discovery of the Higgs particle had roughly a thousand authors each. On average, research teams nearly quadrupled in size over the 20th century, and that increase continues today. For many research questions, it requires far more skills, expensive equipment, and a large team to make progress today. The authors rightly ask: if scientific productivity slows down, will productivity slow down more broadly?

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/11/19/survey-of-scientists-indicates-productivity-of-scientists-is-slowing

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/11/tn_Productivity-of-Scientists.png.png

Article 93

Title: Two charts show income inequality hasn’t risen as much as we’ve been led to believe

Author(s)	Peter Barden
Publish Date	2018-11-16
Publish Time	15:16:40

Content: Two charts show income inequality hasn’t risen as much as we’ve been led to believe.

Topics: Blog,Comparisons,Graph,Importance,Inequality,Op-Ed/Blog Post,Other Comparison,Source of Info,Type of Info

Permalink: https://www.edwardconard.com/2018/11/16/two-charts-show-income-inequality-hasnt-risen-as-much-as-weve-been-led-to-believe

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/11/111618-post-thumbnail.png

Article 94

Title: Krugman's Misleading Scandinavian Comparison

Author(s)	Peter Barden
Publish Date	2018-11-06
Publish Time	9:30:35

Content: Paul Krugman wrote a misleading post comparing U.S. wages and productivity growth to Scandinavia without admitting that Scandinavia's test scores are much higher than America's. Comparing Scandinavia to Scandinavian-Americans instead of to Americans more broadly is a simple way to factor out the benefit of higher Scandinavian test scores. (If anything, Scandinavians with lower socioeconomic status immigrated to America.) On average, Scandinavian-Americans earn substantially more than their Scandinavian counterparts. Said differently, for a given test score, Americans are much more productive than Scandinavians. Despite differences in social spending, the incomes of Scandinavian-Americans are higher than Scandinavians at all but the lowest income level. Even at the lowest income levels, U.S. incomes are likely comparable. With highly regressive VAT taxes and such, Scandinavia taxes welfare benefits more heavily than America. According to the Peterson Institute for International Economics, a full accounting of these and other differences finds, "the true level of U.S. social expenditures is fully comparable to European spending." Other studies reach similar conclusions. Others, including a recent report by the Council of Economic Advisors, "The Opportunity Costs of Socialism," reach the same conclusions about Scandinavia. The difference between the earnings of Scandinavian-Americans and Americans more broadly (shown at the bottom of the first graph) is an indication of the benefit of higher Scandinavian test scores. On average, Scandinavian-Americans earn 30 percent more than Americans. America's demographics are radically different than other high-wage economies. According to the OECD, 8.5 percent of adult Americans score at the highest skill levels on internationally administered numeracy tests—levels 4 and 5. Twenty-nine percent of Americans score at level 1 or below. America has one high-scoring adult for every 3.5 low-scoring adults. In contrast, 18 percent of Scandinavian men score at level 4 or 5. Only 14 percent score at level 1 or below. Scandinavia—the darling of liberal comparisons—has over 4-times as many high-scoring adults per low-scoring adults as America, an astonishingly large difference. According to Krugman, Scandinavians (excluding Norway) earn less than Americans (after taking their slightly higher workforce participation into account) because they work about 11 percent less than Americans and are about 10% less productive on average. But if Scandinavian-Americans similarly worked 11 percent less (and participated 3 percent more) they would earn almost 45% more than Scandinavians. When they work, Scandinavians are 30% less productive than Scandinavian-Americans. In truth, Scandinavia wastes its talent like the rest of Europe. High-scoring Americans are better trained, work longer hours, take more entrepreneurial risks, and ultimately produce higher incomes for lower-scoring Americans than their counterparts in other high-wage economies—exactly what we want them to do. From the perspective of low-scoring workers, perhaps more leisure for talented workers isn't something Krugman ought to exult. Given the enormous shortage of American talent and their outsized success, perhaps liberal economists, like Paul Krugman, ought to be less recklessly cavalier about taxing and regulating America's uniquely productive economy. If he had truer arguments than the misleading ones he employs here, wouldn't he make them?

Topics: Blog,Blog Post,Comparisons,Cross-country,Data,Graph,Importance,Productivity,Type of Info,Very Important,Work Product

Permalink: https://www.edwardconard.com/2018/11/06/krugmans-misleading-scandinavian-comparison

Featured Image
Link: https://www.edwardconard.com/wp-content/uploads/2018/11/tn_GDP-better.png

Article 95

Title: One Reason GDP Growth Accelerated Under Trump

Author(s)	Assistant
Publish Date	2018-11-05
Publish Time	16:03:13

Content: One reason why real (peak-to-peak) GDP growth has accelerated from 1.5% per year during the Obama Administration to 3.3% per year under the Trump Administration.

Primary Topic: Blog

Topics: Banking,Blog,Data,Graph,Type of Info

Permalink: https://www.edwardconard.com/2018/11/05/one-reason-gdp-growth-accelerated-under-trump

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/11/tn_WSW-Lighter-Touch-chart-3.png

Article 96

Title: New Study Offers Worrisome News on Solutions to Global Warming

Author(s)	Peter Barden
Publish Date	2018-10-31
Publish Time	17:31:39

Content: Some worrisome news from the Economist on global warming: “On October 19th, the International Energy Agency reported that doubling world GDP by 2040 would require only a small rise in energy demand if everyone adopted strict standards, like Japan’s for vehicle-fuel efficiency. … [According to their logic,] higher efficiency means less fossil fuel must be burned—and less planet-cooking gas belched—to power the global economy. But some economists are not so sure. [In] 1865, William Stanley Jevons, a British economist, postulated that better steam engines would raise Britain’s overall demand for coal, rather than lower it. A new paper by Sebastian Rausch and Hagen Schwerin, of the Swiss Federal Institute of Technology, argues that something similar has happened in post-war America … between 1960 and 2011. The duo found that, as Jevons might have predicted, efficiency gains added to total energy use, offsetting 102% of the savings.” Policies to mitigate global warming rarely prevent faster growth in the developing world resulting from lower resulting energy prices from offsetting conservation efforts in the developed world.

Primary Topic: Blog

Topics: Blog,Comparisons,Factoid,Historical,Importance,News article,Source of Info,Type of Info

Permalink: https://www.edwardconard.com/2018/10/31/new-study-offers-worrisome-news-on-global-warming

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/10/Screen-Shot-2018-10-31-at-5.26.50-PM-e1547822626261.png

Article 97

Title: Ed Conard Reacts to Yesterday’s Market Correction on FBN’s “Intelligence Report”

Author(s)	Assistant
Publish Date	2018-10-11
Publish Time	17:28:40

Content: Ed Conard reacts to yesterday’s market correction on Fox Business Network's “Intelligence Report" with host Ashley Webster.
https://edwardconard.wistia.com/medias/noiqbrif54?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Videos,Work Product

Permalink: https://www.edwardconard.com/2018/10/11/ed-conard-reacts-to-yesterdays-market-correction-on-fbns-intelligence-report

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/10/tn_FBN-Intelligence-Report_10.11.18.png

Article 98

Title: St. Louis Fed Reminds Us That Work Effort in Europe Has Declined Steeply

Author(s)	Assistant
Publish Date	2018-10-10
Publish Time	14:21:18

Content: St. Louis Fed economist Paulina Restrepo-Echavarria reminds us that work effort in Europe has declined steeply. Ed Prescott and others conclude, “tax rates alone account for most of the…differences in labor supply for the major advanced industrial countries.”

Topics: Blog

Permalink: https://www.edwardconard.com/2018/10/10/st-louis-fed-reminds-us-that-work-effort-in-europe-has-declined-steeply

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/10/tn_STL-FED-Europe-Steep-Decline-Work-3.png

Article 99

Title: Economist Chart Measuring Political Polarization Is Revealing

Author(s)	Peter Barden
Publish Date	2018-09-24
Publish Time	17:54:18

Content: I thought this Economist chart measuring political polarization was revealing.

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2018/09/24/economist-chart-measuring-political-polarization-is-revealing

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/09/tn_left-right-shift.png

Article 100

Title: Ed Conard Debates the Economics of Universal Healthcare on Fox News "Cavuto: Coast to Coast"

Author(s)	Assistant
Publish Date	2018-09-11
Publish Time	18:02:15

Content: Ed Conard debates the economics of Sen. Bernie Sanders's universal healthcare proposal with Neil Cavuto on Fox Business Network's "Cavuto: Coast to Coast". https://edwardconard.wistia.com/medias/17dyd73tpy?embedType=async&videoWidth=640

Primary Topic: Blog

Topics: Blog,Videos

Permalink: https://www.edwardconard.com/2018/09/11/ed-conard-debates-the-economics-of-universal-healthcare-on-fox-news-cavuto-coast-to-coast

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/09/tn_EC-on-FBN-Cavuto.png

Article 101

Title: Study Shows Prediction Market Better Predictor of Scientific Reproducibility Than Editors of Nature and Science

Author(s)	Assistant
Publish Date	2018-08-28
Publish Time	10:27:38

Content: A recent study shows a prediction market is a better predictor of scientific reproducibility than the editors of the journals Nature and Science (who have only a 62% chance of accurately identifying reproducibility). Telltale signs of irreproducibility include newsworthy results. "Consider the new results from the Social Sciences Replication Project, in which 24 researchers attempted to replicate social-science studies published between 2010 and 2015 in Nature and Science—the world's top two scientific journals. ... As it turned out, that finding was entirely predictable. While the SSRP team was doing their experimental re-runs, they also ran a 'prediction market.' ... Overall, the traders thought that studies in the market would replicate 63 percent of the time—a figure that was uncannily close to the actual 62-percent success rate. ... The traders' instincts were also unfailingly sound when it came to individual studies. ... The 62-percent success rate...is...galling...since the project specifically looked at the two most prestigious journals in the world. ...several of the studies that didn't replicate have another quality in common: newsworthiness. They reported cute, attention-grabbing, whoa-if-true results that conform to the biases of at least some parts of society. ... 'I did a sniff test of whether the results actually make sense,' says Paul Smeets from Maastricht University [a participant in the prediction market]. 'Some results look quite spectacular but also seem a bit too good to be true, which usually that means they are.'... [Says Vazire, the study 's author,] these journals 'are not especially good at picking out really robust findings or excellent research practices. And the prediction market adds to my frustration because it shows that there are clues to the strength of the evidence in the papers themselves.' ... If prediction-market participants could collectively identify reliable results, why couldn't...the journal editors who decided to publish them? 'Maybe they're not looking at the right things,' says Vazire. 'They probably put too-little weight on markers of replicability, and too much on irrelevant factors...' " [such as their own political bias.] Read More: https://www.theatlantic.com/science/archive/2018/08/scientists-can-collectively-sense-which-psychology-studies-are-weak/568630/

Primary Topic: Blog

Topics: Blog,Growth,Links to Useful Sources,Politics,Type of Info

Permalink: https://www.edwardconard.com/2018/08/28/study-shows-prediction-market-better-predictor-of-scientific-reproducibility-than-editors-of-nature-and-science

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/08/Bettors_tn-e1547821411109.jpg

Article 102

Title: While Manufacturing Plant and Equipment Increase Blue Collar Productivity, IT Investment Largely Increases High-Skilled Productivity

Author(s)	Assistant
Publish Date	2018-07-26
Publish Time	12:08:54

Content: Unlike manufacturing plant and equipment that increase blue collar productivity, IT investment largely increases high-skilled productivity. Read more: https://www.wsj.com/articles/big-techs-growth-comes-with-a-big-bill-1531819800

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/07/26/while-manufacturing-plants-increase-blue-collar-productivity-it-investment-largely-increases-high-skilled-productivity

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/07/tn_WSJ_Cover-Charges.png

Article 103

Title: Why the U.S. Needs A Lot More Ultra-High-Skilled Immigration

Author(s)	Assistant
Publish Date	2018-07-18
Publish Time	11:54:19

Content: Why the U.S. needs a lot more ultra-high-skilled immigration via @AbacusNews.

Primary Topic: Blog

Topics: Academic paper,Blog,Blog Post,Graph,Source of Info,Type of Info,Work Product

Permalink: https://www.edwardconard.com/2018/07/18/why-the-u-s-needs-a-lot-more-ultra-high-skilled-immigration

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/07/tn_At-a-Glance-US-vs-China-Internet-3.png

Article 104

Title: Read My New National Review Op-Ed: Free-Market Republicans Risk Irrelevance by Ignoring the Concerns of Blue-Collar Voters

Author(s)	Assistant
Publish Date	2018-06-18
Publish Time	9:41:35

Content: Free-market Republicans must recognize they can't build a winning coalition without the president's supporters. In our two-party democracy, agendas without winning coalitions are largely irrelevant. Edward Conard National Review Online June 16, 2018 Prior to the president's victory, protectors of free enterprise, foreign-policy hawks, and social conservatives controlled the GOP by giving each other what they wanted most: lower taxes and restrained spending; larger defense budgets; and judges who limited the federal government. President Trump's supporters upended this coalition, seized control of the GOP, and won the presidency with victories in Pennsylvania, Ohio, Michigan, and Wisconsin — states Republicans haven't swept in decades. Candidate Trump succeeded by championing the interests of blue-collar voters who believe that trade, low-skilled immigration, and labor-saving automation slow their wage gains; that competition for government spending threatens their Social Security and Medicare; and that identity politics diminishes their economic opportunities. While the president's supporters were inclined to vote Republican, they felt betrayed by the GOP's support for trade and low-skilled immigration. President Trump's supporters want a shortage of labor to raise their wages. They don't want labor so cheap we can afford to brew coffee a cup at a time. Support for free enterprise has always been fragile. Free-market Republicans must recognize they can't build a winning coalition without the president's supporters. In our two-party democracy, agendas without winning coalitions are largely irrelevant. Dismissing President Trump's supporters as racist, anti-establishment, or lemmings of polarized media trivializes their concerns and deflects attention from their agenda. His supporters view criticism of the president as self-serving, undermining their leader's effectiveness, and subordinating their objectives to other priorities — the very fear of these previously underrepresented voters. Whether the criticism is valid or not, the president's supporters won't vote for it. If free-market Republicans want to regain the trust of the president's supporters and influence the GOP by wielding electoral muscle, they need to address these voters' concerns. Protecting free enterprise demands growth that benefits an electable majority of Americans. Previously, economies of scale from capital-intensive manufacturing drove growth. High-skilled workers designed products for lesser-skilled mass-market consumers and created higher-paying jobs for them. Capital investment increased blue-collar productivity and wages. In today's information-driven economy, high-skilled workers are in demand — and their presence or absence is what enables or constrains growth. As a result, high-skilled workers design products and processes that increase high-skilled rather than low-skilled productivity. Capital investment has shifted toward these products as well. Blue-collar productivity and wage growth have lagged. A relative shortage of U.S. talent exacerbates the problem. Twenty-five percent of Americans score in the top-third globally on comparable tests of academic skills, according to data from the Organization for Economic Cooperation and Development, while forty-five percent score in the bottom third — meaning America has roughly one high-scorer for every two low-scorers. A third of Germans score in each the top, middle, and bottom third, leaving Germany with one high-scorer for every low-scorer — twice as many high-scorers per low-scorer as America. Scandinavia has three times as many; Japan, nearly five times. A shortage of high-skilled labor leaves America's unskilled workers less supervised relative to those in other high-wage economies, especially when innovation gives America's high-skilled workers better opportunities than their counterparts in other high-wage economies. At the same time, trade allows America to sell high-skilled labor — Apple operating systems for example — and buy cheap low-skilled labor. Trade puts upward pressure on high-skilled wages by increasing the demand for high-skilled workers and downward pressure on low-skilled wages by increasing the supply of low-skilled workers. America can't make what it can buy for less and remain competitive. We must trade with low-wage economies. But neither can we ignore trade's redistributive effects. Access to low-cost offshore labor drives manufacturing abroad and pressures onshore manufacturers to accelerate productivity growth. As domestic manufacturing employment declines, rural workers can't export their labor at high wages to more prosperous cities. Communities that lose factories don't recover lost wages. The productivity of America's rural areas is no longer converging with that of its large cities. Talent migrates to America's fastest-growing cities, leaving lesser-skilled workers to fend for themselves. This brain drain slows American low-skilled productivity and wage growth. Meanwhile, a shortage of real estate in America's most successful cities drives up rent, canceling out the wage gains that blue-collar workers could reap by moving there. For the first time, low after-rent wages drive middle-class workers from these cities. Why should workers support free trade and innovation-driven growth concentrated in a handful of cities if they don't share the benefits? Blue-collar jobseekers also find 60 million foreign-born adults and their native-born adult children, including 35 million largely low-skilled Hispanic adults, looking to the same small pool of talented entrepreneurs to create competitive, high-wage blue-collar jobs for them. Spreading talent over more low-skilled workers slows low-skilled productivity and wage growth. The counterarguments are unconvincing. When talent and risk-taking constrain growth, capital investment on its own doesn't increase blue-collar productivity and wages. Successful investment requires talented engineering and supervision that's deployed more profitably elsewhere. High blue-collar wages in America's fastest-growing cities show automation has not capped wage growth. The overlapping distribution of low-skilled domestic- and foreign-born workers' wages indicates these workers largely compete with, rather than complement, each other. Blue-collar workers have logically grown skeptical of trade, low-skilled immigration, and free enterprise. Adding to their concerns, looming fiscal deficits threaten Social Security and Medicare. Education doesn't produce enough high-earning workers to pay for retiring Baby Boomers without growth-crushing tax increases or unsustainable borrowing that leaves America vulnerable to a growing Chinese military threat. Organic growth fast enough to fund retirement benefits is a pipe dream. Hope may spring eternal, but free-market Republicans haven't won the last three presidential elections. Free enterprise must provide real solutions to the problems facing blue-collar workers. Given the burden already borne by these workers, proposals that balance America's budget by reducing retirement benefits are politically untenable. In an economy where talent, and not capital, constrains growth, ultra-high-skilled immigration — a squandered opportunity — is America's only viable alternative. Faster growth that doesn't come at the expense of the middle and working classes would go a long way toward "making America great again." Read on National Review Online: "Free-Market Republicans Risk Irrelevance by Ignoring the Concerns of Blue-Collar Voters"

Primary Topic: Blog

Topics: Blog,Op-ed,OpEds,Print,Work Product

Permalink: https://www.edwardconard.com/2018/06/18/read-my-new-national-review-op-ed-free-market-republicans-risk-irrelevance-by-ignoring-the-concerns-of-blue-collar-voters

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/06/tn_GOP-Trump-Voters.jpg

Article 105

Title: Read My Review of Andy Puzder's "The Capitalist Comeback"

Author(s)	Assistant
Publish Date	2018-06-11
Publish Time	10:09:34

Content: Edward Conard RealClearPolitics June 7, 2018 You'd be forgiven if you thought the tide of public opinion had turned against capitalism. As the news media eagerly report on polls showing that millennials increasingly reject capitalism, progressives energetically push the Democratic Party to the left. A forceful rebuttal has arrived in the form of a new book by Andy Puzder, the one-time nominee to be U.S. secretary of labor. Puzder, the former chief operating officer of CKE Restaurants, uses history to make a rousing defense of capitalism in "The Capitalist Comeback: The Trump Boom and the Left's Plot to Stop It." He also details the never-ending war to defeat it. "In all of human history, capitalism is the only economic system that has ever [produced] the expansive growth that lifts people out of poverty, raises their standard of living, and reduces income inequality," he writes. He also shows how capitalism always dovetailed with the Founding Fathers' commitment to limited government and individual freedom. Despite capitalism's successes, Puzder acknowledges its challenges. He argues that... Read More on RealClearPolitics: "A Rousing Defense of Capitalism"

Primary Topic: Blog

Topics: Blog,Op-ed,Op-Ed/Blog Post,Source of Info

Permalink: https://www.edwardconard.com/2018/06/11/read-my-review-of-andy-puzders-the-capitalist-comeback

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/02/tn_RCP-logo.png

Article 106

Title: Debating Inequality, Innovation, and High-Skilled Immigration on "Conversations with Bill Kristol"

Author(s)	Assistant
Publish Date	2018-06-04
Publish Time	13:40:14

Content: Bill Kristol and I debate income inequality, innovation, and why only high-skilled immigration can grow the American economy fast enough to pay for retiring baby boomers without damaging the economy with high taxes and slower growth. Watch here on "Conversations with Bill Kristol."

Primary Topic: Blog

Topics: Blog,Blog Highlights,Videos,Videos Highlights

Permalink: https://www.edwardconard.com/2018/06/04/debating-inequality-innovation-and-high-skilled-immigration-on-conversations-with-bill-kristol

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/06/tn_Convo-w.-Bill-Kristol.png

Article 107

Title: With $3-an-hour Mexican Labor, Why Should Capital Flow to Rural America?

Author(s)	Assistant
Publish Date	2018-05-30
Publish Time	13:11:13

Content: With $3-an-hour Mexican labor, why should capital flow to rural America? Can rural America achieve the productivity needed to sustain high wages unless it exports labor to urban America? It doesn’t seem likely. [caption id="attachment_10118" align="aligncenter" width="608"] With $3-an-hour Mexican Labor, Why Should Capital Flow to Rural America?[/caption]

Primary Topic: Blog

Topics: Blog,Comparisons,Cross-country,Importance,News article,Source of Info,Very Important

Permalink: https://www.edwardconard.com/2018/05/30/with-3-an-hour-mexican-labor-why-should-capital-flow-to-rural-america

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/05/tn_With-3-an-hour-Mexican-Labor-Why-Should-Capital-Flow-to-Rural-America-3.png

Article 108

Title: The San Antonio Express-News' Michael Taylor Compliments The Upside of Inequality

Author(s)	Assistant
Publish Date	2018-05-29
Publish Time	18:17:49

Content: The San Antonio Express-News' Michael Taylor Compliments The Upside of Inequality “Conard’s book challenges some deeply held beliefs. I want people … who think inequality is a major problem to read more smart people on the other side of the debate, like Edward Conard.” Is the wealth gap really all that bad? The financial crisis wiped out trillions of dollars of savings and capital in America, sparking an entire movement against the top 1 percent of earners and shining a bright light on income inequality and the wealth gap in the United States. U.S. businessman Edward Conard makes the capitalist’s case for the importance of the unequal distribution of household wealth in his book, “The Upside of Inequality.” Conard argues two main points in justifying his view. First, we need unequal incentives to push innovation and risk-taking, the engine of a capitalist economy. Without the promise of outsized rewards, where would the desire for improvement come from? Take away the outsized rewards through taxation and redistribution of wealth and we remove the innovative engine of the economy, writes Conard. OK, I’ll admit, I’m sympathetic to that idea. Second, Conard argues, we need concentrations of wealth in the hands of risk-taking capitalists to fund the innovative ideas of entrepreneurs who have more talent than money. Take away the piles of money in the hands of capitalists, and you remove the fuel from the engine. OK, I find this argument of Conard’s plausible as well. I don’t agree with Conard’s view because of any ideological attachment to capitalism. But practically speaking, the miracle of lifting billions of people out of poverty in recent decades happened under market-based economies that encouraged hard work and risk-taking. Countries that squash markets and enforce a state-driven equality — Cuba, Venezuela, North Korea, Zimbabwe come to mind — tend to have horrific poverty. Still, I worry about inequality. In households with children under age 18, a recent New York Times piece explained, the bottom 50 percent of households actually have negative net worth. They have more debt than savings or assets. That New York Times piece also describes a straight-line 3-step mechanism of inter-generational poverty: 1) Wealth correlates strongly with the likelihood of attending and graduating from college. 2) A college degree correlates strongly with higher lifetime earnings. 3) No higher degree means a much harder path to attaining or maintaining a middle-class life. Those steps alone suggest that at the bottom rung of society, poverty begets poverty and inequality tends to beget more inequality. Meanwhile, at the upper end of the economic ladder, the power of compound investment returns, reduced taxes on intergeneration wealth transfers and favorable tax rates on dividends and capital gains, tend to maintain the status quo among wealthy households. Wealth begets wealth. I don’t like the idea of stagnation at the top and bottom. Conard’s book challenges some deeply held beliefs. Traditional measurements of the lack of wealth for the bottom 50 percent of American households miss a key factor. Measuring consumption at the bottom half — due to social safety net programs including government transfers Medicare and Social Security — shows a strong reduction in poverty over the last 20 years. If we measure consumption instead of wealth, our society looks far less unequal. Conard also makes some disturbing counter-arguments about the usefulness of investing in education to overcome economic immobility. His skeptical arguments will make people on both the left and right of the political spectrum uncomfortable. My fondest wish on this topic is not to bash capitalism, or socialism for that matter, but to ask: Can we talk about a middle ground? Conard worries about killing, through redistribution and taxation, the golden goose that has raised billions out of poverty. I worry about that negative median net worth of the bottom 50 percent of households in America. A hollowed-out middle class affects the economy and broader society. I’m worried that the concentration of wealth in the U.S. at the very top is too high and getting higher. In developing that view, I look to Thomas Piketty’s 2014 masterpiece Capital, in which he shows we’re on trend to return to 19th Century

Gilded Age levels of wealth-concentration in the U.S. I don't love the idea of an entrenched aristocracy in America. While Conard celebrates the positive economic effects of that inequality — more pools of wealth encourage more innovation, which leads to economic growth — I'm worried about the moral problem of an entrenched aristocracy permanently separated from the other 99 percent of society. My view: I'm OK with some inequality. I'm a capitalist. To the extent that more hard work and more talent leads to more money for some people over others, I'm fine with that. That's great. I'm not OK with permanent inequality, or inter-generational inequality or inequality that suggests a fixed, rigged game. If being born into poverty is a life-sentence to an underclass, then inequality is something I'm less OK with. I want people on my side of the debate, people who think inequality is a major problem, to read more smart people on the other side of the debate, like Edward Conard. Because if you don't know where your own assumptions are weak or wrong, it's hard to enact change. Of course I also want folks worried about "creeping Socialism" in America to consider the moral consequences of a system in which children don't get enough to eat, and the next generation's children might not either. You can talk all you want about "bootstraps," but are kids still in elementary school responsible for yanking up their own straps? I really don't have an answer. While I disagree with Conard — more on moral grounds than economic grounds — he's also done far more reading than me on the subject. Before you write to tell me that I'm either a greedy capitalist or a lefty socialist (I admit, I'm giving evidence of both here), can you instead just read Conard's book? And then Piketty's? Sometimes I think the only solution to these arguments, at the individual level, is to consciously set out to read the things we'll probably disagree with. Michael Taylor is a columnist for the San Antonio Express-News and author of "The Financial Rules For New College Graduates." michael@michaelthesmartmoney.com | @michael_taylor

Primary Topic: Blog

Topics: Blog,Inequality,News article,Opinion,The Upside of Inequality,Very Important

Permalink: https://www.edwardconard.com/2018/05/29/the-san-antonio-express-news-michael-taylor-compliments-the-upside-of-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/05/tn_Upside-cover.jpg

Article 109

Title: Remarkable Rebound from Obama Admin's long anemic trend line

Author(s)	Assistant
Publish Date	2018-05-25
Publish Time	21:33:22

Content: The Economist reports a remarkable rebound from the Obama Administration's long anemic trend line.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/05/25/10101-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/05/Webp.net-resizeimage.png

Article 110

Title: Graph of the Week: An indication of the migration of talent to large cities…

Author(s)	Assistant
Publish Date	2018-05-15
Publish Time	11:22:54

Content:

Topics: Blog,Comparisons,Data,Importance,News article,Source of Info,Type of Info

Permalink: https://www.edwardconard.com/2018/05/15/graph-of-the-week-an-indication-of-the-migration-of-talent-to-large-cities

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/05/Webp.net-resizeimage-11.png

Article 111

Title: Ed Conard Discusses The Upside of Inequality on the ILAB Podcast

Author(s)	Assistant
Publish Date	2018-05-11
Publish Time	13:20:42

Content: Ed Conard discusses his bestselling book The Upside of Inequality on the Invest Like a Boss podcast. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2018/05/Invest-Like-a-Boss-podcast_5_10_18.mp3"][/audio]

Topics: Blog,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2018/05/11/ed-conard-discusses-the-upside-of-inequality-on-the-ilab-podcast

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/05/tn_ILAB-podcast.png

Article 112

Title: Two More Studies Find Shocking Inability to Replicate Economic Research

Author(s)	Assistant
Publish Date	2018-04-30
Publish Time	16:06:08

Content: The Economist reports on two more studies that find a shocking inability to replicate economic research: A recent examination in the Economic Journal, of almost 7,000 empirical economics studies, found that in half of the areas of research, nearly 90% of those studies were underpowered, i.e., that they used samples too small to judge whether a particular effect was really there. Of the studies that avoided this pitfall, 80% were found to have exaggerated the reported results. Another study, published in Science, which attempted to replicate 18 economics experiments, failed for seven of them. I have previously reported on this widespread problem in economics and other hard and soft sciences.

Primary Topic: Blog

Topics: Blog,Blog Post,Importance,Links to Useful Sources,News article,Other Comparison,Science,Source of Info,Work Product

Permalink: https://www.edwardconard.com/2018/04/30/two-more-studies-find-shocking-inability-to-replicate-economic-research

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/04/tn_Two-More-Studies-Find-Shocking-Inability-to-Replicate-Economic-Research.png

Article 113

Title: Breakdown of Productivity Growth From 1990-2017

Author(s)	Assistant
Publish Date	2018-04-18
Publish Time	10:53:49

Content: This chart shows the breakdown of productivity growth from 1990-2017.

Primary Topic: Blog

Topics: Blog,Graph,Importance,Op-Ed/Blog Post,Productivity,Source of Info,Type of Info

Permalink: https://www.edwardconard.com/2018/04/18/breakdown-of-productivity-growth-from-1990-2017

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/04/tn_Breakdown-of-Productivity-Growth-From-1990-2017.png

Article 114

Title: New Study Finds Mortgage-Backed Bonds Issued Pre-Crisis Were Properly Rated

Author(s)	Assistant
Publish Date	2018-04-13
Publish Time	20:55:53

Content: A new study published by the NBER examines the losses suffered by AAA-rated mortgage securities issued in the lead up to the financial crisis. The study finds: “Total cumulated losses [on AAA-rated securities] up to 2013 are under six percent. … The subprime AAA-rated RMBS did particularly well. … [The] returns on AAA RMBS strike us as rather reasonable, and unlikely to have thrown the financial system into the abyss. … Together, these facts call into question the conventional narrative, that improper ratings of RMBS were a major factor in the financial crisis of 2008.” In my 2012 book, Unintended Consequences, I predicted pervasive misunderstandings about the financial crisis would lead to an unnecessarily slow recovery. In the subsection, “Fraudulent Syndication and Credit Ratings,” I argued that ratings were reasonable and that “no serious economist on either the left or the right, except perhaps those eschewing economics to demagogue the public, would argue that anyone could outguess the markets and surely not by enough of a margin to matter.” As evidence, I quoted from the Financial Crisis Inquiry Commission that found “‘by the end of 2009 [only] $320 billion worth of subprime and Alt-A tranches had been materially impaired,’meaning losses were imminent if incurred. The commission adds that ‘most of the triple-A tranches of mortgage-backed securities have avoided actual losses in cash flows through 2010 and may avoid significant realized losses going forward.’” In March of 2014, when a follow-up study on mortgage losses was published, I reported: The public mistakenly believes banks recklessly made no-money-down loans to homeowners, consequently suffered loan losses, and, as a result, needed the government to bail them out. A recent study finds that’s not the case. Nevertheless, the public continues to demand, and has extracted, financial and regulatory retribution from the banks, despite the fact that this slows the recovery. In fact, banks found investors to make down payments on behalf of homeowners and, as a result, largely avoided losses despite a near 30% drop in real estate prices—proof that credit ratings were more accurate than popularly recognized. The new study analyzes 90% of the subprime mortgages (worth $2 trillion) issued between 2004 and 2006—the peak of the subprime frenzy—and finds that the AAA-rated tranches of these mortgage securitizations—the tranches predominantly held by banks—suffered only $1.8 billion of losses as of February 2011. In total, the loss on all A-rate tranches in the study has been less than $50 billion. For comparison, the market value of JP Morgan—one bank—is $220 billion (on 3/10/2014). I argued: In truth, depositors—namely, intuitional investors—overreacted, panicked, ran to the banks, and withdrew their deposits in the face of a 30% drop in real estate prices. Banks were forced to sell assets—loans (IOUs from homeowners)—to fund withdrawals. With everyone selling loans and no one buying, financial assets temporarily fell to fire-sale prices. At those prices, banks could not sell enough assets to fund withdrawals and were rendered insolvent. There is little reason to believe a 30% drop in real estate price wouldn’t have sparked a run on the banks even with conventional 20% homeowner down payments. It’s well known to policymakers, that banking, unlike other parts of the economy, is highly unstable. If depositors panic and demand withdrawals en masse, they discover banks lent out deposits and consequently don’t have enough money to fund all the withdrawals in the short run. Under those circumstances, demand for withdrawals logically cascades to near-100%. No depositor wants to be left holding the bag, so each races the other to the bank. After nearly 80 years without a major run on U.S. banks, everyone was lulled into believing that implicit government guarantees, which stand behind the banking system, had mitigated this risk. In the fall of 2008, they discovered this was not the case. As in the book, I concluded: With a limited capacity to bear risk, the economy has dialed back risk-taking to compensate for the now-recognized risk of bank runs and the impotency of implicit government guarantees to mitigate them. As a result, the economy grows more slowly from a permanently lower base of demand. Risk-averse savings sit unused. Unemployment has risen and incomes have fallen. If we recognized the banks were not rendered insolvent from loan losses, which turned out to be small, but from a run on the banks sparked by a 30% drop in real estate prices that likely would have occurred with conventional 20% down payments, we would be taking steps to mitigate the true problems underlying the anemic recovery rather than blaming banks and demanding retribution. We would be strengthening government guarantees of liquidity and reducing the supply of risk-averse capital. So far we've done neither. In the book, I also cautioned that financial innovation, such as credit default insurance, could magnify shocks because markets were less able to predict how the financial system would react to stress, without historical evidence.

Primary Topic: Blog

Topics: Academic paper,Banking,Blog,Comparisons,Data,Importance,Other Comparison,Source of Info,Theory,Type of Info,Very Important

Permalink: https://www.edwardconard.com/2018/04/13/new-study-finds-mortgage-backed-bonds-issued-pre-crisis-were-properly-rated

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/04/tn_AAA-Bond-Rating-e1547821519740.jpg

Article 115

Title: More Evidence Declining Manufacturing Reduced Lower Skilled Employment

Author(s)	Assistant
Publish Date	2018-04-12
Publish Time	20:50:40

Content: The University of Chicago economist Erik Hurst finds: A 10 percentage point decline in the local manufacturing share [no matter the reason] reduced local employment rates by 3.7 percentage points for prime age men and 2.7 percentage points for prime age women. To put the magnitude in perspective, naively extrapolating the local estimates suggests that between one-third and one-half of the decline in employment rates and annual hours for prime age workers during the 2000s can be attributed to the decline in the manufacturing sector. The declines have been most pronounced among those with lower levels of accumulated schooling. For example, prime age men without a bachelor's degree are working over 200 hours per year less than their counterparts in 2000. Much of this decline is due to individuals who have persistently left the labor market. Given the trends in both capital and skill deepening within this sector, we further conclude that many policies currently being discussed to promote the manufacturing sector will have only a modest labor market impact for less educated individuals. In a recent National Review op-ed, I argued that high real estate prices in America's fastest growing high-wage cities—chiefly San Francisco, Boston and New York—together with an influx of low-skilled immigrants willing to work for low wages after accounting for the cost of living slowed migration to these cites by lower-skilled Americans.

Primary Topic: Blog

Topics: Academic paper,Blog,Comparisons,Historical,Importance,Other Comparison,Source of Info,Theory,Type of Info

Permalink: https://www.edwardconard.com/2018/04/12/more-evidence-declining-manufacturing-reduced-lower-skilled-employment

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_More-Evidence-Declining-Manufacturing-Reduced-Lower-Skilled-Employment.png

Article 116

Title: Ed Conard on Fox & Friends: Why Millions Still Support Trump

Author(s)	Assistant
Publish Date	2018-02-02
Publish Time	9:31:38

Content: Ed Conard joins Brian Kilmeade to discuss his op-ed "What Trump Critics Still Don't Get About Him" on "Fox & Friends." Watch the latest video at foxnews.com

Topics: Blog,Growth,Politics,Videos,Videos Highlights

Permalink: https://www.edwardconard.com/2018/02/02/ed-conard-on-fox-friends-why-millions-support-trumps

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/02/tn_Fox-Friends_EC-1.jpg

Article 117

Title: Read My New Fox News Op-Ed: What Trump Critics Still Don't Get About Him

Author(s)	Assistant
Publish Date	2018-01-31
Publish Time	16:20:50

Content: Edward Conard Fox News January 31, 2018 Democrats wasted no time continuing their nonstop attacks on President Trump after his State of the Union address Tuesday. They insist Donald Trump is the worst president in American history. While President Trump has left himself open to well-deserved criticism, many still don't understand why he was elected and continues to retain the support of millions of Americans. Here's why: President Trump shows concern for blue-collar Americans. Most Americans don't have college degrees and big paychecks. They worry about factories and other businesses leaving the U.S. to take advantage of cheap labor abroad, and see products made in foreign lands flooding our country. At the same time, they find 40 million foreign-born adults and their 20 million native-born adult children competing with them for jobs. They fear these trends hold down their wages. Democrats eager for votes and Republicans eager for low-cost labor have turned a blind eye to the concerns of these Americans. Donald Trump became the first Republican presidential candidate in recent years to win the Rust Belt states of Pennsylvania, Ohio, Michigan, and Wisconsin because he acknowledged the concerns of working men and women and promised to be their champion. Millions of Americans don't see President Trump's concerns over immigration as racist.They recognize the Obama administration squandered one of America's best opportunities to accelerate growth, raise wages, pay for retiring baby boomers, and defend America against its growing adversaries by allowing low-skilled immigration at the expense of high-skilled immigration. They see President Trump as working to protect American jobs; keep out criminals, terrorists and illegal drugs; and strengthen national security. And they see the wall President Trump wants to build along our border with Mexico as a symbol of these common-sense objectives. Democratic economic policies have been very costly. Despite a deep recession greeting him when he took office, President Obama's economic policies yielded the slowest economic recovery since World War II. The Obama administration ignored America's best opportunity for economic growth by failing to issue America's annual allotment of 1 million green cards to admit the highest-skilled immigrants. Productivity grew at an average rate of 2.5 percent annually over the 18 years prior to Democrats asserting unencumbered control over the federal government in 2009 and 2010. Since then, productivity has grown at an average rate of only 0.7 percent per year – a dramatically slower rate. The Congressional Budget Office estimates that difference cost government nearly $5 trillion of lost tax revenues over 10 years. Is it any wonder that the Dow Jones Industrial Average has risen 45 percent from a cyclical high since Republicans won control of the House, Senate and White House? President Trump has the courage of his convictions. He doesn't bow to political correctness and conventional wisdom and stands up for America. He supported GOP Senate candidate Roy Moore in Alabama to strengthen Republican control of the Senate, despite well-deserved criticism of Moore's alleged sexual misconduct. He'll criticize anyone who opposes his vision to Make America Great Again – Democrats, Republicans and the media. President Trump is working to project strength around the globe. He is rebuilding our military. He broke the back of ISIS and drove it out of its strongholds by hitting the terrorists harder than President Obama ever did. He recognized Jerusalem as Israel's capital, threatened to renegotiate the Iran nuclear deal, stood up to North Korea's dictator Kim Jong Un and has insisted on renegotiating America's trade pacts. The president speaks directly and clearly to the American people. Through his use of Twitter and candid and colorful comments to the media, President Trump commands public attention like no other president. He fills TV newscasts and stories on the web, radio and print. Supporters and opponents talk about him every day. Perhaps the president should pick his fights and choose his words more carefully, but he has shown that the notion that a president shouldn't speak directly, succinctly and frequently to the world is preposterous. Still, uncertainties lie ahead for President Trump. What will come of Special Counsel Robert Mueller's investigation of Russian meddling in the 2016 presidential election? Will Democrats succeed in portraying President Trump as being too friendly to Russia? Will Democrats capture control of one or both houses of Congress in the November elections and use their control to block the president's legislative initiatives and possibly move against him with impeachment proceedings? With unemployment down to 4.1 percent in December, wages beginning to rise, lower taxes, the gross domestic product growing faster than it has in the last eight years and the stock market reaching record highs, one might expect President Trump to be more popular outside his base. But traditionally, a president who aggressively divides America, as President Trump has done, does not fare well with the American people in opinion polls and when he seeks re-election. As he begins his second year in office, President Trump should remember that, while identity politics dividing America won him votes in 2016, if he wants to broaden his base he will also need to reach out and show he respects other points of view and help heal the wounds dividing our nation. Edward Conard is an American Enterprise Institute visiting scholar, a former Bain Capital partner, and author of "The Upside of Inequality: How Good Intentions Undermine the Middle Class." http://www.foxnews.com/opinion/2018/01/31/heres-what-trumps-critics-still-dont-get-about-why-was-elected-and-has-support-millions.html

Primary Topic: OpEds

Topics: Blog,OpEds,OpEds Highlights

Permalink: https://www.edwardconard.com/2018/01/31/read-new-fox-op-ed-heres-trumps-critics-still-dont-get-elected-support-millions

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Trump-SOTU-2.jpg

Article 118

Title: Ed on Brian Kilmeade Radio: What Critics Still Don't Get About Trump

Author(s)	Assistant
Publish Date	2018-01-31
Publish Time	9:30:35

Content: Ed joins Brian Kilmeade Radio to discuss his new op-ed “Here’s what Trump’s critics still don’t get about why he was elected and has the support of millions.” https://edwardconard.wistia.com/medias/83eagd2jw8?embedType=iframe&videoFoam=true&videoWidth=640

Primary Topic: Blog

Topics: Blog,Radio,Videos

Permalink: https://www.edwardconard.com/2018/01/31/ed-brian-kilmeade-radio-critics-still-dont-get-trump

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/Ed-on-Kilmeade-Radio-e1547821583334.png

Article 119

Title: Rates of Return Are Low for American Big Pharma

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	20:45:28

Content: The Economist reports that rates of return are low for American pharmaceutical companies: Given the rapid pace of scientific advances in medicine, you might think Big Pharma is in rude health. You would be wrong. Last year consultants at Deloitte estimated that returns on investment among the biggest American drugmakers fell to 3.2% from 10.1% in 2010 (see chart). Many observers blame the rising cost of bringing new drugs to market. It now costs an average of $2bn to develop a new drug, up from $1.2bn in 2010.

Primary Topic: Blog

Topics: Blog,Comparisons,Graph,Historical,Importance,News article,Source of Info,Type of Info

Permalink: https://www.edwardconard.com/2018/01/30/rates-of-return-are-low-for-american-big-pharma

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/Webp.net-resizeimage-9.png

Article 120

Title: NYT Graph Shows GOP Tax and Budget Bills Will Have a Relatively Small Impact on the Deficit

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	20:40:54

Content: A graph in the New York Times shows Republican Tax and Budget bills had a relatively small impact on the budget.

Primary Topic: Blog

Topics: Blog,Comparisons,Graph,Importance,Op-Ed/Blog Post,Other Comparison,Source of Info,Type of Info

Permalink: https://www.edwardconard.com/2018/01/30/nyt-graph-shows-gop-tax-and-budget-bills-will-have-a-relatively-small-impact-on-the-deficit

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/Webp.net-resizeimage-7.png

Article 121

Title: Like the U.S., Rural and Urban European Wages Are No Longer Converging

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	20:35:55

Content: A new study indicates that, like the United States, rural and urban European wages no longer appear to be converging.

Primary Topic: Blog

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2018/01/30/like-the-u-s-rural-and-urban-european-wages-are-no-longer-converging

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/04/tn_Euro-Wages.jpg

Article 122

Title: Read my new National Review op-ed: “Don’t Subsidize Low-Wage Cities”

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	20:30:38

Content: Edward Conard National Review Online April 5, 2018 A new study by Harvard economists Benjamin Austin, Ed Glaeser, and Larry Summers, “Saving the Heartland: Place-Based Policies in 21st Century America,” laments that although wages are far higher in America’s most productive cities than they are elsewhere, Americans have become less likely to move to new regions with better economic opportunities. The authors fear that the country is “evolving into durable islands of wealth and poverty.” They recommend subsidizing low-wage geographies, through welfare spending and infrastructure investment, for example. Unfortunately, their diagnosis ignores the likely role that low-skilled immigration plays in suppressing the wages of low-skilled workers. Nor do their prescriptions address the structural reasons why Americans don’t move to places where they could earn higher wages — high real-estate prices and cost of living in the most productive cities. In addition, their proposals would likely encourage further misallocations of labor to less productive geographies. A better solution relieves housing constraints in the most productive cities while reworking the immigration system to focus on higher-skilled workers. America is undergoing profound economic shifts. “In 1969, Detroit residents had higher incomes than Boston residents, but today Boston residents are 40 percent wealthier,” note Glaeser and Summers. William Galston of the Wall Street Journal reports that “from 2010 to 2016, large cities generated 73% of the nation’s employment gains and two-thirds of its output growth. . . . From 2010 to 2014, just 20 counties accounted for half the new business formation in the entire U.S. . . . Skilled workers earn between two and three times as much in innovation centers as they do in less successful areas.” Berkeley economist Enrico Moretti finds large spillover effects on the wages of lesser-skilled workers living nearby. He reports that “high school graduates living in Stamford, CT or San Jose, CA earn an hourly wage that is two times as large as workers living in Brownsville, TX or McAllen, TX with the same level of schooling.” While wages have always been uneven, wages between the most and the least productive geographies in America had been converging until recently. “America has long tolerated dramatic economic differences across space, partially because people regularly moved from poor places to rich places and capital flowed freely from high wage areas to low wage areas,” argue Austin, Glaser, and Summers. But today, despite growing disparities in the wages of the least and the most productive geographies in America, blue-collar migration to productive blue-state cities has slowed and even reversed. The New York Times finds that “since 2000, the blue-born population in red states has grown by almost a quarter, to 11.5 million, or 12 percent of the states’ total population.” Surely, exorbitantly high real-estate prices in America’s most productive areas and their cascading effects on the cost of living — including cramped living and long commute times — reduce the payoff for migrating to high-wage cities. The new study notes, for example, that “between 1977 and 2017, real housing prices in Detroit were flat, . . . while real housing prices in Boston increased by 165 percent and real housing prices in San Francisco increased by 285 percent.” Studies that account for the cost of living find that median incomes in low-wage states such as Oklahoma, Texas, and even Mississippi are comparable to those in high-cost states such as New York, California, and Massachusetts (although these studies cannot make neighborhood-specific adjustments to account for the fact that real-estate prices are lower in poorer neighborhoods). And a study by Chang-Tai Hsieh and Moretti concludes that real estate has become such a constraint to growth in high-wage cities that 2009’s GDP would have been 8.9 percent higher had we “chang[ed] the housing supply regulation only in New York, San Jose, and San Francisco to that in the median US City.” While it’s clear that the success of high-skilled workers increases the demand for nearby low-skilled labor, this growth can manifest itself as higher employment or higher wages. Where the supply of low-skilled labor has been restricted — by the scarcity of real estate in high-wage cities, for example — growth has increased wages, although landlords have captured much of the gains. If automation, substitution of one good for another, or lower demand from higher prices restrict low-skilled wages, it doesn't appear to be significant. These shifting patterns of migration suggest that workers are self-sorting. Workers with the ability to adapt and thrive in high-wage cities migrate. The rest stay home or move away from these cities. Low-skilled immigration is likely exacerbating this sorting. Low-skilled immigrants, chiefly Hispanic immigrants, have migrated to high-wage U.S. cities despite earning low wages after accounting for the high cost of urban living. An accumulation of low-skilled immigrants willing to accept lower cost-of-living-adjusted wages may be gradually reducing low-skilled migration to high-wage cities within the U.S. With U.S. manufacturing employment — the chief source of "tradable" goods that low-skilled workers can produce and ship afar — having fallen to 8 percent of the U. S. workforce, low-skilled workers who are shut out of high-wage/high-cost cites are increasingly left to provide non-tradable services to each other. Without the benefit of the most productive workers pushing up demand for low-skilled labor, this surely reduces their wages and slows its growth. No surprise, "these developments have reverberated through our politics. In the 2000 election, . . . George W. Bush carried 2,397 counties with 46% of our GDP. In 2016, . . . Donald Trump's 2,584 counties accounted for only 36%," concludes Galston. Subsidizing low-wage geographies fails to address these problems. A better solution would be to shift our immigration policy toward high-skilled workers and relieve housing constraints in the most productive cities. Read More on National Review Online: "Don't Subsidize Low-Wage Cities"

Primary Topic: Blog

Topics: Blog,OpEds

Permalink: https://www.edwardconard.com/2018/01/30/read-my-new-national-review-op-ed-dont-subsidize-low-wage-cities

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/04/tn_Ed-Conard-NRO-.jpg

Article 123

Title: CBO Finds Median Household Income Has Grown 51% Between 1979 and 2014

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	20:25:32

Content: The Economist reports, “the average American is much better off now than four decades ago,” and provides useful comparison of the U.S. Census’ and the CBO’s March 2018 estimate of U.S. household income growth between 1979 and 2014. The CBO finds after-tax median household income grew 51% between 1979 and 2014 to $73,200—far higher than the flat growth reported by the Census. Unlike the Census, the CBO’s income estimate includes taxes, non-taxable income such as pension and healthcare benefits, and government transfers such as social security. It adjusts for household size, which is declining over time. It recognizes that the Census method of self-reporting grossly understates benefits. And, like all serious research, the CBO deflates income using the Personal Consumption Expenditure Index (PCE) rather than the Consumer Price Index (CPI). The PCE—a broader measure of expenditures—is updated quarterly, unlike the CPI, which is updated every two years. More frequent updates better gauge the impact of technological change on costs and inflation.

Topics: Blog,Inequality

Permalink: https://www.edwardconard.com/2018/01/30/cbo-finds-median-household-income-has-grown-51-between-1979-and-2014

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Economist-fixer-upper.png

Article 124

Title: Robust Private Placement Market Defeats Argument that Stock Buybacks Don't Fund Investment

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	20:25:23

Content: The WSJ provides evidence that private placements are large enough to support Justin Wolfers (on the left) and John Cochrane's (on the right) argument that stock buybacks are not an indication that low corporate taxes are not motivating increased investment. Stock buybacks fund private placements. "An analysis by The Wall Street Journal found [private capital markets] have more than doubled in size over the past decade, surpassing the growth of public stocks and bonds available to all investors. … At least $2.4 trillion was raised privately in the U.S. last year. That widened a gap that emerged in 2011 with the public markets, which raised $2.1 trillion, according to the Journal's analysis of tens of thousands of securities filings and data provider Dealogic. '[Private placements are] fueling entrepreneurship,' because 'companies have lots of options to access capital,' said Jacqueline Kelley, head of the Americas IPO Markets practice at accounting firm Ernst & Young LLC. … The number of U.S. unicorns tripled over four years, to 105 in February from 31 in 2014, according to a Journal tracker. … The fast-growing market has made it easier for smaller and medium-size companies to get loans."

Primary Topic: Blog

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2018/01/30/robust-private-placement-market-defeats-argument-that-stock-buybacks-dont-fund-investment

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/04/tn_Capital-Raised-by-US-Companies-.jpeg

Article 125

Title: Bill Gates on the Difficulty of Improving Education

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	20:15:10

Content: Bill Gates on education from his March 15, 2018 Politico Interview: "When we started the [Bill & Melinda Gates] Foundation, I thought global health would be the hard thing ... and we'd have some really quick wins in U.S education, maybe move the math scores up 5%, maybe move the reading scores up 10%. ... It's been the opposite. That's not to say ... where we've gotten involved—whether it's a public school or charter—great things have[n't] happened. But when it comes to taking that and scaling it up and getting other schools to adopt it, or even [in] the school that we're in … three years after we've been there, [the issue has been:] does it persist or does that mentoring program or teacher collaboration program … go away? We feel good about the direct intervention but … if you want to move the macro statics, you have to figure out not only good ideas that work, but good ideas that get massive adoption and there the field, including ourselves, does not have … huge success." I analyze the ability to improve education significantly in the chapter “Limits to Education” in my book the Upside of Inequality: How Good Intentions Undermine the Middle Class (pages 217-242) and the difficulty of scaling programs that help those less fortunate (page 212), in an economy, like America’s, that is constrained by properly trained talent—a core argument of the book.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/bill-gates-on-the-difficulty-of-improving-education

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/04/tn_Bill-Gates-CSPAN.jpg

Article 126

Title: Genetic Study Finds Selective Grade Schools Produce Minimal Educational Improvements

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	20:10:59

Content: A highly publicized study published in Nature on the impact of schooling on students after adjusting for genetically heritable traits finds: “There are … substantial mean differences in [the] performance between pupils in selective and non-selective school types. However, almost all of these differences are explained by heritable, individual-level factors, which schools actively or passively use in the pupil selection process.” The study concludes: “We are not saying schools are unimportant, or that teaching does not work. Without schools, it is hard to imagine a successful education system that allows children to reach their academic potential. However, while schools themselves are important for academic achievement, the type of school appears less so.” Perhaps non-selective schools also sort students.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/genetic-study-finds-selective-grade-schools-produce-minimal-educational-improvements

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/04/tn_Clasroom.jpg

Article 127

Title: Growing Fiscal Deficits Portend Increasing Trade Deficits

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	20:05:44

Content: Noting the growing trade deficit in non-petroleum goods and services, the WSJ's Josh Zumbrun wisely reminds us that, with a glut of offshore savings, trade deficits are a byproduct of growing fiscal deficit--a point few people surprisingly seem to understand: “One major reason the U.S. didn’t shrink its trade deficit was simultaneous fiscal deficits. When government borrowing rises, it needs money from somewhere. Consumers could dramatically ramp up their saving and purchase Treasurys—which would dent consumption—but in practice did not. That leaves foreign nations with financial surpluses as the biggest source of funds buying up U.S. debt—nations that save a lot [are able to] export more [goods and services] than they import. Large tax cuts and spending increases enacted by Congress and the Trump administration are poised to push fiscal deficits above $1 trillion in coming years. That implies trade deficits will grow.”

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/growing-fiscal-deficits-portend-increasing-trade-deficits

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/03/tn_Growing-Fiscal-Deficits-Portend-Increasing-Trade-Deficits-1.png

Article 128

Title: New Study Claims IQ Predicts Job Performance

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	20:00:05

Content: A new study claims IQ measurements predict two thirds of job performance—both pay and output. While measures of EQ are inherently less precise, EQ seems to predict another 10 to 15%. The study averages pay across gender and race, so these variables were not included in the study.

Primary Topic: Productivity

Topics: Blog,Productivity

Permalink: https://www.edwardconard.com/2018/01/30/new-study-claims-iq-predicts-job-performance

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/03/tn_IQ-Predicts-Job-Performance.jpg

Article 129

Title: Long Delays in the Implementation of Innovation

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	19:55:35

Content: AEI's Jim Pethokoukis summarizes empirical evidence from McKinsey, MIT's Erik Brynjolfsson et al., and Capital Economics showing multi-decade-long delays in the full implementation of innovations. McKinsey reminds us that "changing organizations is hard work, and rising competitive pressure … was a key catalyst for change in those industries that saw the biggest jumps in productivity." Today's slow productivity growth likely stems from: A slowing of the initial rapid adoption of the internet Surplus labor, increased uncertainty, and reduced investment during the recession Increased regulation in the aftermath of the 2008 to 2010 Democratic control of the government Constraints in the supply of properly trained talent A tighter supply of labor, the gradually training of talent, and a slowing pace of increased regulations, together with the gradual implementation of IT-related innovations—the first wave of artificial intelligence, for example—may portend higher productivity to come. Source: "Solving the Productivity Puzzle: The Role of Demand and The Promise of Digitization," McKinsey Global Institute.

Primary Topic: Blog

Topics: Blog,Productivity

Permalink: https://www.edwardconard.com/2018/01/30/long-delays-implementation-innovation

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Long-Delays-in-the-Implementation-of-Innovation.png

Article 130

Title: Broader Skill Set Reduces Share of Women Pursuing STEM

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	19:54:16

Content: According to the WSJ, a new study in the journal of Psychological Science using PISA data on a half million students from 67 countries finds: “Girls were at least as strong in science and math as boys in 60% of the PISA countries. … But when they examined individual students’ strengths more closely, they found that the girls, though successful in STEM, had even higher scores in reading [whereas] … the boys’ strengths were more likely to be in STEM areas. ... If boys chose careers based on their own strengths ... they would be most likely to land in a STEM discipline. Girls could choose more widely, based on their own strengths. Based on how female students did in math and science in high school, the researchers predicted that at least 41% of girls would pursue a college STEM degree. This was indeed what they found ... but only in countries with relatively weak legal protections for women. ... Conversely, nations with the strongest protections for women and the most dependable social safety nets ... had the fewest female STEM graduates, about 20% overall. … Wendy Williams, founder and director of the Cornell Institute for Women in Science [argued] ... ‘if girls expect they can ‘live a good life’ while working in the arts, health or sciences, then girls choose to pursue what they are best at ... However, if the environment offers limited options, and the best ones are in STEM, girls focus there. The study puts the American STEM graduation rate at 24%.”

Primary Topic: Blog

Topics: Blog,Productivity

Permalink: https://www.edwardconard.com/2018/01/30/broader-skill-set-reduces-share-women-pursuing-stem

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Women-Pursuing-STEM.png

Article 131

Title: Some Workers Seek Employers Who Will Push Them Harder

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	19:52:49

Content: The Economist reports on an interesting study about parenting and workforce supervision: "Textbook economics suggests … that in a competitive labour market any attempt to coerce people into working harder than they want will fail, since workers can simply switch jobs. Studies of factory work paint a more complicated picture, however. People … struggle with self-control and do not work as hard as they wish they would. They consequently choose to work for firms that use disciplinary measures to push them. During industrialisation, workers ‘effectively hired capitalists to make them work harder,’ says Gregory Clark of the University of California, Davis, in a seminal paper on the subject. [A recent study] ran a 13-month experiment using data-entry workers, who were paid according to the amount of work successfully completed. ... When workers were offered contracts that penalised them for failing to hit performance targets, those who struggled to stay on-task disproportionately accepted, and achieved big gains in output and pay as a result."

Primary Topic: Blog

Topics: Blog,Productivity

Permalink: https://www.edwardconard.com/2018/01/30/workers-seek-employers-will-push-harder-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Economist-Some-Workers-Seek-Employers-Who.jpg

Article 132

Title: Higher Taxes Reduce Work Effort

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	19:50:32

Content: In today's WSJ, Stanford's Ed Lazear argues that higher taxes reduce work effort. I argue that lower payoffs for risk-taking also reduce risk-taking, which gradually slows growth. Risk-taking produces innovation, like Google and Facebook. Cutting-edge companies, like Google and Facebook, give workers more valuable on-the-job training and a richer set of investment opportunities than they can find elsewhere, which make these workers more productive. Experts also coalesce into synergistic communities, like Silicon Valley, that increases their productivity. Their knowledge spills over to the rest of the economy and makes it more productive. This positive feedback loops gradually raises the risk-adjusted payoffs for risk-taking, which, in turn, increases risk-taking and work effort. The U.S., for example, has produced $411 billion of unicorns—privately held startups valued at over $1 billion—8 times more than Europe. These magnifying effects accumulate gradually over decades. It takes a long time to build the institutions and train the workforce needed for faster productivity growth.

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/higher-taxes-reduce-work-effort

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/02/tn_WSJ_A-Burden-on-Industry.png

Article 133

Title: Public School Improvement Programs Not as Effective as They Seem

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	19:45:38

Content: According to AEI scholar Nat Malkus, evidence from a new District of Columbia Public Schools report indicates public school improvement programs may not be as effective as they seem. A third of DCPS 2017 graduates received diplomas in violation of district policy: 15% received credits through “credit-recovery” — abridged, easier-to-pass make-up classes for students who failed a course—even though the graduates never took the original required courses 1 in 5 [students] had excessive absences, with 1 in 10 missing at least half the school year DCPS’ absence problems progressively worsened over at least 3 years Suspicious late grade changes, typically altering failing grades to passing, were another issue; there were over 4,000 in one school A 2017 Washington Teachers Union survey found that 6 in 10 DCPS high-school teachers reported school leaders “pressured” them into passing failing students, and 55% believed their school’s graduation rate was inaccurate. Malkus also reports: New York City liberally used credit-recovery courses to push its graduation rate up 24 points from 2005 to 2015. Los Angeles used them to raise its projected graduation rate from 52% to 82% in just three months.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/public-school-improvement-programs-not-effective-seem

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/02/tn_graduation-fraud.jpg

Article 134

Title: High-Skilled Immigration Only Viable Way to Finance Rising Entitlement Spending

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	19:40:38

Content: Stanford Hoover Institute's John Cogan shows that rising entitlement spending is the chief reason for runaway federal spending. His graph doesn't show federal taxation, which has hovered around 17% of GDP since the end of the WWII and where it is expected land after the recent tax cut. By claiming only punishingly higher debt or taxes relative to GDP can finance growing entitlements, Cogan overlooks America's only realistic antidote for growing entitlements—high-skilled immigration. My recently published WSJ op-ed lays out the case for high-skilled immigration as the only viable solution for financing growing entitlement spending. Tellingly, Cogan's op-ed is juxtaposed next to Senators Inhofe and Whitehouse's plea for increased infrastructure spending, which, as is typical of propaganda, mistakenly makes the case for increased spending without regard for the opportunity cost of reduced spending elsewhere, whether in the public sector or the private. It's easy to agree on increased infrastructure spending if one ignores the cost. It's near impossible to reach agreement when we must either trade one form of government spending for another—e.g., infrastructure sending instead of entitlement spending—or take resources from the far more productive private sector.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/9881-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/02/tn_Where-the-Money-Goes.png

Article 135

Title: Government Infrastructure Spending Is Expensive and Inefficient

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	19:30:35

Content: As Congress and President Trump debate the size and merits of an infrastructure spending bill, they should consider recent examples of how the selection and administration of government infrastructure projects are fraught with expensive inefficiencies. In my book, The Upside of Inequality (pp. 145-148), I point to a study of 126 countries by the International Monetary Fund (IMF) that found: “[There is] no robust evidence that…[public] investment booms exerted a long-term positive impact on the level of GDP.” The study cautions: “This paper…is not about whether in theory public investment…could accelerate growth…but rather whether in practice, with real governments deciding how to spend the funds and implementing investments, they have in fact accelerated growth.” I argue: “Free enterprise shows us how hard it is to find good investments and how many investment ideas prove unworthy. Rather than taking the difficulty of finding sound investments and the inefficiency of the political process into consideration, advocates for expanding public investment look past these difficulties and inefficiencies by pointing exclusively to specific investment opportunities with theoretically high returns. This selective focus on success alone assumes infrastructure investments will boost productivity on average despite real world experience to the contrary.” “Moreover, we already invest extensively in infrastructure—on par with other advanced economies. So increased investment is at the margin—after we have already funded high priority projects—where the returns to additional investments are lower. It’s true additional private investment is also at the margin, but the private sector is more likely to both reject unprofitable investments and cut off funding much sooner.” “No surprise, Japan, boosted infrastructure spending from 4.5% of GDP to over 6% in 1990 and held spending at that high level for a decade with no appreciable gains in productivity. Spain’s boom in infrastructure spending in the lead-up to the financial crisis left it with raft of unused airports and other white elephants.” Propaganda for increased infrastructure spending typically employs three false tactics: It points to high theoretical returns rather than much lower real-world returns. It points to aging infrastructure that is already in the queue for financing. It ignores the opportunity cost of trading one form of spending for another—reduced entitlement spending for increased infrastructure spending or taxing the more productive private sector to fund increased public sector spending. The New York Times provides anecdotal evidence that supports these conclusions. It reports: “At least 150 [subway] projects have been initiated [worldwide] since 1990, according to a recent study by Yale University. The approximate average cost of the projects — both in the U.S. and abroad — has been less than $500 million per track mile, the study concluded. ‘There was one glaring exception…New York.’ The estimated cost of the Long Island Rail Road project…has ballooned to $12 billion, or nearly $3.5 billion for each new mile of track — seven times the average elsewhere in the world. The recently completed Second Avenue subway on Manhattan’s Upper East Side and the 2015 extension of the No. 7 line to Hudson Yards also cost…$2.5 billion and $1.5 billion per mile, respectively. [NYC’s] density is the norm in cities where subway projects occur. Regulations are similar everywhere. All projects use the same equipment at the same prices. Land and other types of construction do not cost dramatically more in New York. Insurance costs more but is only a fraction of the budget. The M.T.A.’s stations have not been bigger (nor deeper) than is typical. In some ways, M.T.A. projects have been easier than work elsewhere. East Side Access uses an existing tunnel for nearly half its route. The hard rock under the city also is easy to blast through, and workers do not encounter ancient sites that need to be protected. [Paris’s]Line 14 extension, is similar to the Second Avenue subway. Both projects extend decades-old lines. Both involved digging through moderately hard soil….Both used tunnel-boring machines made by Herrenknecht. Both faced strict regulations, high density and demands from neighbors, which limited some construction to 12 hours per day. But while the Second Avenue Subway cost $2.5 billion a mile, the

Line 14 extension is on track to cost $450 million a mile. In Paris, which has famously powerful unions, the review found the lower costs were the result of efficient staffing, fierce vendor competition and scant use of consultants." The New York Times "found that a host of factors have contributed to the transit authority's exorbitant capital costs: Politicians have diverted money from the transit authority and saddled it with debt. Nearly 17 percent of its budget now goes to pay down debt. Public officials have stood by as a small group of politically connected labor unions, construction companies and consulting firms have amassed large profits. Construction companies…have increased their projected costs by up to 50 percent when bidding for work from the M.T.A. Worker wages and labor conditions are determined through negotiations between the unions and the companies, none of whom have any incentive to control costs. The resulting agreements apply to all companies, preventing contractors from lowering their bids by proposing less generous wages or work rules. Construction companies…earn a percentage of the project's costs as profit, so the higher the cost, the bigger their profit. Trade unions…have secured deals requiring underground construction work to be staffed by as many as four times more laborers than elsewhere in the world. Consulting firms…have persuaded the authority to spend an unusual amount on design and management. On average, 'soft costs' — preliminary design and engineering, plus management while construction is underway — make up about 20 percent of the cost of transit projects in America, according to a 2010 report by the Transportation Research Board. The average is similar in other countries, contractors said. … The latest federal oversight report for the Second Avenue subway projected soft cost spending at…one-third of the budget." The Wall Street Journal reports Germany also experiences cost overruns with its government infrastructure projects: "A litany of bungled infrastructure projects has tarred Germany's reputation for engineering prowess. There is still no opening date for Berlin's new €6 billion ($7.2 billion) airport, which is already 10 years behind schedule, and the redesign of Stuttgart's railway station remains stalled more than a decade after work on the project started." Don't be persuaded by mythical returns!

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/9857-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/02/tn_NYC-Subway.jpg

Article 136

Title: The Value of Debate Over Ideology

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	19:25:47

Content: In a recent speech reprinted in the Wall Street Journal, University of Pennsylvania law school professor Amy Wax discusses the importance of “logic, evidence, facts and substantive arguments” when debating public policy: The proper response [to opposing opinions is] to engage in reasoned debate—to attempt to explain, using logic, evidence, facts and substantive arguments, why those opinions are wrong. This kind of civil discourse is obviously important at law schools like mine…. But academic institutions in general should also be places where people are free to think and reason about important questions…. In debating others, we should have higher standards. Of course, one has the right to hurl labels like “racist,” “sexist” and “xenophobic”—but that doesn’t make it the right thing to do. Hurling such labels doesn’t enlighten, inform, edify or educate. Indeed, it undermines these goals by discouraging or stifling dissent. Democracy thrives on talk and debate, and it is not for the faint of heart. Offense and upset go with the territory; they are part and parcel of an open society.... It is also always possible that people we disagree with have something to offer, something to contribute, something to teach us. We ignore this at our peril. The American way is to conduct free and open debate in a civil manner.

Primary Topic: Blog

Topics: Blog,College

Permalink: https://www.edwardconard.com/2018/01/30/value-debate-ideology

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/02/tn_U-Penn.jpg

Article 137

Title: More Evidence that Workforce Participation, and Not Unemployment, Drives Wage Gains

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	19:20:46

Content: More evidence that workforce participation, and not unemployment, drives wage gains: The Economist reports: In a recent working paper, Danny Yagan of the University of California, Berkeley, compares places where unemployment rose a lot during the recession, such as Phoenix, in Arizona, to those where the increase was less severe, such as San Antonio, in Texas. He finds that for every one percentage-point rise in local unemployment during the recession, working-age people were 0.4 percentage points less likely to be employed in 2015. Unemployment rates in these places have largely converged again, whereas overall employment rates have not, suggesting that some workers were so deterred that they left the labour force altogether. … Since late 2015, as the labour market has tightened, participation among prime-age workers has risen sharply. In April 2000 nearly 82% of Americans aged between 25 and 54 had jobs. Today, despite low unemployment, the proportion is 79%. The difference represents about 3.7m potential workers. The Economist cautions that “higher wages need not mean higher prices.” Rising wages should encourage firms to invest more in labour-saving technology. There are signs already that productivity is rebounding. In every quarter of 2017 it was more than 1% higher than a year before, the first such sustained growth since 2010. Apart from higher productivity, one way the economy might absorb higher pay is if firms’ profit margins shrink. Over recent decades, corporate profits have risen to record highs as a percentage of GDP. Meanwhile the share of national income flowing to workers has declined. A hot labour market might reverse those trends. Lower profits can be bad for the stock market, but they are good for workers. Poorer households are especially likely to benefit. … Since 2016 weekly wage growth has been strongest towards the bottom of the income distribution. https://www.economist.com/news/united-states/21736554-threat-inflation-less-worrying-some-investors-think-what-will-result

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/evidence-workforce-participation-not-unemployment-drives-wage-gains

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/02/tn_Economist_workforce-participation.png

Article 138

Title: Returns to College Are Poor for Marginal Students

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	19:10:09

Content: The Economist finds 26.5m workers in America—two-thirds of those with degrees—are doing work that was mostly done by non-graduates a half-century ago. The Economist Reports: In the OECD… 43% of 25- to 34-year-olds…have degrees. In America…48%. Since 1990 fees for American students who do not get scholarships…have risen twice as fast as overall inflation. Comparisons between countries provide little evidence … that sending more young people to university will boost economic growth and social mobility. Research by the New York Federal Reserve shows that the return on investment in higher education soared between 1980 and 2000 in America, before levelling off at around 15% a year. What fewer realise is that the graduate premium overstates the financial benefit…if their school grades barely qualify them for entry, no matter what they study. … In America 40% of college students fail to graduate with four-year degrees within six years of enrolling. … Including dropouts when calculating the returns … Bryan Caplan of George Mason University [link to my prior post] argues that … the return on a four-year degree in America ranges from 6.5% for excellent students to just 1% for the weakest ones. As degrees have become more common, their importance as signalling devices is rising. … Degrees are in part… a "positional good" that benefits one person at the expense of another. … A complete calculation would include not just gains to graduates, but losses to non-graduates. The Economist [finds] 26.5m workers in America—two-thirds of those with degrees—are doing work that was mostly done by non-graduates a half-century ago. … We find only a weak link between higher shares of graduates in an occupation and higher salaries. Andreas Schleicher, the head of education research at the OECD, reckons that "countries have skills shortages, not degree shortages." These findings are consistent with the arguments I make in my book The Upside of Inequality about the true costs and benefits of tertiary education and the shortage of properly trained talent despite an increase in the share of college degrees (pages 169-174). Similar arguments are made by George Mason economist Bryan Caplan, which you can read here.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/returns-to-college-are-poor-for-marginal-students

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/02/tn_SWOT-teams.png

Article 139

Title: Wage Growth in Line with Prime Age Employment Rate

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	19:05:20

Content: The New York Times reports on analysis from Moody's economist Adam Ozimek showing that wage growth is more closely correlated to the workforce participation rate of prime working age adults (25 to 54 years old) than the unemployment rate. This indicates the true unemployment rate is higher than it appears to be. A drop to unusually low workforce participation in the wake of the recession and the slowest economic recovery since WWII seems to represent unemployed workers who have given up searching for work but who would accept work at wages near the current wage rate if given the opportunity to work.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/wage-growth-line-prime-age-employment-rate-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_NYT_Maybe-Its-Normal-chart.png

Article 140

Title: Calvin Coolidge: Determination, Not Genius, Drives Innovation

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	19:00:36

Content: A quote from Calvin Coolidge in the WSJ reminded me that lone geniuses unmotivated by money do not drive innovation (see The Upside of Inequality, pp. 67-70): “Nothing in this world can take the place of persistence. Talent will not: nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not: the world is full of educated derelicts. Persistence and determination alone are omnipotent.” Success bubbles up from a large pool of failure. Armies of implementers—who work hard for money, like everyone else—commercialize good ideas. Risk-takers—including workers who forego pay for equity—fund those armies. The recent explosion of risky microchip startups in the wake of AI provides evidence that disputes the politically motivated “lone genius” argument.

Primary Topic: Productivity

Topics: Blog,Productivity

Permalink: https://www.edwardconard.com/2018/01/30/calvin-coolidge-determination-not-genius-drives-innovation

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Coolidge-quote-copy-2.png

Article 141

Title: NBER Paper Disputes Opioid Addiction Link to Economic Despair

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	18:55:05

Content: A new NBER paper disputes that opioid addiction has risen because of economic despair. Instead, the study finds: "Counties experiencing relative economic decline did experience higher growth in drug mortality than those with more robust growth, but the relationship is weak and mostly explained by confounding factors. In the preferred estimates, changes in economic conditions account for less than one-tenth of the rise in drug and opioid-involved mortality rates. The contribution of economic factors is even less when accounting for plausible selection on unobservables, with even a small amount of remaining confounding factors being sufficient to entirely eliminate the relationship. These results suggest that the "deaths of despair" framing, while provocative, is unlikely to explain the main sources of the fatal drug epidemic." http://www.nber.org/papers/w24188

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/nebr-paper-disputes-opioid-addiction-link-economic-despair

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/02/tn_Opiod-Epidemic-copy-2.jpg

Article 142

Title: New Study Finds Divorce Could Be Genetic

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	18:53:25

Content: A new study of adopted children finds that the propensity to divorce may be partly genetic rather than a learned behavior. The study found: "Children were 20% more likely to divorce if their biological parents had divorced than if those parents had stayed together, but no more (and no less) likely to do so if their adoptive parents had split up." https://www.economist.com/news/science-and-technology/21736124-according-study-adopted-children-genes-play-role-likelihood

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/new-study-finds-divorce-genetic

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/02/tn_New-Study-Finds-Divorce-Could-Be-Genetic-2.jpg

Article 143

Title: U.S. Housing More Affordable Even as Size of Homes Has Grown

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	18:50:07

Content: AEI's Mark Perry observes that over the last 20 years, housing has grown 25% more affordable despite growing 20% larger. Affordability is measured by the income needed to qualify for a conventional fixed-rate mortgage (with 20% down payment) for a median home.

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/u-s-housing-more-affordable-even-as-size-of-homes-has-grown

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/02/tn_Mark-Perry_US-housing-growth-2.png

Article 144

Title: Rising Prosperity Shrinks Middle Class

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	18:45:18

Content: AEI's Mark Perry highlights the same dynamic I identified in the Upside of Inequality (pp.157-161): the middle class is "shrinking" because more families are moving into higher income brackets. http://www.aei.org/publication/yes-the-us-middle-class-is-shrinking-but-its-because-americans-are-moving-up-and-no-americans-are-not-struggling-to-afford-a-home

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/rising-prosperity-shrinks-middle-class

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/02/tn_Mark-Perry_middle-class.png

Article 145

Title: Why a 3rd Party May Make Politics More Extreme

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	18:43:13

Content: My friend Juleanna Glover had a thoughtful piece in the New York Times today asking if “Republicans Are Ready to Join a Third Party?” I don’t agree with her conclusion. My concerns are twofold. I fear a third party might help elect Democrats, perhaps one as liberal as Bernie Sanders or Elizabeth Warren. I recognize that some Republicans have concerns about President Trump that may cause them to prefer a Democratic president. And the economy certainly isn’t the only thing that matters. But Democratic control of the government costs America a fortune in my opinion. The Obama Administration’s economic policies yielded the slowest recovery since World War II. Productivity grew 2.5% in the 25 years prior to Democrats asserting unencumbered control over the government in 2009 and 2010. Since then, productivity has grown only 0.7% per year. Is it any wonder that the Dow Jones Industrial Average has risen 45% from a cyclical high since Republicans won unencumbered control of the government? More importantly, while one may prefer more moderate Republican candidates, those candidates open the door to far right primary victories. To avoid that, moderate Republicans need candidates who are conservative enough to prevent far right candidates from winning Republican primaries. I believe third party-like candidates are too moderate to accomplish that objective. Frankly, I fear third party-like candidates pushing Republicans further to the right and opening the door for a dominant Democratic Party that could win, even with candidates like Bernie Sanders or Elizabeth Warren. Instead, I believe Republicans might improve their chances of winning by acknowledging the concerns of the Trump wing of the party who decided the last election—independent voters in Pennsylvania, Ohio, Michigan, and Wisconsin with reason to be concerned that the costs and benefits of trade and low-skilled immigration are not evenly distributed.

Primary Topic: Blog

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2018/01/30/3rd-party-may-make-politics-extreme

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Dems-and-GOP.jpg

Article 146

Title: Short- and Long-term Inflation Expectations Rise to 2.1%

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	16:26:17

Content: According to the Wall Street Journal, the expected inflation rate has risen from 1.8% to 2.1% since the middle of 2017, with short-term inflation expectations finally catching up to long-term expectations. https://www.wsj.com/articles/the-highest-yielding-treasury-bond-isnt-declining-like-its-peers-1517230800

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/short-long-term-inflation-expectations-rise-2-1

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Short-and-Long-Term-Inflation.jpg

Article 147

Title: Higher Payoffs Drive Explosion of Risky Microchip Startups

Author(s)	Assistant
Publish Date	2018-01-30
Publish Time	10:24:23

Content: If/when success emerges, proponents of income redistribution will claim that geniuses produce innovation for the love of science without regard for higher payoffs for risk-taking. And, sadly, they'll believe it too! The New York Times' Cade Metz writes: “How on earth could a start-up compete with a goliath like Intel, which made the chips that ran more than 80 percent of the world’s personal computers? Even in the areas where Intel didn’t dominate, like smartphones and gaming devices, there were companies like Qualcomm and Nvidia that could squash an upstart.” “But then came the tech industry’s latest big thing — artificial intelligence. A.I., it turned out, works better with new kinds of computer chips. Suddenly, venture capitalists forgot all those forbidding roadblocks to success for a young chip company. “Today, at least 45 start-ups are working on chips that can power tasks like speech and self-driving cars, and at least five of them have raised more than $100 million from investors. Venture capitalists invested more than $1.5 billion in chip start-ups last year, nearly doubling the investments made two years ago, according to the research firm CB Insights.” Read the article here.

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/30/ai-driving-explosion-risky-microchip-startups

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_microchip.jpg

Article 148

Title: Large Differences in the Priorities of Republicans and Democrats

Author(s)	Assistant
Publish Date	2018-01-29
Publish Time	16:55:45

Content: Pew finds large differences in the priorities of Republicans and Democrats. As the economy has improved, the importance of the economy, jobs, and the budget deficit have declined significantly but nevertheless remain top priorities. http://www.people-press.org/2018/1/25/economic-issues-decline-amont-publics-policy-priorities/

Primary Topic: Blog

Topics: Blog,Growth,Politics

Permalink: https://www.edwardconard.com/2018/01/29/9649-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Partisans-Pew.jpg

Article 149

Title: A Fascinating Proposal From AEI to Fund Family Leave

Author(s)	Assistant
Publish Date	2018-01-26
Publish Time	14:31:02

Content: AEI's Andrew Biggs offers a fascinating proposal to fund family leave that avoids reducing women's wages. He writes: "The U.S. is the only industrialized nation without a law guaranteeing workers paid parental leave. The idea has broad public support, but how to pay for it? One idea is to mandate that employers fund it, but economists find employers offset the cost by reducing wages for female employees." "Our proposal is simple: Offer new parents the opportunity to collect early security benefits for…12 weeks after the arrival of their child. To offset the cost, parents would…delay collecting Social Security retirement benefits…six weeks. An average woman…enters the workforce at 21…has her first child at 26 [and earns] about $31,100. Using the same formula used to calculate Social Security disability benefits, she would be eligible for a….parental-leave benefit of $1,175 a month, equal to 45% of her earnings. That amount is comparable to the paid leave provided by many other countries. … To make the Social Security program financially whole, a parent who claimed 12 weeks of benefits would need to delay claiming retirement benefits by only around six weeks…because parental-leave benefits claimed early in life would be low relative to retirement benefits claimed later, as earnings typically rise considerably from one's 20s to one's early 60s." https://www.wsj.com/articles/a-simple-plan-for-parental-leave-1516836442

Primary Topic: Blog

Topics: Blog,Inequality

Permalink: https://www.edwardconard.com/2018/01/26/a-fascinating-proposal-to-fund-family-leave

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_mom-at-work-w-child.jpg

Article 150

Title: “Conflict Commands Attention. And Attention Equals Influence.”

Author(s)	Assistant
Publish Date	2018-01-25
Publish Time	16:58:20

Content: "Conflict commands attention. And attention equals influence." Nancy Gibbs, editorial director of Time, describing Donald Trump in her 11/18/17 Time Magazine essay “How America Became So Divided,” adapted from her 2017 Theodore H. White Lecture at Harvard on 11/15/17.

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2018/01/25/conflict-commands-attention-attention-equals-influence

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_Red-Time-Magazine.png

Article 151

Title: Discussing Trump's Upcoming SOTU Address on Bloomberg TV's "Daybreak"

Author(s)	Assistant
Publish Date	2018-01-25
Publish Time	9:38:46

Content: Ed Conard discusses President Trump's upcoming first State of the Union address with Betty Liu and Haidi Lun on Bloomberg TV's "Daybreak Australia"

Topics: Blog,Politics,Videos

Permalink: https://www.edwardconard.com/2018/01/25/9672-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Bloomberg-Daybreak_Ed-Conard.jpg

Article 152

Title: Upside of Inequality Highlights

Author(s)	Assistant
Publish Date	2018-01-25
Publish Time	9:37:03

Content: The Upside of Inequality highlights:

Topics: Blog,The Upside of Inequality,Videos,Videos Highlights

Permalink: https://www.edwardconard.com/2018/01/25/upside-inequality-highlights

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/12/msnbc_conard500.png

Article 153

Title: Bundesbank Cites Immigration as Reason for Slow German Wage Growth

Author(s)	Assistant
Publish Date	2018-01-24
Publish Time	14:59:50

Content: As in the United States, immigration is slowing wage growth in Germany. “Bundesbank research suggests that migration from other EU member states partially accounts for dampened wage pressures in Germany," according to Jens Weidmann, the president of the Bundesbank. https://www.ft.com/content/cebc81bd-0f3b-39ee-b099-85a6c1a9e5fd

Primary Topic: Blog

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2018/01/24/immigration-cited-reason-slow-german-wage-growth

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_German-economy.jpg

Article 154

Title: Productivity Growth Fell Sharply After Democrats Asserted Unencumbered Control Over the Government

Author(s)	Assistant
Publish Date	2018-01-23
Publish Time	17:30:50

Content: Democrats blame workforce demographics for the slow recovery, but productivity growth fell sharply to 0.7% per year after Democrat's asserted unencumbered control over the government down from 2.5% per year over the prior 25 years. The CBO estimates that each 0.1% increase in productivity growth decreases the deficit by $273 billion after 10 years. https://www.cbo.gov/publication/52524

Primary Topic: Growth

Topics: Blog,Growth,Productivity

Permalink: https://www.edwardconard.com/2018/01/23/productivity-growth-fell-sharply-democrats-asserted-unencumbered-control-government

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_BPSG.jpg

Article 155

Title: Obama Recovery Slowest Since World War II

Author(s)	Assistant
Publish Date	2018-01-23
Publish Time	15:10:58

Content: The Dow has risen 40% from a cyclical high since Republicans won unencumbered control of the government. Democrats often counter that the market grew more under the Obama Administration while ignoring that it started from a cyclical low during the financial crisis. Cumulative GDP growth compared to other recoveries provides a better measure of the economic failure of the Obama Administration. By that measure, their stewardship of the economy was poor.

Primary Topic: Growth

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2018/01/23/slow-cumulative-gdp-growth-shows-weakness-obama-recovery

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Real-GDP-Cumulative.jpg

Article 156

Title: IMF: U.S. Tax Reform “Responsible For About Half of the Upward Revision to Global Economic Growth"

Author(s)	Assistant
Publish Date	2018-01-23
Publish Time	10:56:44

Content: According to the IMF, “The U.S. tax changes are ‘expected to be responsible for about half of the upward revision to global economic growth over the next two years.’ The U.S. is expected to grow about 2.7% in 2018, up from an estimate of 2.3% in the previous round of forecasts. The forecast for 2019 now calls for 2.5% growth, up from 1.9%. By 2020, the cumulative effects of the changes will make the U.S. economy about 1.2% larger than it would have been without tax reform.”
https://www.wsj.com/articles/u-s-tax-overhaul-will-accelerate-global-growth-imf-says-1516629601

Primary Topic: Growth

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2018/01/23/imf-claims-u-s-tax-reform-responsible-half-upward-revision-global-economic-growth-next-two-years

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_IMF.jpg

Article 157

Title: Without Big Tech, S&P; P/E Is Normal

Author(s)	Assistant
Publish Date	2018-01-22
Publish Time	14:10:57

Content: “Removing [Amazon, Facebook, Google, and Microsoft] from the [S&P] and adjusting for the excess cash that companies hold … reduces the current PE ratio to 16.9. This is much closer to the range typical in ‘normal’ economic times.” https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/looking-behind-the-numbers-for-us-stock-indexes

Primary Topic: Blog

Topics: Blog,Growth,Investment

Permalink: https://www.edwardconard.com/2018/01/22/without-big-tech-sp-p-e-normal

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Big-Tech-stocks.jpg

Article 158

Title: Carnegie’s Michael Pettis Praises The Upside of Inequality

Author(s)	Assistant
Publish Date	2018-01-22
Publish Time	9:18:54

Content: Thanks, Michael Pettis, for praising my book The Upside of Inequality. "I finally got around to reading Ed's book, a little later than I said I would, but I have a huge reading list. Frankly I expected Upside would mostly be faith disguised as debate, but I was clearly wrong, and found the book to be very thoughtful and intelligently argued. I don't agree with all of it, obviously, but I do agree with much of it and, what is far more important, I agree with an approach that tries to avoid the ideology that plagues most economic debates and focuses on trying to specify the conditions under which one approach or another works."

Primary Topic: Blog

Topics: Blog,The Upside of Inequality

Permalink: https://www.edwardconard.com/2018/01/22/carnegies-michael-pettis-praises-upside-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_Upside-social-optimized.jpg

Article 159

Title: Economist Bryan Caplan summarizes his new book The Case Against Education

Author(s)	Assistant
Publish Date	2018-01-18
Publish Time	17:47:33

Content: George Mason Economist Bryan Caplan summarizes his new book, The Case Against Education, in The Atlantic. I raised a similar concern in my book The Upside of Inequality. “[Graduating from] college brings more than twice the pay increase of freshman, sophomore, and junior years combined. Unless colleges delay job training until the very end, signaling is practically the only explanation. This in turn implies a mountain of wasted resources—time and money that would be better spent preparing students for the jobs they’re likely to do. … This is not a fringe idea. Michael Spence, Kenneth Arrow, and Joseph Stiglitz—all Nobel laureates in economics—made seminal contributions to the theory of educational signaling. “As a society, we continue to push ever larger numbers of students into ever higher levels of education. The main effect is not better jobs or greater skill levels, but a credentialist arms race.…A year of education appears to raise an individual’s income by 8 to 11 percent. By contrast, increasing education across a country’s population by an average of one year per person raises the national income by only 1 to 3 percent. In other words, education enriches individuals much more than it enriches nations. “One research team found that from the early 1970s through the mid1990s, the average education level within 500 occupational categories rose by 1.2 years. But most of the jobs didn’t change much over that span—there’s no reason, except credential inflation …which is to say that a great majority of the extra education workers received was deployed not to get better jobs, but to get jobs that had recently been held by people with less education. “In 2003, the United States Department of Education gave about 18,000 Americans the National Assessment of Adult Literacy. The ignorance it revealed is mind-numbing. Fewer than a third of college graduates received a composite score of ‘proficient’—and about a fifth were at the ‘basic’ or ‘below basic’ level. You could blame the difficulty of the questions—until you read them. Plenty of college graduates couldn’t make sense of a table explaining how an employee’s annual health-insurance costs varied with income and family size, or summarize the work-experience requirements in a job ad, or even use a newspaper schedule to find when a television program ended. Tests of college graduates’ knowledge of history, civics, and science have had similarly dismal results.” Bryan Caplan, “The World Might Be Better Off Without College for Everyone,” The Atlantic, January/February 2018 Issue.

Primary Topic: Blog

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/18/economist-bryan-caplan-summarizes-new-book-case-education

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_Bryan-Caplan_The-Case-Against-Education.jpg

Article 160

Title: Antitrust Case Against Tech Giants Overlooks Google's Commercial Click Metric

Author(s)	Assistant
Publish Date	2018-01-17
Publish Time	17:47:32

Content: The WSJ's Greg Ip presents a balanced view of the antitrust case against Facebook, Google, and Amazon. However, he overlooks the fact that only 6% of Google clicks are commercial where that valuable space is more hotly contested by Amazon and others.

Primary Topic: Blog

Topics: Blog,Productivity

Permalink: https://www.edwardconard.com/2018/01/17/antitrust-case-tech-giants-overlooks-googles-commercial-click-metric

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_GAFA-logs.jpg

Article 161

Title: New Study Refutes Piketty-Saez Conclusions on Income Inequality

Author(s)	Assistant
Publish Date	2018-01-17
Publish Time	17:05:42

Content: New research from economists at the Treasury and Joint Committee on Taxation, (refereed by Emmanuel Saez and Richard Burkhauser) which accounts for government transfers, non-taxed income, taxes, other sources of pass-through income, and changes in the number of taxpayers per tax unit, finds income inequality has grown much less since 1960 than Piketty and Saez claim. The study finds: “Our measure of consistent market income [pretax, pre-government transfers] indicates that between 1960 and 2015 the top one percent income share increased by less than 4 percentage points. Using unadjusted tax-based measures, Piketty and Saez (2003 and updates) estimated that the top market income share increased by 11 percentage points.” The 1%’s share of after-tax income has only increased even less, only 1.6 percentage points of GDP since 1960, from 8.5% to 10.1% of GDP, with the 0.1% accounting for 1.4 of the 1.6 percentage point increase. The study also finds that: “The average tax burden of the top one percent (not including payroll taxes) was approximately the same percent of pre-tax income in 1960 and 2015, in spite of much lower statutory rates. Since the average tax burden of the bottom 90 percent declined over this period, this suggests that the overall tax system has become moderately more progressive. Considered separately, the combined effects of payroll taxes and social insurance benefits have also become more progressive.” The study concludes: “Changes in the top one percent income shares over the last half century are likely to have been relatively modest.”

Topics: Blog,Inequality

Permalink: https://www.edwardconard.com/2018/01/17/9560-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_US-Treasury.jpg

Article 162

Title: New Heckman Paper Claims Substantial Non-Market Benefits of Education

Author(s)	Assistant
Publish Date	2018-01-12
Publish Time	13:20:23

Content: A new paper by James Heckman claims to have found that “account[ing] for selection bias and sorting on gains … there are substantial non-market benefits to education,”—chiefly lower probability of incarceration and use of welfare—and that these benefits “appear to be larger for low-ability individuals.” James J. Heckman, John Eric Humphries, Gregory Veramendi, "The Non-Market Benefits of Education and Ability," National Bureau of Economic Research, October, 2017. https://hceconomics.uchicago.edu/research/working-paper/non-market-benefits-education-and-ability

Topics: Blog

Permalink: https://www.edwardconard.com/2018/01/12/new-heckman-paper-claims-non-market-benefits-of-education

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_University-Chicago-logo.jpg

Article 163

Title: Dispelling Economic Myths on Bill Martinez Live

Author(s)	Assistant
Publish Date	2018-01-12
Publish Time	10:51:43

Content: Ed Conard dispels economic myths on Bill Martinez Live. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2018/01/Bill-Martinez-Live_1-11-18.mp3"][/audio]

Primary Topic: Radio

Topics: Blog,Growth,Radio

Permalink: https://www.edwardconard.com/2018/01/12/dispelling-economic-myths-bill-martinez-live

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Bill-Martines-logo.png

Article 164

Title: Happy New Year From Ed Conard!

Author(s)	Assistant
Publish Date	2018-01-09
Publish Time	15:20:12

Content: Here are a few of my favorite things...

Primary Topic: Blog

Topics: Blog,Growth,Politics,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2018/01/09/happy-new-year-ed-conard

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/300x150PX_web.jpg

Article 165

Title: Discussing the Biggest U.S. Tax Overhaul in 30 Years on Bloomberg TV's "Daybreak"

Author(s)	Assistant
Publish Date	2017-12-22
Publish Time	13:34:18

Content: Ed Conard discusses the biggest U.S. tax overhaul in 30 years with Betty Liu on Bloomberg TV's "Daybreak".

Primary Topic: Blog

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2017/12/22/ed-conard-discusses-biggest-u-s-tax-overhaul-30-years-bloomberg-tvs-daybreak

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/12/tn_Bloomberg-Daybreak_122017.jpg

Article 166

Title: Ed Conard: Real Growth Will Come From Corporate Tax Cuts on CNN "New Day"

Author(s)	Assistant
Publish Date	2017-12-18
Publish Time	15:18:21

Content: Ed Conard debates the merits of the Republican tax cut plan with Maya MacGuineas and host Christi Paul on CNN's "New Day."

Primary Topic: Blog

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2017/12/18/ed-conard-real-growth-will-come-corporate-tax-cuts-cnn-new-day

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/12/tn_CNN-New-Day_121617.jpg

Article 167

Title: How the GOP Tax Plan Impacts the Middle Class on Bill Martinez Live

Author(s)	Assistant
Publish Date	2017-12-07
Publish Time	14:00:37

Content: Ed Conard discusses how the GOP tax plan impacts the middle class on Bill Martinez Live. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2017/12/Bill-Martinez-Live_12.6.17.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Politics,Radio

Permalink: https://www.edwardconard.com/2017/12/07/tax-bill-means-middle-class-bill-martinez-live

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Bill-Martines-logo.png

Article 168

Title: My New National Review Op-ed: Why I Oppose the Rubio-Lee Amendment

Author(s)	Assistant
Publish Date	2017-12-01
Publish Time	15:26:05

Content: Middle-class tax cuts are already the tax bill's biggest deficit-driver, and a higher corporate rate would reduce economic growth. Edward Conard National Review Online December 1, 2017 Federal debt has risen from 33 percent of GDP prior to the financial crisis to 75 percent today — an unprecedented level for this point in the economic cycle — and is projected to rise to 150 percent over the next 30 years as Baby Boomers retire if we don't raise taxes significantly. Let's not kid ourselves. Deficits matter. In the GOP tax proposal, economic growth comes overwhelmingly from lowering the corporate tax rate from an uncompetitive 35 percent to a competitive 20 percent, while expanding the child tax credit does little more than add to the deficit. Senators Marco Rubio and Mike Lee's proposal to raise the corporate rate from 20 percent to 22 percent to expand the child credit even further and to make it "refundable" against both income and payroll taxes, so that parents with no taxable income can take advantage of it, slows growth and adds to the deficit. That hurts our children. Grouping the proposed tax cuts, as scored by the Joint Committee on Taxation, into three buckets —middle class, wealthy, and corporate — reveals which proposed cuts increase the deficit and who pays for the increase. The middle class largely receives $0.8 trillion in tax cuts over the next ten years from reducing tax rates ($1.1 trillion), increasing the standard deduction ($0.9 trillion), and expanding the child and family tax credits ($0.6 trillion), offset by repealing the personal exemption ($1.6 trillion) and increasing other taxes ($0.3 trillion). The wealthy receive a $0.1 trillion tax cut over the next ten years from eliminating the alternative minimum tax ($0.7 trillion), reducing pass-through-income taxes ($0.6 trillion), and eliminating estate taxes ($0.1 trillion), offset by eliminating state-and-local-tax deductions and reducing other miscellaneous deductions ($1.3 trillion). One can quibble about whether it's wise to shift taxes from wealthy red-state entrepreneurs to blue-state professionals, but the shift doesn't contribute much to the deficit. Corporations receive $0.5 trillion of tax relief over ten years from reducing tax rates from 35 percent to 20 percent and allowing immediate expensing of investment ($1.6 trillion) and shifting from worldwide to territorial taxation ($0.2 trillion), offset by reducing exclusions and deductions ($1.0 trillion) and paying taxes on repatriated profits ($0.3 trillion). The JCT overstates the deficit created by the tax bill, chiefly from corporate tax cuts, because Congress requires it to use "current law" scoring. Current-law scoring assumes that corporations will eventually pay taxes on all offshore earnings, even though corporations have seldom repatriated offshore earnings. It also assumes temporary tax cuts will no longer expire once the bill replaces them with permanent cuts even though Congress has always extended them. These omissions may overstate the bill's resulting deficit by $0.4 trillion or more over the next ten years. While there is debate over the expected growth from corporate tax cuts, current-law scoring assumes no growth at all. The Tax Foundation, for example — an advocate of tax cuts — predicts corporate tax cuts will generate a trillion dollars of additional tax revenues from growth. The JCT estimates $0.4 trillion of additional tax revenues, largely from corporate tax cuts. With modest growth — growth that is more valuable than just the taxes collected — corporate tax cuts likely pay for themselves with real-world rather than current-law scoring. The logic of the child tax credit, meanwhile, is to pay middle-class families for having children who will contribute to the future tax base — even though middle-class families consume about as much in government services as they pay in taxes. Reducing their share of the tax burden will only encourage them to demand more government services. Some advocates of middle-class tax cuts also insist that spending these tax cuts will stimulate growth, but that's far-fetched. Only investment increases growth. If we borrow from rich investors to finance fiscal deficits, then investment must decline equivalently. Consumption increases at the expense of investment, which slows growth. If we borrow from offshore lenders, then trade deficits must increase equivalently. At best, that produces a one-time increase in middle-class consumption of offshore goods, which stimulates the economies of offshore lenders and expands debt at the expense of our children. At worst, in a high-wage economy, like America's, that sells higher-skilled labor and buys lower-skilled labor, middle-class workers lose income to offshore workers eager to save and finance America's fiscal deficits. Let's not kid ourselves. If we don't cut government spending, someone must pay for that spending, with taxes, slower growth, lower wages, and/or a diminished future. There's no free lunch. The Rubio-Lee amendment raises corporate taxes from what they otherwise would be to increase middle- and working-class tax cuts. That reduces investment, slows growth, and diminishes middle-class incomes in the long run. It leaves our children saddled with a smaller economy and more debt. And it incentivizes the middle class to demand more underpriced government services. The amendment may be clever politics given an unsuspecting electorate, but it's a lousy trade. — Edward Conard is an American Enterprise Institute visiting scholar, a former Bain Capital partner, and author of The Upside of Inequality: How Good Intentions Undermine the Middle Class.

Primary Topic: Blog

Topics: Blog,Growth,OpEds,OpEds Highlights,Politics

Permalink: https://www.edwardconard.com/2017/12/01/new-national-review-op-ed-oppose-rubio-lee-amendment

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_NR-logo.jpg

Article 169

Title: What's Next For the Tax Reform Bill on Bloomberg TV's "Daybreak"

Author(s)	Assistant
Publish Date	2017-11-29
Publish Time	10:20:56

Content: Ed Conard explains the latest tax reform news with Betty Liu and Haidi Lun on Bloomberg TV's "Daybreak".

Primary Topic: Blog

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2017/11/29/9386-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/11/tn_Bloomberg-Daybreak_112117.jpg

Article 170

Title: Is It Time to Dump Individual Tax Reform and Focus on Corporate Tax Cuts?

Author(s)	Assistant
Publish Date	2017-11-29
Publish Time	10:00:49

Content: Is it time to dump individual tax reform and focus on corporate tax cuts? Ed Conard discusses with Trish Regan on Fox Business Network's "Intelligence Report".

Primary Topic: Videos

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2017/11/29/time-dump-individual-tax-reform-focus-corporate-tax-cuts

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/11/tn_FBN-Intelligence-Report_112117.jpg

Article 171

Title: Ed Conard Debates Grover Norquist on the Economics of the Republican Tax Plan

Author(s)	Assistant
Publish Date	2017-11-20
Publish Time	14:38:43

Content: Ed Conard debates Grover Norquist, president of Americans for Tax Reform, on the economics of the Republican tax plan with Charles Payne on Fox Business News "Making Money."

Primary Topic: Blog

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2017/11/20/ed-conard-debates-grover-norquist-economics-republican-tax-plan

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/11/tn_FBN-Making-Money_11617.jpg

Article 172

Title: My New Wall Street Journal Op-Ed: America's Got Talent, but Not Nearly Enough

Author(s)	Assistant
Publish Date	2017-11-12
Publish Time	12:30:22

Content: In today's Wall Street Journal, I argue that high-skilled immigration is the only way America can meet the growing cost of retiring baby boomers without growth-killing tax increases that jeopardize America's future in an increasingly dangerous world. Read the op-ed here and below. America's Got Talent, but Not Nearly Enough Trump is right to back skills-based immigration. But fewer green cards would defeat the purpose. President Trump has proposed cutting the number of green cards issued each year from one million to 500,000 and issuing them based on skill levels. This approach gets it half right. Increasing skills-based immigration would be good for the economy. But if America issues green cards based on skills, cutting the number would squander the best opportunity for economic growth. Without substantial immigration, the U.S. simply can't produce enough growth to pay for retiring baby boomers without inflicting considerable damage on the economy—and, by extension, on national security. The Congressional Budget Office expects federal spending as a percentage of gross domestic product to increase by nine points as baby boomers retire over the next 30 years. Together with state and local spending, total government spending is projected to rise to 45% of GDP. A spending level that high, especially one largely driven by entitlement spending, will slow growth significantly. The notion that the younger electorate can outvote baby boomers to reduce their benefits significantly is highly doubtful. With the Chinese economy expected to surpass America's in size within 10 to 15 years, the U.S. needs to do more than pay for retiring baby boomers. It needs to grow quickly enough to maintain a strong national defense. Boosting growth with high-skilled immigration is the only viable alternative. If innovation is the primary driver of growth, and the most productive workers are the primary drivers of innovation, doubling the number of workers who currently represent the top 5% of America's talent could double the U.S. growth rate. America has 125 million full-time workers, so the top 5% is just over six million. The U.S. currently issues a million green cards a year. By targeting the most talented would-be immigrants, the U.S. could double its high-productivity pool in short order. To minimize competition with the domestic workforce, the U.S. could recruit and employ the rest of the world's best engineers. The highest-scoring American students have increasingly moved away from STEM fields—science, technology, engineering, and math—toward business and law. America's success relative to Europe and Japan—both of which produce a greater share of STEM graduates—indicates that innovation requires a combination of STEM and commerce to succeed. The rest of the world is racing to educate more business majors but continues to graduate a disproportionate number of engineers. American companies already employ many of those engineers, who work remotely using tools like Skype. When companies employ these workers offshore, Americans don't enjoy the benefit of the income-tax revenues they'd pay—for the top 20% of U.S. taxpayers, $50,000 a year more than the government services they consume. America needs that revenue. Nor does the rest of America's workforce get the opportunity to teach their children, wait on their tables, or treat their medical needs. Growth can raise wages across all skill levels. It's an error to suggest that a greater share of Americans could do these ultra-high-skilled jobs. Competition demands the highest-IQ problem solvers. Companies who need problem solvers like that can't settle for less. They will continue to recruit these workers wherever they find them. Can America's education system produce the necessary increase in ultra-high-skilled workers? Decades of effort have produced no significant increase in academic scores. A large share of high-scoring American students avoids the difficulty of STEM careers despite rising wages. And any educational improvement is likely to come gradually and suffuse into the workforce slowly. America needs growth now. In truth, America has a shortage of talent. Some 25% of American workers score in the top third globally on comparable international tests of academic skills, according to data from the Organization for Economic Cooperation and Development. Forty-five percent score in the bottom third. There is approximately one high-scoring adult American for every two low-scorers. By comparison, Germany has a roughly equal number of high- and low-scorers—about a third of each—giving Germany almost twice as many high scorers per low scorer than America. Scandinavia has three times as many high scorers per low scorer as America. Japan has almost five times as many. The economic effects of this talent deficiency hurt low-skilled workers, who depend on high-skilled workers to design and manage competitive products and processes that employ them. To be sure, American institutions amplify the productivity of America's most productive workers more than elsewhere, through on-the-job training at companies like Google, and with synergistic communities of experts like Silicon Valley. But the higher productivity these institutions create leads to higher wages, which draws scarce talent away from supervising low-skilled labor. An influx of talent could increase the quality of talent devoted to low-skilled supervision. A larger talent pool would help the economy grow and make everyone more productive, allowing baby boomers to retire without damaging the country. Mr. Conard is an American Enterprise Institute visiting scholar, a former Bain Capital partner, and author of "The Upside of Inequality: How Good Intentions Undermine the Middle Class." Appeared in the August 17, 2017, print edition.

Primary Topic: OpEds Highlights

Topics: Blog,Blog Highlights,Growth,Investment,OpEds,OpEds Highlights,Politics,Print,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/11/12/new-wall-street-journal-op-ed-americas-got-talent-not-nearly-enough

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/08/tn_WSJ-logo.jpg

Article 173

Title: Comparing the Senate and House GOP Tax Bills on Fox Business Network

Author(s)	Assistant
Publish Date	2017-11-11
Publish Time	14:48:45

Content: Ed Conard compares the Senate and House Republican tax bills with David McIntosh of the Club for Growth and Charles Payne on Fox Business Network's "Making Money".

Primary Topic: Growth

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2017/11/11/comparing-senategop-housegop-tax-bills-davidmmcintosh-club4growth-cvpayne-foxbusiness

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/11/tn_FBN-Making-Money_111017.jpg

Article 174

Title: Debating My Wall Street Journal Op-Ed on MSNBC's "Morning Joe"

Author(s)	Assistant
Publish Date	2017-08-22
Publish Time	16:25:28

Content: Ed Conard debates his Wall Street Journal op-ed, "America's Got Talent, But Not Nearly Enough," with Joe Scarborough and Mika Brezezinski on MSNBC’s “Morning Joe”.

Primary Topic: Growth

Topics: Blog,Growth,Productivity,The Upside of Inequality,Videos,Videos Highlights

Permalink: https://www.edwardconard.com/2017/08/22/debating-wall-street-journal-op-ed-americas-got-talent-not-nearly-enough-msnbcs-morning-joe

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/08/tn_MSNBC-Morning-Joe.jpg

Article 175

Title: High-Skilled Immigration Is the Only Way to Save America on CNBC's "Squawk Street"

Author(s)	Assistant
Publish Date	2017-08-22
Publish Time	16:20:32

Content: Ed Conard discusses skill-based immigration reform with Carlos Quintanilla, Sara Eisen, and Mike Santoli on CNBC's "Squawk Street."

Primary Topic: Blog

Topics: Blog,Growth,Politics,Productivity,Videos

Permalink: https://www.edwardconard.com/2017/08/22/high-skilled-immigration-way-save-america-cnbcs-squawk-street

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/08/tn_CNBC-Squawk-Street.jpg

Article 176

Title: Ed Conard Breaks Down GOP Tax Plan, Financial Markets & the Jobs Report on FBN's "Intelligence Report"

Author(s)	Assistant
Publish Date	2017-08-22
Publish Time	16:15:06

Content: Ed Conard breaks down the GOP tax reform plan with Trish Regan on FBN's "Intelligence Report."

Primary Topic: Blog

Topics: Blog,Growth,Politics,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/08/22/ed-conard-breaks-gop-tax-plan-financial-markets-jobs-report-fbns-intelligence-report

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/10/tn_FBN-Intelligence-Report_10-6-17.jpg

Article 177

Title: More High-Skilled Immigration Good For Economy on Fox News Radio's “Kilmeade & Friends”

Author(s)	Assistant
Publish Date	2017-08-22
Publish Time	16:10:26

Content: Ed Conard joins Brian Kilmeade (the day of the solar eclipse) on Fox News Radio's "Kilmeade and Friends" to discuss why Trump is right to back skills-based immigration, but fewer green cards would defeat the purpose. Listen here.

Primary Topic: Blog

Topics: Blog,Growth,Politics,Productivity,Radio

Permalink: https://www.edwardconard.com/2017/08/22/ed-conard-high-skilled-immigration-good-economy-fox-new-radios-kilmeade-friends

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/08/tn_Fox-Kilmeade.jpg

Article 178

Title: I Debate Austan Goolsbee on CNN: Does Trump Deserve Credit For Rising Stock Market?

Author(s)	Assistant
Publish Date	2017-08-05
Publish Time	17:41:30

Content: Ed Conard debates Austan Goolsbee, former chairman of President Obama's Council of Economic Advisers, on whether President Trump has contributed to the rising stock market with Michael Smerconish on CNN's "Smerconish."

Primary Topic: Blog

Topics: Blog,Blog Highlights,Growth,Politics,Productivity,The Upside of Inequality,Videos,Videos Highlights

Permalink: https://www.edwardconard.com/2017/08/05/debate-austan-goolsbee-cnn-deserves-credit-strong-economy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/08/tn_CNN-1.jpeg

Article 179

Title: Ed Conard Debates the GOP Tax Reform Agenda on FBN's "Making Money"

Author(s)	Assistant
Publish Date	2017-08-04
Publish Time	16:29:59

Content: Ed Conard debates the GOP tax reform agenda with Charles Payne on FBN's "Making Money."

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2017/08/04/ed-conard-debates-gop-tax-reform-agenda-fbns-making-money-charles-payne

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/08/tn_FBN-Making-Money_10.24.17.jpg

Article 180

Title: Ray Dalio Includes “The Upside of Inequality” On His Reading List

Author(s)	Assistant
Publish Date	2017-07-25
Publish Time	17:45:04

Content: Ray Dalio tells Tim Ferriss in a recent interview that Ed Conard’s new book “The Upside of Inequality,” is on his current reading list. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2017/09/Dalio-Tim-Ferriss-Podcast.mp3"][/audio] Listen to the full interview here.

Primary Topic: Blog

Topics: Banking,Blog,Financial Crisis,Gender Pay Gap,Growth,Healthcare/Seniors,Investment,Monetary Policy,Politics,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/07/25/ray-dalio-includes-upside-inequality-reading-list

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/09/fb_Dalio-Ferriss-Podcast.jpg

Article 181

Title: How Markets Are Reacting to White House Staff Shake Up on Bloomberg TV's "Daybreak Asia"

Author(s)	Assistant
Publish Date	2017-07-20
Publish Time	12:00:59

Content: Ed Conard discusses how markets are reacting to recent Trump administration exits and his new Wall Street Journal op-ed, "America’s Got Talent, but Not Nearly Enough," with Betty Liu and Yvonne Man on Bloomberg TV's "Daybreak Asia."

Primary Topic: Blog

Topics: Blog,Growth,Politics,Productivity,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2017/07/20/market-reactions-white-house-staff-shake-bloomberg-tvs-daybreak-asia

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/08/tn_Bloomberg_Daybreak-Asia.jpg

Article 182

Title: Explaining The Upside of Inequality on BBC Radio's "Business Matters"

Author(s)	Assistant
Publish Date	2017-07-19
Publish Time	8:58:43

Content: Ed Conard discusses his New York Times best-sellers, Unintended Consequences: Why Everything You've Been Told About the Economy Is Wrong," and "The Upside of Inequality: How Good Intentions Undermine the Middle Class," as well as his latest Wall Street Journal op-ed, “America’s Got Talent, But Not Nearly Enough,” with Jon Bithrey on BBC World Service Radio's "Business Matters." [audio mp3="https://www.edwardconard.com/wp-content/uploads/2017/09/BBC-Biz-Matters_9.20.17_Book-Tax.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Investment,Politics,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/07/19/explaining-upside-inequality-bbc-radios-business-matters

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/02/tn_-BBC-Radio.png

Article 183

Title: Paying For The Baby Boomers Without Slowing Growth on Bill Martinez Live

Author(s)	Assistant
Publish Date	2017-07-18
Publish Time	17:30:29

Content: Ed Conard discusses his Wall Street Journal op-ed, "America's Got Talent, But Not Nearly Enough," with Bill Martinez on Bill Martinez Live." [audio mp3="https://www.edwardconard.com/wp-content/uploads/2017/08/Bill-Martinez-Live_8.24.17.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/07/18/paying-for-the-baby-boomers-without-slowing-growth-on-bill-martinez-live

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Bill-Martines-logo.png

Article 184

Title: Analyzing Democrats' Economic Plan on Fox Business News

Author(s)	Assistant
Publish Date	2017-07-16
Publish Time	17:25:56

Content: Ed Conard analyzes the Democrats' economic plan on Fox Business Network's "Making Money," with Melissa Francis.

Primary Topic: Blog

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2017/07/16/analyzing-democrats-economic-plan-on-fox-business-news

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/07/tn_FBN-Making-Money_72417.jpg

Article 185

Title: Breitbart: Conard Only Republican Offering Deal on Lower-Skilled Workers

Author(s)	Assistant
Publish Date	2017-07-14
Publish Time	17:43:27

Content: Neil Munro Breitbart.com August 30, 2017 "...Just about the only establishment figure who has offered a deal is Edward Conard, a business partner of 2012 loser Mitt Romney, His 2016 book offered voters a minor immigration reform, some trade protectionism and the prospect of growing wages in exchange for submission to Wall Street's wing of the GOP. Not a good offer, maybe, but an actual offer from an establishment baron to millions of voters. The details of that deal are in Conard's green-eyeshade economics book, "The Upside of Inequality" — but there is no sign that Wall Street, or the Chamber of Commerce, is even ready to offer a deal to voters. There's even less evidence that America's proud progressive CEOs are willing to trade some of their priorities — chiefly, their fierce snobbery towards "bigots," AKA ordinary people who want to be paid well — in exchange for votes from a slice of Trump's deplorable and irredeemable supporters. Admittedly, any decent immigration deal would be a big deal — it would shift a greater share of the nation's annual income back to employees, and away from company profits, investor returns, CEO bonuses and Wall Street values. It would also force progressives to treat their fellow citizens with more respect, partly by paying them higher wages, but also by accepting them as — dare we say it? — social and moral equals." Read the full story here.

Topics: Blog,Growth,Productivity

Permalink: https://www.edwardconard.com/2017/07/14/breitbart-conard-only-republican-offering-deal-on-lower-skilled-workers

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Breitbart_Final.png

Article 186

Title: The Upside of Inequality Is WORLD Magazine's 2016 Book of the Year Runner-Up

Author(s)	Assistant
Publish Date	2017-07-03
Publish Time	17:28:39

Content: Sophia Lee & Marvin Olasky World Magazine March 8, 2017 "Conard attacks the notion that the richest 1 percent of Americans are causing slower or no wage growth among the rest. He shows how innovators or entertainers who achieve economywide success will multiply their money in comparison with teachers or bus drivers who can’t serve more people than they used to. Knowledge-based startups with little need for capital have become all-or-nothing lotteries. Poor education holds down many, and low-skilled immigration slows wage growth. Mitigating inequality is not the solution: “The single biggest improvement America could make to grade school education is firing incompetent teachers. To make improvements, we simply have to run schools on behalf of students, and not teachers..."

Primary Topic: Blog

Topics: Banking,Blog,Growth,Investment,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/07/03/upside-inequality-world-magazines-2016-book-year-runner

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/08/tn_World-Logo.jpg

Article 187

Title: The Future of the American Workforce on Radio America's "An Economy of One"

Author(s)	Assistant
Publish Date	2017-07-02
Publish Time	17:40:42

Content: Ed Conard discusses the future of the American workforce and his new Wall Street Journal op-ed, “America’s Got Talent, But Not Nearly Enough,” with Gary Rathbun on Radio America's "An Economy of One." [audio mp3="https://www.edwardconard.com/wp-content/uploads/2017/09/Economy-of-One-Podcast-9.6.17.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Investment,Politics,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/07/02/future-american-workforce-radio-americas-economy-one

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/09/tn_economy-of-one.jpg

Article 188

Title: Markets Confident GOP Will Tackle Tax Reform on FBN's "Making Money"

Author(s)	Assistant
Publish Date	2017-06-01
Publish Time	15:05:16

Content: Ed Conard argues markets remain confident that the GOP will tackle tax reform on Fox Business Network's "Making Money with Charles Payne."

Primary Topic: Blog

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2017/06/01/markets-confident-gop-will-tackle-tax-reform-fbns-making-money

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/06/tn_FBN-Making-Money_53117.jpg

Article 189

Title: Debating Trump’s Budget & the GOP Tax Plan on Bold TV

Author(s)	Assistant
Publish Date	2017-05-26
Publish Time	14:44:04

Content: Ed Conard debates Trump's budget and the GOP tax plan on Bold TV with Carrie Sheffield and Clay Aiken.

Primary Topic: Blog

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2017/05/26/debating-trumps-budget-gop-tax-plan-bold-tv

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/05/tn_Bold-TV_5.19.17.jpg

Article 190

Title: Market Reaction to Comey Controversy on FBN's "Intelligence Report with Trish Regan"

Author(s)	Assistant
Publish Date	2017-05-17
Publish Time	18:27:50

Content: Ed Conard debates market reaction to Comey controversy with Trish Regan on Fox Business Network's "Intelligence Report."

Topics: Blog,Growth,Investment,Politics,Videos

Permalink: https://www.edwardconard.com/2017/05/17/market-reaction-comey-controversy-fbns-intelligence-report-trish-regan

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/05/tn_FBN-Intelligence-Report_5.17.17.png

Article 191

Title: Another Reason for Slow Productivity Growth: Employment Is Shifting to Sectors with Lower Productivity

Author(s)	Assistant
Publish Date	2017-05-12
Publish Time	10:44:05

Content:

Primary Topic: Blog

Topics: Blog,Gender Pay Gap,Growth,Productivity

Permalink: https://www.edwardconard.com/2017/05/12/another-reason-slow-productivity-growth-employment-shifting-sectors-lower-productivity

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/05/tn_Fastest-Growing-Sectors-Are-Least-Productive.png

Article 192

Title: Tech Hollowing Out Middle Class? No! Occupational Churn Now ½ the Historical Rate

Author(s)	Assistant
Publish Date	2017-05-11
Publish Time	12:03:47

Content: While fear of robots and technology is rising, the emergence of new technologies has been less disruptive than purported according to a new study by Atkinson and Wu. Ironically, occupational churn in the United States has fallen to historical lows—half of what it has been historically.

Primary Topic: Blog

Topics: Blog,Growth,Productivity

Permalink: https://www.edwardconard.com/2017/05/11/fear-of-robots-inconsistent-with-new-study

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/05/tn_False-Alarmism_Figure-8.jpg

Article 193

Title: Trumponomics After First 100 Days on BBC Radio

Author(s)	Assistant
Publish Date	2017-05-01
Publish Time	15:45:27

Content: Ed Conard debates President Trump's first 100 days with Kamal Ahmed, BBC's economics editor, and the Financial Times's Lex editor Robert Armstrong on BBC's "World Service Radio". [audio mp3="https://www.edwardconard.com/wp-content/uploads/2017/05/BBC-World-Service-4_29_17.mp3"][/audio]

Primary Topic: Growth

Topics: Blog,Growth,Monetary Policy,Politics

Permalink: https://www.edwardconard.com/2017/05/01/trade-tax-trumponomics-100-days-bbc-radio

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/02/tn_-BBC-Radio.png

Article 194

Title: Andy Puzder Reviews The Upside of Inequality

Author(s)	Assistant
Publish Date	2017-04-27
Publish Time	17:26:13

Content: "Edward Conard's The Upside of Inequality is one of those rare books. Conard refreshingly places the credit for economic prosperity where it belongs: On the willingness of innovators, entrepreneurs and investors to assume risk and on the availability of properly trained talent to turn risk into success..." Andy Puzder RealClearPolitics April 27, 2017 It's a rare pleasure when a book on economic theory discusses how our economy actually works. Edward Conard's The Upside of Inequality is one of those rare books. Conard refreshingly places the credit for economic prosperity where it belongs: On the willingness of innovators, entrepreneurs and investors to assume risk and on the availability of properly trained talent to turn risk into success. During the Obama presidency, the economic discussion focused on government directed fiscal and monetary policy intended to generate economic growth by creating demand and increasing consumer spending. With wages stagnating and GDP hovering at 2 percent since the recession ended in June of 2009, this Keynesian demand side approach to economic growth obviously failed. To explain this failure, prominent Keynesian economists have attempted to argue either that President Obama's nearly $1 trillion dollar economic stimulus was too small (so it failed to create sufficient demand) or because the much criticized "one percent" took too much of the economic pie (leaving too little for working and middle class Americans). Ignoring both history and common sense, these economists continue to advocate for increased government spending, regulation and income redistribution as the path to prosperity. In The Upside of Inequality, Conard brings reality to the ivory tower, convincingly upending Keynesian demand side theory by pointing out that investors rarely wait for demand. Rather, they wait for innovative ideas "that create their own demand" (like iPhones, Amazon, Uber) and the properly trained talent needed to commercialize those ideas. It's the competition between innovators that creates prosperity, not "misguided government policies". This is particularly so as we move from a capital intensive manufacturing based economy to a knowledge intensive innovation driven economy. As Conard points out, "[s]uccess bubbles up from a large sea of failures", and the possibility of large returns creates the incentive to take the risks necessary to produce those successes. While these returns increase the wealth of those who succeed (think Steve Jobs or Jeff Bezos), success also accelerates economic growth and prosperity for both working and middle class Americans. Mistakenly blaming stagnating wages on the success of the one percent leaves the true causes unaddressed. Writing before the 2016 election, Conard recognized the significant impact of free trade and low skilled immigration on the economic stress facing working and middle class Americans. As the success of President Trump's campaign demonstrated, voters intuitively agreed. Conard acknowledges that trade with low wage economies reduces the cost of goods. If trade failed to lower the cost of goods more than it lowered the cost of labor, it would be more economically rational to manufacture goods domestically. However, he points out that while everyone benefits from lower cost goods, lesser skilled workers suffer all the detriment of producing those benefits through the loss of jobs and the downward pressure on wages. Trade deficits export jobs to lower wage offshore workers increasing the available domestic workforce without increasing the demand for labor. Attempts to compete with low cost off shore labor by increasing productivity (through means such as automation) further reduce the demand for workers. "As a result, trade lowers the relative incomes of the middle and working classes" while the rich, retirees and non-working poor "enjoy lower priced goods without suffering lower wages." As Conard notes, the displaced workers depend on "entrepreneurial risk takers, properly trained talent and investors to commercialize new courses of employment" to replace the jobs they've lost through trade. So, attempts to reduce income inequality by attacking the incentives that encourage risk taking and investment actually constrain job growth to the disadvantage of the very workers the redistributionists claim to be protecting. Conard also convincingly describes how an influx of low skilled immigrants exacerbates the problem. Lesser skilled domestic workers must compete with low skilled immigrants. That lowers wages as employees compete with each other for a limited number of jobs. As with trade, while the reduced labor costs result in lower prices for all consumers, the downside of lower wages primarily impacts the working and middle classes. Any employment gains chiefly benefit the immigrants. In short, Conard aptly demonstrates how free trade, massive trade deficits and excessive low skilled immigration have created “a near unlimited supply of lesser skilled labor” competing for a finite number of jobs, hobbling working and middle class wage gains. Trade and immigration “spread a limited amount of income over a greater number of workers,” slowing wage growth. Fair trade policies designed to reduce our massive trade deficits would help. We need trade, but we don’t need massive trade deficits. Immigration policies honed towards the needs of our economy that prioritized emigrants based on their skills, rather than extended family ties, would reduce the negative consequences of what has essentially been a policy of open immigration. But, Conard’s main point is that the “outsized success of America’s 1 percent has been the chief source of growth exerting upward pressure on domestic employment and wages.” Policies that empower entrepreneurs and investors – the one percent – to create more jobs are the solution, not the problem. We should encourage and praise this success rather than discouraging and taxing it. The very arguments in support of taxing success are fundamentally flawed. According to Conard, in order to justify taxing success, the redistributionists must either “ignore or deny the motivational effects of higher payoffs for risk-taking.” By ignoring how people think and why they take risks, the redistributionists artificially reduce the projected downsides of higher taxes and make the case for redistribution appear better than it actually is. As every business person knows, payoffs matter. High returns motivate risk takers in the first place, and it’s the risk takers and investors who generate economic growth creating jobs and increasing wages. “The success of the 1 percent is an asset, not a liability” as it puts upward pressure on both employment and wages. Why then is the rise in income inequality so reviled? As it turns out, that may not be the case. A recent scholarly article at Nature.com titled “Why people prefer unequal societies” notes that, when asked about “the ideal distribution of wealth in their country”, people “actually prefer unequal societies.” Despite appearances to the contrary, they found “no evidence that people are bothered by economic inequality itself” but rather “are bothered by something that is often confounded with inequality: economic unfairness.” Conard address this concern as well. While advocates of redistribution argue that “we can redistribute the success of the wealthiest without consequence because their success is unearned and comes at the expense of others,” the reality is that the most successful Americans are “entrepreneurs and innovators who earned their pay by persuading customers, not hierarchical superiors, to pay them more.” Economic unfairness rather than inequality constrains growth. As Conard notes “[i]f a country’s billionaires earned their success, the economy grows faster. If their success stems from political cronyism, it slows growth.” Conard won’t convince everyone. But if your mind is still open to the possibility that America need not suffer economic stagnation and decline, The Upside of Inequality is well worth reading. Andy Puzder is the former chief executive officer of CKE Restaurants. His Twitter handle is @AndyPuzder, and you can read his blog at andy.puzder.com.

Primary Topic: Blog

Topics: Blog,Financial Crisis,Gender Pay Gap,Growth,Healthcare/Seniors,Investment,Monetary Policy,Politics,Print,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/04/27/realclearpolitics-reviews-the-upside-of-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/04/tn_RCP-slide.png

Article 195

Title: Trump's First 100 Days, Bold Tax Cut Plan & More on Bloomberg TV's "Daybreak Asia"

Author(s)	Assistant
Publish Date	2017-04-27
Publish Time	17:23:52

Content: Ed Conard discusses President Trump's first 100 days, bold tax cut proposal, and more with Betty Liu on Bloomberg TV's "Daybreak Asia."

Primary Topic: Blog

Topics: Blog,Financial Crisis,Growth,Investment,Monetary Policy,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2017/04/27/analyzing-trumps-biggest-tax-cut-proposal-bloomberg-tvs-daybreak-asia

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/04/tn_Bloomberg-Day-Break-Asia.jpg

Article 196

Title: The American Interest Reviews The Upside of Inequality

Author(s)	Assistant
Publish Date	2017-04-19
Publish Time	15:50:15

Content: “In stark contrast to The Crisis of the Middle-Class Constitution, Edward Conard’s The Upside of Inequality...challenges the prevailing assumptions that animate progressive interpretations of inequality.Reading Sitaraman and Conard side-by-side... Conard’s reading of the evidence...is more plausible..." Neil Gilbert The American Interest March 20, 2017 Economic inequality is widely cited as the seedbed of social ills, sprouting plutocracy and corruption, stunting economic mobility, and suffocating the middle class. On this point, academic research and progressive political commentary regularly reinforce each other, a unanimity that conveys the impression of a rigorous scientific consensus. Adding to this collective refrain, Ganesh Sitaraman’s The Crisis of the Middle-Class Constitution: Why Economic Inequality Threatens Our Republic, analyzes the sociopolitical consequences of inequality from an historical perspective, categorizing economic equality as a constitutional issue. Tracing concerns about inequality from ancient Greece to 21st-century America, Sitaraman’s historical narrative creates an intellectual backdrop for his empirical assessment of the impending danger expressed in the book’s title. A law professor at Vanderbilt University and one-time policy director for Senator Elizabeth Warren, Sitaraman’s interpretation of the perils of inequality is prompted by progressive political leanings. His main thesis links increasing economic inequality since the 1970s to a shrinking middle class, which threatens to undermine the political foundations of democratic society. A large middle class is seen as a political counterforce to the wealthy elite, who would otherwise run roughshod over the poor. The adverse effects of heightened inequality and a declining middle class can be summed up in a blunt equation: As concentrated wealth procures increasing political power, plutocracy displaces democracy. Despite the popular perception that the middle class is being eroded by inequality, a careful examination of the empirical evidence is warranted for several reasons: The middle class can be defined in various ways; an accurate estimate of the degree of erosion is required to make a reasonable determination of the threat posed to the republic; and it is equally important to know where those ousted from the middle class end up. Social scientists typically gauge middle-class status by income, education, and occupation, but the range of income, levels of education, and types of occupation vary. Recognizing that there are different conceptions of the middle class, Sitaraman initially defines them as “the group of people who aren’t extremely rich or extremely poor.” He then offers the further clarification that being middle class means “you have enough spending money to provide for yourself and your family without living hand to mouth, but not enough to guarantee their future.” These vague calibrations raise many doubts as to how one can possibly draw intelligible conclusions about who is in the middle class, whether the size of this group is actually shrinking, and, if so, where those being squeezed out land. As evidence of the decline, Sitaraman refers to various qualitative case studies that offer an emotionally compelling portrayal of the struggles and distress in the daily lives of low-income families. Although such gripping stories tend to magnify the popular perception of a waning middle class, they are insufficient to sustain a critical generalization about the entire population. If the decline of the middle class is to be taken as a serious problem, we should at least have some accounting of its magnitude and results. Toward the end of the book, Sitaraman invokes a firmer definition, pegging the collapse of the middle class to the Pew Research Center’s analysis, which classifies the middle class as those earning $42,000 to $126,000. According to this definition the Pew study found that, amid a growing population, the proportion of adults in the middle class declined by 11 percent between 1971 and 2015. About two-thirds of this decline is accounted for by a proportional increase among those in the upper-class income bracket, while the other third represents an expansion of those in the low-income range. It is not immediately self-evident how such a disproportionate growth of people in the upper-income bracket compared to the relatively small increase of those in the lower-income category threatens the future of the republic. Moreover, when interpreting economic data about the shrinking middle class one should bear in mind that there are different ways to measure income. The Pew findings are based on household incomes before subtracting taxes and excluding the cash value of social transfers such as food stamps and subsidized housing. This is a relatively weak indicator of the financial resources families actually have to live on, particularly low-income households that tend to receive a broad package of social transfers that has increased over six-fold since the 1960s. In 2009, Federal expenditures on cash and in-kind transfers for low-income households amounted to approximately $16,000 per person—a sum that, if included in the measures of class and inequality, would diminish the magnitude of both the purported decline of the middle class and the increase in income inequality. In addition to shrinking the middle class, Sitaraman claims that increasing inequality retards economic mobility. As evidence he relies on Alan Kruegar's highly publicized "Great Gatsby Curve," a small graph depicting a simplistic, two-variable relationship between income inequality and intergenerational mobility based on a sample of ten countries. Inequality rises as the levels of mobility decline over the ten countries, among which the United States had the highest level of inequality and next-to-lowest level of economic mobility. The academic authority conferred on this simple correlation derived from a very small sample of countries exemplifies a common tendency to endorse statistics one is predisposed to believe, particularly when they support prevailing assumptions about inequality. A closer examination of the data used to construct the Gatsby Curve reveals that the U.S. mobility score was selected from a body of research reporting 28 different findings; among these the mobility rate chosen to represent the United States was well below the average for the 28 studies and was based on an analysis of a relatively small sample of several hundred observations. An entirely different story emerges from the more recent findings of a team of Berkeley and Harvard economists who analyzed 50 million tax returns in what is arguably the most extensive and rigorous study to date. Their research offers persuasive evidence that despite the increase in inequality, the rate of social mobility in the United States has not changed appreciably since at least 1971. According to the mobility rates found in this study, the United States should have had the fourth-highest level of mobility among the ten countries in the Great Gatsby Curve, which would have flattened out the curve considerably. The claim that increasing economic inequality generates increasing political inequality, with wealthy elites coming to exercise control over public decision-making, is a common assertion that also eludes empirical validation. Sitaraman's analysis of " elites" who wield decisive political influence refers variously of the top 1 percent, business interest groups, the well-to-do, the affluent, and the top 10 percent. It is indeed true that wealthy people have influence, and several serious studies in recent years attest to aspects of that influence. It would be naive to imagine that money is of little importance in politics, if for no other reason than so much of it is spent lubricating the electoral and policymaking processes ($6 billion on Federal elections alone in 2012). Democracy is an abrasive business intensified by the chaotic American style of interest-group politics, which involves 12,000 registered lobbyists who spent $3.2 billion plying their trade in 2014. In addition to the billionaires on both sides of the aisle (such as the Koch brothers and George Soros), as well as those who typically have given to both sides (such as Donald Trump), the interest-group legions include the 37 million-member AARP, the American Medical Association, public employee unions (six of which were among the 15 largest donors to national campaigns between 1989 and 2012) as well numerous corporate interests. So, of course, money counts. On this issue, Sitaraman cites the findings of Princeton University Professor Martin Gilens's award-winning study, which show a clear relationship between affluence and political influence.1 When examining this relationship over time, however, the data do not suggest that a rising degree of economic inequality has been associated with increasing political inequality. And the affluent respondents referred to in this study were a sample of citizens at the 90th percentile of the income distribution who earned about $135,000 a year—a substantial sum in 2010, but hardly enough to qualify as the extremely rich elite. Sitaraman's claim notwithstanding, there is no persuasive evidence that an increasing level of income inequality has a direct bearing on the degree of political power wielded by the elites. As a comprehensive review of the research by the American Political Science Association Task Force on Inequality and American Democracy cautiously concludes, "there is little evidence of a direct effect of rising economic inequality on widening political disparities."2 In stark contrast to The Crisis of the Middle-Class Constitution, Edward Conard's The Upside of Inequality: How Good Intentions Undermine the Middle Class introduces an alternative perspective, which challenges the prevailing assumptions that animate progressive interpretations of inequality. With an iconoclastic unraveling of empirical measures, Conard's reading of the evidence calls into question Sitaraman's assessment of the scale and dire consequences of inequality on almost every front. Closely examining how the 11 percent decline of middle-income families was distributed between the upper- and lower-income categories, he points out that not only did 7 percent move into the upper-income group, but that Hispanic immigrants accounted for three-quarters of the 4 percent that enlarged the lower-income category. Absent the influx of lower-skilled immigrants between 1971 and 2015, the share of middle-class households in the American population would have experienced only a 1 percent shift downward at the same time as the number of upper-income families increased by 7 percent. In other words, middle-class people did not so much experience a downward shift as immigrants enlarged the data set. And for many if not most of these immigrants, gaining a foothold in the lower-income group represented a significant economic step upward compared to their position before coming to the United States. Rather than casting economic inequality as the incubator of social ills, Conard sees it as the obligatory reward of merit, talent, and risk-taking, which drives the innovation and productivity that have created an unprecedented degree of prosperity for the vast majority of Americans. A visiting scholar at the American Enterprise Institute and founding partner at Bain Capital, he views the consequences of inequality from the other side of the political spectrum. Although endorsing the beneficial implications of inequality, he challenges the metrics frequently cited as evidence that inequality is on the rise as middle-class incomes stagnate. Drawing on Philip Armour, Richard Burkhauser, and Jeff Larrimore's analysis, Conard points out that the growth in median household income between 1979 and 2007 jumped from a sluggish 2 percent to 34 percent when the calculation of income was adjusted for household size, taxes, healthcare benefits, and government transfer payments.3 But even when income is properly measured, consumption is a more meaningful metric of material well-being and equality than income. As Conard sees it, an individual's consumption of resources is his true cost to the rest of society. Compared to low- and middle-income households, those in the higher brackets consume a smaller proportion of their incomes, with the balance invested in further production, which benefits others as well as themselves. As such, consumption is more evenly distributed than income and generates a lower estimate of inequality between the rich and poor. Whereas Sitaraman finds wealthy elites exercising increasing power over elected officials, Conard claims to detect a consensus in the academic research showing that money exerts surprising little influence in politics. In one sense this may be true, if political influence is judged strictly according to election outcomes. Although hefty amounts are required to run for national and state offices, there is no evidence that the super-rich can buy elections. A more relevant gauge of influence, however, is the degree to which the interests of the rich shape political decision-making through a nebulous process of persuasion that can border on outright corruption and is difficult to quantify. Needless to say, unlawful exchanges also exist in the political arena, as evidenced by the fact—to take a vivid but hardly rare example—that more than half the Governors of Illinois between 1961 and 2009 ended up in prison. Conard is not content merely to refute the degree of political power presumably exercised by the rich. He reverses the argument that since the 1970s rising inequality has generated an American plutocracy, claiming that the significant growth (between 1 to 4 percent of GDP) in government transfers to low-income households is indicative of a decline in the wealthy elite's influence on political decision-making over this period. This claim is hard to accept. Looking at all the data on direct government transfers reveals that from 1979 to 2007 the share of public benefits received by households in the bottom income quintile declined from 54 to 36 percent of the total, while the share accruing to those in the top two income quintiles rose from 17 to 25 percent. And these figures exclude indirect social transfers, such as home mortgage interest deductions and the Child Care Tax Credit, which heavily favor families in the higher income brackets. If the trend in transfer payments is taken as a valid marker of political influence, one might claim that the increasing share of benefits going to those in the upper-income brackets signifies a rise in their political power. As one might expect, Sitaraman's and Conard's contrary interpretations of the degree and consequences of economic inequality in the United States come with proposals for reform, which are also at variance with one another. Among the policies intended to realign political power by rebuilding the middle class, Sitaraman recommends several well-known progressive measures such as: raising the minimum wage; ensuring affordable college education; increasing the redistribution of income through tax policies; strengthening unions; and reinforcing regulatory measures. Conard advances the familiar argument that raising the minimum wage will eliminate low-skilled jobs, along with supporting unions, which increase wages by monopolizing the supply of labor rather than boosting productivity. To improve the lot of low-wage workers, he favors a generous earned-income tax credit, while quietly voicing concern that it might dis-incentivize some workers. More generally, Conard argues that instead of increasing economic growth, taxing the rich to further the redistribution of income reduces entrepreneurial incentives for risk-taking—widely held to be the driving force of capitalist innovation and productivity. This argument rests on a firm belief in the power of economic incentives and their compounding effects over time, the particulars of which remain unspecified. It may be true that increased tax rates dis-incentivize innovation. Yet California, the hub of tremendous entrepreneurial activity and technological innovation, has the highest state income tax in the country. Although Conard and Sitaraman recognize the need for a highly skilled and educated workforce to propel economic growth, they offer different readings on the scope of this need and how to best address it. Citing the skyrocketing cost of higher education and the staggering student loan debt of over $1.2 trillion, Sitaraman opts for policies that advance more affordable or even free access to college education. Conard observes that tuition for two- and four-year public colleges is essentially free for students from low-income families (defined as under $80,000 at the University of California) and that the average student graduating from a four-year college borrows $27,000, which is about the price of a new car loan. Building a skilled workforce, from his perspective, involves reducing government subsidies for college students in the humanities and providing more to those in science and math, who are needed to fill the high-tech jobs that fuel growth in the 21st century. To this end, Conard also favors dramatically increasing high-skilled immigration as a strategy to accelerate economic growth. Reading Sitaraman and Conard side-by-side leads one to wonder what really ails America's political economy. To what extent does inequality represent the rightful rewards that motivate entrepreneurial risk-taking or the results of plutocratic influence-peddling? Is increasing inequality a sign that the rich are getting richer as the poor are getting poorer and the middle class is shrinking? Or is everyone's standard of living on the rise? Is social mobility declining as inequality increases? President Obama declared inequality to be the greatest challenge of our time, linking it to declining social mobility and a shrinking middle-class. These claims were frequently repeated and magnified by books, articles, and newspaper stories focused on the suffering of the chronic poor and unemployed. Although Sitaraman's analysis confirms the prevailing view of an ailing society, Conard's reading of the evidence conveys an alternative vision of prosperity that is more plausible. Together, these two books (among others) form the platform for an enlightening debate that should have taken place (but didn't) during the 2016 campaign, before the narrative was ceded to the leitmotif of "make America great again." Now arguments based on actual evidence about core public policy issues seem to have gone out of style, at least in and around Washington. Today, arguments one dislikes are called not "mistaken" or "insufficiently supported by the data," but rather "fake." That gives new life to the old saw that Washington is the only town in the country where sound travels faster than light. 1See Gilens, Affluence and Influence: Economic Inequality and Political Power in America (University Press, 2012), winner of the 2013 Woodrow Wilson Foundation Award; see also Kay Lehman Schlozman, Sidney Verba, and Henry E. Brady, The Unheavenly Chorus: Unequal Political Voice and the Broken Promise of American Democracy (Princeton University Press, 2012); and Nolan McCarty, "The Political Roots of Inequality," The American Interest (May/June 2013). 2American Political Science Association Task Force on Inequality and American Democracy, "American Democracy in an Age of Rising Inequality," Perspectives on Politics (December 2004), p. 662. 3Philip Armour, Richard V. Burkhauser, and Jeff Larrimore, "Deconstructing Income and Income Inequality Measures: A Crosswalk from Market Income to Comprehensive Income," American Economic Review (May 2013), pp. 173–177.

Primary Topic: Blog

Topics: Banking,Blog,Financial Crisis,Growth,Inequality,Investment,Minimum Wage,Monetary Policy,Politics,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/04/19/the-american-interest-reviews-the-upside-of-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/04/tn_The-AI.png

Article 197

Title: The Plan to Save the American Economy on The Market Mogul Podcast

Author(s)	Assistant
Publish Date	2017-03-31
Publish Time	10:27:51

Content: Ed Conard joins Jonathan Fielding to discuss his New York Times top ten bestselling book The Upside of Inequality: How Good Intentions Undermine the Middle Class on The Market Mogul podcast. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2017/03/Market-Mogul-podcast_3.17.17.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Investment,Monetary Policy,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/03/31/plan-save-american-economy-market-mogul-podcast

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/03/tn_MM-logo.png

Article 198

Title: Can Republicans Deliver Where Obamacare Failed? on FBN's "Intelligence Report"

Author(s)	Assistant
Publish Date	2017-03-08
Publish Time	18:02:37

Content: Ed Conard discusses the House Republicans health care plan with Trish Regan on Fox Business Network's "Intelligence Report."

Primary Topic: Blog

Topics: Blog,Healthcare/Seniors,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2017/03/08/9043-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/03/tn_FNB-Intelligence-Report_3.8.17.jpg

Article 199

Title: Can the GOP Pass Tax Reform This Year? on FBN's "Making Money"

Author(s)	Assistant
Publish Date	2017-03-06
Publish Time	11:28:54

Content: Ed Conard discusses the GOP's tax reform plan with Charles Payne on Fox Business Network's "Making Money."

Topics: Blog,Growth,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2017/03/06/9035-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/03/tn_FBN-Making-Money_3.4.17.jpg

Article 200

Title: Debunking Inequality Myths on The Bob Zadek Radio Show

Author(s)	Assistant
Publish Date	2017-02-27
Publish Time	17:54:00

Content: Ed Conard debunks the myths surrounding income inequality with Bob Zadek on "The Bob Zadek Radio Show."
[embed]https://soundcloud.com/bobzadek/debunking-inequality-myths-with-ed-conard[/embed]

Primary Topic: Blog

Topics: Blog,Growth,Politics,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/02/27/setting-record-straight-inequality-myths-bob-zadek-radio-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/02/tn_Zadek-Radio-logo.png

Article 201

Title: What's Holding Back U.S. Economic Growth? on Knowledge@Wharton Radio

Author(s)	Assistant
Publish Date	2017-02-26
Publish Time	11:10:57

Content: Ed Conard discusses his new book The Upside of Inequality: How Good Intentions Undermine the Middle Class with Dan Loney on Knowledge@Wharton Radio. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2017/02/K@Wharton-Radio_2.23.17.mp3"][/audio]

Primary Topic: Blog

Topics: Banking,Blog,Financial Crisis,Growth,Investment,Monetary Policy,Politics,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/02/26/the-upside-of-inequality-on-knowledgewharton-radio

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/02/tn_K@Wharton-logo.png

Article 202

Title: How the GOP Can Pass Permanent Tax Reform on Bloomberg TV's "Markets Live"

Author(s)	Assistant
Publish Date	2017-02-22
Publish Time	15:24:44

Content: Ed Conard discusses how the GOP can pass permanent tax reform with Vonnie Quinn on Bloomberg TV's "Markets Live."

Primary Topic: Blog

Topics: Blog,Growth,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/02/22/9009-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/02/tn_Bloomberg-Markets_2.22.17.jpg

Article 203

Title: The Case for a Border Tax on CNBC's "Squawk Box"

Author(s)	Assistant
Publish Date	2017-02-22
Publish Time	11:04:43

Content: Ed Conard debates tax reform and trade policy with Andrew Ross Sorkin, Joe Kernen, and Becky Quick on CNBC's "Squawk Box."

Primary Topic: Blog

Topics: Blog,Growth,Politics,Productivity,The Upside of Inequality,Videos,Videos Highlights

Permalink: https://www.edwardconard.com/2017/02/22/case-border-tax-cnbc-squawk-bo

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/02/tn_CNBC-Squawk-Box_2.22.17.jpg

Article 204

Title: Scott Winship Reviews "The Upside of Inequality" on Real Clear Politics

Author(s)	Assistant
Publish Date	2017-02-21
Publish Time	12:01:32

Content: "Ed Conard's voice is a much-needed injection of fresh thinking..." Scott Winship RealClearPolitics February 18, 2017 On the day Facebook went public in 2012, Mark Zuckerberg made $2.3 billion from the exercise of his company stock options. That amount represented the difference between the cost to public investors for 60 million shares in the social media giant and what Zuckerberg had been given the right to pay as part of his compensation package in 2005. Later that year, Zuckerberg sold about half of those shares to pay taxes on the initial windfall. The appreciation in Facebook's value since the IPO brought him another $1.1 billion in income from the sale. In 2013, Zuckerberg exercised more options and then later sold shares to pay the tax bill, earning about $4 billion before taxes. That was about 180 times the $22 million Mitt Romney made in 2010, which was, in turn, over 400 times the typical American's household income. I'll save you the effort of doing the math—Zuckerberg made roughly 80,000 times the typical household's income in 2013. Defending these kinds of disparities is not easy—and even less easy, I would imagine, if you once worked alongside Romney as a titan of private equity at Bain Capital. But that is what Ed Conard set out to do in The Upside of Inequality, a 2016 book that deserves a considered reading from anyone concerned about inequality or the fates of the poor and the middle class. A sequel of sorts to his 2012 debut, Unintended Consequences, Conard's new book brims with unconventional lessons that, he says, "thirty years in business have taught me." The Upside of Inequality is primarily concerned with explaining the rise in income concentration—that is, the rich getting richer—and the disappointing income growth among those below the top brackets in recent decades. While many observers see these two trends as intimately related, Conard argues that they have distinct causes. He makes a largely persuasive case. At points, his conjectures are weakly supported, and his perspective is often idiosyncratic—but invaluably so. Conard's themes could spawn a dozen dissertation topics. Income concentration grows, Conard shows, in proportion to the size of the market. Globalization and population growth have dramatically expanded the potential customer base available to businesses. More customers mean more potential profits, which increases the scale of firms, raises the value of successful ones, and increases the importance of top executives. Zuckerberg's $4 billion would, today, come out to not much more than $2.00 for every Facebook user around the world. Would you pay $2 directly to Mark Zuckerberg one time for the use of Facebook over the rest of your life? All workers in successful firms—not just executives—are more valuable than they used to be when markets were smaller. A cottage industry has developed in economics looking at the rise in inequality that has occurred between firms, while inequality among workers at the same firm has been relatively flat. That pattern may reflect the expansion of markets that Conard highlights. But the C-suite remains relatively small as a share of any company's employees and therefore retains outsize importance. As Conard notes, "It is illogical for a CEO managing five employees to earn the same pay as one managing fifty thousand employees." Conard points out that the incomes of the top 1 percent grew much less than the S&P 500 index between 1979 and 2007. That comparison isn't quite right, though, as the top 500 CEOs did far better than the much bigger group of the top 1 percent of taxpayers. But Conard cites a number of other factors that push up the pay of top earners (including, but not limited to, CEOs). Advancing information technology has doubly helped the highest-skilled workers. It has increased their productivity (relative to that of other workers) while creating new investment opportunities that boost demand for their increasingly valuable skills. Technology has also allowed innovators to grow massive businesses quickly with much less help from outside investors than past entrepreneurs required. At the extreme, a social media website or app may be created in a dorm room and quickly lead to vast wealth. Mark Zuckerberg did not need to find the money to build a giant factory, hire a massive workforce, pay suppliers, or develop physical distribution networks. A lottery-like element works to drive up inequality. Successful innovations produce windfall fortunes for their discoverers. While critics of inequality point to the incomprehensibly large incomes of the winners in this innovation lottery, they ignore the "large pool of very talented failures," as Conard calls them—all those who tried for windfall fortunes, and lost. In order to find increasingly hard-to-discover innovations, we need more people looking for them, and if the odds of success are long, the payoff for winning the lottery must be correspondingly large. Conard worries that measures to rein in top incomes will kill the golden-egg-laying goose that is the United States economy. We would be doing a lot worse, he believes, if not for the upside of inequality—the innovation that inequality promotes. And we will not do better by the middle class or the poor if we stifle that innovation through blunt efforts to prevent the rich from getting too rich. But why haven't the poor and middle class done better? Conard has an unconventional explanation here, too. He notes that in terms of employment growth, the U.S. actually looks pretty good next to other countries in recent decades. Wage growth has been the real disappointment. The problem, according to Conard, is twofold. First, demand for lower- and middle-skilled American labor has been weakened by trade with low-wage countries and technology-induced rising productivity in manufacturing, while labor supply has been pushed up by increased immigration. Second, against this backdrop, the American economy has failed to produce enough risk-taking and "properly trained talent"—too few innovators, investors, entrepreneurs, and managers—to create and support the new jobs that might have increased labor demand. This failure prevents an ample supply of savings from being invested in new enterprises. Conard's brief (and largely unsourced) discussion of the Golden Age of American economic growth in the mid-twentieth century is the richest I have seen. Lower- and middle-class Americans thrived in this period for various reasons, many impossible or undesirable to replicate. Conard, like many others, cites pent-up demand produced by the Great Depression and World War II, as well as the war's destructive impact on foreign competition. Labor supply, meanwhile, was diminished from reduced fertility during the Depression, creating upward pressure on wages. Postwar, markets expanded thanks to the interstate highway system and television. Rising college enrollment increased productivity and created shortages of less-skilled labor. Labor shortages in urban manufacturing centers combined with productivity-enhancing agricultural technology to promote migration from low-productivity rural areas to high-productivity cities. Steady economic growth reduced investment risk and the cost of capital. Since the Golden Age, however, economic changes have tended to be less helpful to lower and middle-skilled American workers. Competition and technological change have driven many manufacturers overseas, where wages are lower, and forced domestic manufacturers to increase productivity, doing more with fewer workers. The capital that would have gone to domestic manufacturing—now less necessary in a service-based, knowledge-intensive economy—is invested offshore. Employment has shifted to the lower-productivity service sector. The baby boom and rising labor force participation among married women, along with increased immigration, expanded the supply of labor, pressuring wages downward. Conard's skepticism about trade and immigration captures the Trumpian zeitgeist but is unexpected coming from a conservative capitalist residing squarely in the Boston/Washington corridor. In his account, global trade primarily occurs today between "low-wage, lesser-skilled labor" overseas and high-wage, high-skilled Americans. This trade benefits both parties, as trade tends to do. Less-skilled Americans have not been entirely left out—they benefit from lower prices—but their pay in medium-wage jobs has been pressured downward not just by competition from low-wage workers abroad but by the replenishment of the workforce through lower-skilled immigration. If those immigrants were contributing proportionally to the stock of "properly trained talent" and to risk-taking innovation, then the additional demand they create might translate into new, higher-wage jobs for native-born, less-skilled workers. But since they do not contribute proportionally to these constrained resources, increased lower-skilled immigration bids down wages. Conard's lament over the shortage of "properly trained talent" comes from his belief that too many high-skilled people are going into namby-pamby lines of work that do not contribute sufficiently to employment growth and innovation. Finally, Conard argues that potential investors lack the capacity and willingness to bear greater risk, thwarting the innovation that would lead to stronger growth and higher wages. He cites a variety of factors that have led to a shortage of entrepreneurs willing and able to put sufficient collateral at risk, including slow and unstable growth; the shift to an information- and service-based economy; the revelation during the financial crisis that the banking system is more fragile than realized; increased regulation and higher top marginal tax rates during the Obama years; political polarization; and foreign policy concerns. Conard's policy recommendations also include some unconventional ideas. He advocates strengthening the Federal Reserve Board's role as the lender of last resort to counter risk aversion on the part of investors and lenders. To increase innovation, he wants a corporate tax rate of no higher than 15 percent. For the same reason, Conard would increase “ultra-high-skilled” immigration. He stops short of calling for reduced levels of lower-skilled immigration, proposing to tie its growth to that of high-skilled immigration. He’d also like federal aid to students and institutions of higher education to go toward motivating more people to go into science, technology, engineering, and math—fields that will leave them “properly trained” for jobs that also promote the additional employment of lower-skilled workers. Otherwise, his support for educational and antipoverty programs is tepid, at best. He’s only lukewarm on charter schools and pre-K. He could live with an expansion of the Earned Income Tax Credit. Mostly, Conard would like to see more experimentation in antipoverty and education policy, with rigorous evaluation. His two biggest out-of-the-box ideas are to eliminate taxes on working- and middle-class Americans—instead charging them for the government services they consume—and an endorsement of Warren Buffet’s import-license proposal, under which prospective importers to the U.S. would have to purchase American exports first and would receive a license to send imports our way totaling the same amount. These licenses would be tradeable, so China, for example, could purchase licenses from the United Kingdom, with which the U.S. has a trade surplus. The danger within the policy community in Washington D.C.—among hacks and wonks alike—is that conventional thinking and ideological polarization produce too many stale ideas that don’t reflect perspectives from outside academia and Congressional offices. Ed Conard’s voice is a much-needed injection of fresh thinking. Though not by design—the book was written well before last year’s election—his views and policy agenda are surprisingly Trump-friendly. Here’s hoping that they get a hearing in the new administration. Scott Winship is a Visiting Fellow at the Foundation for Research on Equal Opportunity.

Topics: Blog,Growth,Investment,Monetary Policy,Politics,Print,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/02/21/scott-winship-reviews-the-upside-on-inequality-in-real-clear-politics

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/02/tn_RCP-logo.png

Article 205

Title: Will a Border Tax Stall Economic Growth? on FBN's "Making Money

Author(s)	Assistant
Publish Date	2017-02-16
Publish Time	12:22:46

Content: Ed Conard joins Charles Payne to debate the economic impact of a border adjustment tax on Fox Business Network's "Making Money."

Primary Topic: Blog

Topics: Blog,Growth,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2017/02/16/8973-2

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Article 206

Title: Is the Gig Economy the Future of Employment? on BBC Radio's "In the Balance"

Author(s)	Assistant
Publish Date	2017-02-15
Publish Time	12:25:45

Content: Ed Conard joins Guy Standing and Douglas Rushkoff to debate the future of employment and the gig economy with host Manuela Saragosa on BBC Radio's "In the Balance." [audio mp3="https://www.edwardconard.com/wp-content/uploads/2017/02/BBC-In-the-Balance_2.11.17.mp3"][/audio]

Topics: Blog,Growth,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/02/15/gig-economy-future-employment-bbc-radios-balance

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Article 207

Title: Conard Outlines GOP’s Tax Reform Strategy with Charles Payne

Author(s)	Ed Conard
Publish Date	2017-02-09
Publish Time	12:53:15

Content: Ed Conard joins Charles Payne to outline the GOP's tax reform strategy on Fox Business Network's "Making Money."

Topics: Blog,Growth,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2017/02/09/conard-outlines-gops-tax-reform-strategy-with-charles-payne

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/02/tn_FBN-Making-Money-2.8.17.jpg

Article 208

Title: Generating Prosperity for Working and Middle Class Americans on Liberty Watch Radio

Author(s)	Assistant
Publish Date	2017-02-09
Publish Time	12:45:31

Content: Ed Conard discusses the economy and his new book The Upside of Inequality: How Good Intentions Undermine the Middle Class with Charles Heller on Liberty Watch Radio. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2017/02/Liberty-Watch-Radio_2.12.17.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Investment,Politics,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/02/09/generating-prosperity-working-middle-class-americans-liberty-watch-radio

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Article 209

Title: What Trump Needs to Do to Sustain Economic Momentum on FBN's "Making Money"

Author(s)	Ed Conard
Publish Date	2017-02-02
Publish Time	12:26:35

Content: Ed Conard discusses what President Trump needs to do to sustain economic momentum on Fox Business Network's "Making Money."

Primary Topic: Blog

Topics: Blog,Growth,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2017/02/02/the-trump-economy-is-off-and-running-on-fbns-making-money

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/02/tn_FBN-Making-Money-2.1.17.jpg

Article 210

Title: Will Building More Cars in the US Narrow The Trade Deficit? on CNBC's "Squawk Alley”

Author(s)	Ed Conard
Publish Date	2017-01-29
Publish Time	14:32:35

Content: Ed Conard joins Carl Quintanilla, Kayla Tausche, and Jon Fortt to discuss President elect Trump's meeting with U.S. automakers on CNBC's "Squawk Alley."

Topics: Blog,Growth,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2017/01/29/will-building-more-cars-in-the-us-narrow-trade-deficit

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/01/tn_CNBC-Squawk-Alley-1.24.16.jpg

Article 211

Title: Why President Trump Is Focused on Auto Jobs on FBN's "Making Money"

Author(s)	Ed Conard
Publish Date	2017-01-26
Publish Time	14:36:36

Content: Ed Conard discusses President Trump's meeting with U.S. automative CEOs on Fox Business Network's "Making Money" with Charles Payne.

Primary Topic: Blog

Topics: Blog,Growth,Politics,Productivity,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2017/01/26/why-president-trump-is-focused-on-auto-jobs-on-fbns-making-money-with-charles-payne

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/01/fb_FBN-Making-Money-1.24.16-2-e1547821642291.jpg

Article 212

Title: Commentary Magazine Reviews The Upside of Inequality

Author(s)	Ed Conard
Publish Date	2017-01-19
Publish Time	10:36:27

Content: "The Upside of Inequality is a well-written, thought-provoking book. It will be invaluable to anyone who wants a clear-eyed look at the country's economic problems and their possible solutions." John Steele Gordon Commentary Magazine January 15, 2017 Liberals are always finding crises that must be addressed immediately through government action. A couple of years ago they declared a civil-rights jihad on behalf of the transgendered, a group so few in number that my three-year-old spellchecker doesn't have the word in its dictionary. In economics, the increase in income and asset inequality between the top and the bottom of the socioeconomic scale in recent decades has generated considerable pressure to narrow the spread, mostly, of course, by taxing the rich. Thomas Piketty, author of Capital in the 21st Century, called for a wealth tax and a top income-tax rate of 80 percent. And there is no doubt that this increase has been real and dramatic. To make the first Forbes 400 list in 1983, it took $82 million (roughly $250 million in 2017 dollars). Only a handful on the list were worth over a billion. Today it takes $1.7 billion just to be on the Forbes 400, and there are 153 billionaires in this country too poor to make the cut. No small part of the creation of these enormous fortunes in recent decades is that in the new digital economy, unlike the old industrial one, there is little need for capital and thus little need to cut investors in on the deal and thereby spread the wealth. It is not a coincidence that seven of the 10 top fortunes on the Forbes list (those of Bill Gates, Jeff Bezos, Mark Zuckerberg, Larry Ellison, Michael Bloomberg, and Larry Page and Sergey Brin) arose in the new economy. The salaries and remuneration of top executives have also soared in recent years, far outstripping the increase in average income for their employees. Rex Tillerson's retirement package, as he leaves ExxonMobil to become secretary of state, calls for him to get $180 million. Curiously (well, not curiously actually), the left never seems upset about the enormous incomes of creative artists and sports stars. The singer Taylor Swift pulled in $170 million last year. James Patterson, the mystery writer whose book factory turns out about one new title a month, earned $95 million. Top pitchers in the major leagues can pull down more than $7,000 per pitch. Edward Conard, in his illuminating new book The Upside of Inequality: How Good Intentions Undermine the Middle Class, explains why this is, and why this is not, a crisis. A founding partner in Bain Capital, Conard has far more experience with the real economic universe than most academic economists and, unlike most academic economists, he writes plain, sturdy English prose. His earlier book, Unintended Consequences: Why Everything You've Been Told About the Economy Is Wrong, was a New York Times bestseller and richly deserved to be. Conard notes that a doctor, for instance, can treat only one patient at a time, which severely limits his potential income, however high his fees. But an entertainer such as Taylor Swift has no limit to the number of people she can entertain. More, the number of people who are her potential audience is far larger than it was 50 years ago, at the height of the Beatles craze, as more and more of the world has reached First World status. Still more, the entire world economy in the 1960s was only as large as China's is today. As Conard explains: A more prosperous world values and rewards innovations—a new song or movie, a new technology, or a new insight—more highly than a less prosperous world. That's a good thing. The growing income of the 1 percent is the result of simple multiplication, not a deduction from the pockets of the less successful. Even in the case of CEOs, the larger and more prosperous world economy has made their success more valuable. "It's illogical for a CEO managing five employees to earn the same pay as one managing fifty thousand," he writes. "As companies grow larger and more valuable, CEO pay has logically risen relative to the pay of the average employee. The ratio of CEO-to-employee pay may be clever rhetoric. But it's illogical economics." He also notes that while the S&P 500 index rose 500 percent between 1979 and 2007, the incomes of the top 1 percent went up only 275 percent. In other words, CEO compensation has grown more slowly than the market value of the largest companies. The growth of middle-class and working-class compensation, on the other hand, has been restricted by both increased immigration and by globalization, with many more people competing for middle- and lower-skill jobs. Perhaps the most interesting part of this consistently interesting book is the middle section, “Debunking myths: Why Mitigating Inequality Is Not the Solution.” His first—one very popular on the left—is that incentives don’t matter. “No myth is more foundational to the crusade for income redistribution,” he notes, “than the argument that payoffs for successful risk-taking don’t matter.” The idea that taxing success, which is what income redistribution is all about, would not adversely affect willingness to take risks is a classic instance of George Orwell’s famous crack that “one has to belong to the intelligentsia to believe things like that: no ordinary man could be such a fool.” Conard points out that there have been a number of “natural experiments” in the world economy over the last half century and more disproving the idea that incentives don’t matter, that innovation will take place regardless of the rewards seeking new ideas: Look at the enormous differences in growth and prosperity among similar countries that have dulled incentives by redistributing income: East and West Germany; North and South Korea; Hong Kong, Taiwan, and China today versus Communist China; and the United States relative to Europe. Played out over time, the differences are startling. And there are few, if any, exceptions. Conard also observes that in a capitalist economy, competition will always assure that it is the customers who capture most of the value of innovation. To maintain market share, companies must innovate constantly just to keep up with their rivals’ innovations. And competition also forces companies to cut costs and improve quality, passing much of the increased value along to their customers to ensure they don’t become some other company’s customers. Thus innovation, however rich it makes the original innovator, enriches the economy as a whole far more. The Internet made billionaires of Zuckerberg and Bezos (and millionaires of many, many others), but it has created a vast industry employing hundreds of thousands of well-paid employees and enriched the lives of all who use it, most of whom find it now indispensable. Among the other myths Conard debunks, or, more accurately, eviscerates, is that success is largely unearned (“You didn’t build that”), that there is a shortage of investment opportunities, that progress hollows out the middle class, and that social mobility has declined. With sharp analysis, lucid prose, and a few easy-to-grasp—and devastating—charts, Conard shows how these myths are mostly tendentious twaddle with little or no basis in reality. Conard, however, is no zealot simply retailing the latest conservative talking points. In the last part of his book, he questions how effective charter schools can be in improving American education, and how limited is society’s ability to lift families at the bottom out of poverty by making them economically self-sufficient. And he brings up a subject that has been little discussed in the op-ed world. The baby-boomer generation—the pig in the American demographic python—is now moving into retirement (the oldest baby boomers will turn 71 this year). As they swell the ranks of seniors, the age group with the highest voter turnout, they will, undoubtedly, exert enormous political pressure both to not lose any of their retirement benefits, including pensions from often woefully underfunded public pension plans, and to have new benefits bestowed. In other words, they want more redistribution—to the most prosperous demographic group. But he also sees several ways forward, such as lowering barriers to the immigration of the highly skilled and the lowering of the corporate tax rate. The former is not likely to be a priority in the Trump administration, while the latter, hopefully, will be. The Upside of Inequality is a well-written, thought-provoking book. It will be invaluable to anyone who wants a clear-eyed look at the country’s economic problems and their possible solutions.

Primary Topic: Blog

Topics: Blog,Growth,Inequality,Minimum Wage,Monetary Policy,Politics,Print,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2017/01/19/commentary-magazine-reviews-upside-inequality

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Article 213

Title: The Economics of Inequality on The Economic Rockstar Podcast

Author(s)	Ed Conard
Publish Date	2016-12-15
Publish Time	17:26:20

Content: Ed Conard discusses the economics of income inequality and his new book The Upside of Inequality: How Good Intentions Undermine the Middle Class with Frank Conway on The Economic Rockstar Podcast. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/12/Economic-Rockstar-Podcast_12.13.16.mp3"][/audio]

Primary Topic: Growth

Topics: Banking,Blog,Financial Crisis,Growth,Investment,Monetary Policy,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/12/15/economics-income-inequality-economic-rockstar-podcast

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Article 214

Title: Manhattan Institute Debate: How Free Enterprise Advocates Can Regain Control of the Republican Party

Author(s)	Ed Conard
Publish Date	2016-12-14
Publish Time	13:17:42

Content: Ed Conard joined the Manhattan Institute for an in-depth discussion, hosted by Howard Husock, on how advocates of free enterprise can regain control of the Republican party. Conard goes on to summarize his Top 10 NYT bestselling book, The Upside of Inequality: How Good Intentions Undermine the Middle Class which lays out a blueprint for growing middle-and-working class wages in an economy where we have a near unlimited supply of unskilled labor. [audio mp3= "https://www.edwardconard.com/wp-content/uploads/2016/12/MI-Book-Luncheon_audio.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Financial Crisis,Gender Pay Gap,Growth,Healthcare/Seniors,Investment,Monetary Policy,Politics,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/12/14/manhattan-institute-debate-free-enterprise-advocates-can-regain-control-republican-party

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/11/thumbnail_MI-logo.jpg

Article 215

Title: Is 4% Economic Growth Feasible? on CNBC's "Squawk Alley"

Author(s)	Ed Conard
Publish Date	2016-12-13
Publish Time	12:35:39

Content: Ed Conard joins Carl Quintanilla, Kayla Tausche, and Jon Fortt to discuss President elect Trump's economic policy agenda on CNBC's "Squawk Alley."

Primary Topic: Blog

Topics: Blog,Growth,Politics,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/12/13/is-4-economic-growth-feasible-on-cnbcs-squawk-alley

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/12/thumb_Squawk-Group.png

Article 216

Title: Ed Conard in The New York Times: Where Piketty & Saez's New Research Falls Short

Author(s)	Ed Conard
Publish Date	2016-12-07
Publish Time	12:55:59

Content: Upon the arrival of Piketty and Saez's updated inequality study reported, I explain why working class wages growth remains slow in the New York Times. It's unfortunate that the outsized success of the most successful Americans is blamed for the slow growth of lesser-skilled workers, as if the economy were a pie to be divided. The outsized success of the most successful Americans increases the demand for lesser-skilled labor. Factors independent of the growing success of the most successful Americans slow the growth of lesser-skilled wages relative to the rest of the economy. The cost of trade with low-wage economies is shared disproportionately by low-skilled workers relative to the benefits, a large portion of which are enjoyed by high-skilled workers, retirees, and the poor. Trade deficits but downward pressure on low-skilled wages when risk-averse saving sit unused even at near-zero interest rates, as they do today. And low-skilled immigrants and their adult children, who depend on the same limited pool of high-skilled workers to raise their productivity and wages, spread these constrained resources over a greater number of workers. Each of these factors, and not the success of the most successful Americans slows lesser-skilled wage growth relative to GDP. It's good to see that Piketty and Saez have finally incorporated the work of Richard Burkhauser. Their work now shows that median incomes have grown 50% since 1980. They still need to incorporate hours worked into their analysis, where declining workforce participation has had a significant effect on the distribution of income. Read the full New York Times article here.

Primary Topic: Blog

Topics: Blog,Growth,Inequality,Minimum Wage,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/12/07/ed-conard-new-york-times-piketty-saezs-new-research-falls-short

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_NYT_this-one.jpg

Article 217

Title: A Trade Policy That Wouldn’t Leave Low-Wage Workers Behind

Author(s)	Ed Conard
Publish Date	2016-12-06
Publish Time	9:23:10

Content: Edward Conard National Review December 5, 2016 President-elect Donald Trump has shown Republicans how to forge a new electoral college majority by energizing blue-collar voters. His victory, with its demands to restrict trade and immigration, also marks the end of free-market advocates’ control over the Republican party. But there is a way that these advocates might find common ground with blue-collar Republicans to accelerate wage growth, better fund looming pension benefits without tax increases, and defeat the next iteration of liberalism. Republicans have always been a coalition of voting minorities, and their share of the vote has been slowly shrinking as the country’s demographics have shifted. Trump’s blue-collar voters offer the GOP a way to enlarge its base. It won’t be easy, however, to find common ground between Trump supporters and traditional free-market Republicans. As growth has slowed and government spending has reached historic highs, it’s no surprise that the beneficiaries of government policies — workers, retirees, newly arriving immigrants, and the poor — have started competing with one another for benefits. Tea-party Republicans want spending cuts to ensure the solvency of their pensions. Blue-collar Trump voters want restrictions on trade and immigration to raise their wages. Both factions fear that government spending slows growth. It would be easier to find common ground if free-market advocates recognized that an abundance of low-skilled workers can slow wage growth in an economy with constrained resources. Most economists assume that the amount of capital invested per worker largely determines productivity and that productivity determines wages. From this perspective, an abundance of low-skilled workers doesn’t slow wage growth when savings don’t constrain GDP growth. But in today’s knowledge-based economy, capital no longer drives productivity. Companies such as Google can scale to economy-wide success without much capital. Properly trained talent and the economy’s capacity and willingness to bear risk now constrain growth, while savings sit unused despite near-zero interest rates. An increase in low-skilled workers spreads constrained resources — talented supervision, for example — over a greater number of workers. This slows productivity and wage growth, because low-skilled workers don’t add to constrained resources in proportion to the demands they place on them. When manufacturers move plants to Mexico, most economists are confident that opportunistic risk-takers will reemploy displaced workers and that competition between employers will increase investment, productivity, and wages. But properly trained talent has moved to Silicon Valley and outsourced blue-collar employment to Asia, while the engineers who remain design products and factories that increase the productivity and wages of Mexican workers. This brain drain slows low-skilled American productivity and wage growth; it is no surprise that the wages of displaced manufacturing communities have been stagnant for decades. Meanwhile, 40 million foreign-born adults and their 20 million native-born adult children, including 35 million predominantly low-skilled Hispanic adults, depend on the same limited pool of talented supervisors and job creators to raise their wages. With these constraints on growth, an increase in low-skilled employment puts downward pressure on wages. Struggling workers want America to deploy its constrained resources in their behalf and not in behalf of newly arriving low-skilled immigrants and offshore workers. They want high-paying jobs, not handouts. And retiring Baby Boomers, who are expected to increase government spending by 9 percent of GDP over the next 30 years, want reassurance that their pensions will be paid. To dismiss these concerns as racist underestimates their legitimacy. Despite Trump’s good intentions, America can’t maximize prosperity and remain competitive by manufacturing something for $20 that it can buy for $2. It must trade with low-wage economies. Like innovation, trade increases prosperity by lowering the cost of goods. If displaced workers couldn’t find work at higher wages than the now-lower cost of imported goods, the goods wouldn’t be cheaper to manufacture offshore. Trade necessarily lowers the cost of goods more than wages, which makes the economy richer as a whole. But low-skilled workers bear 100 percent of the cost of lower wages, while high-wage workers, retirees, and the non-working poor capture a large portion of the value of cheaper goods. Given this imbalance, it's unclear whether trade benefits low-skilled workers. Anyone claiming to know is either naïve or disingenuous. But given the value of trade, it would be wise for blue-collar Republicans to accept compensatory income redistribution through progressive taxation rather than demanding heavy protectionist restrictions. Nevertheless, workers needn't endure perennial trade deficits, which reduce the demand for low-wage work, for the country to enjoy the benefits of trade. Trade deficits occur when countries such as Germany lend the U.S. economy the proceeds from the sale of goods to Americans, rather than using them to buy goods made by American workers. To prevent trade deficits from reducing the wages and employment of lower-skilled workers — the economy can always achieve full employment at lower wages — Americans must borrow and spend these savings. But today, savings sit unused despite near-zero interest rates, putting downward pressure on wages as they accumulate. We could eliminate trade deficits by issuing a dollar of import licenses for every dollar of exports and allowing licenses to be traded freely. Such a simplification would minimize the discretion of policymakers by eliminating the need for tariffs and quotas, which are impossible to manage effectively. It's worrisome to give policymakers limited control over trade, but trade deficits may be worse. Economics teaches us that the first dollars of imports are much lower-cost than American-made goods; the last dollars, however — imports in excesses of exports — are virtually the same cost as American-made goods. Were that not the case, we would continue to buy cheaper offshore goods. For little additional benefit to consumers, we allow the rest of the world to dump its unused savings onto America at great cost to low-skilled employment and wages, growth, the stability of banks, and the efficacy of monetary policy. In turn, slow growth inflames demands to increase government spending, restrict free trade, and repudiate an unsympathetic and uncompromising establishment — so much so that these sentiments have overtaken the Republican party. Balanced trade would help mitigate these grievances. In addition to eliminating trade deficits, we could lower corporate taxes to make America a more competitive place to create jobs, increasing demand for employment and putting upward pressure on wages. We could also increase the ratio of high-skilled to low-skilled workers. Talented innovators, entrepreneurs, and supervisors create employment and increase productivity, which also puts upward pressure on wages. Restricting low-skilled immigration would achieve this effect, but it would also reduce production and slow growth. A more effective policy would recognize that the cost of retiring Baby Boomers, China's eventual military threat, and federal debt at 75 percent of GDP necessitate faster growth than America can achieve organically. Doubling the number of full-time, 95th-percentile, ultra-high-skilled workers from 5.5 million to 11 million might double America's growth rate and tax revenues. Unlike most other taxpayers, these workers pay significantly more in taxes than they consume in government services. With America already issuing over 1 million green cards per year, a doubling is achievable. By refusing to replace low-skilled immigration with ultra-high-skilled immigration, Democrats have squandered America's most significant opportunity for growth. Republicans must capitalize on this forgone opportunity. Every faction of the Republican coalition must recognize that, in the next election, Democrats will compete fiercely for the blue-collar voters they have neglected. To build an enduring alliance with these new Republican voters, free-market advocates must find common ground with them and use it to both accelerate wage growth and increase tax revenues without tax increases. A thoughtful plan needn't alarm voters who want their president to unite a divided country.

Primary Topic: The Upside of Inequality

Topics: Blog,Growth,OpEds,OpEds Highlights,Politics,Print,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/12/06/trade-policy-wouldnt-leave-low-wage-workers-behind

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_NR-logo.jpg

Article 218

Title: Greg Mankiw & Ed Conard Discuss the Upside of Inequality on C-SPAN’s Book TV

Author(s)	Ed Conard
Publish Date	2016-12-06
Publish Time	9:20:51

Content: Harvard economist Greg Mankiw interviews Ed Conard about his new book, The Upside of Inequality: How Good Intentions Undermine the Middle Class for C-SPAN Book TV’s “After Words.”

Primary Topic: Blog

Topics: Blog,Blog Highlights,Growth,Monetary Policy,Productivity,The Upside of Inequality,Videos,Videos Highlights

Permalink: https://www.edwardconard.com/2016/12/06/greg-mankiw-ed-conard-discuss-upside-inequality-c-spans-book-tv

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/11/thumb_CSPAN_Mankiw.png

Article 219

Title: Debating Trade Policy & The Drivers of Wage Growth with Larry Kudlow and Forbes's John Tamny

Author(s)	Ed Conard
Publish Date	2016-12-05
Publish Time	14:05:08

Content: Ed Conard debates trade policy and the drivers of wage growth with Larry Kudlow and Forbes's John Tamny on WABC's "The Larry Kudlow Show." [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/12/Kudlow-WABC-Radio-12.3.16.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Monetary Policy,Politics,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/12/05/debating-trade-policy-drivers-wage-growth-larry-kudlow-forbess-john-tamny

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/12/thumb_Kudlow-logo.png

Article 220

Title: Evaluating President elect Trumps' Economic Plan on Bill Martinez Live

Author(s)	Ed Conard
Publish Date	2016-11-28
Publish Time	9:24:59

Content: Ed Conard evaluates President elect Trumps' economic plan with Bill Martinez on "Bill Martinez Live." [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/12/Bill-Martinez-Live-12.5.16.mp3"][/audio]

Primary Topic: The Upside of Inequality

Topics: Blog,Growth,Politics,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/11/28/evaulting-president-elect-trumps-economic-plan-bill-martinez-live

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Bill-Martines-logo.png

Article 221

Title: How the Trump Presidency Will Impact Wall Street & the Economy on BOLD TV

Author(s)	Ed Conard
Publish Date	2016-11-21
Publish Time	15:55:22

Content: Ed Conard joins the BOLD TV team to discuss what effect the Trump presidency will have on Wall Street and the economy.

Primary Topic: Blog

Topics: Blog,Growth,Investment,Politics,Productivity,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/11/21/trump-presidency-will-impact-wall-street-economy-bold-tv

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/11/thumb_BOLD-TV.png

Article 222

Title: The Economics Detective Investigates The Upside of Inequality

Author(s)	Ed Conard
Publish Date	2016-11-17
Publish Time	14:50:47

Content: Ed Conard sits down with Garrett Petersen of The Economics Detective Podcast for a wide-ranging discussion about inequality, immigration, entrepreneurship and his new book The Upside of Inequality: How Good Intentions Undermine the Middle Class. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/11/Econ-Detective-11.2.16.mp3"][/audio]

Primary Topic: Banking

Topics: Banking,Blog,Financial Crisis,Growth,Inequality,Investment,Monetary Policy,Politics,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/11/17/economics-detective-investigates-upside-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/11/thumbnail_Econ-Detective_logo.png

Article 223

Title: How Capital Markets Are Reacting to Trumponomics on CNBC's "Squawk Alley"

Author(s)	Ed Conard
Publish Date	2016-11-16
Publish Time	13:46:40

Content: Ed Conard discusses how capital markets are reacting to Trumponomics with Sara Eisen, Carl Quintanilla, and David Faber on CNBC's "Squawk Alley."

Topics: Blog,Financial Crisis,Growth,Investment,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/11/16/capital-markets-reacting-trumponomics-cnbcs-squawk-alley

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/11/thumb_Squwk_11.16.jpg

Article 224

Title: How‎ to Accelerate Growth in the First 100 Days on FBN's "Making Money"

Author(s)	Ed Conard
Publish Date	2016-11-12
Publish Time	17:57:55

Content: Ed Conard discusses how to accelerate growth in the first 100 days on Fox Business Network's "Making Money" with Charles Payne.

Primary Topic: Blog

Topics: Blog,Growth,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/11/12/how%e2%80%8e-accelerate-growth-first-100-days

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/11/thumb_Payne-2.png

Article 225

Title: Where Congress Can Find Common Ground on Trade with President-elect Trump on FBN's "Making Money"

Author(s)	Ed Conard
Publish Date	2016-11-12
Publish Time	17:46:59

Content: Ed Conard discusses where Congress can find common ground on trade with President-elect Trump on Fox Business Network's "Making Money" with Charles Payne.

Topics: Banking,Blog,Growth,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/11/12/can-congress-find-common-ground-trade-president-elect-trump-fbns-making-money

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/11/thumb_Payne-1.jpg

Article 226

Title: The Weekly Standard Reviews The Upside of Inequality

Author(s)	Ed Conard
Publish Date	2016-11-11
Publish Time	11:57:32

Content: Michael M. Rosen The Weekly Standard November 21, 2016 As impassioned calls to curb income inequality, including through a growing movement to establish a “guaranteed basic income," have increasingly dominated the political conversation here and abroad, Edward Conard's contrarian argument for pro-growth policies—including those that inevitably increase inequality—couldn't have arrived at a more opportune moment. Billed as a "comprehensive defense of income inequality," Conard focuses his brief on the notion that inequality yields "faster growth and greater prosperity for everyone." He casts his book as an antidote to Thomas Piketty's 2014 anti-inequality bestseller, Capital in the Twenty-First Century. In classical economic terms, Conard methodically, if sometimes ploddingly, elucidates how liberating the capitalist genie from the regulatory bottle grants society's fondest financial wishes, even though (or perhaps because) some wishes are more ambitious than others. Contrary to the conclusions of leading leftist economists, the "1 percent," Conard finds, has largely earned its success not "through cronyism or other uncompetitive practices" but by "commercializing successful innovation." Conard begins by fingering not corporate poohbahs but low-skilled immigration as the most significant brake on the growth in median income: The influx of such labor "spreads a given increase in the demand of properly trained talent and successful risk-takers over a greater number of lesser-skilled workers who compete with one another to satisfy that demand." Such competition inexorably drives down wages. The Upside of Inequality takes a hatchet to five key "myths," beginning with the notion that "incentives don't matter." Pace the arguments of legions of progressive economists, redistribution, Conard contends, has "large detrimental effects on risk-taking, innovation, productivity, and growth over the long run." He cites numerous peer-reviewed, cross-cultural studies establishing a clear link between higher taxation and slower growth. Consider the United States, where median family incomes are 15-30 percent higher than in (relatively) high-tax Europe and Japan. The other myths Conard examines—"commonly held beliefs, widely supported by top academics, that crumble under closer scrutiny"—include the supposed unearned nature of financial success, the shortage of investment opportunities, the hollowing-out of the middle class, and the decline of mobility. That last myth, in particular, he debunks by invoking recent studies showing American upward mobility on a par with that of Europe, including Scandinavia, for all but the poorest quintile. And with respect to the very poor, Conard cites reams of data holding single-parenthood and low high-school graduation rates, not inequality, responsible for impeding movement between social classes. In his most illuminating section, Conard propounds a way forward that comports with free-market principles and common sense. As a first principle, he cautions against the seductions of sentimentalities, the so-called moral arguments for redistribution, such as the mistaken notion that a highly progressive income-tax structure (and, to a lesser extent, charitable giving) can make a meaningful dent in global poverty. Instead, noting that "America's poor are among the richest people in the world," Conard contends that we can alleviate poverty only by "making investments and producing innovations that increase prosperity." But how do such investment and innovation percolate down to the lowest quintile? Improving the creaky American education system will prove critical, but Conard dismisses the benefits of preschool and charter schools alike, instead extolling the virtues of vocational schooling, online instruction, and, especially, STEM education and ancillary training in sales, marketing, and management. Equally critical is what Conard labels "ultra-high-skilled immigration"—that is, workers with abilities in the 95th percentile whose arrival on American shores to fill high-tech positions would also create job opportunities throughout the economy: "The success of these companies and workers will accelerate growth and the accumulation of equity that's needed to underwrite further risk-taking." Conard also favors lowering—preferably eliminating—the corporate income tax and approvingly cites Warren Buffett's trade-balancing scheme: obliging "would-be American importers to buy a dollar of American-made goods for the right to import a dollar of goods produced offshore." Taken together, these prescriptions will eventually "have large and compound effects on growth, employment, and wages at all skill levels." Conard's prose occasionally tends to bog down in economic jargon and suffers from a certain defensiveness. It's also not exactly the type of intellectually electrifying book that Piketty's proved to be and is unlikely to earn its warm reception, even on the economic right. Still, The Upside of Inequalityamply rewards the careful, patient reader with a strong interest in—though not necessarily a deep understanding of—basic economics and provides a handy primer for pundits and politicians who struggle to respond in kind to the anti-inequality screeds of leftist economists. Michael M. Rosen is an attorney and writer in Israel.

Primary Topic: Blog

Topics: Banking,Blog,Financial Crisis,Growth,Healthcare/Seniors,Investment,Monetary Policy,Politics,Print,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/11/11/weekly-standard-reviews-upside-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/11/thumbnail_WS_logo.png

Article 227

Title: Analyzing President-elect Trump’s Policy Priorities on CNBC's "Squawk Box" with Andrew Ross Sorkin

Author(s)	Ed Conard
Publish Date	2016-11-11
Publish Time	11:57:11

Content: Ed Conard discusses President-elect Donald Trump's transition team and banking policy challenges with Andrew Ross Sorkin on CNBC's "Squawk Box."

Primary Topic: Blog

Topics: Blog,Growth,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/11/11/analyzing-president-elect-trumps-policy-priorities-cnbcs-squawk-box-andrew-ross-sorkin

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/11/thumbnail_Squawk_group.jpg

Article 228

Title: Putting America's Innovators to Work For the Middle Class on Bloomberg Markets Radio

Author(s)	Ed Conard
Publish Date	2016-11-10
Publish Time	14:38:38

Content: Ed Conard discusses how to put America’s innovators to work for the middle class and his new bestselling book The Upside of Inequality: How Good Intentions Undermine the Middle Class with Carol Massar and Cory Johnson on Bloomberg Markets Radio. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/11/Bloomberg-Markets-Radio_10.-8.-16.mp3"][/audio]

Topics: Blog,Growth,Politics,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/11/10/putting-americas-innovators-work-middle-class-bloomberg-markets-radio

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/11/thumbnail_Bloomberg-Markets-Radio_logo.png

Article 229

Title: Discussing the Upside of Inequality on Chicago WGN’s “The Opening Bell”

Author(s)	Ed Conard
Publish Date	2016-11-10
Publish Time	14:29:52

Content: Ed Conard discusses The Upside of Inequality: How Good Intentions Undermine the Middle Class with David Plier on WGN’s “The Opening Bell." [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/11/WGN-Radio_11.-4.-16.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Politics,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/11/10/discussing-upside-inequality-chicago-wgns-opening-bell

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/11/thumnbail_WGN_logo.png

Article 230

Title: Washington Free Beacon: Ed Conard's Proposal For The Next Republican Agenda

Author(s)	Ed Conard
Publish Date	2016-11-04
Publish Time	11:54:01

Content: Matthew Continetti Washington Free Beacon November 4, 2016 One of the most important speeches of the 2016 election was delivered in Utah in June to an audience of ultra-rich Republicans that included Mitt Romney. The speaker was Edward Conard, who joined Bain Capital after graduating from Harvard Business School in 1982 and worked in private equity for twenty-five years before retiring to become, of all things, a pundit. Conard thrives in debate. His first book, Unintended Consequences, was a revisionist history of the mortgage boom and bust as well as a defense of tax-cutting and high CEO pay. His second, The Upside of Inequality, was published in September. (The Washington Free Beacon had an excerpt from it here.) Conard's style is direct and bracing, and what he has to say is grounded in decades of experience in the real world of investment and finance. He has been wildly successful. There is no question that he is an elite. Which makes what he told his peers all the more important. Supporters of free enterprise, he acknowledged, have a problem that is larger than Donald Trump or Hillary Clinton. The problem is that the success of an information economy that values skilled and highly skilled labor creates a political backlash. And the reasons for this backlash are the very things that make the system prosperous. Here is how it happened. The industrial economy was constrained by limits on capital and labor. That is no longer the case. "There's a near infinite supply of labor now and there's a near infinite supply of capital." What constrains the information economy is rather a lack of "properly trained talent" and an unwillingness to take risks. America has been fortunate: We have networks of talent in place in Silicon Valley whose risk-taking, when successful, is rewarded handsomely. "We are much more successful at achieving lottery-like successes that increase income inequality than the rest of the world." That creates the dilemma. The rise in income inequality not only generates envy but coincides with economic disruption that displaces workers who lose jobs to outsourcing and whose wages do not rise thanks to the limitless pool of unskilled labor. Conard put it in terms familiar to an observer of this campaign: "If Whirlpool moves its plant to Mexico, economists today say, 'Don't worry, opportunistic entrepreneurs will swoop in and put everybody back to work and competition will force everybody to invest more capital per worker, and drive productivity back up to where it was. And the increase in productivity is critical to maintaining the high wages. But the successful entrepreneurs never show up because they have all moved to San Francisco and they've outsourced all of the manufacturing to Foxconn. And so these guys are left saying, 'Wait a minute! The model doesn't seem to work for me.' And it doesn't work for them." Conard said the advocates of free enterprise have lost control of the GOP and won't return to power until they reach an understanding with the workers whose anger has driven them to Donald Trump. Just as the business community allied itself with the New Right and religious right in the 1980s and 1990s to cut taxes, Conard said, entrepreneurs and investors must reach a détente with the populist right today. His red line is embracing policies that would slow innovation because "in the long run the only thing that matters is the rate at which we increase productivity, and we don't want to throw the baby out with the bath water in order to gain control." What are required, Conard said, are "tough, and perhaps even odious, compromises." The first is rebalancing American trade. Not abandoning free trade altogether but writing parity into trade agreements. "If you sell us a dollar of labor, find a dollar of labor to buy from us. We've got lots of stuff to sell, we don't care what you buy, find something and buy it, but your trade has to be balanced with us." As Conard told Ben Smith, balance could be achieved through a system of import licenses. These are sure to be controversial. "Unfortunately," Conard went on, "we have to dial down low-skilled immigration. We have to recognize that there is more unemployment among the lesser-skilled workers than among the most-skilled workers." The way to boost these workers' jobs and wages is by creating a labor shortage. "It's going to put pressure on employers to hire those workers and find jobs for them because they'll be the only workers left to hire." This is what happened after the crackdown on illegal immigration in Arizona where, according to the Wall Street Journal, the state economy "took a hit" but "reduced competition for low-skilled jobs was a boon for some native-born construction and agricultural workers who got jobs or raises, and that the departures also saved the state money on education and health care." Conard not only would balance trade but also immigration. For the low-skilled immigrants here illegally, Conard would offer a truce to the Democrats in exchange for "dialing back" further low-skilled entries. He is somewhat fuzzy on how this truce would work, and if the parties involved would find it acceptable. Moving to a points-based migration system rather than a family-based system might do it. Seriously limiting the number of refugees we accept is another way. You could also build a wall. There would be fewer low-skilled immigrants under Conard's plan but also many more high-skilled immigrants. Not only would we prioritize skills, Conard envisions the United States government actively recruiting high-skilled immigrants from overseas. Rather than assign the task of recruitment to a government agency, he might consider easing the path to residency for foreign students already in American universities and allowing states to issue their own visas to high-skilled workers. The immigrants would solve the lack of properly trained talent inhibiting American growth. And these new arrivals, Conard believes, would act synergistically with the other part of his plan: treating capital gains as ordinary income while lowering the corporate tax rate to 15 percent, thereby incentivizing risk-taking. The resulting growth would assuage the populist distemper and prolong the lifespan of America's entitlement programs. Conard's plan has the advantage of not being tried. Are the political conditions ripe for the sort of trade-offs and logrolling he envisions? Would the advocates of immigration restriction distinguish between low-skilled Mexicans and high-skilled ones? Why not also increase the pool of properly trained talent by overhauling the American education system that has given us the degraded civic culture of 2016? Perhaps most important, who will provide the statesmanship to bring this alliance of capitalists and populists into being? Such questions are unanswerable as the election approaches its ineluctable, dreadful, anxious end.

Primary Topic: Blog

Topics: Blog,Financial Crisis,Gender Pay Gap,Growth,Healthcare/Seniors,Investment,Monetary Policy,Politics,Print,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/11/04/washington-free-beacon-ed-conards-proposal-next-republican-agenda

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Article 231

Title: Entrepreneurial Risk-Taking in the New Economy on The Cash Flow Diary Podcast

Author(s)	Ed Conard
Publish Date	2016-11-01
Publish Time	8:28:23

Content: Ed Conard discusses entrepreneurial risk-taking in the new economy with J. Massey on The Cash Flow Diary Podcast. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/11/Cash-Flow-Diary-Podcast-11.29.16.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Investment,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/11/01/entrepreneurial-risk-taking-new-economy-cash-flow-diary-podcast

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/11/thumb_cash-flow-diary.png

Article 232

Title: I Debate Inequality With James Galbraith on Al Jazeera's "Up Front"

Author(s)	Ed Conard
Publish Date	2016-10-31
Publish Time	16:32:04

Content: James Galbraith & I debate inequality & whether investors’ rights to free speech improve or suboptimize economic policy on Al-Jazeera's "Up Front."

Primary Topic: Blog

Topics: Blog,Growth,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/10/31/debate-inequality-james-galbraith-al-jazeeras-front

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/tn_AJ-Upfront.png

Article 233

Title: A Far Ranging Interview on Economics & Inequality on Liberty Watch Radio

Author(s)	Ed Conard
Publish Date	2016-10-31
Publish Time	16:32:03

Content: Ed Conard discusses economics, inequality, and his new book The Upside of Inequality: How Good Intentions Undermine the Middle Class with Charles Heller on Liberty Watch Radio. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/10/Liberty-Watch-Radio_10.-30.-16.mp3"][/audio]

Primary Topic: Blog

Topics: Banking,Blog,Financial Crisis,Gender Pay Gap,Growth,Healthcare/Seniors,Investment,Monetary Policy,Politics,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/31/far-ranging-interview-economics-inequality-liberty-watch-radio

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/tn_LW-Radio.png

EDWARD CONARD

TOP TEN The New York Times BESTSELLER

Article 234

Title: How to Accelerate Job Growth in the Innovation Economy on FBN's "Making Money" with Charles Payne

Author(s)	Ed Conard
Publish Date	2016-10-28
Publish Time	11:25:53

Content: Ed Conard discusses how to accelerate job growth in the Innovation Economy with Charles Payne on Fox Business Network's "Making Money."

Primary Topic: Growth

Topics: Blog,Growth,Monetary Policy,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/10/28/accelerate-job-growth-innovation-economy-fbns-making-money-charles-payne

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Making-Money.jpg

EDWARD CONARD

TOP TEN The New York Times BESTSELLER

Article 235

Title: Spending on Innovation Continues to Grow

Author(s)	Ed Conard
Publish Date	2016-10-28
Publish Time	11:14:53

Content: Spending on innovation continues to grow relative to other forms of investment. From the WSJ:

Primary Topic: Blog

Topics: Blog,Growth,Investment

Permalink: https://www.edwardconard.com/2016/10/28/business-investment

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_WSJ-RD-1.png

Article 236

Title: Regulation Stifles Entrepreneurialism on Issues & Ideas Radio

Author(s)	Ed Conard
Publish Date	2016-10-28
Publish Time	11:01:17

Content: Ed Conard explains how excessive regulation stifles entrepreneurialism with Chris Debello on Issues & Ideas Radio. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/10/Chris-Debello-Radio-9.28.16.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Investment,Politics,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/28/regulation-stifles-entrepreneurialism-issues-ideas-radio

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Debello-Radio.png

Article 237

Title: Clinton & Warren’s Attacks on the 1% Are Misguided on FBN’s “The Intelligence Report with Trish Regan"

Author(s)	Ed Conard
Publish Date	2016-10-27
Publish Time	10:41:58

Content: Ed Conard explains why Hillary Clinton and Elizabeth Warren’s attacks on the 1% are misguided with Trish Regan on Fox Business Network’s “The Intelligence Report."

Topics: Banking,Blog,Financial Crisis,Growth,Investment,Politics,Productivity,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/10/27/clinton-warrens-attacks-1-misguided-fbns-intelligence-report-trish-regan

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Intelligence-Report.jpg

Article 238

Title: Is America's Scarcest Resource Ultra-High-Skilled Workers? on The Jeff Schechtman Show

Author(s)	Ed Conard
Publish Date	2016-10-27
Publish Time	10:30:17

Content: Ed Conard discusses how America has produced more with fewer high-skilled workers on The Jeff Schechtman Show. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/10/Jeff-Schectman_NAPA-Radio_10.19.16.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Investment,Politics,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/27/americas-scarcest-resource-ultra-high-skilled-workers-jeff-schechtman-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_JF_logo.png

Article 239

Title: Do the Rich Pay Their Fair Share of Taxes? On Trish Regan’s “Intelligence Report"

Author(s)	Ed Conard
Publish Date	2016-10-25
Publish Time	11:20:53

Content: Ed Conard analyzes Hillary Clinton’s proposal to increase spending and explain The Upside of Inequality with Trish Regan on Fox Business Network’s “The Intelligence Report."

Primary Topic: Blog

Topics: Blog,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/10/25/rich-pay-fair-share-taxes-trish-regans-intelligence-report

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Trish-Intel.jpg

Article 240

Title: How to Reunite the GOP on FBN’s Wall Street Week

Author(s)	Ed Conard
Publish Date	2016-10-22
Publish Time	10:36:15

Content: Ed Conard discusses Hillary Clinton’s spending proposals and how to unite the Republican Party with Anthony Scarmucci and Liz Claman on Fox Business Network’s “Wall Street Week.”

Primary Topic: Blog

Topics: Banking,Blog,Financial Crisis,Growth,Investment,Monetary Policy,Politics,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/22/reunite-gop-fbns-wall-street-week

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Wall-Street-Week.png

Article 241

Title: Has Inequality Slowed Growth? No! on Ricochet's Policy Economy Podcast

Author(s)	Ed Conard
Publish Date	2016-10-21
Publish Time	17:50:35

Content: Ed Conard debated the constraints to growth and policies that maximize the prosperity of the middle and working-class on Ricochet's Policy Economy Podcast with Jim Pethokoukis. Read a condensed version of Ed's conversation with Jim Pethokoukis here. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/10/Ricochet_PE_Pethokoukis-10.-21.-16.mp3"][/audio]

Primary Topic: Banking

Topics: Banking,Blog,Financial Crisis,Growth,Investment,Monetary Policy,Politics,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/21/inequality-slowed-growth-no-ricochets-policy-economy-podcast

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_PE-2.png

Article 242

Title: The Myth of Income Inequality with Dawn Bennett on Financial Myth Busting Radio

Author(s)	Ed Conard
Publish Date	2016-10-21
Publish Time	17:47:36

Content: Ed Conard summarizes the myth of income inequality with Dawn Bennett on Financial Myth Busting radio. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/10/Financial-Myth-Busting-10.-21.-16.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Investment,Politics,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/21/myth-income-inequality-dawn-bennett-financial-myth-busting-radio

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_FMB_logo.png

Article 243

Title: AEI Debate on "The Upside of Inequality"

Author(s)	Ed Conard
Publish Date	2016-10-18
Publish Time	13:34:47

Content: I summarize my Top 10 NYT bestselling book, The Upside of Inequality: How Good Intentions Undermine the Middle Class for the American Enterprise Institute with Steven Roberts. The book argues that today's knowledge-based economy is constrained by properly trained talent and the economy’s willingness to take risk, rather than labor or capital. I recommend recruiting ultra-high-skilled immigrants, restricting perennial trade deficits, and lowering corporate taxes.

Primary Topic: Banking

Topics: Banking,Blog,Charter,College,Financial Crisis,Gender Pay Gap,Growth,Healthcare/Seniors,Inequality,Investment,Minimum Wage,Monetary Policy,Politics,Productivity,The Upside of Inequality,Videos,Videos Highlights

Permalink: https://www.edwardconard.com/2016/10/18/aei-debate-upside-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_AEI-Upside-event.png

Article 244

Title: I Summarize My Top 10 NYT bestseller "The Upside of Inequality" on The Jim Bohannon Show

Author(s)	Ed Conard
Publish Date	2016-10-17
Publish Time	16:06:01

Content: Ed Conard summarizes his Top 10 NYT bestseller The Upside of Inequality: How Good Intentions Undermine the Middle Class on Westwood One's "The Jim Bohannon Show." [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/10/Jim-Bohannon_10_14_2016-MASTER.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Politics,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/17/summarizing-top-10-nyt-bestseller-upside-inequality-jim-bohannon-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Jim-Bohannon.png

Article 245

Title: Dallas Morning News Q&A;: How We Can Address Growing Wage Disparity with Ultra-High-Skilled Immigration

Author(s)	Ed Conard
Publish Date	2016-10-13
Publish Time	13:26:59

Content: Ed Conard speaks with Jim Mitchell of the Dallas Morning News about his new book, The Upside of Inequality: How Good Intentions Undermine the Middle Class. Jim Mitchell Dallas Morning News October 13, 2016 Former Bain Capital managing director Edward Conard says middle-class prosperity is taking it on the chin, but the concentration of wealth in the top 1 percent is not the reason. The problem is the entrepreneurs have moved to Silicon Valley, with few left behind to re-employ workers in areas where factories are closing down. In his new book, The Upside of Inequality: How Good Intentions Undermine the Middle Class, Conard argues the U.S. can address the issue with more immigration of highly-skilled workers. What are the myths of income inequality and economic growth? The most important myth is that the success of the one percent is responsible for the slow growth of the middle and working class. In a capital-intensive manufacturing based economy, savings constrains growth. You need savings to build factories, add inventory and scale up to economy-wide success. But in a knowledge-based economy -- companies like Google, Facebook, WhatsApp, Instagram, and Snapchat -- can grow to economy-wide success and need virtually no investment at all. So what you find is that the innovators capture a much greater share of the value that they create because they don't need to share that value with investors anymore. And because you see this lottery-like payoff that doesn't require a lot of investment to get into the lottery, you see more people going for that one in a hundred, one in thousand payoff. So that even if the returns are not spectacular, you will see a lot of people trying to win. As a result, you will see more one-in-hundred successes and people ending up in the far end of the curve. And those people are creating value for their customers, employees and indirectly for the entire economy. A lot of working people would say, "Hey, I appreciate the entrepreneurship, but I haven't had a raise in six years, so what about me?" Let me step back. I was a manufacturing engineer at Ford Motor Co. before going to Bain. When American manufacturers move their production offshore to Mexico for example, economists tell those displaced workers, "Don't worry, the opportunist entrepreneurs are coming to re-employ you." But the talented innovators have all moved to Silicon Valley and the manufacturing engineers who remain behind are designing products that benefit overseas workers. And that brain drain slows the productivity in the wage growth of American workers. It is no surprise that the wage growth of displaced communities has remained depressed for decades. Plus, there is a large pool of low-skilled immigrants who are depending on that same pool of entrepreneurial talent to raise their productivity. That only slows the wage growth and productivity gains further. It is not immigration per se but low skilled immigration. So look into the future. How do you resolve this imbalance? One is that retiring Baby Boomers eat us alive. The Congressional Budget Office projects federal spending will grow from 21 percent to 30 percent of GDP over the next 30 years. Debt rises from 75 percent to 140 percent of GDP. The second problem is the growing strength of China that economically and militarily just threatens America further. The United States can't grow fast enough on its own to solve those problems and can't just close the door to immigration. Increasing high-skilled immigration is the only way we are going to accelerate to a rate fast enough to matter. The Texas and Mexico economies are intertwined. Does a wall blocking illegal immigration make any sense even if we're just shutting out low-skilled workers? We are never going to build a wall so let's stop talking about it, that's ridiculous. But the problem there is you still would be eaten alive by retiring Baby Boomers who would drive up government spending. You could tax everybody, but that would slow down risk taking, and if it slows down growth in the process, you haven't really solved the problem. We have to change the mix toward more high-skilled and ultra-high skilled immigrants. It would be a significant impact on the growth rate. But isn't the H-1B visa program already designed for companies to get high-skilled foreign workers? Yes, but the problem is there is a fair amount of abuse. A foreign worker hired to work on your computer can get an H-1B visa but this not really a high-skilled job. Look at Japan. They have lots of engineers, not a lot of MBAs. You see the same in Europe. In the United States, high-scoring Americans are shifting toward business, communications and law and away from math and science. There is probably synergy with what Americans want to be, so let's team them up with the rest of the world. The combination of the two seems much more powerful than either one alone. How does that address the American 50-something-year-old guy who is hanging onto his job? Let me start with the 55-year-old guy who has spent his whole life training to do XYZ in manufacturing and then he loses his job because it gets sent to Mexico. We can talk all we want about retraining guys who are 55-years-old but look at the research. It doesn't work or at least it doesn't work effectively. Is there going to suffering as a result of creative disruption? Let's not kid ourselves there is going to be. We need to be sensitive to that and not just say "the entrepreneurs are coming." What do you mean when you write that having a moral obligation to help is not what it seems? I personally don't believe that the talents of mankind belong to the lucky recipients, that those talents belong to all mankind and those who are lucky enough to get the talent have a moral obligation to put those talents to work serving our fellow man. It is not obvious how each person should best spend their time, but one thing that concerns me is why we have this safety net that begins to compete dollar-for-dollar with what some can earn in the economy. It is going to de-motivate work. Where the supply of college graduates far exceeds the demand in the labor force, taxpayers should gradually reallocate their subsidies away from those majors toward the majors where there is a shortage. Now you can't do it overnight because you have a huge entrenched faculty that wants to teach art history and would be out of a job. But if I am a taxpayer I don't care about Elizabethan poetry; I want you to work on my behalf. I am not going to let you contemplate your navel on my behalf. How might a Donald Trump or Hillary Clinton impact the economy? (laughing) I don't want to be here defending Donald Trump. But here is what I see with Hillary Clinton, for whom I would have a very hard time voting, which doesn't mean I would vote for Donald Trump either. But we have had eight years of no recovery, 1.5 percent tepid growth. The difference between 1.5 and 3 percent growth in a $20 trillion economy is $2 trillion to $3 trillion of GDP lost per year and lost forever. That is a big, big, big price to pay. Her proposal is more spending, more taxes in the face of 50 percent marginal tax rates [all taxes from social security to state federal and local taxes, etc.] in the face of 36 percent government spending. If you increase government spending, you are going to consume more risk-taking and talent and crowd out the private sector. I am not 100 percent what Donald Trump wants. I am sympathetic to the unbalanced trade and trade deficits hurting our workers, but you can't tax trade without hurting workers. But if you cut the tax rates as he is proposing, I worry we'll get huge deficits. The Trump stuff is screwed up to me and on top of that, he has been a bull in a china shop in a country that needs to be unified not divided. So where will this country be in the next 10 years? I think government spending gradually drifts up, regulations gradually drift up and this web of regulation makes it harder and harder to push against and get innovation. I think that demographics move against investors toward consumers. I think you will see the low-growth malaise and slow rising income that will increase the political dissatisfaction and division inside the country that has come to bear this election. Donald Trump's legacy is going to outlive him in that I think Republicans are going to say the Reagan Democrats and working class workers really have legitimate concerns that are not being addressed by economics that assumes we are living in a manufacturing economy with constrained savings. We have to be more thoughtful about the mix of immigration and unbalanced trade and slow wage growth of middle-class Americans. [Trump] is a bad messenger with a very important message. When Paul Ryan is delivering the message instead of Donald Trump, the message will be lot less divisive. I think the Democratic Party has taken the position that anyone who wants to tax the rich come join our party. Newly-arrived immigrants, retirees, the poor, middle-class Americans. Those factions are starting to compete with each other. It is not surprising that a guy like Donald Trump comes along and goes after the biggest faction, working-class native-born Americans, and represents those in competition with the other guys. And Republicans will look at that and say, with a little more refinement of the message, we can put together a coalition despite the demographics against it.

Primary Topic: Print

Topics: Banking,Blog,Gender Pay Gap,Growth,Healthcare/Seniors,Investment,Monetary Policy,Politics,Print,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/13/dallas-morning-news-qa-can-address-growing-wage-disparity-ultra-high-skilled-immigration

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_DMN.png

Article 246

Title: How Government Spending Stifles Job Growth on Bill Martinez Live

Author(s)	Ed Conard
Publish Date	2016-10-13
Publish Time	9:43:45

Content: Ed Conard discusses how government spending stifles job growth on Bill Martinez Live. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/10/Bill-Martinez-10.10.16-MASTER-1.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Investment,Politics,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/13/government-spending-stifles-job-growth-bill-martinez-live

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Bill-Martines-logo.png

Article 247

Title: InsideSources Covers My AEI Book Talk: Why Income Inequality Might Actually Be A Good Thing

Author(s)	Ed Conard
Publish Date	2016-10-12
Publish Time	14:19:28

Content: Connor Wolf of Inside Sources covered the American Enterprise Institute lecture for my new book The Upside of Inequality: How Good Intentions Undermine the Middle Class. Connor Wolf InsideSources October 11, 2016 Income inequality is rarely viewed as a positive but one expert argued Tuesday that it's actually good for promoting innovation. Income inequality activists have fought to reduce the divide between rich and poor as much as possible. American Enterprise Institute Scholar Edward Conard, however, argues that income inequality has a huge upside. He stated during a policy discussion that it helps to promote innovation and economic growth. "What is the upside of inequality," Conard said during the discussion. "I would say that it's a deep pool of properly trained, highly motivated talent that is endeavoring to create innovation that grows our knowledge-based economy." Conard states entrepreneurs become more likely to take risks the higher the potential payoff is. Becoming rich is a huge reward for creating a successful idea. He adds that it also makes investors and people who have institutional knowledge more likely to invest in new ideas. "It's the payoffs for risk taking that motivate risk taking and create these institutional capabilities," Conard said. "They logically take the risks that create more institutional capabilities that make our most talented workers more productive." Democratic Sen. Bernie Sanders has been at the forefront of fighting income inequality. He made the issue a cornerstone of his recent presidential campaign and career as a senator. He even introduced a bill July 2015 to raise the federal minimum wage to $15 an hour to help low-income workers earn more. "There are two ways to think about the one percent, the Bernie Sanders way where we're all competing for a zero sum pie where it's just a question of negotiations," Conard said. "The second way, which is the one I put forward, is no, it's really innovation in a knowledge-based economy." Advocates argue that over the years the rich have seen their profits soar while many have suffered wage stagnation. Conard notes the claim is misleading because it doesn't take into account the wage differences within industries. He notes the highest paid CEOs tend to have higher paid workers. "If you look at CEO pay relative to their own workers' pay, it has not increased," Conard said. "It's the creation of new companies at the high end of the pay scale and the low end of the pay scale." The $15 minimum wage has been a very popular idea for addressing income inequality. The Fight for $15 movement has pushed for local and federal policies to enact the increase anywhere they can. Advocates argue it could help address poverty but those opposed argue it reduces employment opportunity by increasing the cost of labor. Additionally, when entrepreneurs create new ideas it can lead to more jobs for workers along with the creation of products and services that benefit consumers. Conard further detailed his views in his book The Upside of Inequality: How Good Intentions Undermine the Middle Class.

Primary Topic: Blog

Topics: Blog,Financial Crisis,Growth,Healthcare/Seniors,Investment,Monetary Policy,Politics,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/12/insidesources-covers-my-aei-book-talk-income-inequality-might-actually-good-thing

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_IS-logo.png

EDWARD CONARD

TOP TEN
The New York Times
BESTSELLER

Article 248

Title: Reviewing the 2nd Debate & Trump's Inability to Grow His Support on CNBC's "The Rundown"

Author(s)	Ed Conard
Publish Date	2016-10-11
Publish Time	18:00:51

Content: Ed Conard reviews the 2nd presidential debate and Donald Trump's inability to grow his support with Akiko Fujita on CNBC's "The Rundown."

Primary Topic: The Upside of Inequality

Topics: Blog,Growth,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/10/11/reviewing-2nd-debate-trumps-inability-grow-support-cnbcs-run

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_CNBC_The-Run-Down.png

Article 249

Title: How Entrepreneurial Risk-Taking Drives Growth on TheStreet.com

Author(s)	Ed Conard
Publish Date	2016-10-09
Publish Time	13:29:43

Content: Ed Conard discusses how innovation and entrepreneurial risk-taking drives employment growth with Gregg Greenberg on TheStreet.com.

Topics: Blog,Growth,Minimum Wage,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/10/09/entrepreneurial-risk-taking-drives-growth-thestreet-com

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Conard_The-Street.png

Article 250

Title: Why a High Minimum Wage Hurts Low-Skilled Workers on Newsmax TV's "Steve Malzberg Show”

Author(s)	Ed Conard
Publish Date	2016-10-06
Publish Time	16:56:30

Content: Ed Conard discusses why a high minimum wage hurts low-skilled workers on Newsmax TV's "Steve Malzberg Show.”

Topics: Blog,Growth,Minimum Wage,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/10/06/high-minimum-wage-hurts-low-skilled-workers-newsmax-tvs-steve-malzberg-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Malz_solo-tag.png

Article 251

Title: Debating the Politics of Income Inequality on CNBC's "Squawk Alley"

Author(s)	Ed Conard
Publish Date	2016-10-04
Publish Time	15:42:58

Content: Ed Conard debates the politics of income inequality with Carl Quintanilla and Jon Fortt on CNBC's "Squawk Alley."

Primary Topic: Blog

Topics: Blog,Growth,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/10/04/debating-politics-income-inequality-cnbcs-squawk-alley

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/10/thumbnail_Ed_CNBC-Squawk-Alley_10_4.png

Article 252

Title: Hamiltonian-Libertarian James Pinkerton Acknowledges Practicality of My Policy Prescriptions

Author(s)	Ed Conard
Publish Date	2016-10-03
Publish Time	18:30:48

Content: James Pinkerton gets the core of my economic argument correct—that properly trained talent and the economy's capacity and willingness to take risk—constrain growth in today's knowledge-intensive economy, not savings or labor and that these constraints have implications for trade and immigration. He also recognizes that, as an advocates of free markets, I call for compromise with Reagan Democrats eager to support Trump to build a winning majority. However, he overstates my conclusion. In my estimation, it's not "globalized trade" and "immigration" that "has cost jobs and hurt ordinary workers' incomes;" more specifically, it's perennial trade deficits and low-skilled immigration. Breitbart News by James Pinkerton October 3, 2016 The Curious Case of the Inspiring Edward Conard Thus as we make our peace with FDR's Four Freedoms—all the while, trying to perfect them, even as the simultaneous evils of oppression and anarchy are trying to subvert them—it's perfectly reasonable for liberty lovers to ponder new ways by which to advance liberty. So now we might ask: What comes next? In particular, libertarians might ask themselves: What's the next frontier for freedom? And, hopefully, could there be more than one? We can start by realizing that in the political realm—and it's hard to think of anything that happens in the real world without the interplay of politics—there will always be tradeoffs. That is, if libertarians want something, they must figure out how to get it done, and what it takes. As noted, politics is the art of the possible. And here, I will freely confess, even proclaim, that I have been influenced by Edward Conard, a former partner of Mitt Romney's at Bain Capital and, most recently, the author of The Upside of Inequality: How Good Intentions Undermine the Middle Class. In this book, Conard wrestles with that key aspect of politics—the art of the possible. Conrad himself is an unabashed free-market capitalist who first burst into prominence in 2012, declaring his full-throated support for Romney, Bain, and the capitalist system. Yet as we all remember, in 2012, that didn't work out so well. Not only did Romney lose, but since then, the rise of Bernie Sanders and his socialism tells us that neither private equity funds nor capitalism itself are popular. In his new book, Conard shows that he has moved with the times. He puts forth an interesting and original argument: The real cause of the slow-growing economy of today is the shortage of human capital—that is, smart and skilled people who can apply the arts of innovation and entrepreneurship to existing problems. Conard makes a good point: The economy has changed. In the past, what economists call the "factors of production" were typically defined as land, natural resources, and capital. It was these tangible inputs that, when combined together by brainy and hard-working people, created new kinds of output. Yet today, much of the economy has been virtualized, and so the old tangibles have been supplanted by new intangibles; indeed, one could even say that the most important factors of production today are highly intangible: IQ, adrenalin, and caffeine. Of course, no advance in productivity happens automatically. Thus, as Conard argues, it's vitally important to allow the processes of innovation and entrepreneurship to continue—and, indeed, for the sake of economic growth, to accelerate them. Which is to say, incentives matter. As Conard writes, "Taxation . . . appears to have large detrimental effects on risk-taking, innovation, productivity, and growth over the long run." Okay, so that's Conard's ultimate view, which will get no argument from me: We need low tax rates to encourage productive risk-taking. And without a doubt, Conard's assertions, so far at least, are music to the ears of all freedom-lovers. Ayn Rand, for example, was all about the power of individual genius, and von Mises wrote a book called, simply, Human Action. Of course, Romney thought the same thing, and we know what happened to him. And Donald Trump, too, thinks tax rates should be reduced—and at the moment, he's behind in most polls. And yet here's where Conard gets interesting: He is far more than just a libertarian pamphleteer; while his own ideology is clear enough, he has also thought deeply about the art-of-the-possible point. And so he has some fresh suggestions as to winning over a skeptical public to his point of view. In particular, Conard is willing to concede two big points to the populist-nationalists: Namely, that globalized trade, as well as immigration, has cost jobs and hurt ordinary workers' incomes. And so Conard endorses Trumpian measures to close the border and limit trade deficits. As Conard explained in a tweet, “Enough middle ground btwn @realDonaldTrump voters & free-marketers 2 ↑ working-class wages w/compromise.” The point is that Conard is making a political-economic offer to the Trump voters, as well as blue-collar Sanders voters: We will protect you against the gale winds of globalization, even as capitalists create more jobs here in the U.S. And in return, you must protect us against anticompetitive and unproductive confiscation. In other words, we need each other to fight the real enemy: the socialists, as well as the anti-growth greens and the anti-American multiculturalists. Thus we can see the outlines of an attractive political platform: jobs for workers, profits for owners. Why, one could even say that it looks a lot like America at its zenith, in the middle of the last century, when we not only won World War Two, but also drove the unemployment rate down to one percent—only this time, with much lower tax rates! Thus in the person of Edward Conard, we can see a little bit of that FDR spirit—the spirit of charting a practical course that could generate a critical mass of support that will in turn stave off the crazies. Conard's heterodox views have raised eyebrows on the right. That is, conservatives and libertarians who were with him on tax-rate reductions found themselves pulling back when they got to his prescriptions on immigration and trade. Indeed, Conard's platform is downright hateful to orthodox libertarians who want the “whole enchilada”—that is, all the policy prescriptions to be found at, say, the Cato website. And yet in the real world, down below the ivory tower, most Americans, whether or not they support Trump, have already embraced such views. For example, according to a new poll from Harvard University, 54 percent of Democrats believe that free trade has lost more U.S. jobs than it has created, as well as 66 percent of independents and 85 percent of Republicans. Indeed, the same poll found that only eight percent of Republicans, 11 percent of independents, and 19 percent of Democrats think free trade has led to higher wages for American workers. We can sum up those findings: A huge majority opposes the free-trade status quo, judging it to be harmful to American workers and their incomes. (As an aside, we can marvel at all the billions that have been spent on behalf of favored libertarian causes, and how little effect such expenditures have had.) It remains to be seen how Conard's policy prescription will fare in the ongoing battle of ideas: To his fans on the right, he's a champion of practical policies that might enable the prime goal, the preservation of incentives, to survive. And yet to his foes on the right, he's a squish and a sellout. And of course, to the resurgent left, he's just another rich fat-cat who should be soaked. Still, most Americans, were they to hear of Conard's pragmatic synthesis, would probably respond favorably. Okay, so now, in that same spirit of pragmatism, let's consider some other possibilities. Specifically, let's think about some new freedoms that are worth fighting for and that, indeed, might attract support for the center-right position from across the ideological spectrum. Yet before we can proceed, let's first get something out of the way: Let's resolve to give up on the no-win war against Social Security and similar programs, especially earned entitlements, including Medicare. As we have seen, the national decision has already been made—we will be our brother's keeper. And as the last 80 years demonstrate, the ideological right can huff and puff all it wants, and still, the House of FDR still stands. So let's stipulate that we accept FDR's Four Freedoms—all four of them. Let's say to those who wish to fight losing battles: Do it on your own time, away from the center-right mainstream that seeks to win elections, enact reforms, and, yes, advance freedom in the future. So now let's consider prospects for freedom in the future.

Topics: Blog,Growth,Politics,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/03/libertarian-james-pinkerton-acknowledges-practicality-policy-prescriptions

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Article 253

Title: Hollywood on the Potomac Covers Washington D.C. Book Party

Author(s)	Ed Conard
Publish Date	2016-10-03
Publish Time	18:28:30

Content: Hollywood on the Potomac's Janet Donovan wrote a lengthy article about the Washington D.C. book party for my new book The Upside of Inequality: How Good Intentions Undermine the Middle Class. Hollywood on the Potomac by Janet Donovan October 3, 2016 It's hard to imagine there is any upside to inequality so we were curious when we received an invitation to celebrate Edward Conard's book: The Upside to Inequality: How Good Intentions Undermine the Middle Class at the Kalorama home of Juleanna Glover & Christopher Reiter in Washington, DC. According to Amazon, "Four years ago Conard wrote a controversial bestseller, Unintended Consequences, which set the record straight on the financial crisis of 2008 and explained why U.S. growth was accelerating relative to other high-wage economies. He warned that loose monetary policy would produce neither growth nor inflation, that expansionary fiscal policy would have no lasting benefit on growth in the aftermath of the crisis, and that ill-advised attempts to rein in banking based on misplaced blame would slow an already weak recovery. Unfortunately, he was right." We of course, being of feeble economic mind, asked Conard to explain in 'lay terms' exactly how there is an upside to inequality. "I'd say it's a deep pool of highly motivated, properly trained talent that's working inside of institutional capabilities like Silicon Valley that make it a lot more productive than it is in the rest of the world," he told Hollywood on the Potomac. "That's driving faster growth and higher incomes in the United States than we see in other high-wage economies like Europe and Japan." Tyler Cowen, Conard's friend who sports a Ph.D in economics from Harvard University and is currently a professor of economics at George Mason University, joined the conversation by adding: "It's really about how risk taking equity capital is what is scarce in our economy. All the remedies you hear, however good they may sound, they will fail unless they produce more risk taking equity capital. That's the key point. That's too abstract to be a title, but forget about the upside of inequality. Focus on getting that equity capital to take more risk. I would have given Ed's book a different title." Conard chimed in: "It's 100% correct and I wanted to call the book The Equity Constraint. That was the title I wanted on the book." The author with Tyler Cowen (R) Conard refers us to Chapter 5, which really goes to it and debates Larry Summers over secular stagnation, the core of the book, so natch we needed a simpler explanation of 'secular stagnation.' "The book argues that in a capital-intensive manufacturing-based economy, that savings is the constraint to grow; that you have to have more savings, more investment, more capital, because Ford Motor Company needs a lot of plants, a lot of inventory in order to get to economy-wide scale. In a knowledge-based economy, Google and Facebook can scale up to economy-wide success, they don't need a nickel of investment to do it. That has a couple of effects." Conard told us. "One is, you leave savings on the sidelines, which slows down growth. The second is that the successful innovators don't really need to share the value with anybody, so you end up with more income inequality, but we're all left, I think, with the core problem in the book, which is how you get the savings put back to work so that you can maximize growth, employment, and wages." Ok, we're in. Thanks for the Google, Facebook reference – we can relate! Back to Amazon's summary: "Now Conard is back with another provocative argument: that our current obsession with income inequality is misguided and will only slow growth further. Using fact-based logic, Conard tracks the implications of an economy now constrained by both its capacity for risk-taking and by a shortage of properly trained talent—rather than by labor or capital, as was the case historically. He uses this fresh perspective to challenge the conclusions of liberal economists like Larry Summers and Joseph Stiglitz and the myths of "crony capitalism" more broadly. Instead, he argues that the growing wealth of most successful Americans is not to blame for the stagnating incomes of the middle and working classes. If anything, the success of the 1 percent has put upward pressure on employment and wages. Conard argues that high payoffs for success motivate talent to get the training and take the risks that gradually loosen the constraints to growth. Well-meaning attempts to decrease inequality through redistribution dull these incentives, gradually hurting not just the 1 percent but everyone else as well. Conard outlines a plan for growing middle- and working-class wages in an economy with a near infinite supply of labor that is shifting from capital-intensive manufacturing to knowledge-intensive, innovation-driven fields. He urges us to stop blaming the success of the 1 percent for slow wage growth and embrace the upside of inequality: faster growth and greater prosperity for everyone." Photo courtesy of Bloomberg "The constraint is equity," Conard explained. "You need equity to underwrite the risk. For example, there are two kinds of savings. One type would be, you put your money in the bank and you say, 'I'll let you (the borrow/investor) use my savings if you take the risk.' So you (the borrower) sign a contract that says you'll pay me (the risk-adverse saver) back. You (the risk-adverse saver) are willing to fund the savings, but you're not willing to take any risk. The alternative is an equity holder who really underwrites the risk of an investment but they have to put up collateral, their house, for example, in order to borrow from a risk-averse saver and take the money and use it (i.e. put it at risk). There might be entrepreneurs that want to start a business but if they don't have the collateral, the equity to put up to underwrite the risk, the risk-averse saver is never going to lend them any money. So you need both of these things (the capacity and the willingness to take risk) in order to grow the current economy." Q: What are the biggest markets that do that would you say? Silicon Valley, maybe real estate? A: "I think one of the big issues has been, what do we use these risk-averse savings for? If you look at the United States, it has been used for real estate and on the margin, they've been used really by sub-prime homeowners for consumption. That proved to be fairly unsustainable because if real estate prices aren't rising, it's hard for them to borrow and no one will lend them the money. If you look at Germany, they largely loan the money to Greece. Greece spends it, they can't really pay it back. If you look at the Chinese on the margin, they're building these huge cities of empty apartment buildings because people keep looking for low-risk investments because the risk-averse savings are there to fund them, but we don't really have any use for them (the risk-averse savings) because what's powering the economy today, what's growing it, are things like Google, Facebook that are really knowledge-based, people-intensive investments that need almost no savings at all." "Here's another way to put it," added Cowen. "A lot of the world savings right now is coming from Asia, China, South Korea, Japan. Those individuals, for whatever reason – reasons of distance, reasons of fear, reasons of cultural unfamiliarity – they're buying T-bills. T-bills do not translate into risk-bearing equity capital. It's a kind of waste of capital. There's too much of the economy now cash-funneled into checking accounts, T-bills, money market funds, not enough inter-capital, not enough risk taking. Talent doesn't have the capital, capital's not seeking the talent. There are unrealized gains from trade, thus a slow recovery." Photo courtesy of Wall Street Journal "One of the things I say is that what we should try to do is this: Larry Summers' argument is let's take the capital and invest it in infrastructure and the government's going to invest and grow the economy faster. What he doesn't say is that if the government doesn't increase the amount of spending and borrow more, then it doesn't really solve the problem of putting all these idle savings back to work. The argument I make in the book is let's stop these savings at their source. Their source really is the trade deficit, not trade. We need trade, you can't make for $20 what you can buy for $2, but you don't have to have unbalanced trade where we buy something from China and instead of China buying something from us that employs our workers, they loan us the money back by buying T-bills, then we have to take the risk of putting that money to work, but that money sits un-used. When it sits un-used, we end up with unemployment. One answer (e.g. Larry Summers's) would be, let's borrow the money and spend it and have the government grow bigger. My argument, my concern is, that if risk taking and talent are the binding constraints to growth, then any kind of spending increase, whether it's the government or the private sector, consumes the same constrained resources. So you just get more government spending, less private-sector spending. The two offset. My alternative is that for every dollar that exports, we would issue a license for a dollar of imports. That would force trade to balance. We let the licenses trade freely so that one country can be unbalanced." OK, we're definitely looking forward to Champagne & Sushi so we can assemble all of this information. Pamela Lynn Sorensen (L) with Host Christopher Reiter At this point we decide to engage in a pop quiz by tossing out a couple of names to see how he felt about them. Donald Trump: "I think Donald Trump recognizes that low-skilled immigration and unbalanced trade – he thinks it's trade, I think it's unbalanced trade – have an effect on the wages of workers and I think he plays to the concerns of the people who are most affected by that. I don't think his policies are right. I don't think he understands it properly, but I think he's tapped into an angst that I think economists have turned a deaf ear to. They have a different view of the world and so they haven't gotten to the same conclusion." David Stockman who says like the roach motel, the 'Money goes in, doesn't come out.' "I'd say two concerns about that. In a world where there's an awful lot of unused savings, he's obsessed with the gold standard and the apocalypse." Robert Reich: "I'd say I don't think he's an economist to be taken seriously. I think it's pop economics that sounds good on the surface. When you dig below, there's a lot less there than what you think." Robert Rubin: "Very smart guy," said Cowen. "Never got out of the box of the establishment in his thinking. He's actually ended up as somewhat underrated I would say." "Yeah, but I think he's over concerned about balancing the budget at a time when they're flooded with savings," interjected Conard. "I'm a little less concerned about debt than he is I'd say. I wouldn't say that might not have been a good idea in the 1990's, but I'm not sure it's such a good idea today." Photo courtesy of Intelligence Debates Last question. Q: If you were to choose anybody to be Secretary of the Treasury, regardless of which party wins, who would be your choice? We didn't recognize any of the names so we went home to Google, Facebook them.

Topics: Blog,Growth,Politics,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/03/hollywood-potomac-covers-washington-d-c-book-party

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Article 254

Title: “The Upside of Inequality” Reaches #1 on New York Times Business Book List

Author(s)	Ed Conard
Publish Date	2016-10-03
Publish Time	12:54:12

Content: My new book The Upside of Inequality: How Good Intentions Undermine the Middle Class reached #1 on the New York Times bestselling business book list this month. The National Review says Upside is “the Conservative answer to Thomas Piketty that you’ve all been waiting for.” Buy the book, write a review, or follow me on social media at www.EdwardConard.com/Action.

Primary Topic: Blog

Topics: Banking,Blog,Financial Crisis,Gender Pay Gap,Growth,Healthcare/Seniors,Investment,Monetary Policy,Politics,Print,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/10/03/upside-inequality-reached-1-new-york-times-business-book-list

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Article 255

Title: Explaining "The Upside of Inequality" with Matt Lewis on The Daily Caller Podcast

Author(s)	Ed Conard
Publish Date	2016-09-29
Publish Time	17:44:33

Content: Ed Conard discusses his new book The Upside of Inequality with Matt Lewis on The Daily Caller podcast. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/09/MLewisConradVolovich.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Investment,Politics,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/29/explaining-upside-inequality-matt-lewis-daily-caller-podcast

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_Daily-Caller-Podcast_logo.png

Article 256

Title: Buzzfeed’s Ben Smith on My Views About Trumponomics & The Future of the GOP

Author(s)	Ed Conard
Publish Date	2016-09-28
Publish Time	16:22:23

Content: Buzzfeed’s Ben Smith summarizes my talk at Mitt Romney’s offsite conference on how advocates of free enterprise can find common ground with Trump supporters, and win the presidential election without slowing the economy or dividing the country. It’s a little over-the-top, with menacing music and such, but you can read Ben's post below and watch my presentation here. Buzzfeed by Ben Smith September 28, 2016 At a private gathering of wealthy Republicans this June, a banker named Edward Conard made a radical proposal: To save capitalism from Donald Trump, American business leaders would need to abandon old allies and make an “odious” new deal with low-wage workers. “If advocates of the free enterprise want to regain control of the Republican Party … we need to find middle ground with these workers,” Conard. “The question is: How do we build a coalition with displaced workers like we did with the religious right after Roe vs. Wade, and which we used to lower the marginal tax rate from 70% to 28%?” This is a blunter view of Reagan Republicanism than you usually get from the party faithful. Indeed, your editor at Jacobin might ask you to soften it a bit. But Conard was among friends. Mitt Romney, his former partner, is the host of the E2 summit in Park City, Utah, at which he spoke; Meg Whitman was in the front row; Paul Ryan was waiting to give his own remarks. The question Conard raised — “we might, as leaders of business and advocates of free enterprise, try to affect the political agenda” — felt very pressing. The remarks were also off the record. I heard them because I was a speaker at this year’s gathering, and thus in the uncomfortable position for a reporter of not being able to report what I heard. But Conard likes to shock, and he has a book coming out — The Upside of Inequality — and after putting off an interview, he quietly put the speech on his website earlier this month, where you can watch or read the whole thing. (I’ve posted that striking passage above.) Conard, clad in a blazer and slacks and the ease that can be a marker of class, spoke from scrawled notes. His solution was — to the audience — hair-raisingly radical in its simplicity. It was a kind of roadmap for one future of the Republican Party, assuming the party (or at least the Wall Street wing of it) survives Trump. His plan requires replacing the religious right in the Republican coalition with the new populists, and mollifying them with new restrictions on trade and immigration — all in exchange for the holy grail of lower marginal tax rates. Conard’s argument starts with that fruitful relationship with the religious right. Worldly Republicans like the Utah crew have long compromised with religious conservatives many privately view as provincial crackpots, and Conard was describing the collapse of the Reagan coalition. It had been, as he said, remarkably productive: Huge cuts to marginal tax rates in exchange for lip service to a decades-long, failed effort to make abortion illegal. But it had also run its course: The tax rate, he noted, has “gradually grown back to 43% as the demographics of that coalition have eroded.” Conard argued that capitalism needs new allies, and the new demographic would have to be the working class white voters leading the populist takeover of his party, a condition viewed in Utah with the pain and forbearance with which you talk about a close relative who has cancer. Conard called the disease “Trumpism.” At its heart, he said, was that workers have lost faith in the old Republican argument that closing a factory will, in the end, generate new jobs in other sectors for displaced workers. And Republicans, he said, need to realize that those new jobs won’t come back to the Midwest — they’ll move to Silicon Valley. Crucial to any new deal is that it “leaves us … us being advocates of free enterprise, in control of the coalition.” That is to say: That part of the deal is lower marginal tax rates. “Because it doesn’t do us any good to be in the coalition if they are going to destroy free enterprise in the process and turn the Republican Party into what I think the Democratic Party already is,” he said. And to replace religious conservatives in the Republican coalition with low-wage workers, he warned, would require a new set of “tough, and perhaps even odious compromises.” First, he said, the government would have to intervene in trade policy to force other countries to spend more of their savings on U.S. exports — a system he calls “balanced trade.” In his new book, he lays out a system of import licenses to enforce this — a system, he admitted when he came by BuzzFeed in New York last week, many of his friends on the right will hate. The second plan is, by the open market standards of the Wall Street Journal and the American business class, even more radical. “Unfortunately, I think we have to dial down low-skilled immigration,” he said. “No employer is going to go through the effort to employ hard-to-employ workers unless there’s a shortage of labor, and there’s not going to be a shortage of labor in a world where there is a near infinite supply of labor unless we create it. And, if we do create it, it’s going to put pressure on employers to hire those workers and find jobs for them because they’ll be the only workers left to hire.” Conard offered one bright lining to compensate: a dramatic increase — in immigration at the very high end. Say, 5 million new engineers and scientists and other groups of workers who are hard to find and expensive to pay. Conard concluded by translating his proposal into “very easy” political terms. “We should try to engineer a large increase in the most capable workers, [in exchange] for what the Democrats want which is a truce on low-skilled immigration” — that is, a deal that lowers immigration in the future while legalizing poeple now here, he said. Would this be an acceptable deal to Democrats? It’s not implausible. They speak on behalf of immigrants who are here and their families; they are less accountable to potential lottery winners in other countries. The new tension might be between the top 5% of workers — the microbiologists and engineers in Silicon Valley, who might see their wages fall — Conard acknowledged that was a “concern” for them — if a boost for the venture capitalist employers. But he thinks that immigration could drive an explosion of growth — and the venture capitalists who employ them and want cheaper labor. And nobody weeps for software engineers. And then — is this how American politics really gets made? Genial bankers’ secret speeches in rooms full of plutocrats? Or is this just a fantasy of the people who used to run the Republican Party? Conard, for one, isn’t sure. Nor, he told me, is he sure who he’ll vote for in November.

Topics: Blog,Growth,Politics,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/28/buzzfeeds-ben-smith-views-trumponomics-future-gop

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Article 257

Title: Discussing My NYT Top Ten Bestselling Book “The Upside of Inequality" With Salon Magazine

Author(s)	Ed Conard
Publish Date	2016-09-27
Publish Time	14:31:01

Content: Ed Conard discusses his New York Times top ten bestselling book The Upside of Inequality: How Good Intentions Undermine the Middle Class with Bold’s Carrie Sheffield and Salon Magazine.

Primary Topic: Blog

Topics: Blog,Growth,Investment,Politics,Productivity,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/09/27/discussing-nyt-top-ten-bestselling-book-upside-inequality-salon-magazine

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Article 258

Title: Explaining Trump’s Tax and Trade Policies with Tom Keene on Bloomberg TV’s “Surveillance"

Author(s)	Ed Conard
Publish Date	2016-09-26
Publish Time	15:38:51

Content: Ed Conard explains Trump’s tax and trade policies with Tom Keene on Bloomberg TV’s “Surveillance."

Primary Topic: Blog

Topics: Blog,Growth,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/09/26/explaining-trumps-tax-trade-policies-tom-keene-bloomberg-tvs-surveillance

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Article 259

Title: How to Save the Middle Class on Bloomberg Radio’s “Surveillance with Tom Keene"

Author(s)	Ed Conard
Publish Date	2016-09-26
Publish Time	15:12:40

Content: Ed Conard discusses how to save the middle class on Bloomberg Radio’s “Surveillance with Tom Keene." [audio mp3="https://www.edwardconard.com/wp-content/uploads/2016/09/Bloomberg-Radio-9.23.16-MASTER.mp3"][/audio]

Primary Topic: Blog

Topics: Blog,Growth,Investment,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/26/save-middle-class-bloomberg-radios-surveillance-tom-keene

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Article 260

Title: “The Upside of Inequality" Reaches #8 on The New York Times Bestseller List!

Author(s)	Ed Conard
Publish Date	2016-09-23
Publish Time	16:22:24

Content: My new book The Upside of Inequality: How Good Intentions Undermine the Middle Class reached #8 on the New York Times bestseller list this week. I summarize the book for Morning Joe, Maria Bartiromo, The New York Times and TIME Magazine. The National Review says Upside is “the Conservative answer to Thomas Piketty that you’ve all been waiting for.” Buy the book, write a review, or follow me on social media at www.EdwardConard.com/Action.

Topics: Banking,Blog,Charter,College,Financial Crisis,Gender Pay Gap,Growth,Healthcare/Seniors,Inequality,Investment,Minimum Wage,Monetary Policy,Politics,Print,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/23/upside-inequality-reaches-8-new-york-times-bestseller-list

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_NYT-TOP-TEN-.png

Article 261

Title: Correcting Misconceptions About "The Upside of Inequality"

Author(s)	Ed Conard
Publish Date	2016-09-22
Publish Time	16:09:19

Content: Café Hayek's Don Boudreaux used the National Review review to criticize my new book, The Upside of Inequality: How Good Intentions Undermine the Middle Class. Here is my reply: The Upside of Inequality argues that in today's knowledge (and service) economy properly trained talent and the economy's willingness to take risk constrain growth, not risk-averse savings, which sit unused despite near-zero interest rates. While it's true that some investment flows into the U.S. as equity, the inflows of debt from the trade deficits dwarf the inflows of equity, especially so if you logically net outflows against inflows. The outflows are predominately equity and not debt. A graph from my previous book, "Unintended Consequences," shows the tight relationship between trade deficits and foreign borrowing. It's true that if someone is willing to bear additional risk, risk-averse savings can be borrowed and spent. In reality, risk-averse saving currently sit unused at the margin even at near-zero interest rates. Prior to the financial crisis, risk-averse savings largely funded consumption, both government spending (entitlements) and unsustainable subprime consumption, not investment that grows the economy. Regarding immigration…The book recognizes that the supply of immigrants creates its own demand. The relevant question, however, is: at what marginal product of labor? The book does not argue that immigration per se lowers wages; it argues that reducing the ratio of high- to low-skilled workers slows lower-skilled productivity and wage growth. While it's true that some innovations, the iPhone for example, are highly scalable, it's also true that supervision, process engineering, and the like, create a large share of innovation at a micro level where these constrained resources are much less scalable.

Topics: Blog,Growth,Investment,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/22/correcting-misconceptions-about-the-upside-of-inequality

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Article 262

Title: A Missed Opportunity for Serious Debate

Author(s)	Ed Conard
Publish Date	2016-09-22
Publish Time	15:29:15

Content: AEIdeas by Edward Conard September 22, 2016 Richard Epstein, a libertarian law professor, reviewed my new book, "The Upside of Inequality: How Good Intentions Undermine the Middle Class", for the WSJ. Unfortunately, Epstein misses the central point of the book — that capital no longer limits growth in today's knowledge-based economy. Today, properly trained talent and the economy's capacity and willingness to bear risk drive growth while savings sit unused despite near-zero interest rates. This lack of understanding undermines his criticism of the book. For example, Epstein contends that the book claims that taxing success "diverts resources," implying that savings constrain growth. In fact, the book contends that taxing success slows growth by gradually dampening risk-taking. Nor does Epstein acknowledge that companies like Google and Facebook can now scale to economy-wide success with little need for capital or investors. This allows successful innovators to capture a larger share of the value they create and reduces the need for savings. Ultimately, this misunderstanding leads Epstein to claim that the book "never explains why trade imbalances are bad…given that imbalances only mean that other nations are lending us money to create more goods and services rather than buying them directly." The book repeatedly explains why unused savings slow growth. It's a central issue in economics, especially now after eight years of tepid growth. While Epstein is correct that surplus exporters lend savings to America rather than buy products that employ Americans, he overlooks the fact that the savings will sit unused unless someone bears the risk of borrowing and spending those savings. When properly trained talent and risk-taking constrain growth, risk-averse savings sit unused even at near-zero interest rates. When savings sit unused, trade deficits (but not trade) slow growth and export jobs. Epstein simply doesn't acknowledge the critical difference between constrained and unconstrained resources. After eight years of mediocre growth, America doesn't need more savings; we need more jobs and higher wages. Epstein also complains that the book "fails to identify what combination of taxes, import quotas and domestic subsidies could eliminate international trade imbalances without disrupting the entire system of global exchange." The book makes a straightforward recommendation for balancing trade: issue a dollar's worth of import licenses for every dollar of exports and let the licenses trade freely. This balances trade without taxing or restricting it, except when trade partners use their unneeded savings to export our employment as many do. America has plenty of competitive products for free traders to buy. Unfortunately, Epstein conflates his defense of trade deficits with logical arguments for trade, as if we couldn't capture virtually all of the benefits of trade without suffering the costs of deficits. It's okay to debate the proposal but unfair to write that the book never made one. Epstein says his "deepest disappointment" with the book "stems from the thinness of its reform proposals, beyond lowering…taxes." Ironically, the book argues that cutting taxes without cutting government spending does little to accelerate growth. Tax cuts produce fiscal deficits because faster growth requires decades of successful risk-taking to gradually build the capabilities needed for faster growth — the synergistic communities of experts in Silicon Valley, for example. These capabilities increase the payoffs and certainty for risk-taking, which motivate increased risk-taking. This positive feedback loop has taken hold in America, but less so elsewhere. Yet, Epstein only credits reduced regulation for the success of America's high-tech industry—a very narrow view. Rather than pretending that rapid growth will offset tax cuts, the book recommends recruiting millions of ultra-high-skilled immigrants and gradually redirecting taxpayer subsidies away from college majors where the supply far exceeds demand to accelerate growth. It also recommends lowering the corporate tax rate to 15% to make America a more attractive base for international corporations to conduct business but also offsetting lost revenues to minimize deficits by raising the personal capital gains rate. To reduce government spending, the book recommends zeroing middle-class taxes and charging taxpayers for the full cost of the government services they consume. This would create incentives for less, rather than more, spending. Rather than being "too thin," these proposals may be too far-reaching to gain consensus among divided lawmakers. 'The Upside of Inequality' includes many other proposals. For example, the chapter on education cites research which concludes that only tutoring-intensive, no-excuses charter schools have proven effective at raising the test scores of low-scoring students. The book recommends expanding the supply of these schools to meet the demand of parents. The book also calls for a constitutional amendment banning tenure in recognition of the fact that while the overwhelming majority of teachers work as effectively as they can, teachers' unions prevent schools from firing the worst teachers. Epstein criticizes the book for "inexcusably trash[ing] the entire charter-school movement by insisting that the 'selection-effect' from ambitious parent who apply to charter schools drives their performance," and admonishes, "Tell that to the thousands of disappointed parents who are consigned to the public-school monopoly by powerful unions that resist every reform." He doesn't acknowledge that credible charter school research separates school effects from selection bias — a mistake that advocates unfamiliar with the literature frequently make, but one the book is careful not to make. These studies recognize that demanding schools have only proven to be effective when parents or guardians let their low-scoring children attend and so they are unlikely to be a panacea for more than a subset of students. Epstein opposes some of the book's arguments on ideological grounds, but never debates the arguments on their own terms. He never acknowledges the main thesis of the book, that capital no longer constrains growth, or the proposals to help economic policy adapt and accelerate slow growth given these new constraints. In effect, Epstein argues that the book's proposals would be unneeded if savings still constrained growth. It's a missed opportunity for serious debate. Read the article on AEI IDEAS

Primary Topic: Blog

Topics: Blog,Growth,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/22/missed-opportunity-serious-debate

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_AEIDeas-logo.png

Article 263

Title: More Evidence of Synergistic Clustering

Author(s)	Ed Conard
Publish Date	2016-09-21
Publish Time	17:27:11

Content: The author notes: "Still, the concentration of American corporate might is stark. Nearly 40 percent of all public companies are in just four states: California, Massachusetts, New York and Texas. Three of them — California, New York and Texas — account for a third of the Fortune 500. And the trend is accelerating. In the last 12 months, California, Massachusetts, New York and Texas accounted for 50 percent of all initial public offerings by operating companies, according to Standard & Poor’s Global Market Intelligence." But the journalist naively asks: what accounts for the differences between states? And then argues the difference is not lower state tax rates. Difference in state tax rates are dwarfed by the synergistic value of clustering into communities of experts like Wall Street and Silicon Valley that increase the payoff for risk-taking and the certainty of those payoffs. The success of these states show that increased payoffs drive increase risk-taking, and that successful risk-taking gradually produces valuable institutional capabilities that enhance the productivity of workers. We can tax success, slow risk-taking, and gradually slow the formation of these institutional capabilities, just as it is slower in states without these valuable clusters.

Primary Topic: Blog

Topics: Banking,Blog,Growth,Investment,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/21/evidence-synergistic-clustering

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_share.png

Article 264

Title: Robert Barro: The Reasons Behind the Obama Non-Recovery

Author(s)	Ed Conard
Publish Date	2016-09-21
Publish Time	9:54:39

Content: Robert Barro writes in today's WSJ: "In our paper, "Rare Events and Long-Run Risks," we examined macroeconomic disasters in 42 countries, featuring 185 contractions in GDP per capita of 10% or more. … On average, during a recovery, an economy recoups about half the GDP lost during the downturn. The recovery is typically quick, with an average duration around two years. … Hence, the growth rate of U.S. per capita GDP from 2009 to 2011 should have been around 3% per year, rather than the 1.5% that materialized. … Many of the biggest downturns featured financial crises. The main U.S. policy used to counter the Great Recession was increased government transfer payments. Federal social benefits to persons as a ratio to GDP went from 8.7% in 2007 to 11.7% in 2010, then fell to 10.9% in 2015. … Unfortunately, increased transfer payments do not promote productivity growth." I would add: Nor do transfer payments promote increased workforce participation. As well, with a near-infinite supply of labor both in the lead-up to the crisis and after, it's hardly surprising business hasn't invested much in the day-to-day nitty-gritty of increasing productivity.

Topics: Blog,Growth,Politics,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/21/robert-barro-reasons-behind-obama-non-recovery

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_Barro_wsj.png

Article 265

Title: My Reaction to Rising Median Incomes on NPR's "Diane Rehm Show"

Author(s)	Ed Conard
Publish Date	2016-09-20
Publish Time	15:28:54

Content: Ed Conard debates middle-class economics with A Martínez, Jim Tankersley, and Isabel Sawhill on NPR's "Diane Rehm Show."
http://downloads.wamu.org/mp3/dr/16/09/r1160915.mp3

Topics: Blog,Growth,Inequality,Minimum Wage,Productivity,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/20/reaction-rising-median-incomes-nprs-diane-rehm-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_Rehm-NPR-logo_final.png

Article 266

Title: I debate Trump's Tax Plan and Mark Cuban’s Reaction with Charles Payne on FBN's "Making Money"

Author(s)	Ed Conard
Publish Date	2016-09-20
Publish Time	15:28:07

Content: Ed Conard debates Trump's Tax Plan and Mark Cuban’s reaction with Charles Payne on Fox Business Network's "Making Money."

Primary Topic: Blog

Topics: Blog,Politics,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/09/20/debate-trumps-tax-plan-mark-cubans-reaction-charles-payne-fbns-making-money

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_Ed_FBN-Payne.png

Article 267

Title: A Proposal For Accelerating Middle Class Incomes

Author(s)	Ed Conard
Publish Date	2016-09-19
Publish Time	15:29:50

Content: New York Times by Edward Conard September 19, 2016 When manufacturing jobs are outsourced, economists believe that opportunistic entrepreneurs will race to employ displaced workers and competition will raise their productivity and wages. But high-tech entrepreneurs have moved to large cities and outsourced their blue-collar jobs to China, while the engineers who remain behind now design products that employ offshore workers. This brain drain slows low-skilled productivity and wage growth and depresses the wages of displaced communities for decades. Unfortunately, America can’t forego trade or innovation that lowers costs and still remain competitive in the long run. Thus, it may grow harder to close the wage gap between urban and rural workers. Regardless, we can still accelerate wage growth. We shouldn't let Germany, China and Mexico use trade deficits to export our employment when we have little use for their risk-averse savings. To put displaced workers back to work, Americans must borrow, and spend, unused offshore savings that result from trade deficits. Trade deficits occur when offshore manufacturers sell products to Americans, but then loan the proceeds to the U.S. rather than buying American-made products. But savings currently sit unused despite near-zero interest rates, because talent and risk-taking constrain growth in America's knowledge-based economy. Issuing a dollar’s worth of import licenses for every dollar of exports balances trade without restricting it. There are plenty of competitive American products to buy. The U.S. could also attract more international competitors by cutting its uncompetitive corporate tax rate to lower the cost of operating globally from America. More international companies with bases in the U.S. would employ many workers and local services. We must also recognize that low-wage workers are high-cost workers. That’s why they are the first workers laid off in a recession and the last workers rehired. Don’t raise the minimum wage, which excludes the lowest-skilled workers. Subsidize low-wage employers, instead of vilifying them, to create more demand for low-skilled workers. Reconsider incentives that discourage work. And reduce restrictions on construction to lower the cost of housing. In an economy where talent restricts growth, increasing the ratio of high- to low-skilled workers would accelerate growth and raise low-skilled wages. We could recruit more ultra high-skilled immigrants and inculcate a moral obligation in talented people to create jobs for others

Topics: Blog,Blog Highlights,Growth,Inequality,Minimum Wage,Print,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/19/proposal-accelerating-middle-class-incomes

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Article 268

Title: National Review: “The Upside of Inequality” Is The Conservative Answer to Piketty That You’ve All Been Waiting For

Author(s)	Ed Conard
Publish Date	2016-09-19
Publish Time	15:29:32

Content: National Review by Patrick Brennan September 19, 2016 It’s been a rough few years for conservative economics. In some arenas, such as federal policymaking, this is understandable, given who holds the White House. But the fact that we’re losing ground in the world of ideas, too, is less forgivable. In some arenas, such as federal policymaking, this is understandable, given who holds the White House. But the fact that we’re losing ground in the world of ideas, too, is less forgivable. Consider the economics books and ideas that have broken through into the political debate in recent years. The biggest economics book of the last five to ten years, by French economist Thomas Piketty, bore the winking Marxist title of “Capital in the 21st Century.” Its content, arguing the capitalism is inherently flawed and proposing large wealth taxes essentially for the purpose of wealth destruction, fit the bill. Two of the most prominent scholars of economic inequality, economists Emmanuel Saez and Peter Diamond, have gotten away with claiming that the American middle class today is no better off than it was 30 or 40 years ago. And they seem to have convinced the liberal wonkosphere that the optimal top income-tax rates are right around 80 percent. Meanwhile, fueled by relatively recent studies finding that the minimum wage doesn’t reduce employment at all in the short run, liberals are lining up behind aggressive minimum-wage increases, insisting it should go to $12 or $15 an hour nationally. How did we get here? It’s not because the liberals are right — in fact, Piketty’s book, Diamond’s and Saez’s work, and the “new minimum-wage research” all have well-established serious flaws. Rather, it might be that accomplished liberal economists seem to spend a lot more time than their conservative counterparts do publishing work relevant to the major debates of the day and following it up with polemical books and public advocacy. There simply is no comparing Paul Krugman’s prominence with, say, that of Greg Mankiw or Marty Feldstein. Maybe this has something to do with liberal media bias but, heck, Austan Goolsbee regularly appears on Hannity. When’s the last time you saw a Republican with an economics Ph.D. on there? One way to measure this dearth of combativeness from top conservative economists is just by considering some of the biggest economics books of recent years. Thomas Piketty’s Capital in the 21st Century sparked a global and national conversation about the costs of inequality and the flaws of capitalism, on ground heavily slanted to the left; Nobel-prize winner Joseph Stiglitz’s The Price of Inequality piled on. The biggest books from conservative-leaning economists, meanwhile, are far less controversial works, such as Carmen Reinhart and Kenneth Rogoff’s This Time Is Different, Edward Glaeser’s Rise of the City, and Tyler Cowen’s Average Is Over. Great books, all, but only tangential, if that, to the big Right–Left debates of our day. Which is why the time is ripe for a work such as Edward Conard’s The Upside of Inequality — a rousing, well-studied defense of conservative beliefs about how markets and incentives drive prosperity, what’s holding back our economy today, and how to get it roaring again. Conard’s work revisits many of the same themes as his 2012 book, Unintended Consequences: Why Everything You’ve Been Told about the Economy Is Wrong. But in his new book, he turns his focus to the problem that ails us today: instead of the financial crisis and deep unemployment, the lackluster growth the U.S. has had since the Great Recession. Liberals have a well-established, well-known (at least in some circles) explanation and set of solutions for the current situation. To put it simply: All the gains in the economy now are being captured by the 1 percent, and inequality is holding back the economy as a whole, so we need more redistribution. Meanwhile, the economy is stuck in a deep rut, called “secular stagnation,” where consumer demand is so weak that there aren’t any good investment opportunities for businesses, so we need big government investment to get things going again. One by one, Conard dismantles these arguments, sometimes by disproving liberal economists’ work with well-respected work by other economists, sometimes with original arguments of his own. More important, he proposes an interesting, worthwhile theory of his own about our current woes: The problem with the American economy right now, he says, is not that we don't have enough good investment opportunities, but that we don't have the right talent and the appetite for risk to take advantage of them. Those assets — "properly trained talent" and appetite for risk — are more important than ever, Conard argues, because we live in an innovation-driven economy that is ever more dependent on human talent rather than capital (Ford needed factories, Uber needs brains), and because investments come with bigger, but rarer, payoffs than in the past (which is partly what's driving inequality). So, for instance, we need more and more people with top-quality STEM training and know-how in business, accounting, and the law to help reduce the inherent risk of highly speculative innovation-driven investments and successfully commercialize them. Meanwhile, trade deficits and mass low-skilled immigration hobble our ability to compete: Trade deficits flood our economy with risk-averse savings rather than the equity we need to invest in innovation, while mass immigration brings unskilled workers who absorb already scarce resources. Conard's arguments on this score are well-done and original, and I wish the book was more focused on them. Much of the work is devoted to knocking down liberal claims about how the economy works, rather than explaining Conard's own theories about what appetite for risk and "properly trained talent" looks like. Some of these passages are extremely good: His rejoinder to liberals who believe that marginal tax rates and incentives for success don't matter, for instance, is blistering. The quality is much more varied when Conard branches out into other areas, such as the welfare state and the limits of education. For instance, he questions how valuable charter schools can be when they show only marginal gains and perhaps work well only for uniquely motivated families and kids. Both arguments seem a little odd, because at other points in the book, he makes special note of how small differences can compound into huge gains and how properly training a small number of talented people can have big benefits for the entire economy. At one point, Conard lays out why he finds redistribution to the American poor a peculiar moral proposition given that they're so much richer than the world's truly poor, and you wonder what this has to do with how we're going to build more Apples and Amazons. It's not just that the reader would benefit from more explanation of what Conard means by lack of properly trained talent and by insufficient appetite for risk — his argument would benefit, too. Take his assumption that the U.S. already gets innovation and growth pretty much right but that we just need to do even better. He rips to shreds claims that American middle-class incomes haven't grown in the past several decades — one of the more insane claims that liberal economists have made, with only occasional rejoinders from the right. But he also argues that the U.S. has done better than other wealthy countries specifically because of our appetite for risk and aptitude for innovation; and here, his evidence is not dispositive. He points to little evidence besides the existence of Apple, Google, Facebook, et al. for the superiority of American innovation: These are solid examples, certainly, and innovation is not easy to measure, but more careful work would have helped. He repeatedly points out that the U.S. economy has grown much faster than other wealthy economies, which is true — until you factor in population growth, at which point we remain ahead of most rich countries, but not by much. These are far from fatal flaws. Conard delivers an accessible yet learned rebuke to arguments we often hear from left-leaning economists and pundits, and he offers a fresh alternative story. It certainly stands to reason that we cannot afford to reduce the returns to risk when we have an economy in which the low-hanging fruit have been plucked — in which taking risk is therefore ever more important. (As it happens, framing his argument this way, rather than as a defense of inequality and a heroic 1 percent, sounds less provocative, but it might win more sympathy from readers who don't already lean in Conard's direction.) We could use a lot more such original analysis of what's holding back our economy, and why the regnant liberal solutions aren't right for America, especially from free-market-friendly intellectuals with top credentials. Of course, trained academic economists (Conard, despite how much he engages with the academic literature, is not one) are supposed to focus on original research and meticulous argument, not polemics. I'm not calling on them to get involved in cheap political fights. But we do need aggressive, well-informed free-market arguments to counter what's coming from the other side. I can't help but think that conservative economic causes could benefit from a few more top thinkers getting into the fray more often and more aggressively. Think about it: The only thing worse than arguing with Paul Krugman is not having your own Paul Krugman to argue back.

Topics: Banking,Blog,Blog Highlights,Growth,Investment,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/19/national-review-upside-inequality-conservative-answer-piketty-youve-waiting

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Article 269

Title: I explain Trumponomics with Brian Kilmeade on Fox New Radio’s “Kilmeade & Friends”

Author(s)	Ed Conard
Publish Date	2016-09-19
Publish Time	15:29:11

Content: Ed Conard explains Trumponomics with Brian Kilmeade on Fox News Radio's "Kilmeade and Friends." Listen here.

Topics: Blog,Growth,Politics,Radio,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/19/explain-trumponomics-brian-kilmeade-fox-new-radios-kilmeade-friends

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Article 270

Title: Explaining "The Upside of Inequality" on FBN's "Mornings with Maria"

Author(s)	Ed Conard
Publish Date	2016-09-16
Publish Time	10:47:17

Content: I explain my new book "The Upside of Inequality" and debate middle-class wage growth with Maria Bartiromo on Fox Business Network's "Mornings with Maria." Watch the latest video at video.foxbusiness.com

Topics: Blog,Growth,Productivity,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/09/16/explain-upside-inequality-fbns-mornings-maria

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_Mornings-with-Maria_EC.png

Article 271

Title: Debating the Myths About Income Inequality on Bloomberg TV's "What'd You Miss?"

Author(s)	Ed Conard
Publish Date	2016-09-15
Publish Time	18:28:59

Content: I debate myths about income inequality and discuss my new book The Upside of Inequality with Joe Wiesenthal, Scarlet Fu and Matt Miller on Bloomberg TV's "What'd You Miss?"

Topics: Blog,Growth,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/15/debating-myths-income-inequality-bloomberg-tvs-whatd-miss

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Article 272

Title: Debating "The Upside of Inequality" on MSNBC's "Morning Joe"

Author(s)	Ed Conard
Publish Date	2016-09-14
Publish Time	11:18:47

Content: I debate my new book The Upside of Inequality with Joe Scarborough, Mika Brezezinski, Mike Barnicle and Mike Lupica on MSNBC's "Morning Joe".

Topics: Blog,Growth,The Upside of Inequality,Videos

Permalink: https://www.edwardconard.com/2016/09/14/discussing-upside-inequality-msnbcs-morning-joe

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_Morning-Joe_Mika-Joe-book.png

Article 273

Title: What Liberals Don’t Understand About Income Inequality

Author(s)	Ed Conard
Publish Date	2016-09-13
Publish Time	10:37:32

Content: Edward Conard Time.com September 13, 2016 Blaming the success of America’s 1% for the slow growth of middle- and working-class incomes leads to policies that slow an already slow-growing economy. A shortage of properly trained talent and risk-taking limit the growth of America’s innovation-driven economy. In those circumstances, growth can manifest itself as an increase in employment or an increase in wages. When America spreads talent and entrepreneurial risk-taking over a greater number of workers, it slows middle- and working-class productivity and wage growth. U.S. employment has grown twice as fast as Germany and France, and three-times faster than Japan since 1980. America is now home to 40 million foreign-born adults, their 20 million native-born adult children and their 20 million children—a large share of America’s 325 million people. Despite this influx of workers, median disposable incomes are 15% to 30% higher than Germany, France and Japan, and have grown faster than these countries since the mid-1990s. Without the disproportionate contribution of American-made innovation, European and Japanese growth would have been even slower. America has produced a disproportionate share of innovation with a smaller share of high-scoring workers. Twenty-five percent of Americans earn high academic scores, compared to more than 35% of Germans, 40% of Scandinavians, and nearly 50% of Japanese. High-earning Americans work longer hours, take more entrepreneurial risks and produce more innovation than their counterparts elsewhere. Despite the supposed success of Scandinavia, Scandinavian-Americans earn 50% more than their counterparts in Scandinavia. America’s entrepreneurial success gradually creates assets that accelerate its growth. Companies, like Facebook, provide Americans with valuable on-the-job training. Those workers coalesce into synergistic communities of experts, like Silicon Valley. Success puts money into the pockets of successful risk-takers. They use their equity and expertise to underwrite risks that accelerate growth. These assets raise the productivity of American innovators and increase the certainty of their success. Given the faster growth of these American assets, it’s hard to believe higher and more certain payoffs for risk-taking don’t gradually motive talented workers to get the training and take the risks that produce innovation, growth, employment, and higher wages. Instead, advocates of redistribution cavalierly diminish the importance of incentives. They claim the success of America’s 1% stems from rising cronyism despite overwhelming evidence that the status quo has grown less entrenched. Seventy percent of the wealth of the top 0.1% is owned by self-employed business owners who bested competitors to satisfy customers, not cronies, to earn their success. Today, the Forbes 400 richest Americansare “less likely to have inherited their wealth or to have grown up wealthy” and “more likely to have started their businesses.” Similarly, average CEO tenures have shortened. Public company CEO pay has not risen faster than private company pay where owners, not cronies, control boards. Nor has CEO pay risen faster than the value of the companies they manage. Instead, the rise in CEO pay comes almost entirely from the formation of new companies with high employee pay rather than from increased CEO pay relative to their employees. Failing these arguments, some insist rising company profits stem from a lack of competition that puts money in the pockets of investors at the expense of customers. They point to evidence showing “two-thirds of all publicly traded companies operated in more highly concentrated markets in 2013 than they did in 1996.” But the turnover of the S&P 500 has accelerated. And a 2015 McKinsey study finds that the share of profits generated by idea-intensive companies has grown from 17% of profits in 1999 to 31% today while “companies in capital-intensive industries are feeling a growing squeeze.” The IT sector is in turmoil, the opposite of an entrenched status quo. The 15 largest technology companies in 2000 have lost 60% of their market value, while 15 companies with combined market capitalization less than $10 billion in 2000 are now worth over $2 trillion. Despite these one-in-a-million successes, the Kauffman Foundation finds: “[venture capital] returns haven't significantly outperformed the public market since the late 1990s." Crony capitalism exists. But growing inequality is caused, not by rising cronyism, but by America deploying its properly trained talent and risk-taking more effectively than other economies. The challenge facing America today is not how to defeat the success that brought it here, but how to accelerate growth, employment, and wages in an economy with a near-unlimited supply of low-skilled labor. To raise low-skilled wages, without slowing GDP growth, America must increase the ratio of high to low-skilled workers. Throttling back low-skilled immigration might increase wages, but the cost of retiring baby boomers and the growing military threat of China loom large. Japan, for example, is expected to lose a third of its population by 2060. A better strategy trains America's talent to be more effective, recruits ultra-high-skilled talent from abroad, lowers taxes on American-based international competitors, and restrains perennial trade deficits without restraining trade. Ed Conard is an AEI Visiting Scholar, former Bain Capital partner and author of the new book The Upside of Inequality and Unintended Consequences.

Primary Topic: Blog

Topics: Blog,Growth,OpEds,OpEds Highlights,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/13/what-liberals-dont-understand-income-inequality

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Article 274

Title: My New Book "The Upside of Inequality" Is Out Today

Author(s)	Ed Conard
Publish Date	2016-09-13
Publish Time	10:34:29

Content: My new book The Upside of Inequality: How Good Intentions Undermine the Middle Class (Portfolio/Penguin) is out today. Leading economists Greg Mankiw, Glenn Hubbard, Larry Lindsey, Tyler Cowen, & David Autor, have spoken highly of the book. Even Larry Summers admits it's “a very valuable contribution” that will “sharpen your thinking on critical economic issues.” Buy a copy, write a review, or follow me at www.EdwardConard.com/Action

Primary Topic: Blog

Topics: Banking,Blog,Charter,College,Financial Crisis,Gender Pay Gap,Growth,Healthcare/Seniors,Inequality,Investment,Minimum Wage,Monetary Policy,Politics,Print,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/13/new-book-upside-inequality-today

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_Upside-social-optimized.jpg

Article 275

Title: The "Upside of Inequality" Tops Amazon’s Hot New Releases List

Author(s)	Ed Conard
Publish Date	2016-09-12
Publish Time	18:58:21

Content: My new book The Upside of Inequality: How Good Intentions Undermine the Middle Class (Portfolio/Penguin) is out tomorrow. Buy a copy, write a review, or follow me at www.EdwardConard.com/Action

Primary Topic: Blog

Topics: Banking,Blog,Financial Crisis,Gender Pay Gap,Growth,Healthcare/Seniors,Investment,Monetary Policy,Politics,Print,Productivity,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/12/upside-inequality-tops-amazons-hot-new-releases-list

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_amazon-macro_2.png

Article 276

Title: Do German Vocational Apprentices Earn More Than Their American Counterparts? I'm Skeptical

Author(s)	Ed Conard
Publish Date	2016-09-12
Publish Time	17:14:15

Content: Somin' don't smell right with Ed Lazear's claim in Friday's WSJ that "Germans with vocational apprenticeships are considerably better off than their American counterparts." A graph in the NYT shows all but the lowest 30% of Americans earn more than their German counterparts. (People in the bottom 30% don't work much, so differences in incomes are not simply a matter of wages.) America achieves these across-the-board results despite substantially less vocational training, lower academic test scores, and fewer top-scoring workers.

Primary Topic: Blog

Topics: Blog,Growth,Minimum Wage,The Upside of Inequality,The Upside of Inequality Ch. 5

Permalink: https://www.edwardconard.com/2016/09/12/german-vocational-apprentices-earn-american-counterparts-im-skeptical

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumnbail_Effect-of-Productivity-on-Wages_chart.png

Article 277

Title: How Trade Deficits Reduce Economic Dynamism and Foster Increased Government Spending

Author(s)	Ed Conard
Publish Date	2016-09-12
Publish Time	17:12:47

Content: Aside from having four years of work critiqued by someone who only read Tyler Cowen's brief and narrowly focused review of my book… I do not say the "U.S. trade deficit is something that makes the government bigger." I do say, trade deficits make the economy less dynamic. Risk-averse savings do not constrain the growth of America's knowledge-based innovation-driven economy. Risk-taking/underwriting and properly trained talent do. So far, trade deficits have flooded America with risk-averse savings. As evidenced by zero interest rates, America has little use for those additional savings (other than subprime consumption). If we fail to put those savings to work, growth, employment, and/or wages will be lower than if we had. The need to do so consumes our finite capacity and willingness to bear risk at a time when risk-taking constrains growth. Henderson assumes risk-averse savers eager to buy low-risk government-guaranteed debt will underwrite the risks that grow the U.S. economy if offshore savers buy U.S. government bonds. My book The Upside of Inequality: How Good Intentions Undermine the Middle Class argues that has not proven to be the case. It might be different if risk-averse savings constrained growth. While I do not explicitly say that trade deficits make government bigger, idle risk-averse savings slow growth and reduce interest rates, which causes influential economists like Larry Summers to advocate for increased infrastructure investment despite little evidence of their efficacy. Lower interest rates also help lawmakers avoid tough spending tradeoffs.

Primary Topic: Blog

Topics: Banking,Blog,Growth,Investment,The Upside of Inequality,The Upside of Inequality Ch. 2

Permalink: https://www.edwardconard.com/2016/09/12/trade-deficits-reduce-economic-dynamism-foster-increased-government-spending

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_bank.jpg

Article 278

Title: Hard Truths About Easy Money From Ned Phelps

Author(s)	Ed Conard
Publish Date	2016-09-12
Publish Time	10:00:29

Content: In his WSJ op-ed last Friday, Noble Prize winner Ned Phelps reminds us: “An even worse possibility [than inflation] arises from [loose monetary policy because of] the peculiar structure of the U.S. economy. It is highly integrated with financial markets overseas, so financial yields cannot differ much. Yet it is too large and too distant to depend much on exports and imports, so its prices may differ quite a lot. As in any open economy, an interest-rate cut by the central bank causes the currency to drop in foreign exchange markets. … The interest rate cut, in weakening the dollar, adds to their protection from entry by overseas competitors. The domestic firms promptly respond by raising their prices—their markups over wages, roughly speaking. This rise of markups, in shrinking the demand for labor, reduces real wage rates and employment. The implication for Fed policy is clear: Through this channel, the continuation of easy money may be causing or contributing to the stubborn gap between output or employment and their trend paths—thus a lull in the growth of output and employment. Do we see evidence of dollar weakness that could be traced to easy money? We do. The U.S. dollar was strikingly weak against the Chinese yuan until mid-2015, when China devalued. The dollar was weak against the euro too until early 2015, when the European Central Bank acted. There is also the high share of profits in business output in recent years, which can be attributed to the protection that dollar weakness has offered.”

Primary Topic: Blog

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2016/09/12/hard-truths-easy-money-ned-phelps

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_wsj_phelps.png

Article 279

Title: Is Technology Changing the Value of Leisure?

Author(s)	Ed Conard
Publish Date	2016-09-09
Publish Time	10:58:45

Content: Shocking facts from Erik Hurst's (Professor of Economics at Chicago Booth) graduation address to The University of Chicago's Booth School of Business, "Video Killed the Radio Star" … Between 2000 and 2015, the employment rate for lower-skilled men and women between the ages of 21 and 55 fell by 7.5 percentage points. (…anyone with less than a bachelor's degree.) … The decline has been persistent. It was falling prior to the recession, fell sharply during the recession, and has barely rebounded after the recession. … For low-skilled men in their 20s, employment rates have fallen by about 10 percentage points over the last 15 years—from 82 percent in 2000 to only 72 percent in 2015. … You might think it's matched by a rise in school attendance for this age group. That is not the case. … Is it possible that technology has changed the value of leisure? I think the answer is a definite yes. … In 2015, 22 percent of lower-skilled men aged 21–30 had not worked at all during the prior 12 months. … 51 percent of lower-skilled men in their 20s live with a parent or close relative. That number was only 35 percent in 2000. … On average, lower-skilled men in their 20s increased "leisure time" by about four hours per week between the early 2000s and 2015. … Of that four-hours-per-week increase in leisure, three of those hours were spent playing video games! … How do we know technology is causing the decline in employment for these young men? … Lower-skilled young men in 2014 reported being much happier on average than did lower-skilled men in the early 2000s. This increase in happiness is despite their employment rate falling by 10 percentage points and the increased propensity to be living in their parents' basement. … Technological innovations…have made leisure time more enjoyable. This acts like an increase in an individual's reservation wage. … Yes, but only if someone foots the bill. Perhaps the more relevant question is: How much does the rising value of leisure, entitlements, and pay (for work without much intrinsic value) reduce work effort at the margin? Declining workforce participation might only represent the tip of the iceberg.

Primary Topic: Blog

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2016/09/09/technology-changing-value-leisure

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_lesiure-and-tech_v2.png

Article 280

Title: Equity Risk Premium Remains High

Author(s)	Ed Conard
Publish Date	2016-09-08
Publish Time	10:23:52

Content: My new book, The Upside of Inequality: How Good Intentions Undermine the Middle Class, argues that the economy's capacity and willingness to take risk now binds growth. Since the financial crisis, the equity risk premium—often measured as: [1/PE ratio] – 10 year Treasury rate—remains near fearful recessionary levels. With less risk and the flight to safety, the US equity risk premium is lower than the world premium, but is similarly elevated relative to historical levels. Real investment that grows the economy is far more illiquid than publicly traded equities used to measure the equity risk premium. The illiquidity premium remains elevated and the IPO market, where stocks volumes are less liquid than public markets generally, remains closed.

Primary Topic: Blog

Topics: Blog,Growth,Investment,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/08/equity-risk-premium-remains-high

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_Equity-Risk-Premium_-v2.png

Article 281

Title: Tyler Cowen’s Review of My New Book "The Upside of Inequality"

Author(s)	Ed Conard
Publish Date	2016-09-07
Publish Time	15:22:47

Content: In his Bloomberg review of my book and blog post, Tyler Cowen recognizes one of the key insights in my new book The Upside of Inequality: How Good Intentions Undermine the Middle Class. He writes: Conard’s central idea is that risk-bearing equity capital is the truly scarce asset in most economic situations, and economic analysis should adapt accordingly. He is very creative in seeing some of the implications of this view.” Cowen concludes, “I…found it very stimulating to ponder. It puts many of the pieces together in a new and different way.” Based on Tyler’s review, however, you would think the book is centered on tax cuts for the wealthy, but that’s simply not the case. I do argue that higher payoffs for risk-taking motivate increased risk-taking, and that this creates a positive feedback loop that gradually builds institutional capabilities, which accelerate growth and increase the expected payoff for risk-taking—more valuable on-the job-training at companies, like Google; synergistic communities of experts, like Silicon Valley; venture capital in the pockets of successful insiders; and ultimately a more motivated and better-trained pool of talented risk-takers. Hence, the growing difference between America and Europe. But I recommend lower business taxes, especially for international competitors, offset by higher personal capital gains taxes rather than assuming, as Cowen claims, that the rich will simply take the necessary risks. What I like most about Cowen’s review is that he recognizes I am putting forward a thesis—that the economy’s capacity and willingness to bear risk constrains growth—which upends economics. Tyler notes that “for Conard, ‘weak demand is not a cause in and of itself. It is a symptom of a shortage of equity willing and able to bear risk’.” He acknowledges that my view “puts many of the pieces together in a new and different way.” And he suggests that “economic analysis should adapt accordingly.”

Topics: Blog,Growth,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/09/07/tyler-cowens-review-new-book-upside-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_BV_Cowen-logo.png

Article 282

Title: Could We Pass a Constitutional Amendment Barring Teacher Tenure?

Author(s)	Ed Conard
Publish Date	2016-09-02
Publish Time	11:35:17

Content: In my book The Upside of Inequality: How Good Intentions Undermine the Middle Class, I call for a constitutional amendment banning teacher tenure. While it is unlikely teacher unions are responsible for low test scores, studies show that replacing the least effective teachers could produce substantial improvements. Teachers aren't just factory workers producing widgets. Parents must have the right to fire their children's caregivers. Regardless of what's fair, amending the constitution is a high hurdle. But The New York Times reports Republicans now control 30 state legislatures—a large increase since 2008. Only 34 states are required to amend the constitution. And 28 having already adopted resolutions supporting a balanced budget amendment. It's not hard to imagine a concerted effort by advocates of education reform successfully pressuring four non-Republican controlled states to adopt such an amendment.

Topics: Blog,Politics,The Upside of Inequality,The Upside of Inequality Ch. 9

Permalink: https://www.edwardconard.com/2016/09/02/pass-constitutional-amendment-barring-teacher-tenure

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/09/thumbnail_state-legislatures_ewc.png

Article 283

Title: A Theory for Slow Productivity Growth

Author(s)	Ed Conard
Publish Date	2016-09-01
Publish Time	9:21:53

Content: Jim Pethokoukis provides a convenient summary of the various theories for why productivity growth has slowed. His list, however, doesn't contain my theory. In my book The Upside of Inequality: How Good Intentions Undermine the Middle Class, I argue that the economy has a finite capacity and willingness to bear risk, and that the economy is often at or near its risk-bearing limit. When the economy discovers unexpected risks, the threat of terrorism after 9/11 or the inherent instability of banking after the financial crisis for example, the economy dials back risk-taking—both investment and consumption—in order to return to equilibrium if its capacity and willingness to bear risk has been exceeded. Recession ensues. Unless the identified risks are reassessed or mitigated, growth will remain slow. In the wake of 9/11 for example, the threat of terrorism was reassessed downward when further attacks failed to materialize and growth recovered. In the aftermath of the financial crisis, no such reassessment has occurred so growth remains tepid. When the economy dials back risk-taking to compensate for increased risks, we should expect the risk-taking that produces productivity growth to slow. It's true productivity growth slowed prior to the financial crisis. But productivity growth was unusually high at that time so it was likely to return to its long term average regardless. Buy my new book The Upside of Inequality: How Good Intentions Undermine the Middle Class (Penguin).

Primary Topic: Blog

Topics: Blog,Growth,The Upside of Inequality,The Upside of Inequality Ch. 4

Permalink: https://www.edwardconard.com/2016/09/01/theory-slow-productivity-growth

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_US-Productivity-Growth_labor_wsj.png

Article 284

Title: Why On-The-Job Training Is So Much More Valuable in the US Than Europe

Author(s)	Ed Conard
Publish Date	2016-08-31
Publish Time	12:43:23

Content: Buy my new book The Upside of Inequality: How Good Intentions Undermine the Middle Class (Penguin).

Primary Topic: Blog

Topics: Blog,Growth,The Upside of Inequality,The Upside of Inequality Ch. 5

Permalink: https://www.edwardconard.com/2016/08/31/job-training-much-valuable-us-europe

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_value-of-tech-v-manufacturing-companies.png

Article 285

Title: Can Trump Gain Support of Top Republican Economists?

Author(s)	Ed Conard
Publish Date	2016-08-30
Publish Time	9:48:53

Content: The WSJ surveyed all 45 of the former members of the White House Counsel of Economic Advisors—23 who served under a Republican President and 22 who served under a Democrat—and asked each whether they supported their respective party's candidate. None of the 23 former Republicans expressed support for Trump while 60% of the former Democrats expressed supported for Clinton.

Primary Topic: Blog

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/08/30/can-trump-gain-support-top-republican-economists

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_chart-4.png

Article 286

Title: Yale Economist Shiller Wrong About Zero Sum Economy

Author(s)	Ed Conard
Publish Date	2016-08-29
Publish Time	10:43:29

Content: In his Sunday New York Times op-ed " Today’s Inequality Could Easily Become Tomorrow’s Catastrophe,” Yale economist Robert Shiller paints a dire picture of the economy as a zero-sum game where the gains of the rich come at the expense of the poor. He says: "Economic inequality is already a concern, but it could become a nightmare in the decades ahead. … Innovations in robotics and artificial intelligence, which are already making many jobs uncompetitive, could lead us into a world in which basic work with decent pay becomes impossible to find. … Angus Deaton of Princeton, … gave a pessimistic prediction: “Those who are doing well will organize to protect what they have, including in ways that benefit them at the expense of the majority. ” … In each of four devastating famines in different parts of the world, there was enough food to keep everyone alive. The problem in each case was that… systems of privilege and entitlement permitted hoarding of food by people of status whose lives went on much as usual, except that they had to brush off starving beggars and would occasionally see dead bodies on the street." Shiller knows the economy is not zero-sum. Competition demands investors produce $5 to $20 of value for others for every dollar they keep for themselves. When tractors displaced subsistence farmers, the displaced farmers didn’t starve to death; they prospered. If displaced farmers couldn’t have found work that was more valuable than the now-lower cost of food, they would have remained subsistence farmers (and tractors wouldn’t have displaced them). By lowering the cost of food, tractors made it easier for displaced farmers to find relatively more valuable work. The same is true of robots today. Perhaps innovation will allow the prosperity of the rich to grower faster than the rest of the economy. But it’s hard to imagine an economy where innovation makes “decent pay…impossible to find.

Primary Topic: Blog

Topics: Blog,Growth,Inequality,The Upside of Inequality,The Upside of Inequality Ch. 6

Permalink: https://www.edwardconard.com/2016/08/29/yale-economist-shiller-wrong-zero-sum-economy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/tn_NY-Times_inequality.jpg

Article 287

Title: Low-Wage Workers are High-Cost Workers

Author(s)	Ed Conard
Publish Date	2016-08-26
Publish Time	9:14:45

Content: If low-wage workers were low-cost workers, they wouldn't be the last workers hired and the first ones fired—quite the opposite. Eric Morath and Julie Jargon of The WSJ report that the pay of the lowest-paid workers is finally beginning to rise faster than median pay—evidence that the economy is growing relatively more willing to employ these workers again. The last time that happened was during the 2006 to 2008 economic peak when employers had nowhere else to turn for workers. Since then, the wages of low-wage workers have grown more slowly than the median—evidence of relatively restrained demand for these workers when other higher-wage workers were available to be hired. It wasn't until the spread between their wages and the median widened that employers once again turned to them for employment. Based on this pattern, it's hard to believe that low-wage workers are low-cost workers and that employers mustn't pay them lower wages to make them competitive with alternatives all things considered. I explain the economics in more detail here.

Primary Topic: Blog

Topics: Blog,Growth,Minimum Wage

Permalink: https://www.edwardconard.com/2016/08/26/low-wage-workers-high-cost-workers

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_WSJ_wage-2.png

Article 288

Title: Greg Mankiw Recommends My New Book "The Upside of Inequality"

Author(s)	Ed Conard
Publish Date	2016-08-24
Publish Time	14:47:46

Content: Greg Mankiw recommends my new book, The Upside of Inequality: How Good Intentions Undermine the Middle Class (Portfolio/Penguin). In a knowledge-based innovation-driven economy constrained by properly trained talent and the economy's willingness to take risk, rather than labor or capital, I recommend recruiting ultra-high-skilled immigrants, containing perennial trade imbalances, and lowering taxes on exporters. Pre-order a copy here.

Topics: Banking,Blog,Charter,College,Financial Crisis,Gender Pay Gap,Growth,Healthcare/Seniors,Inequality,Investment,Minimum Wage,Monetary Policy,Politics,Print,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/08/24/greg-mankiw-recommends-new-book-upside-inequality-summer-reading

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_Makiw-blog_2.png

Article 289

Title: Top Earners Haven’t Recovered Losses Suffered During Great Recession

Author(s)	Ed Conard
Publish Date	2016-08-23
Publish Time	16:32:03

Content: Brooking’s Gary Burtless reports, “Top income recipients have not yet recovered the income losses they suffered in the Great Recession. In 2015 their average market income was still 13 percent below its pre-recession level,” while the bottom 90%’s income has fallen 8%. Previously, partisans only reported that “between 2009 and 2015, income recipients in the top 1 percent enjoyed real income gains of 24 percent… [while] incomes climbed only 4 percent…among Americans in the bottom nine-tenths of the income distribution.” They failed to mention that “between 2007 and 2009 [the top 1%] saw their inflation-adjusted incomes drop 36 percent, [while the] …income of Americans in the bottom nine-tenths of the distribution fell…12 percent.” According to the Congressional Budget Office, lower federal taxes and increased government transfers largely offset the losses suffered by the bottom 90%.

Primary Topic: Blog

Topics: Blog,Growth,Inequality

Permalink: https://www.edwardconard.com/2016/08/23/7807-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_Market-Income-Trends-since-2007_Burtless.png

Article 290

Title: Which States Offer the Most for $100?

Author(s)	Ed Conard
Publish Date	2016-08-19
Publish Time	15:54:29

Content: The relative value of $100 is shown in this map prepared by the Tax Foundation with data from the Bureau of Economic Analysis.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/08/19/which-states-offer-the-most-for-100

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail-2.png

Article 291

Title: No Surprise, Scandinavians Earn Much More in U.S. Than Homeland (Tyler Cowen)

Author(s)	Ed Conard
Publish Date	2016-08-18
Publish Time	11:11:42

Content: My upcoming book, The Upside of Inequality: How Good Intentions Undermine The Middle Class, quotes from statistics updated in Nima Sanandaji's just-released book, Debunking Utopia: Exposing the Myth of Nordic Socialism. Tyler Cowen reports: "Danish-Americans have a measured living standard about 55 percent higher than the Danes in Denmark. Swedish-Americans have a living standard 53 percent higher than the Swedes, and Finnish-Americans have a living standard 59 percent higher than those back in Finland. Only for Norway is the gap a small one, because of the extreme oil wealth of Norway. Of the Nordic groups, Danish-Americans have the highest per capita income, clocking in at $70,925. That compares to an U.S. per capita income of $52,592, again the numbers being from 2013. Sanandaji also notes that Nordic-Americans have lower poverty rates and about half the unemployment rate of their relatives across the Atlantic." Cowen concludes, "It is difficult, after seeing those figures, to conclude that the U.S. ought to be copying the policies of the Nordic nations." [Note that if Danish-Americans earn 55% more than Danes, then Danes earn $45,800—less than the $52,600 earned by Americans.]

Topics: Blog,Inequality,Minimum Wage,The Upside of Inequality,The Upside of Inequality Ch. 8

Permalink: https://www.edwardconard.com/2016/08/18/no-surprise-scandinavians-earn-much-more-in-u-s-than-homeland-tyler-cowen

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_Danish-American-living-standards.png

Article 292

Title: Ed Conard at Mitt Romney’s 2016 Offsite: How Free Market Advocates Can Regain Control of the GOP

Author(s)	Ed Conard
Publish Date	2016-08-17
Publish Time	13:39:13

Content: I addressed my friend and former colleague Mitt Romney’s 2016 offsite conference on how advocates of free enterprise could regain control of the Republican Party. I argue that if we ignore the true causes of growing income inequality—an abundance of unskilled labor in an economy constrained by properly trained talent and its willingness to take risk—and blame high wage-earners, it will lead to policies that slow (middle- and working-class wage) growth. One implication is that spreading constrained resources over more low-skilled workers expands employment at the expense of slower lesser-skilled productivity and wage growth relative to the rest of the economy. I suspect this is a key driver behind Trump’s support among Reagan Democrats. Given these constraints, I lay out a blueprint for raising middle and working class wages in a world with a near-unlimited supply of lesser-skilled labor. These themes are are featured in my new book, "The Upside of Inequality: How Good Intentions Undermine the Middle Class." Pre-order a copy here.

Topics: Blog,Growth,Inequality,Politics,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/08/17/ed-conard-at-mitt-romneys-2016-offsite-how-free-market-advocates-can-regain-control-of-the-gop

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_EC-@-Romney-Offsite_2016.png

Article 293

Title: What Is the Opportunity Cost of Additional Government Borrowing? (Tyler Cowen)

Author(s)	Ed Conard
Publish Date	2016-08-16
Publish Time	17:14:21

Content: I don't think advocates of stimulus will buy Tyler Cowen's argument that the opportunity cost of government borrowing is high. I think they would say the shadow price is reflected in the (low) cost of government borrowing, and that the price is low because the economy has idle savings, labor, and production capacity, which are use-it-or-lose-it resources without silos big enough to store savings—i.e., the economy just shuts down production. From my perspective, they overlook the fact that government borrowing and spending uses the economy's finite capacity and willingness to bear risk. In most recessions, this is the binding constraint to growth, and continues to bind today. The shadow cost is high when the economy's capacity and willingness to underwrite risk, namely its equity, constrain growth. The spread between equity and debt (1/ P-E ratio – 10 year Treasury rate) remains at a high typical of recessions (4.6% the last time I checked). We should expect offsetting private sector dial backs when the government takes risk under these conditions. Advocates of stimulus spending insist that empirical evidence indicates little, if any, Ricardian equivalence/rational expectations—i.e., that the private sector never dials back to compensate for risks the government takes on behalf of taxpayers, even with evidence to the contrary—as if the private sector were irrational or has an enormous unused capacity to bear risk. I believe it's hard to measure compensating private sector dial-backs because they work through redundant channels, and in random path-dependent and circumstantially dependent ways. The economy is a complex self-organizing system, not a clockwork-like system that mechanically optimizes within linear constraints. Empirical studies rarely differentiate critical differences in circumstances e.g., when the economy's capacity and willingness to take risk does and doesn't constrain growth; measure the response of more than one channel; or, in the case of micro behavioral studies, measure the responses of different agents, where a handful are far more impactful than the vast majority. What I see is seven years of subpar employment and productivity growth despite the government's efforts to stimulate growth via low taxes relative to GDP during the recession; higher spending, deficits, and debt since; a four-fold increase in the monetary base; near-zero interest rates; and regulation intended to mitigate financial risk—just what the hypothesis predicts. That looks consistent with an offsetting dial back to me. While there is evidence that recoveries are slow after bank-runs, eight years after the financial crisis, any rebound that should have occurred likely would have occurred. That's becoming an increasingly less convincing excuse for the accumulation of slow growth. To defend stimulus spending in the face of slow growth, some advocates dismiss the effectiveness of increased government transfer payments to stimulate growth—ironic since Keynesians assert that a lack of consumption slows growth in recessions. Why should government spending or private sector spending on behalf of the government make a significant difference? Others point to the faster recovery of the U.S. economy relative to Europe's as evidence stimulus works. But the U.S. economy was growing faster than Europe's before the financial crisis because it possesses the institutional capabilities needed for faster growth today—e.g., a properly trained and motivate workforce, cutting-edge technology companies, and a relatively large pool of at-risk capital. We should expect the U.S. economy to recover faster too. A more relevant measure compares the U.S. to its own recent history. By that measure, the recovery has been unusually slow. Some point to the buildup of high-tech cash as evidence that equity doesn't constrain growth. In fact, advocates of secular stagnation, like Larry Summers, insist that a shortage of investment opportunities constrains growth and leaves cash unused. Ben Bernanke channels Larry's uncle, Paul Samuelson, to counter that at zero interest rates there should be no shortage of investment opportunities because we could level the Rockies to save gas or increase the developing world's productivity by deepening its capital per worker, but for the risk of choosing a bad investment and being left to pay back the loan. While high-tech companies hold cash offshore to avoid taxes, they can and do borrow that cash indirectly to buy back shares. They nevertheless hold cash to maximize their wherewithal to buy successful startups in order to mitigate the risk of technological disruption—Facebook buying Instagram, for example. In the current environment, it's imprudent for high-tech companies to mitigate disruption risk solely with internal investments—the opposite of a shortage of investment opportunities.

Topics: Blog,Growth,The Upside of Inequality,The Upside of Inequality Ch. 5

Permalink: https://www.edwardconard.com/2016/08/16/what-is-the-opportunity-cost-of-additional-government-borrowing-tyler-cowen

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_Treasury-borrowing.png

Article 294

Title: The Cure for Wage Stagnation

Author(s)	Ed Conard
Publish Date	2016-08-16
Publish Time	14:43:14

Content: In their Wall Street Journal op-ed, “The Cure for Wage Stagnation,” The American Enterprise Institute’s Kevin Hassett and Aparna Mathur present a plethora of evidence that lower corporate tax rates raise wages. I make a similar argument in my book, The Upside of Inequality: How Good Intentions Undermine the Middle Class—that lower taxes on American-based international competitors raises U.S. employment.

Topics: Blog,Growth,The Upside of Inequality,The Upside of Inequality Ch. 10

Permalink: https://www.edwardconard.com/2016/08/16/the-cure-for-wage-stagnation

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail-2_Cure-for-Wage-Stagnation.png

Article 295

Title: Are Tough Credit Standards Slowing the Recovery?

Author(s)	Ed Conard
Publish Date	2016-08-15
Publish Time	10:24:10

Content: The purpose of banking is to put risk-averse savings to work. If corn sits in the silos unused, rather than being planted or consumed, employment and/or wage growth slows relative to what would have been the case if the economy had fully deployed all its resources. But loaning out the corn and leaving the silos empty is inherently unstable. If real estate prices fall 30% and risk-averse savers run to the silos to withdraw their corn, banks cannot sell their loan portfolio at high enough prices to fund withdrawals. Depositors logically race each other en masse to withdraw their corn. We must hold banks accountable for loans losses, otherwise they will make bad loans. But if we hold banks responsible for withdrawals, they have no choice but to leave corn in the silo available for withdrawals. If they do that, growth slows just as it has. Luckily there is a low cost alternative: the Fed can print money (IOU corn) to fund withdrawals in a panic, and burn the money when the panic subsides and deposits return to the banks for safekeeping. Contrary to popular perception, the U.S. government made a profit guaranteeing bank deposits in the worst financial panic since the 1930s. Unfortunately, the Fed never burned the money when the panic subsided. So far, the excess money has sat unused creating neither growth, as the Fed expected, nor inflation, as some conservatives expected. To the extent loan losses cause a run on a bank, the Fed can inflict those losses on the bank when the losses are actually incurred—often years after a panic. Rather than do so, the Fed tried to hastily assess and inflict losses on banks in the epicenter of the panic, long before it knew what losses would actually be incurred. This mistake by the Fed did a lot more harm than good. It turns out senior bank loans suffered surprising small losses, perhaps 3%, far smaller than the equity cushion held by banks. Regulations and capital cushions have now reduced the risk of loan loss and withdrawals that taxpayers, namely rich taxpayers, bear through their implicit guarantees of banks. Pushing this risk onto banks has left risk-averse savings sitting unlent. And banks have pushed this risk onto their customers—homeowners—by raising credit standards to reduce risk. As a result, all but the most creditworthy homeowners have been denied the value of credit. With corn left in the silos, employment and wages growth has slowed substantially.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/08/15/are-tough-credit-standards-slowing-the-recovery

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_US-Mortgage-1.png

Article 296

Title: My New Book, "The Upside of Inequality," Is Here!

Author(s)	Ed Conard
Publish Date	2016-08-11
Publish Time	17:15:19

Content: Copies of my soon-to-be-released new book The Upside of Inequality: How Good Intentions Undermine the Middle Class arrived today (Penguin, Sept. 13, 2016) and are available for preordered here. In The Upside of Inequality, I argue that if we ignore the true causes of growing income inequality—an abundance of unskilled labor in an economy constrained by properly trained talent and its willingness to take risk—and blame high wage-earners, it will lead to policies that slow (middle- and working-class wage) growth. One implication is that spreading constrained resources over more low-skilled workers expands employment at the expense of slower lesser-skilled productivity and wage growth relative to the rest of the economy. I suspect this is a key driver behind Trump's support among Reagan Democrats. Given these constraints, I lay out a blueprint for raising middle and working class wages in a world with a near-unlimited supply of lesser-skilled labor. Greg Mankiw said my last book—the Top 10 New York Times Bestseller Unintended Consequences—was "far smarter and more thought-provoking than most economics written for the general public." I've worked hard to achieve the same standard with this book. Larry Summers, a tough critic on the left, blurbed: I disagree but respect the argument, calling it "a very valuable contribution" that will "sharpen your thinking on critical economic issues." Glenn Hubbard, David Autor, George Borjas, Larry Lindsey, and other prominent economists also blurbed it. You can read more of the early reviews here.

Primary Topic: Banking

Topics: Banking,Blog,Charter,College,Financial Crisis,Gender Pay Gap,Growth,Healthcare/Seniors,Inequality,Investment,Minimum Wage,Monetary Policy,Politics,The Upside of Inequality

Permalink: https://www.edwardconard.com/2016/08/11/my-new-book-the-upside-of-inequality-are-here

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/two_Conard_Upside-books-have-arrived-8.11.jpg

Article 297

Title: IMF Study Finds Deep Flaws in Key Piketty Hypothesis

Author(s)	Ed Conard
Publish Date	2016-08-09
Publish Time	15:46:23

Content: A new IMF study, Testing Piketty's Hypothesis on the Drivers of Income Inequality: Evidence from Panel VARs with Heterogeneous Dynamics, by Carlos Góes finds flaws in Thomas Piketty's famous R > G hypothesis that returns to capital exceeding the growth rate increases inequality. Looking at 19 advanced economies over the last 30 years Góes finds: "…no evidence to corroborate the idea that the r-g gap drives the capital share in national income. There are endogenous forces overlooked by Piketty particularly the cyclicality of the savings rate which balance out predicted large increases in the capital share. On inequality, the evidence against Piketty's predictions is even stronger: for at least 75% of the countries, the response of inequality to increases in r - g has the opposite sign to that postulated by Piketty..." In addition to Piketty's flawed understanding of savings namely that the savings rate net of depreciation remains constant, Góes speculates that Piketty could be underestimating the diminishing returns to capital thus overestimating the elasticity of substitution between capital and labor. Góes concludes, "If one is looking to potential solutions to increasing income inequality, one should not focus on r – g, but elsewhere."

Topics: Blog,Inequality,The Upside of Inequality,The Upside of Inequality Ch. 4

Permalink: https://www.edwardconard.com/2016/08/09/imf-study-finds-deep-flaws-in-key-piketty-hypothesis

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_PIketty_imf.jpg

Article 298

Title: U.S. Continues to Unnecessarily Absorb Disproportionate Share of World's Risk-Averse Savings

Author(s)	Ed Conard
Publish Date	2016-08-08
Publish Time	15:25:51

Content: The FT Alphaville's Izabella Kaminska presents a Citicorp chart depicting the evolution of trade imbalances. In truth, it shows the U.S. continues to absorb a disproportionate share of the world's risk-averse saving. Trade deficits occur when countries with a surplus of savings, like China and Germany, buy financial assets, chiefly U.S. government-guaranteed debt, to balance trade flows rather than goods that employ Americans. When at-risk capital, namely equity, constrains growth, risk-averse savings sit unused even at near-zero interest rates. Idle savings slow employment growth, and wages. Despite Silicon Valley teaming with investment activity, Larry Summers claims savings sit unused because America lacks investment opportunities. I claim our innovation-driven economy lacks low-risk investment opportunities suitable for risk-averse savings, and that the economy lacks the equity needed to absorb the risk of putting risk-averse savings to work. Trade is valuable to all Americans. But when equity constrains growth, perennial trade deficits funded by a never-ending glut of offshore risk-averse savings slows middle- and working-class employment and wage growth. America derives little value from unbalanced trade under these circumstances.

Topics: Blog,Growth,The Upside of Inequality,The Upside of Inequality Ch. 5

Permalink: https://www.edwardconard.com/2016/08/08/u-s-continues-to-unnecessarily-absorb-disproportionate-share-of-worlds-risk-averse-savings

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_Kaminska_risk-adverse-cap.png

Article 299

Title: Rent Seeking by Any Name Isn't a Key Driver of Income Inequality

Author(s)	Ed Conard
Publish Date	2016-08-04
Publish Time	16:44:36

Content: Craig Pirrong shows that Robert Reich's, Joe Stiglitz and Larry Summers's claim that rising oligopolistic industry concentrations are responsible for growing income inequality is farfetched. He writes "....The numbers just don't work out. In 2015, after-tax corporate income represented only about 10 percent of US national income. Market power rents represented only a fraction of those corporate profits. Market power rents that could be affected by more rigorous antitrust enforcement represented only a fraction–and likely a small fraction–of total corporate profits. If we are talking about 1 percent of US income the distribution of which could be affected by antitrust enforcement, I would be amazed. I wouldn't be surprised if its an order of magnitude less than that....In sum, if you want to ameliorate inequality, I would put antitrust on the bottom of your list. It's not where the money is because the kind of market power that antitrust could even conceivably address accounts for a small portion of profits, which in turn account for a modest percentage of national income. Market power changes in many profitable industries have almost certainly been driven by major technological changes, and antitrust could reduce them only by gutting the efficiency gains produced by these changes...." I make the same argument in my upcoming book,"The Upside of Inequality: How Good Intentions Undermines the Middle Class."

Topics: Blog,Inequality,The Upside of Inequality,The Upside of Inequality Ch. 4

Permalink: https://www.edwardconard.com/2016/08/04/rent-seeking-by-any-name-isnt-a-key-driver-of-income-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_oligopoly.jpg

Article 300

Title: What Bubble? U.S. Real Estate Market Close to '07 Peak

Author(s)	Ed Conard
Publish Date	2016-08-03
Publish Time	15:28:03

Content: Perhaps real estate wasn't as obviously overvalued in 2006 as proponents of the bubble have claimed. Greg Ip writes in the Wall Street Journal: "After plunging in the aftermath of Britain's vote to leave the European Union, U.S. stocks have hit fresh highs. Real estate is quietly doing the same: home prices are just 2% below the peak hit in 2007, while commercial property values have hit records. The result is that net wealth in the U.S. now tops 500% of national income. Ominously, net wealth has reached that level only twice before: from 1999 to 2000 during the Nasdaq bubble, and 2004 to 2008 during the housing boom… "

Topics: Blog

Permalink: https://www.edwardconard.com/2016/08/03/what-bubble-u-s-real-estate-market-close-to-07-peak

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_Ip_WSJ_housing-market.png

Article 301

Title: Study Finds Only Intensive Tutoring Improves Charter School Test Scores

Author(s)	Ed Conard
Publish Date	2016-08-02
Publish Time	18:09:35

Content: A carefully considered study of 113 lottery-based charter schools in the Journal of Economic Perspectives finds “intensive tutoring” is the only charter school practice that producing higher test scores. The study reports: "There is wide variation in impact estimates. To glean what drives this variation, we link these effects to school practices, inputs, and characteristics of fallback schools. In line with the earlier literature, we find that schools that adopt an intensive "No Excuses" attitude towards students are correlated with large positive effects on academic performance, with traditional inputs like class size playing no role in explaining charter school effects. After accounting for performance levels at fallback schools, the relationship between the remaining variation in school performance and the entire No Excuses package of practices weakens. We find that intensive tutoring is the only No Excuses characteristic that remains significant…once the performance levels of fallback schools are taken into account."

Topics: Blog,Charter,The Upside of Inequality,Upside of Inequality Ch. 9

Permalink: https://www.edwardconard.com/2016/08/02/study-finds-only-intensive-tutoring-improves-charter-school-test-scores

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_Charter-students.jpg

Article 302

Title: The Goose that Laid the Golden Egg Isn't Blue

Author(s)	Ed Conard
Publish Date	2016-08-02
Publish Time	10:10:23

Content: In Sunday's NYT, Yale's Jacob Hacker and Berkeley's Paul Pierson make a not-very-convincing argument that differences in the prosperity of Red and Blue state show that liberal Blue state policies produce more prosperity than conservative Red state policies. That's insufficient to establish cause and effect. Take California for example. The value of the good weather, Pacific ports, and synergistic communities of experts in Silicon Valley and Hollywood continue to draw the best and brightest workers. Lesser-skillful workers have flocked to these tax jurisdictions and together with municipal workers, successfully taxed the value of these assets. As long as the cost of the additional tax burden relative to other lesser-taxed states is less than the value of these assets to taxpayers, taxpayers will accommodate these demands rather than moving elsewhere. Hard-earned compromises will lead naïve voters to assume these lessons apply broadly to the economy. Like Hacker and Pierson, they may not recognize circumstances are different elsewhere. Is it any surprise that Blue states include California, New York, Massachusetts, Washington, Illinois, Washington DC, and their surrounds? Meanwhile, voters in less endowed states, like West Virginia, Mississippi, and Idaho, will learn a different lesson: that they must tax skillful workers—many who are eager to move elsewhere—more judiciously in order to retain, attract, and motivate them. Without a deeper understanding of differing circumstances, they will similarly apply these lessons more broadly. To prove their point, Hacker and Pierson must show that states with higher taxes, like California, produce better outcomes for the beneficiaries of income redistribution—higher academic test scores for student from lower socioeconomic families, for example—and not just richer pay and pensions for municipal workers. In the latter case, Blue state polices merely siphon off the value of the country's natural endowments at a cost to the rest of the country.

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/08/02/the-goose-that-laid-the-golden-egg-isnt-blue

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_polarization.jpg

Article 303

Title: Do Isolationism, Nationalism & Ethnocentricity Turn People Against Trade? I'm Skeptical

Author(s)	Ed Conard
Publish Date	2016-08-01
Publish Time	17:01:12

Content: In Sunday's NYT, Greg Mankiw relies on a pair of studies by Ed Manfeild and Diana Mutz to suggest that blue collar workers support Trump's anti-free trade economics because they are psychologically prone to isolationism, nationalism, and ethnocentricity, and further, that more education seems to soften people's views on these issues. I remain skeptical. The studies show that a person's position on free trade is largely driven by their opinion about whether they believe free trade is good for the country and, to a lesser extent whether they believe it is best for themselves. While a person's views on isolationism and ethnocentrism are one of the few statistically significant predicators of their position on trade, those indicators scarcely improve one's ability to predict a person's position on trade beyond knowing whether they believe trade is good for the country and/or themselves. The inability of these additional variable to add substantial predictive power despite their statistical significance suggests that a person's positions on these issues may be correlated with one another rather than symptoms of deeper psychological drivers of anti-trade—intolerance or ignorance, for example. Why might these positions be correlated with one another rather than causal? It would hardly be surprising if higher-skilled/higher-income workers were more open-minded about using tax revenues to intervene internationally or aid newly arriving immigrants, rather than feeling strongly about using them for the benefit of one narrow objective over another. On the other hand, those competing for the benefits of government spending—lesser-skilled workers and retirees, for example—may feel more strongly about the validity off their self interest and be more prone to hostility toward interests competing against them for a limited amount of government spending (or government restrictions that slow growth for the benefit of one special interest group at the expense of others). One need only look to sports to see similar psychological effects. That's not to say political beliefs are solely motivated by self interest. But is it any surprise that that white college grads skew Republican or that Democrats are more likely than Republicans to support an increased minimum wage and that both are more prone to believing their position is better for America too?

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/08/01/do-isolationism-nationalism-ethnocentricity-turn-people-against-trade-im-skeptical

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/fb_nyt_mankiw-1-e1473282155327.jpg

Article 304

Title: NYT Shows Only 9% of U.S. Population Voted for Trump or Clinton

Author(s)	Ed Conard
Publish Date	2016-08-01
Publish Time	13:45:38

Content: From The New York Times. . .

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/08/01/nyt-shows-only-9-of-u-s-population-voted-for-trump-or-clinton

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/08/thumbnail_Trump-and-Clinton-voters.png

Article 305

Title: What Mike Pence and Tim Kaine Have In Common

Author(s)	Ed Conard
Publish Date	2016-07-29
Publish Time	10:28:43

Content: According to AEI’s Andrew G. Biggs, vice presidential nominees, “Pence and Kaine have something…in common: Both presided over two of the few states that don't overpay government employees. … Virginia and Indiana…paid state employees slightly less than private-sector counterparts,” whereas “in the average state, public workers receive total salaries and benefits about 10 percent above private-sector levels.” [caption id="attachment_7547" align="alignnone" width="640"] What Mike Pence and Time Kaine Have In Common[/caption]

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/07/29/what-mike-pence-and-tim-kaine-have-in-common

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/07/thumbnail_state-by-state-total-compensation.png

Article 306

Title: Despite Rapid Falloff in Unemployment, Food Stamp Enrollment Remains Surprisingly High

Author(s)	Ed Conard
Publish Date	2016-07-28
Publish Time	10:14:46

Content: Earlier this year, the Tribune News Service reported, "The higher sign-up rate among those qualified accounts for 8.6 million more people on food stamps" of the approximately 20mm increase in enrollee between 2007 and today. In 2013, Casey Mulligan, parsed this between "New eligibility rules [that] by themselves added 3.4 million people to SNAP enrollment" and outreach by the Department of Agriculture. The rest was presumed to be the result of recession. In early 2015, the left-leaning Center for Budget and Policy Priorities insisted there was "No Mystery Why SNAP Enrollment Remains High: It's Still the Economy" and that enrollment would begin to fall steadily. But the Tribune News Service cautioned that while "able-bodied, unemployed adults aged 18-49 who don't have children are supposed to be limited to three months of food stamp benefits during a 36-month period … waivers and categorical eligibility are being used in unintended ways to keep federal dollars flowing" when "Republican-backed restrictions on categorical eligibility didn't make it into a reauthorization Congress passed in 2014," so most states kept their aid.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/07/28/despite-rapid-falloff-in-unemployment-food-stamp-recipients-remain-surprisingly-high

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/07/thumbnail_SNAP_unemployment.png

Article 307

Title: Dollar Shave Club Wins the All-or-Nothing Lottery

Author(s)	Ed Conard
Publish Date	2016-07-27
Publish Time	19:19:52

Content: The New York Times' Steven Davidoff Solomon makes the same point about the success of Dollar Shave Club that I make in the first chapter of my upcoming book The Upside of Inequality: How Good Intentions Undermine the Middle Class. Today, startups can often scale to economy-wide success with little need for capital or investors. For innovators, entrepreneurialism increasingly represents all-or-nothing lotteries. Lottery-like outcomes with large payouts attract more risk-takers, which, in turn, accelerates growth, all other things being equal. More lottery-like outcomes, produce more outsized success, which increases income inequality, whether the risk-adjusted returns are good, on average, or not.

Topics: Blog,Growth,The Upside of Inequality,The Upside of Inequality Ch. 1

Permalink: https://www.edwardconard.com/2016/07/27/dollar-shave-club-wins-the-all-or-nothing-lottery-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/07/dsc_thumbnail.jpg

Article 308

Title: Two Graphs Show Enormous Differences in the Success of U.S. vs Euro Companies

Author(s)	Ed Conard
Publish Date	2016-07-18
Publish Time	11:33:28

Content: From the Economist:

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2016/07/18/2-graphs-show-enormous-%ce%b4-in-the-success-of-us-vs-euro-companies

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/07/Screen-Shot-2016-07-18-at-11.32.54-AM-e1547822748318.png

Article 309

Title: Is the Stability of the Presidential Prediction Market Evidence That It Is Failing?

Author(s)	Ed Conard
Publish Date	2016-07-14
Publish Time	15:35:08

Content: According to Andrew Gelman and David Rothschild,“right now, it appears that prediction markets have arrived at a paradoxical place: Their reliability, the very source of their prestige, is causing them to fail... The prediction market prices for the presidential election have been incredibly stable for nearly a month, despite waves of news on business scandals, fundraising money, poll swings, and possible indictments. … What we are seeing now with the Clinton-Trump race is similar to what we saw with Brexit. … People are using the current prediction odds as an anchor and updating too slowly. … When polls showed solid and consistent majorities for ‘Leave,’ pollsters looked to the markets, which were firmly supporting ‘Remain,’ and doubted their own polls. … A mature prediction market should show measured, but real, swings in prices in response to news.”

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/07/14/is-the-stability-of-the-presidential-prediction-market-evidence-that-it-is-failing

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/07/35b6709b3eca95c33f845556226a0fa7-e1547821682487.jpg

Article 310

Title: Tetlock's Work on the Hopelessness of Accurate Forecasting Reaffirms the Value of Free Enterprise

Author(s)	Ed Conard
Publish Date	2016-07-12
Publish Time	9:30:41

Content: In his lunch with Philip Tetlock, Robert Armstrong concludes: "Tetlock’s demonstration that strong commitment to theory or ideology makes poor forecasters —and that even best forecasts come to resemble guesswork when they reach more than a few years into the future — raises an unsettling possibility. It suggests that human affairs are mostly random and intractable. Incremental gains in foresight are possible, but there is no deep order to life..." But it's hard to look at our amazing self-organizing universe and conclude there is no deeper order--quite the contrary. The better lesson is that the order is hopelessly complex, that this renders central planning typical of government highly inefficient, and that proponents of government intervention are recklessly over confident of its success. Evolution and free enterprise, which feel their way in the dark by running millions of failed experiments to stumble upon a small number of unexpected truths, is far more effective. The robustness of their discovered improvements should be respected. And criticism of them should be viewed skeptically--more likely, the result of incomplete and mistaken analysis rather than true insight. A view of the world that appreciates how little we understand recognizes that randomness makes the risk of finding improvements enormous. As such, enormous rewards are needed to make risk-taking economical. I make these points in my upcoming book, The Upside of Inequality: How Good Intentions Undermine the Middle Class (September 13).

Topics: Blog

Permalink: https://www.edwardconard.com/2016/07/12/tetlocks-work-on-the-hopelessness-of-accurate-forecasting-reaffirms-the-value-of-free-enterprise

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/07/Screen-Shot-2016-07-12-at-9.34.21-AM-e1547822725119.png

Article 311

Title: Startups Increasingly Flock to Silicon Valley to Gain Access to Talent, Expertise, and Venture Capital

Author(s)	Ed Conard
Publish Date	2016-07-11
Publish Time	12:27:27

Content: The WSJ's Christopher Mims reports that "after peaking at $84 billion in 2000 [venture capital funding] fell to $18 billion in 2003 before surging back to $68 billion in 2015." Venture capital funding doesn't include growth in R&D spending by Google, Facebook, Amazon, and Apple from less than $10 billion in 2000 to $60 billion today. Mims reports that, despite hi-tech growth in cities like New York, Boston and LA, San Fran's share of venture funding has risen from about 35% in 2000 to almost 50% today. Mims credits that growth to a larger and more liquid pool of tech and management talent and more visibility to venture investors. He also notes that startups with access to these assets receive higher valuations on average and that successful startups outside of the Bay Area are increasing relocating to improve their access. In my upcoming book, The Upside of Inequality: How Good Intentions Undermine the Middle Class (September 13), I explain how gradually compounding expertise from more valauble on-the-job training at companies like Google, communities of expertise like Silicon Valley, and equity in the pockets of successful risk-takers, increases the certainty of succesful risk-taking and how, in turn, this incentivizes a larger pool of properly trained, talented, and motivated risk-takers.

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2016/07/11/startups-increasingly-flock-to-silicon-valley-to-gain-access-to-talent-expertise-and-venture-capital-3

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/07/Screen-Shot-2016-07-11-at-10.55.20-AM-e1547822822377.png

Article 312

Title: Urban Institute Reports Decline of Middle-Class Comes Entirely From Rising Incomes

Author(s)	Ed Conard
Publish Date	2016-06-22
Publish Time	13:01:29

Content: Despite reports that income inequality is hollowing out the middle class, a new study by the Urban Institute shows that all of the decline comes from income growth. Since 1979, the population living in households earning more than $100,000 per year has risen from 13% to 31%—an astonishing increase. This 18 percentage point increase offsets a 18 point decline in the population living in households earning less than $100,000 per year. This decline in the population earning less than $100,000 per year has occurred across all income levels. And this decline has occurred despite a large influx of Hispanic immigrants who earn middle- and lower middle-class incomes on average. A recent Pew study for example, which claims the middle class is "falling behind financially," reports that 29% of the population was lower-incomes, 50% was middle-income and 21% was upper-income in 2015 compared to 25% lower-, 61% middle-, and 14% upper-income in 1971—an apparent 11 percentage point decline in middle-incomes. But 3 of the 4 point rise in lower-incomes (29-25%) stems from Hispanic immigration. Setting that aside, of the remaining 8 percentage point decline in the population earning middle incomes, 7 of those 8 points came from an increase in incomes.

Topics: Blog,Inequality

Permalink: https://www.edwardconard.com/2016/06/22/urban-institute-reports-decline-in-middle-class-comes-entirely-from-rising-incomes

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/06/thumbnail_UI-study_income-distribution-e1473688816701.png

Article 313

Title: Does the Threat of Inflation Stimulate Growth?

Author(s)	Ed Conard
Publish Date	2016-06-09
Publish Time	14:38:21

Content: Tyler Cowen wrote a thoughtful piece expressing skepticism about the economy's responsiveness to inflation and how some economists are now just assuming, with little evidence, that growth would be highly responsive to a helicopter money drop. In my upcoming book, The Upside of Inequality: How Good Intentions Undermine the Middle Class, I argue that risk-averse savings, as evidenced by near-zero interest rates, and lesser-skilled labor, of which there is a near-unlimited supply both from immigrants and offshore workers, no longer constrain growth. Does inflation stimulate growth? It depends. Today growth is constrained by the economy's capacity and willingness to take risk, of which properly trained talent and equity are core components. Properly trained talent, for example, can generate good ideas that are less risky to implement. And it can implement ideas more effectively and with less risk than less skillful workers. This constraint on the economy's capacity and willingness to take risk can grow especially acute when the economy is undergoing a structural transition—when it is transitioning from a manufacturing-driven economy to a knowledge-driven economy, for example. At those times, the economy needs to take unfamiliar risks in order to grow. And its prior accumulation of assets is less useful for managing these new risks and are therefore less valuable. When the economy discovers unexpected risk—the threat of terrorism after 9/11 or the inherent instability of U.S. banking recognized after the financial crisis—consumers and investors discover they are bearing more risk than they desire and dial back consumption and investment to compensate. Growth slows and unemployment rises or wages fall. Seen from this perspective, the concept of unexplained "animal spirits" is largely a misnomer. The economy may logically overreact to a shock in the absence of clarifying information, which it will gradually acquire. In the case of 9/11, time proved the risk of terrorism was less than expected. In the face of this realization, growth recovers. In other cases, the uncovered risks may prove to be more enduring—surprisingly unstable banks for example. In both cases, the economy may get caught in a Keynesian paradox-of-thrift negative feedback loop, albeit not an illogical never-ending loop. As long as cash sits idle there is little imminent risk of inflation. When the economy retreats to cash in order to reduce risk, an unexpected threat of inflation may temporarily drive risk-takers to increase consumption or investment if they find no better alternative. And this might prevent a temporary lull in demand from permanently damaging the economy. (Or they might sit in cash regardless and discover that there is little imminent risk of inflation.) But where the uncovered risk and subsequent dial back is permanent and where the threat of inflation becomes expected, consumers and investors should eventually find alternatives to cash for reducing risk—investing in unproductive real estate that they otherwise wouldn't buy, for example. In this case, fiscal and monetary stimulus may stimulate demand but it just further misallocates resources that ultimately must be reallocated largely through trial and error—i.e., increased risk-taking—in order to reaccelerate growth in the long run. Under these circumstances, we should expect productivity and growth to slow. My concern with debating the extent to which the threat of inflation accelerates growth, is that it is highly circumstantial. Without carefully delineating the circumstances of each recession, it's misleading to look back and measure the effect of inflation, or the threat of inflation, on the speed of a recovery. In the case of 9/11 it may accelerate recovery whereas today, where the circumstances are different, it may slow it. Averaging its historical effect may measure little more than the frequency of different types of recessions.

Topics: Blog,Growth,Monetary Policy

Permalink: https://www.edwardconard.com/2016/06/09/does-inflation-stimulate-growth-it-depends

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/06/does-inflation-stimulate-growth-e1547823094577.jpg

Article 314

Title: Why New York Thrives on Creative Destruction When Others Have Failed

Author(s)	Ed Conard
Publish Date	2016-06-08
Publish Time	11:37:34

Content: The Manhattan Contrarian wrote an interesting piece chronicling the creative destruction that has continually transformed the New York City economy. He points out that New York lost nearly all of the million manufacturing-related and 400,000 seaports-related jobs it had after WWII. He adds that jobs in its once thriving retail and wholesale sector have largely moved offshore; that about 80 of 125 Fortune 500 headquarters have moved out of the city; and that Dodd Frank and the financial crisis are now downsizing Wall Street. But despite those losses, he notes that New York City employment has reach 3,720,600—a record high. What struck me was how much of the job destruction suffered by NYC was caused, not from innovation engineered from within, but from exogenous forces that demanded adaptation in response. I was also intrigued by how much more successfully NYC had responded than Heartland cities devastated by the loss of manufacturing according to a recent study by David Autor et al. In my upcoming book, The Upside of Inequality: How Good Intentions Undermine the Middle Class, I argue that NYC is teaming with properly trained talent and that this asset restricts the economy's ability to find and commercialize new sources of employment. In contrast, a significant share of that talent has left the Heartland for better opportunities elsewhere. And that this has had a profound effect on their ability to recover relative to NYC. Economists insist communities need not to worry about trade and immigration because entrepreneurialism together with an abundance of capital will replace lost high-wage jobs. In truth, properly trained talent and the economy's capacity and willingness to take risk—the cornerstones of business success— and not risk-averse savings, are now the binding constraints to growth.

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2016/06/08/why-new-york-thrives-on-creative-destruction-when-others-have-failed

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/06/1-e1547821727257.jpg

Article 315

Title: "The Life Project" Shows Govt's Limited Ability To Change Impact of Social Status on Success

Author(s)	Ed Conard
Publish Date	2016-06-07
Publish Time	14:58:14

Content: The Wall Street Journal review of the book, The Life Project, caught my eye today. The book summarizes the 6,000 research papers and 40 books chronicling the 70,000 Brits born in 5 cohorts (1946, 1958, 1970, 1991, and 2001) tracked over the course of their lives by the British government. The reviewer, Kay Hymowitz, a fellow at the Manhattan Institute, writes: "From the first cohort, scientists were struck by the effects of social class on life chances. … Inequality remains a major theme—and disappointment—in the cohort literature. The 1944 Education Act…made education compulsory and free; the British government also introduced the “11-plus” test to locate promising kids at the end of elementary school. Policy makers…eventually increased funds for early childhood education. If their efforts have created a more equal society, the cohort studies have yet to reveal it. … Performance gaps continue to emerge very early in life and even widen during the school years… In the 2001 cohort study, very young poor kids had smaller vocabularies… They were more hyperactive and had more emotional and learning problems. … Over 30% of them faced at least one…childhood risk… like domestic violence and parental alcoholism or depression. [However,] the…studies found that parents with high aspirations for their children [who provided] “a good ‘learning environment’ at home”—reading to a child, singing songs, teaching the alphabet and numbers—was more significant than “parents’ job, education, or income."

Topics: Blog,Inequality

Permalink: https://www.edwardconard.com/2016/06/07/the-life-project-shows-govts-limited-ability-to-change-effect-of-social-status-on-success

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/06/6500-e1547821766897.jpg

Article 316

Title: Did Pres. Obama Revive Elkhart, Indiana? I'm Skeptical

Author(s)	Ed Conard
Publish Date	2016-06-06
Publish Time	14:54:23

Content: A friend, Tom Myers, wrote this email to me: “Did you see President Obama taking a victory lap in Elkhart, Indiana the other day? How ironic. Thirty percent of the jobs in Elkhart are related to RVs. RVs have benefited from three things: Cheap oil as a result of fracking, which the president opposed; An increase in retiring Baby boomers, which is straining America’s finances; And near-zero interest rates that diminish the value of saving. President Obama’s policies didn't revive Elkhart any more than they revived coal country. If he wants to take credit for a revival, he should go to a town in China where they make photo-voltaic cells that contractors are now installing all over America.”

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/06/06/did-pres-obama-revive-elkhart-indiana

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/06/Obama_Elkhart-e1547823068731.jpg

Article 317

Title: Gamblers Betting Against Trump’s Claim That Hispanics and Muslims Aren’t Qualified to Judge Him

Author(s)	Ed Conard
Publish Date	2016-06-06
Publish Time	11:33:29

Content: Online gamblers are betting against Trump’s claim that Hispanics and Muslims aren’t qualified to judge him. Since launching these attacks, his odds of winning the presidency have fallen from 27% to 23%—a 15% drop from an already slim chance.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/06/06/gamblers-betting-against-trumps-claim-that-hispanics-and-muslims-arent-qualified-to-judge-him

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/06/thumbnail_curiel-comment-e1547821859252.png

Article 318

Title: Constraints to Growth

Author(s)	Ed Conard
Publish Date	2016-06-03
Publish Time	12:26:51

Content: In a recent blog post, Michael Pettis notes that while more invested capital per worker increases productivity in developing economies, economies have varying abilities to invest capital effectively. He labels this ability: "social capital constraints." But he largely leaves the inner working of these constraints to the imagination of the reader. My upcoming book, The Upside of Inequality: How Good Intentions Undermine the Middle Class, argues that properly trained talent and the economy's capacity and willingness to take risk, namely equity, and not savings (e.g., risk-averse saving), now constrain growth and investment. These two capacities interact with one another to accelerate growth. While equity bears risks that grow the economy, properly trained talent reduces investment risk by dreaming up better ideas (i.e., investments worth making and risks worth taking) and by overseeing the implementation of investment risk more effectively than lesser-skilled workers. Together they lead to increased and higher quality risk-taking. The book identifies other factors that bear on the capacity of an economy to take risk and invest capital more effectiveness. Higher risk-adjusted payoffs for successful risk taking—from institutionalized expertise and lower tax rates for example—motivate increased risk-taking and training. At the margin, free market trial and error allocates resources more effectively than government planning. And of course, high quality rule of law—the efficiency of bankruptcy laws for example—also contributes to more effective risk-taking.

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2016/06/03/constraints-to-growth

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/06/thumbnail_thumbnail_Effect-of-Investment-on-Productivy_Graph-2-e1547821214871.png

Article 319

Title: Trump Needs More Than a Large Increase in White Voter Turnout

Author(s)	Ed Conard
Publish Date	2016-06-02
Publish Time	17:03:03

Content: David Wasserman on FiveThirtyEight claims that even if Trump achieves historically high 1992 white voter turnout (i.e., the year Ross Perot ran), he will still lose the election because, surprisingly, it only swings Florida, Nevada, and Ohio Republican, all other things equal. Of course, all other things are not equal. Black turnout may fall from 66% back to 58% (e.g., 2004) when President Obama is no longer running. Hispanic turn out may rise in opposition to Trump. And some share of college-educated white voters may vote against Trump. As Wasserman points out: “In 2012, Romney carried [college educated white voters] 56 percent to 42 percent. But in the most recent Washington Post/ABC News poll, whites with a college degree favored Trump over Clinton by just 46 percent to 45 percent.” FiveThirtyEight’s Swing-O-Matic is a very cool tool for running election scenarios. I tried one: Non-college educated white voter turnout rises from 57% to 66%, with the whole 9-point increase voting for Trump (i.e., [[66%-57%]+[62%x57%]/66%]), and the same turnout of Blacks for Pres. Obama. Surely, that gives Trump support the benefit of the doubt, but Trump still loses, although it’s a close election. If Black participation falls back to 58%, Trump then pulls out a victory. But if only 2 points of college-educated whites vote against Trump (54% vs. 56%), Trump loses narrowly. Clearly Trump needs to do more than just energize non-college educated white voters. As Wasserman points out: “Whites without college degrees — a group that made up 65 percent of voters in 1980…is on pace to make up just 33 percent in 2016. Meanwhile, nonwhite voters, with whom Trump is extremely unpopular, rose from 12 percent of the electorate in 1980 to 28 percent in 2012,” and, according to Wasserman, is on pace to reach 31% in 2016. No surprise, Betfair currently pegs the chances of a Trump victory at only 30%.

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/06/02/trump-needs-more-than-a-large-increase-in-white-non-college-educated-voters-to-win

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/06/thumbnail_Trump-turn-out_538-e1547821905848.png

Article 320

Title: Wage Growth Stronger Than It Appears

Author(s)	Ed Conard
Publish Date	2016-06-01
Publish Time	16:20:41

Content: Wage growth is 3.5 to 4% per year—on par with prerecession wage growth—according to the San Fran Fed. Median wage growth is pushed down when baby boomers with higher-than-median wages retire and workers with lower-than-median wages are hired. Wage growth among the continuously employed is a truer measure of the strength of wage growth.

Topics: Blog,Minimum Wage

Permalink: https://www.edwardconard.com/2016/06/01/wage-growth-stronger-than-it-appears

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/06/Screen-Shot-2016-06-01-at-4.49.44-PM-e1547823153896.png

Article 321

Title: DiCaprio and the Hypocrisy of Moral Licensing

Author(s)	Ed Conard
Publish Date	2016-05-06
Publish Time	10:59:40

Content: Real Clear Politics by Edward Conard May 06, 2016 This week, Time Magazine released its list of the top 100 Most Influential People and placed Leonardo DiCaprio on the cover of its magazine for the personal example he sets on climate change. How Ironic! DiCaprio is a one-man carbon-polluting machine. According to the leaked Sony documents for example, DiCaprio took six private roundtrip flights from Los Angeles to New York over a 6-week period and, a private jet to the 2014 World Economic Forum in Davos Switzerland. Pictures of him vacationing on big yachts show that his polluting ways extend far beyond his charitable work. What hypocrisy! He enjoys the very luxuries that he admonishes others not to indulge. By wrapping himself in carbon offsets, the editors of Time Magazine and Secretary of State John Kerry, who authored the tribute, claim he is setting a fine example for others to follow. But is he? Hardly. Had he flown commercial and bought offsets anyway, the world would have less carbon in its atmosphere. Better yet, flying commercial would have reduced the need for offsets so that money could have been used to help the world in other ways—to reduce poverty, for example. In either case, the world would be better off—with either less pollution or less poverty. So who really paid for DiCaprio's grossly polluting ways? The rest of the world of course, not DiCaprio. Economist Scott Sumner, summarizes the truth succinctly. He argues: "You cannot put the burden of a tax on someone unless you cut into his or her consumption. If the Obama tax increases did not cause Gates and Buffett to tighten their belts, then they paid precisely 0% of that tax increase. Someone else paid, even if they wrote the check. If they invested less due to the tax, then workers might have received lower wages. If they gave less to charity then very poor Africans paid the tax. I have no idea who paid, but I'm pretty sure it wasn't Gates and Buffett." A person's consumption is their true cost to the rest of society, not their income, nor their unspent wealth. Does the tax DiCaprio imposes on himself for polluting the world reduce his polluting consumption? Hardly! In fact, it encourages more of it. DiCaprio is little more than a prominent example of what psychologists call "moral licensing," the tendency of people to reward themselves after they do a good deed. DiCaprio, and others like him, buy carbon offsets to sooth their guilt—guilt they never needed to incur in the first place. They think that if they buy carbon offsets instead of helping the world in other ways, it gives them the license to spew carbon as they please. And boy, do people like DiCaprio spew it. His hypocrisy and Time Magazine's endorsement of it are beyond the pale. Unfortunately, we see the power of moral licensing at work throughout the economy. Few people truly sacrifice to help others. They don't reduce their consumption to make risky investments that employ others; risk their lifestyle to find and commercialize innovation that improves living standards but is likely to fail; or even to serve the poor through charitable work until it hurts. Like the person who admonishes a healthy driver not to park in a parking spot reserved for the disabled, they sooth their guilt by voting to spend someone else's income helping others. They think they have done a good deed when they have really done nothing at all. Their hollow need to help others without personal sacrifice drives them, without end, to redistribute income and find more people in need of help. Their needy include an increasing share of poor Americans who are some of the richest people in the world. It also includes immigrants who have disrupted their lives to earn more money by moving to America; people in the future who will be richer than people are today if the fears of global warming come true; and a near-infinite supply of poor people throughout the rest of the world. They don't see that if higher payoffs for success had motivated increased risk-taking that produces innovation and increases standards of living, or if redistributed income had been invested to create higher-paying jobs or simply donated to charity—then the true cost of income redistribution is borne, not by the 1%, but by workers and consumers. We see exactly that in the wealthiest European economies, France and Germany for example, where median incomes are lower, growth is slow, and their contributions to innovation are paltry compared to the United States.

Politicians who run on the promise of income redistribution take full advantage of the electorate's failure to understand these tradeoffs. Has a person who has done little more than shift the cost of their moral responsibilities onto their neighbors really done anything moral at all? It's hard to believe the editors of Time Magazine and John Kerry don't recognize Leonardo DiCaprio for the carbon polluter he is. Perhaps, in an election year, they are intentionally promoting the misguided economics that exploits moral licensing for political gain. Ed Conard is an American Enterprise Institute visiting scholar, former Bain Capital partner, and New York Times bestselling author of Unintended Consequences and the forthcoming The Upside of Inequality: How Good Intentions Undermine The Middle Class.

Primary Topic: Blog

Topics: Blog,Blog Highlights,OpEds,Politics,Print

Permalink: https://www.edwardconard.com/2016/05/06/dicaprio-and-the-hypocrisy-of-moral-licensing

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/05/359619-e1547820386358.jpg

Article 322

Title: With More Trump Victories, Odds of Contested Convention Plunge and GOP Victory Decline

Author(s)	Ed Conard
Publish Date	2016-04-27
Publish Time	11:21:30

Content: Trump's Northeast win last night was bigger than expected. Online punters raised his odds of winning the nomination from 71% to 77%—up from 50% after Mitt Romney criticized him in mid-March. They also lowered the odds significantly of Trump failing to reach a majority of delegates prior to the convention, from 63% to 42%. Unfortunately, Trump's gains come at the expense of the GOP. While the odds of the Republican nominee winning the presidency slipped a point to a lowly 23%, the odds of the GOP holding the senate plummeted from 40% to 32% down from 55% when the primary first started.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/04/27/with-more-trump-victories-odds-of-contested-convention-plunge-and-gop-victory-decline

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/04/thumbnail_Acela-Primary_v3-e1547822021501.png

Article 323

Title: GAO Misleadingly Claims 70% of Companies Pay No Taxes

Author(s)	Ed Conard
Publish Date	2016-04-22
Publish Time	15:02:04

Content: The GAO recently published a misleading headline that claimed: “from 2006 to 2012, at least two-thirds of all active corporations had no federal income tax liability.” While true, that’s because most businesses are unprofitable. According to analysis of the report by AEI’s Aparan Mathur, companies paid taxes equal to 32% of taxable income. While companies paid only a 16% tax rate on pre-tax income, that’s because companies had tax loss carry forwards from prior years. Even ardent tax reformers haven’t proposed taxing unprofitable companies! It’s disappointing when academic studies allow headlines to mislead the public.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/04/22/gao-misleadingly-claims-70-of-companies-pay-no-taxes

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/04/Screen-Shot-2016-04-22-at-3.55.03-PM-e1547819799822.png

Article 324

Title: Trump’s GOP Nomination Odds Rise After NY Win, Contested Convention Less Likely

Author(s)	Ed Conard
Publish Date	2016-04-20
Publish Time	11:35:32

Content: As Trump’s strong showing in New York became increasingly apparent, his odds of winning the Republican nomination rose significantly, from 50 to 55% initially to 65% today. And the odds of a contested convention fell from 80% to 70%.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/04/20/trumps-gop-nomination-odds-rise-after-ny-win-contested-convention-less-likely

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/04/thumbnail_NY-primay_betting-markets-e1547821944333.png

Article 325

Title: Does the Republican Party Stand a Chance in November?

Author(s)	Ed Conard
Publish Date	2016-04-18
Publish Time	16:51:52

Content: Ed Conard previews the upcoming New York primary election and the economic platforms of the candidates on CNBC's "Squawk on the Street."

Topics: Blog,Politics,Videos

Permalink: https://www.edwardconard.com/2016/04/18/does-the-republican-party-stand-a-chance-in-november

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/04/EWC_squawk-on-the-street_4_18-e1547823189423.png

Article 326

Title: Trump's Bad Week Increases Chance of a Contested GOP Convention

Author(s)	Ed Conard
Publish Date	2016-04-07
Publish Time	10:40:54

Content: Trump and his gaffes continue to damage the chances of the GOP winning the presidency and holding the Senate without a contested GOP convention that unexpectedly changes the status quo.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/04/07/trumps-bad-week-increases-chance-of-a-contested-gop-convention

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/04/thumbnail_Trumps-bad-week_betting-v2-1-e1547822060142.png

Article 327

Title: According to Online Betting, Trump's Abortion Gaffe Hurt Him Significantly

Author(s)	Ed Conard
Publish Date	2016-03-31
Publish Time	12:28:43

Content: According to online betting, Donald Trump's abortion gaffe hurt him significantly.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/03/31/according-to-online-betting-trumps-comment-on-abortion-hurt-him-significantly

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/03/thumbnail_trump_msnbc_betfair_v2-e1547823229511.png

Article 328

Title: Bettors Anticipate Contested GOP Convention, Democrats Winning Senate and White House

Author(s)	Ed Conard
Publish Date	2016-03-30
Publish Time	14:09:48

Content: After last night's CNN Republican town hall, bettors anticipate a contested GOP convention and Democrats winning control of the Senate and White House.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/03/30/bettors-anticipate-contested-gop-convention-democrats-winning-senate-and-white-house

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/03/thumbnail_after-cnn-th_betfair-e1547822094848.png

Article 329

Title: AEI's Idea Makers Podcast: The Importance of Credibility for Success in Finance and Politics

Author(s)	Ed Conard
Publish Date	2016-03-29
Publish Time	15:11:25

Content: Ed Conard sits down with Toby Stock on AEI’s Idea Makers podcast to discuss his book Unintended Consequences: Why Everything You’ve Been Told About the Economy is Wrong and why building credibility is vital to a successful career in finance and politics. Listen here.

Topics: Blog,Growth,Politics

Permalink: https://www.edwardconard.com/2016/03/29/aeis-idea-makers-podcast-the-importance-of-credibility-for-success-in-finance-and-politics

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/03/AEI-IdeaMakers300-150.png

Article 330

Title: According to online betting, Democrats continue to win the Republican primary

Author(s)	Ed Conard
Publish Date	2016-03-23
Publish Time	11:01:50

Content: According to online betting, Democrats continue to win the Republican primary.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/03/23/according-to-online-betting-democrats-continue-to-win-the-republican-primary

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/03/Utah-Arizona-_v4-e1547823258626.png

Article 331

Title: The Tricky Math Behind GOP Delegates

Author(s)	Ed Conard
Publish Date	2016-03-16
Publish Time	18:13:32

Content: Ed Conard analyzes the outcomes of Mega Tuesday's GOP primaries with Carl Quintanilla and Jon Fortt on CNBC's Squawk Alley.

Topics: Blog,Politics,Videos

Permalink: https://www.edwardconard.com/2016/03/16/the-tricky-math-behind-gop-delegates

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/03/CNBC_3-16-16_screencap-1-e1547823319174.png

Article 332

Title: Will Senate Republicans Block President Obama's SCOTUS Nominee?

Author(s)	Ed Conard
Publish Date	2016-03-16
Publish Time	18:13:08

Content: Ed Conard joins Carl Quintanilla and Jon Fortt on CNBC's Squawk Alley to discuss the Senate's refusal to consider President Obama's SCOTUS nominee Merrick Garland.

Topics: Blog,Politics,Videos

Permalink: https://www.edwardconard.com/2016/03/16/will-senate-republicans-block-president-obamas-scotus-nominee

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/03/cnbc-screencap-e1547823371407.png

Article 333

Title: Bettors are confident Kasich will win Ohio and Trump will win Florida

Author(s)	Ed Conard
Publish Date	2016-03-14
Publish Time	13:09:44

Content: Bettors are confident John Kasich will win the Ohio primary and Donald Trump will win the Florida primary.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/03/14/bettors-are-confident-kasich-will-win-ohio-and-trump-will-win-florida

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/bettors-are-confident-kasich-will-win-ohio-and-trump-will-win-florida.png

Article 334

Title: Who is winning the Republican primary? According to online betting, Hillary Clinton and the Democrats are.

Author(s)	Ed Conard
Publish Date	2016-03-11
Publish Time	17:22:33

Content: Who is winning the Republican primary? According to online betting, Hillary Clinton and the Democrats are.

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/03/11/who-is-winning-the-republican-primary-according-to-online-betting-hillary-clinton-and-the-democrats-are

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/03/thumbail_Trump_GOP_Senate_final-e1457736374726.png

Article 335

Title: According to Betfair, Cruz Is the Big Winner of Super Saturday

Author(s)	Ed Conard
Publish Date	2016-03-06
Publish Time	15:54:04

Content: According to Betfair, Ted Cruz is the big winner of Super Saturday.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/03/06/according-to-betfair-cruz-is-the-big-winner-of-super-saturday

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/03/super-saturday_betfair_1-e1547823422872.png

Article 336

Title: According to Betfair, after Romney’s speech shaved 10% points off Trump's chances, last night's debate had no further effect

Author(s)	Ed Conard
Publish Date	2016-03-04
Publish Time	14:12:11

Content: According to Betfair, after Mitt Romney’s speech shaved 10 percentage points off Donald Trump's chances of winning the nomination, last night's debate had no further effect.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/03/04/according-to-betfair-after-romneys-speech-shaved-10-points-off-trumps-chances-last-nights-debate-had-no-further-effect

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/03/After-Debate_Mitt_BF_3002.png

Article 337

Title: According to Betfair, Romney’s speech shaved 10% points off Trump’s chances of winning GOP nomination

Author(s)	Ed Conard
Publish Date	2016-03-03
Publish Time	16:01:01

Content: According to Betfair, Mitt Romney’s speech from earlier today shaved 10 percentage points off Donald Trump’s chances of winning the GOP nomination without hurting the GOP's chances of winning the presidency.

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/03/03/according-to-betfair-romneys-speech-shaved-10-points-off-trumps-chances-of-winning-gop-nomination

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/03/Mitt-Speech_betfair_3005.png

Article 338

Title: With no significant change in the Betfair odds, Trump was the big Super Tuesday winner. Rubio showed slightly weaker than expected.

Author(s)	Ed Conard
Publish Date	2016-03-02
Publish Time	10:36:47

Content: With no significant change in the Betfair odds, Donald Trump was the big Super Tuesday winner. Marco Rubio showed slightly weaker than expected.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/03/02/with-no-significant-change-in-the-betfair-odds-trump-was-the-big-super-tuesday-winner-rubio-showed-slightly-weaker-than-expected

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/03/Betfair-Rubio-Super-tuesday_3005.jpg

Article 339

Title: According to Betfair, Rubio Big Winner in Last Night's Debate But Maybe Too Little Too Late

Author(s)	Ed Conard
Publish Date	2016-02-26
Publish Time	10:18:02

Content: According to Betfair, Marco Rubio was the big winner in last night's debate but it may be too little too late.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/02/26/according-to-betfair-rubio-wins-debate-but-maybe-too-little-too-late

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/02/Rubio-Houston_3002.png

Article 340

Title: Betfair Odds Show No GOP Candidate Can Claim to be More Electable in November

Author(s)	Ed Conard
Publish Date	2016-02-25
Publish Time	15:44:49

Content: According to The Gamble, 60% of Republicans vote for the most electable candidates. According to Betfair, as each candidate's chances of winning the Republican nomination have changed, it has had little, if any, effect on the Democrats' chances of winning the Presidency. That indicates none of the remaining Republican candidates can lay claim to being more electable.

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/02/25/betfair-odds-show-no-gop-candidate-can-claim-to-be-more-electable-in-november

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/02/Betfair_nomination-trends300.png

Article 341

Title: According to Betfair, Trump Wins Big in Nevada Caucus

Author(s)	Ed Conard
Publish Date	2016-02-24
Publish Time	10:00:35

Content: According to Betfair, Donald Trump wins big in last night's Nevada Republican caucus.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/02/24/according-to-betfair-trump-wins-big-in-nevada-caucus

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/02/Betfair-trumps-Wins-NV_3003.png

Article 342

Title: According to Betfair, Rubio Was the Big Winner in South Carolina Primary. Cruz Was the Big Loser.

Author(s)	Ed Conard
Publish Date	2016-02-22
Publish Time	10:23:15

Content: According to Betfair, Marco Rubio was the big winner in Saturday's South Carolina primary. Ted Cruz was the big loser.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/02/22/according-to-betfair-rubio-was-the-big-winner-in-south-carolina-primary-cruz-was-the-big-loser

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/02/thumbnail-SC-primary_betfair-e1547823462294.png

Article 343

Title: According to Betfair, Trump Wins Debate as No One Able to Gain Ground

Author(s)	Ed Conard
Publish Date	2016-02-14
Publish Time	9:08:11

Content: According to Betfair, Donald Trump won Saturday night's Republican presidential debate in Greenville, South Carolina, as none of the other candidates were able to gain ground going into next week's primary.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/02/14/according-to-betfair-trump-wins-debate-as-no-one-able-to-gain-ground

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/02/thumbnail_Betfair_After-Debate_feb-14-e1455459085354.png

Article 344

Title: According to Betfair (and New Hampshire Voters), Rubio Debate Loss Bigger Than Appeared

Author(s)	Ed Conard
Publish Date	2016-02-10
Publish Time	0:11:05

Content: According to Betfair (and New Hampshire voters), Marco Rubio's loss in last Saturday's debate is bigger than it first appeared to be.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/02/10/according-to-betfair-and-new-hampshire-voters-rubio-debate-loss-bigger-than-appeared

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/02/thumnail_after-GOP-primary-update-e1547822177461.png

Article 345

Title: According to Betfair, Rubio Big Loser in Last Night's Debate

Author(s)	Ed Conard
Publish Date	2016-02-07
Publish Time	18:05:15

Content: According to Betfair, Marco Rubio’s probability of winning the Republican nomination fell nearly 10 percentage points after he stumbled in last night's debate. His loss proportionally increased the odds of Donald Trump and the other establishment candidates. Updated February 8, 2016:

Topics: Blog

Permalink: https://www.edwardconard.com/2016/02/07/according-to-betfair-rubio-big-loser-in-last-nights-debate

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/02/betfair-2-e1454886828812.png

Article 346

Title: More Evidence that Incentives Drive Work Effort

Author(s)	Ed Conard
Publish Date	2016-02-05
Publish Time	10:46:17

Content: Harvard's Raj Chetty et al just released a new study on the effects of childhood environment on adult employment showing low workforce participation rates for adults who were raised as poor children—even lower for men than women. My first thought was that, if a parent's income predicts their children's earning potential then the graph largely shows that incentives drive employment. The more a person can earn relative to their alternatives—working off the books, homemaking, support from friends and family, depleting savings, welfare, crime, leisure, etc.—the more motivated a person ought to be to work. I was disappointed the analysis didn't isolate the effect of growing up poor over and above this incentive. That analysis might be in the appendices, although I couldn't find it, but it's the graph on its own that's making the rounds on the blogosphere. As a proxy for parents, I plotted workforce participation rates for prime working age adults 25 to 55 years old by income. With regression to the mean—i.e. the children of high-earning parents are likely to be less skillful and much less lucky than their unusually skillful and lucky high-earning parents and, consequently, be less motivated to work; vice versa for the children of low-earning parent. The workforce participation rates should, therefore, be flatter for children across the income range of their parents than the participation rate of their parents. And low and behold. That's exactly what we find. Without more, I'm not sure what Chetty's graph shows. Chetty hypothesizes that poor men turn to crime as an alternative to work. The government also pays poor women to raise children and work part-time. Perhaps that accounts for some of the difference in workforce participation rates too.

Topics: Blog,Inequality,Productivity

Permalink: https://www.edwardconard.com/2016/02/05/more-evidence-that-incentives-drive-work-effort

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/02/workforce-participation-vs.-parernts_2-e1547823510145.png

Article 347

Title: New Study Estimates Upwards of 20% of Economic Studies are Fudged

Author(s)	Ed Conard
Publish Date	2016-02-02
Publish Time	12:41:44

Content: It's well understood that statistically significant results in scientific studies are not what they appear to be. Statisticians commonly set the bar for statistical significance at 95%—i.e., the probability that results are not random. But if researchers run 100 different experiments, 5 of them will appear to produce statistically significant results for no other reason than chance. When studies that do not achieve significance are pruned away—so called "survival bias," which occurs in academic journals—it leaves a pool of apparently statistically significant studies where an even larger share of studies is significant for no other reason than chance. Because of this and other biases, reviews of academic and scientific studies (here, here, here and here for example) find upwards of 50% of the results cannot be repeated. A new meta-study (and also here) of economic studies goes beyond "survival bias" and estimates upwards of 20% of the results are fudged. The selection of studies by academic journals should increase as the statistical significance of the studies' results increase. This should lead to a logically shaped distribution of studies in journals as a function of their statistical significance. But rather than finding such a logically shaped curve, the study finds, "the distribution of test statistics published in three of the most prestigious economic journals over the period 2005-2011 exhibits a sizable under-representation of marginally insignificant statistics relatively to significant statistics but also to (very) insignificant ones. In a nutshell, once tests are normalized…the distribution has a two-humped camel shape [that] … cannot be explained by [journal] selection alone. …10% to 20% percent of tests with [statistical significance] are misallocated: there are missing test statistics just [below] the [statistically significant] threshold that…can [be] retrieve[d] [above] the [threshold]" The study notes, "The two-humped shape is an empirical regularity that can be observed consistently across journals, years and fields. … Similarly, the two-humped camel shape is less visible in articles with theoretical models, articles using data from randomized control trials or laboratory experiments and papers published by tenured and older researchers. More generally, we find a larger residual in cases in which we would expect higher incentives for researchers to respond to selection," i.e., "…evidence that academic economists respond to publication incentives." The researchers conclude, "Our analysis suggests that the pattern of this misallocation is consistent with what we dubbed an inflation bias: researchers might be tempted to inflate the value of those almost-rejected tests by choosing a slightly more 'significant' specification. … Among the tests that are marginally significant, 10% to 20% are misreported. These figures are likely to be lower bounds of the true misallocation as we use conservative collecting and estimating processes."

Topics: Blog

Permalink: https://www.edwardconard.com/2016/02/02/new-study-estimates-upwards-of-20-of-economic-studies-are-fudged

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/02/Economic-studies-e1547822217149.png

Article 348

Title: According to Betfair, Who Won the Iowa Caucus?

Author(s)	Ed Conard
Publish Date	2016-02-02
Publish Time	0:21:42

Content: According to Betfair, Marco Rubio won the 2016 Iowa Caucus by a landslide.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/02/02/according-to-betfair-who-won-the-iowa-caucus

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/02/Betfair_GOP-Nomination-1-e1454431208349.png

Article 349

Title: Graphical Comparison of Global Debt and Equity Markets

Author(s)	Ed Conard
Publish Date	2016-02-01
Publish Time	9:27:53

Content: Many stylized economic models assume labor and capital are the only constraints to growth—studies on the effect of immigration on wages for example. Modeling the wrong binding constraints lead to mistaken conclusions. In my upcoming book, The Upside of Inequality, I argue the economy's willingness and capacity to bear risk constrains growth today and that this is largely a function of the economy's equity. Debt, after all, is risk-averse and won't invest unless equity bears a disproportionate share of the risk. Below is a graphical representation of the world's debt and equity markets. The U.S. has far more equity than other economies. The U.S. economy grew faster than other high-wage economies prior to the financial crisis and it has recovered faster since. It produces far more innovation than other economies and currently deploys 70% of the world's venture capital.

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2016/02/01/graphical-comparison-of-global-debt-and-equity-markets

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/gobal-debt-and-equity-markets-e1547823530146.png

Article 350

Title: Who Is Voting For Donald Trump?

Author(s)	Ed Conard
Publish Date	2016-01-29
Publish Time	18:09:54

Content: Trump voters are less religious and socially conservative than one might assume. The Wall Street Journal's new interactive graph lays out the views and backgrounds of voters supporting a Republican Party split into three groups--social conservatives who prefer Cruz and Carson, centrist voters supporting “establishment" candidates like Bush and Rubio, and Trump supporters consisting of a “coalition of something new: a secular, populist movement.” View the WSJ’s interactive graph here.

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/01/29/6874-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/WSJ_portrait-of-the-parties_pt1-e1547823581127.png

Article 351

Title: An Indication of the Effect of Immigration on Unskilled Wages

Author(s)	Ed Conard
Publish Date	2016-01-29
Publish Time	14:59:54

Content: Harvard economist, George Borjas, presents a graph summarizing his controversial finding that the Mariel boatlift of 10,000 Cuban refugees in 1980 significantly depressed the wages of non-Hispanic Miami high school dropouts. Borjas's findings rebut the seminal work of David Card, which claimed the boatlift had little effect on wages. I previously noted UCLA's Giovanni Peri's criticism of Borjas' findings and Borjas' criticism of Peri's criticism. Borjas summarizes his criticism of Peri: "The critics harp on the fact that my sample of prime-age, non-Hispanic working men is small (which it is, as I explicitly noted in my original paper). But they ignore that I report many statistical tests showing the post-1980 wage drop in Miami to be statistically significant, despite the small samples. Even worse, the only way to make sure your lying eyes see the 'right' wage trend is to enlarge the sample in ways that are, at best, questionable and, most likely, just plain wrong. They want to add women, which seems fine except for the fact that many women entered the labor market in the 1980s, so that the sample composition is changing in ways that need to be accounted for. They add Hispanics, which also seems fine until you realize that a big chunk of those Hispanics were immigrants who entered the country after 1980, again changing the sample composition. And, finally, they add "workers" aged 16-18, which means that all high school students with part-time or summer jobs are classified as high school dropouts because they lack a high school diploma. This is so obviously wrong that the less said the better."

Topics: Blog,Inequality

Permalink: https://www.edwardconard.com/2016/01/29/6840-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/borjas-3-e1547822260271.png

Article 352

Title: Who Won Last Night's Republican Debate?

Author(s)	Ed Conard
Publish Date	2016-01-29
Publish Time	12:36:06

Content: Based on online betting, Rubio and Christie won last night's Republican debate. Trump protected his lead by not attending.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/01/29/6830-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/GOP-debate_online-betting-results-e1547823634128.png

Article 353

Title: Ponnuru Contributes to the Myths Surrounding the Financial Crisis

Author(s)	Ed Conard
Publish Date	2016-01-28
Publish Time	12:16:15

Content: Scott Sumner described Ramesh Ponnuru's NYT's op-ed yesterday, which blamed the Fed and tight money for the financial crisis, as "the single best piece on monetary economics to appear in a major publication since the Great Recession began...." I winced when I read it. Surely the bank run occurred because of 1) fear of declining real-estate prices; 2) the inherent instability of the self-reinforcing feedback loop of bank runs; 3) the difficulty of assessing the value of collateral; and, 4) the inability to understand how banks would withstand stress in the face of credit default swaps and other untested innovations. Does anyone serious believe a 2-point drop in the short-term rate from 2% to zero would have motivated lenders (other than the Fed) to continue lending to banks in the face of those issues? Given the inherent instability of bank runs, I suppose anything is possible. But zero percent rates are a two-edged sword. And it's hardly obvious that the Fed, and not markets, sets rates. After all the Fed raised short-term rates in December and rates fell. It's hard to imagine private sector lenders making zero-interest loans to troubled banks in early September 2008, or banks rushing to the Fed to borrow cheap money to lend to such lenders. The run occurred because markets were closed to such borrowers at much higher rates. Perhaps Ponnuru's op-ed says little more than, with the benefit of 20:20 hindsight, the Fed should have taken many of the extreme measures in August of 2008 that it took after September—$1.5 trillion of loans to fund withdrawals despite $15 trillion of government guarantees. It's true that with the benefit of 20:20 hindsight, we would all be a lot wiser. From my perspective, populists on the left and right have successfully obscured the truth about the inherent instability of banking and the enormous value of the Fed as the lender of last resort. The Left blames the crisis on misaligned incentives, corruption, and stupidity, which they believe more regulation will solve. The Right thinks the free market will rein in the inherent instability of banking without a significant slowdown in growth. Both are mistaken. On the broader issue of loose monetary policy, even Bernanke is finally coming around to the conclusion that unless the Fed commits to inflicting price inflation on risk-averse savers after the economy recovers—i.e., makes an increase in the money supply permanent—expanding the money supply has little effect on growth or inflation in a recession and its aftermath. It's surely true that if the Fed committed to expanding the money supply until savers capitulated, at some level of recklessness risk-averse savers would stop saving (although, apparently not $4 trillion of recklessness), but at what cost in the long-run? A lot of other economic activity would surely slow down too.

Topics: Blog,Financial Crisis,Monetary Policy

Permalink: https://www.edwardconard.com/2016/01/28/ponnuru-contributes-to-the-myths-surrounding-the-financial-crisis

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/Federal-Reserve-Bank-DC-e1547823675634.jpg

Article 354

Title: Prime Working Age Workforce Participation Rate

Author(s)	Ed Conard
Publish Date	2016-01-22
Publish Time	12:18:56

Content: Eight years after the last business cycle peak, the prime working age workforce (25 to 54 year olds) is 3% smaller than it would have been at 2007 participation rates. View the Bureau of Labor Statistics data here.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/01/22/prime-working-age-workforce-participation-rate

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/BLS_prime-working-age-workforce-participation-rate_1-e1547823695566.png

Article 355

Title: Evolution of the U.S. Economy Since 1980

Author(s)	Ed Conard
Publish Date	2016-01-21
Publish Time	15:15:53

Content: A fascinating interactive graph worth bookmarking showing the evolution of the U.S. economy relative to the rest of the world since 1980. For example, the U.S. accounts for 70% of the world's venture capital.   Find The Economist interactive graph here.

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2016/01/21/evolution-of-the-u-s-economy-since-1980

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/Economist_American-Abacus_1-e1547823742670.png

Article 356

Title: Fear of Big Government at an All-Time High

Author(s)	Ed Conard
Publish Date	2016-01-15
Publish Time	9:59:47

Content: 69% of Americans, including a majority of Democrats, see big government, and not big business or big labor, as the greater threat to America, up from 53% when President Obama first took office, according to Gallup. Courtesy of Marc Thiessen of the American Enterprise Institute

Topics: Blog,Growth,Politics

Permalink: https://www.edwardconard.com/2016/01/15/fear-of-big-government-at-an-all-time-high

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/Gallup_Big-Biz-Threat-1-e1547823762244.png

Article 357

Title: Goldman Sachs: Millennials Are Poised to Reshape the Economy

Author(s)	Ed Conard
Publish Date	2016-01-14
Publish Time	18:10:31

Content: Who are the Millennials and how will they reshape the global economy? Goldman Sachs's Global Investment Research team created an interactive data story that compares the Millennials—the biggest generation in U.S. History—to prior generations. [caption id="attachment_6783" align="aligncenter" width="862"] Goldman Sachs: Millennials Are Poised to Reshape the Economy[/caption] Explore the GS data story here.

Topics: Blog,Growth

Permalink: https://www.edwardconard.com/2016/01/14/goldman-sachs-millennials-poised-reshape-economy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/GS_millennial-cohort-1-e1547822285684.png

Article 358

Title: What are the Odds of Becoming a Millionaire?

Author(s)	Ed Conard
Publish Date	2016-01-12
Publish Time	18:22:19

Content: Education and race matter in calculating the odds of being a millionaire in the U.S. according to recent data from the Federal Reserve Bank of St. Louis. Read more about the study on Bloomberg.com

Topics: Blog,Inequality

Permalink: https://www.edwardconard.com/2016/01/12/what-are-the-odds-of-becoming-a-millionaire

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/Fed_Bloomberg_-millionaires-by-race-and-education-e1547823789415.png

Article 359

Title: Harvard’s Borjas Defends Study Indicating Immigration Impacts Wages

Author(s)	Ed Conard
Publish Date	2016-01-12
Publish Time	15:02:18

Content: Whether immigration reduces wages is highly debated in economics. In an economy where waiters wait on waiters (i.e., where the economy serves the economy on average), the addition of another waiter has little if any effect on wages. Under those circumstances supply creates its own demand. To the extent there are waiters and dishwashers, if unassimilated immigrants are forced to become dishwashers, then a dishwasher is freed to be a waiter and both are better off. However, if resources other than lesser-skilled labor constrains growth—e.g., capital, properly trained talent, ideas, other investment opportunities, or the economy’s capacity and willingness to bear risk—then an increase in an unconstrained resources, such as lower-skilled labor, will reduce its price unless it contributes proportionally to the constrained resources. In the case of unskilled workers, that seems unlikely. So if waiting on a limited number of higher paid more highly skilled workers, raises waiter pay when the supply of lesser-skilled labor is restricted, then more waiters divides the spoils among a greater number of waiters and pushes their pay downward toward waiters-waiting-on-waiters wages. The debate rages on between David Card, Giovanni Peri and Vasil Yasenov on the minimal-effect-on-wages side of the immigration debate and Harvard’s George Borjas's and Lawrence Katz on the significant-effect-on-wages side of the debate. Borjas questions Card’s original work on the effect of the Mariel boat lift on Miami wages. Peri, and Yasenov questioned Borjas’ criticism of Card. Now Borjas questions Peri, and Yasenov’s criticism of his work. Borjas is surprisingly harsh in his assessment of Peri, and Yasenov's work. He says “PY are simply wrong; their analysis is plagued by questionable assumptions, dubious data manipulations, and one fundamental error in data construction…." Read George Borja's full report here.

Topics: Blog

Permalink: https://www.edwardconard.com/2016/01/12/6740-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/Immigration-Economic-Growth-e1452629019257.jpg

Article 360

Title: Study Finds Significant Uptick in Fertility Rates for Highly Educated Women

Author(s)	Ed Conard
Publish Date	2016-01-12
Publish Time	14:57:04

Content: According to VOX, two researchers have found that the fertility rates of the most highly educated U.S. women have risen significantly since 2000 although their fertility is still below that of the least educated women. Read the full report here.

Topics: Blog,Inequality

Permalink: https://www.edwardconard.com/2016/01/12/study-finds-significant-uptick-in-fertility-rates-for-highly-educated-women

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/US-fertility-rates-by-education-1-e1547822322834.png

Article 361

Title: New Evidence Shows Minimum Wage Law Is Hurting Employment

Author(s)	Ed Conard
Publish Date	2016-01-11
Publish Time	18:48:17

Content: In his blog last week, University of Michigan economist and AEI scholar, Mark Perry, noted that “U.S. cities that have raised their minimum wage to $10 an hour or more in 2015 have seen…job gains fall to multiyear lows at restaurants, hotels and other leisure and hospitality venues.” According to Perry, while the data isn’t “reliable enough to amount to…proof,” Washington D.C. for example, raised its minimum wage to $10.50, which is higher than the D.C. suburbs. This “provides a natural experiment to test for the employment effects of D.C.’s minimum wage law.… Suburban restaurants last year increased staffing levels by nearly 5,000 new positions, employment at the District’s restaurants contracted by more than 200 jobs.” While Perry admits “population growth could affect restaurant jobs in D.C. vs. the suburbs,” he notes that according to the “2015 United Van Lines Migration report…in 2015, D.C. was a ‘High Inbound’ area.” Read Mark Perry's full post here.

Topics: Blog,Minimum Wage

Permalink: https://www.edwardconard.com/2016/01/11/6726-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/dcrestaurants1-e1452556766596.jpg

Article 362

Title: Trump & Cruz Have Big Problems with Independent Voters

Author(s)	Ed Conard
Publish Date	2016-01-11
Publish Time	18:12:16

Content: In today's Wall Street Journal, Stanford University Professor David Brady says Trump and Cruz have big problems with independent voters. In a recent YouGov polling of 5,000 independents, 51% said they "would never vote for" Donald Trump. 41% said they would never vote for Ted Cruz. 48% of moderates said they would vote for Hillary Clinton—16 points more than Trump and 22 points more than Cruz. According to Brady, "in 2012 Mitt Romney outpolled Barack Obama 50% to 45%" with independents but still lost. Brady notes that "because there are 5% more Democrats than Republican, the GOP needs a solid majority of independents to win a national election. Brady concludes, "How could anyone, under those circumstances, expect either of these two to win a general election?" Read David Brady's full op-ed here.

Topics: Blog,Politics

Permalink: https://www.edwardconard.com/2016/01/11/trump-and-cruz-have-big-problems-with-independents

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2016/01/ED-AU584_brady_J_20160110162516-e1452554005513.jpg

Article 363

Title: Edward Conard Highlights

Author(s)	Ed Conard
Publish Date	2016-01-01
Publish Time	17:33:48

Content: Edward Conard has published two top-ten New York Times bestsellers, The Upside of Inequality: How Good Intentions Undermine the Middle Class and Unintended Consequences: Why Everything You've Been Told about the Economy is Wrong. Most recently he contributed a chapter, "The Economics of Inequality in High-Wage Economies" to Oxford University Press' United States Income, Wealth, Consumption, and Inequality. The books have received a variety of positive reviews from noteworthy economists including the former president of Harvard University and economist Larry Summers, a very tough critic on the other side of the aisle, who blurbed: "I disagree but respect the argument," calling it "a very valuable contribution" that will "sharpen your thinking on critical economic issues." He is a Nonresident Fellow at the American Enterprise Institute and a retired Bain Capital Partner. Conard has made over 200 media appearances and has debated top economists and journalists including Nobel Prize-winning economists Paul Krugman, Joe Stiglitz, and Ken Arrow, former CEA chairs Austen Goolsbee, Greg Mankiw, and Kevin Hasset, and a variety of journalists, including Fareed Zakaria, Andrew Ross Sorkin, and Jon Stewart. He has also won two IQ2 debates by defeating the motions "Income Inequality Impairs the American Dream of Upward Mobility" and "Central Banks Can Print Prosperity," by audience vote. Conard is currently publishing a daily summary of noteworthy economic news. Ed Conard Discusses His Oxford University Chapter at Harvard's Program on Constitutional Government Ed Conard recently joined Harvard's Harvey Mansfield to discuss his Oxford University Press chapter, "The Economics of Inequality in High-Wage Economies," at Harvard University's Program on Constitutional Government. The video, audio, and text of his speech and the Q&A session are available… Read More Read Former White House CEA Chairman Kevin Hassett's Interview of Ed Conard in National Review In National Review, Kevin Hassett, the former Chairman of the Council of Economic Advisers, asks Ed Conard to defend conservative free market capitalism and how it promotes entrepreneurial risk-taking that has grown middle-class incomes faster than Europe… Read More My new National Review op-ed explains why CBO expects the tax cut to pay for itself Is the tax cut expected to pay for itself? Yes — if we use the Congressional Budget Office's forecast and any economically logical standard, the tax cut makes both current and future generations better off. The CBO now expects the nominal gross domestic product to increase nearly $750 billion more per year by 2020 than in its forecast prior to the tax cut. It originally attributed about one third of that growth to the tax-cut legislation — even by that estimate, the cut … Read More Read My New Wall Street Journal Op-Ed: "The Crippling Cost of 70% Tax Rates" The Crippling Cost of 70% Tax Rates Alexandria Ocasio-Cortez's proposal would smother investment and innovation, leaving America poorer. Newly elected Rep. Alexandria Ocasio-Cortez spent her first few weeks on Capitol Hill calling for a 70% top marginal income-tax rate, and suddenly the debate over optimal rates has reopened. To support her charge, some liberals are citing a 2011 study by economists Peter Diamond and Emmanuel Saez, which advocates for...Read More My New Wall Street Journal Op-Ed: America's Got Talent, but Not Nearly Enough In today's Wall Street Journal, I argue that high-skilled immigration is the only way America can meet the growing cost of retiring baby boomers without growth-killing tax increases that jeopardize America's future in an increasingly dangerous world. Read the op-ed here...Read More A Proposal For Accelerating Middle Class Incomes When manufacturing jobs are outsourced, economists believe that opportunistic entrepreneurs will race to employ displaced workers and competition will raise their productivity and wages. But high-tech entrepreneurs have moved to large cities and outsourced their blue-collar jobs to China, while the engineers who remain behind now design products that employ offshore workers. This brain drain slows low-skilled productivity and wage growth and depresses the wages of displaced communities for decades. Unfortunately, America can't forego trade or innovation that lowers costs and still remain competitive in the long run. ...Read More What Obama Didn't Learn From the 1990s With the prospects for a postrecession economic rebound fading, it has grown increasingly obvious that the United States must eventually raise taxes or cut spending. President Obama claims we can raise taxes on those earning over $250,000, to avoid spending cuts with little, if any, effect on growth because growth was faster in the 1990s and in the 1950s and '60s when marginal income-tax rates were higher. The evidence doesn't support Mr. Obama's conclusion. ...Read More The Long and the Short of Extending Bond Maturities Todd G. Buchholz says the U.S. government should lock in low interest rates by issuing long-term debt ("Washington Should Lock In Low Rates," op-ed, June 20), but it is a bad idea. No surprise that the Fed has wisely done the opposite. Our economy currently suffers from a surplus of price-insensitive, risk-averse short-term savings. With the now-recognized risk of damage from withdrawals, the private sector has dialed back its use of these savings, which now sit idle. Growth has slowed and unemployment has risen as a result. ...Read More DiCaprio and the Hypocrisy of Moral Licensing This week, Time Magazine released its list of the top 100 Most Influential People and placed Leonardo DiCaprio on the cover of its magazine for the personal example he sets on climate change. How Ironic! DiCaprio is a one-man carbon-polluting machine. According to the leaked Sony documents for example, DiCaprio took six private roundtrip flights from Los Angeles to New York over a 6-week period, and a private jet to the 2014 World Economic Forum in Davos Switzerland. Pictures of him vacationing on big yachts show that his polluting ways extend far beyond his charitable work. What hypocrisy! ...Read More Debating a Book's-Worth of Economic Issues on "Conversations with Bill Kristol" I cover a book's-worth of economic issues in my 90 minute discussion with Bill Kristol on "Conversations with Bill Kristol." Debating Inequality, Innovation, and High-Skilled Immigration on "Conversations with Bill Kristol" Bill Kristol and I debate income inequality, innovation, and why only high-skilled immigration can grow the American economy fast enough to pay for retiring baby boomers without damaging the economy with high taxes and slower growth. Ed Conard defeats the IQ2 Motion: "Income Inequality Impairs the American Dream of Upward Mobility" Despite a highly partisan crowd of voters, Ed defeated the IQ2 Motion: "Income Inequality Impairs the American Dream of Upward Mobility." Thirty percent of the voters moved to Ed's side of the motion—one of the largest swings in the history of IQ2. Ed Conard Defeats IQ2 Motion "Central Banks Can Print Prosperity" in a Landslide Victory Squaring off against former IMF chief economist and MIT professor, Simon Johnson, Ed Conard persuaded 60% of the undecided audience members (to Johnson's 15%) that the $3 trillion printed by the Federal Reserve has had little if any stimulatory effect on the post-crisis recovery. Last year, Ed also defeated the motion "Income Inequality Impairs the American Dream of Upward Mobility" in another landslide. Ed Conard debates Nobel Prize winning economist Joe Stiglitz Bloomberg TV – In the Loop with Betty Liu video June jobs report: Is the economy really recovering? Ed debates with Alan Krueger and Betty Liu on Bloomberg TV   I Debate Austan Goolsbee on CNN: Does Trump Deserve Credit For Rising Stock Market? Ed Conard debates Austan Goolsbee, former chairman of President Obama's Council of Economic Advisers, on whether President Trump has contributed to the rising stock market with Michael Smerconish on CNN's "Smerconish." Greg Mankiw & Ed Conard Discuss the Upside of Inequality on C-SPAN's Book TV Harvard economist Greg Mankiw interviews Ed Conard about his new book, The Upside of Inequality: How Good Intentions Undermine the Middle Class for C-SPAN Book TV's "After Words." Harvard Symposium on My Views: "What Advocates of Free Enterprise Can Learn from Populism." Watch my Harvard symposium presentation "What Advocates of Free Enterprise Can Learn from Populism." The symposium was hosted by Professor Harvey Mansfield and Harvard's Program on Constitutional Government. Harvard Economics Professor Greg Mankiw participated in the discussion.

Primary Topic: Blog

Topics: Blog,Growth,Inequality,Minimum Wage,Politics,Productivity,Video Highlights,Videos,Videos Highlights

Permalink: https://www.edwardconard.com/2016/01/01/edward-conard-debate-highlights

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2017/02/stewart_rv.png

Article 364

Title: The Trump Factor in the GOP Presidential Race

Author(s)	Ed Conard
Publish Date	2015-12-23
Publish Time	11:34:08

Content: Ed Conard compares the GOP presidential polls to historically accurate online betting websites with Betty Liu on Bloomberg TV's "Markets Live."

Topics: Blog,Politics,Videos

Permalink: https://www.edwardconard.com/2015/12/23/the-trump-factor-in-the-gop-presidential-race

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/12/Untitled.png

Article 365

Title: Ed Conard Defeats IQ2 Motion “Central Banks Can Print Prosperity” in a Landslide Victory

Author(s)	Ed Conard
Publish Date	2015-11-20
Publish Time	17:19:52

Content: Squaring off against former IMF chief economist and MIT professor, Simon Johnson, Ed Conard persuaded 60% of the undecided audience members (to Johnson’s 15%) that the $3 trillion printed by the Federal Reserve has had little if any stimulatory effect on the post-crisis recovery. Last year, Ed also defeated the motion “Income Inequality Impairs the American Dream of Upward Mobility” in another landslide. Watch Ed's opening and closing statements Opening Statement Don't let our opponents hijack this debate. This is not a debate about whether the Fed should act as a lender of last resort in a run on the banks. We all agree on this point. This debate is about radical monetary policy that tried to print money in order to stimulate growth in the recession after the bank run. This is not a debate about QE1. This is debate about what followed. It’s easiest to understand monetary policy by considering a simple corn economy. We can plant the corn—that’s investment; eat it—that’s consumption; or store the corn in silos in exchange for a piece of paper that says “IOU a bushel of corn”—that’s money. Recessions occur when people get scared and start storing corn instead of eating or planting it. Growth slows, and unemployment rises. It’s important to recognize that the Fed doesn’t grow corn. Nor can the Fed violate the laws of physics and teleport corn back from the future for use today. All it can do is print IOUs. By printing more IOUs, monetary policy tries to change your behavior today. It motivates you to stop saving and start spending again. It does this by threatening the value of your savings with price inflation in the future. With more IOUs outstanding, you should logically run to the silo to withdraw your corn and use it before the economy recovers, people start exchanging their IOUs for corn, and the silos run short of corn—i.e., when prices rise and a dollar is worth less. But here’s the rub: the Fed increased the monetary base from $800 billion to $4 trillion dollars—an unprecedented five-fold increase—and it had no effect on anyone’s fear of inflation whatsoever. No one ran to the banks to spend their savings. The money sits unused neither lent nor borrowed, creating neither growth nor inflation. Why? Because the Fed has promised to prevent inflation by contracting the money supply before the economy recovers and people start exchanging IOUs for corn. With hard-fought decades of successfully defeating price inflation, the Fed has earned its credibility. And with Republicans threatening the Fed’s independence if it doesn’t fight inflation, the Fed’s promise has even more credibility. Advocates of Quantitative Easing pretend we can have our cake and eat it to—that we can scare savers into spending by printing money without needing to inflict the cost of inflation on the economy after it recovers. But it didn’t worked when we needed stimulus. Even Ben Bernanke now admits that QE will only works if it’s permanent—if it’s guaranteed to inflict inflation on the economy. But nowhere does he advocate making QE permanent because of the damage inflation inflicts. And the Fed increased the monetary base while the government was pumping $6 trillion of fiscal stimulus into the economy—increasing debt from 30% to 70% of GDP. That’s 6-times more than the trillion-dollar stimulus Krugman initially complained was too small. Even with aggressive fiscal stimulus, which advocates of stimulus contend is far more powerful than monetary stimulus, we saw no bounce back in growth whatsoever. Instead, we have seen tepid growth off a permanently lower base for 6 years and counting. It's true the U.S. has recovered faster than Europe, but the U.S. has been growing faster than Europe for decades because of Silicon Valley and entrepreneurial risk-taking. And for 3 decades and counting, Japan has tried the same thing—large fiscal deficits and near-zero interest rates—with nothing but slow growth to show for it. Now advocates of monetary inflation insist that, if the Fed recklessly throws the steering wheel out the window and balloons the monetary base to $9 trillion that will scare everyone into spending. Perhaps it will. But the truth has been revealed. It takes a massive amount of monetary inflation to produce a minuscule increase in demand—enormous risk for little, if any, benefit. No mainstream economists take these reckless proposals seriously. Our opponents will ignore these risks and claim only that lower interest rates and wealth effects stimulate investment despite Ben Bernanke's admission that "quantitative easing works in practice, just not in theory." But the economists in the audience know that after decades of research, there is no consensus whether interest rates, especially short-term overnight borrowing rates, affect real long-term investment. Why? Because unused corn lowers interest rates and makes investment cheaper, not more paper IOUs. Roger speculates QE may account for an additional third-of-a-percentage point reduction in the interest rate. Who believes a reduction in the interest rate, especially a measly third-of-a-percentage-point, determines how fast Apple develops the next-generation IPhone? Like all companies, Apple can't afford not to innovate and invest as fast as it can, no matter the interest rate. Real increases in wealth might stimulate investment. But nobody is fooled by equity prices inflated by low interest rates and an increased risk of inflation. If the Fed does nothing more than prints IOUs, who here believes that increases wealth? Phony IOUs increase risk. Risk reduces wealth. The economy may not be perfectly rational, but business leaders who create prosperity aren't stupid either. They surely don't increase investment and risk-taking in the face of increased government spending and the risk of inflation. They dial back. There is simply no compelling evidence that fiscal and monetary stimulus increases real business investment. If anything, the evidence shows the opposite—a dial back in business investment in the face of risky stimulus. And no surprise, in the wake of nearly $3 trillion of monetary stimulus and $6 trillion of fiscal stimulus, lackluster business investment and unusually slow productivity growth have been a chief reason for the slow recovery. Financial speculators, many who borrow short to buy long-term financial assets, may be sensitive to short term rates—doubly so given the amplifying effects of herd mentality—but financial arbitrage is a zero-sum game that does nothing to grow the economy. Quantitative easing doesn't work in theory. That's why it doesn't work in practice either. After $4 trillion of quantitative easing, Bernanke has reconsidered his beliefs. Last month in the Wall Street Journal he admitted, "The Fed cannot print its way to prosperity" because "the Fed has...no control over long-term economic fundamentals." Don't let these guys fool you. There's no free lunch. Don't give reckless monetary policy a mandate. Only hard work, investment, innovation, and successful risk-taking create prosperity. Side with Ben Bernanke and vote against the motion: central banks can print prosperity. And don't let these guys hijack the debate and make it a debate about whether the Fed should have bailed out the banking system. I was on TV last week telling everybody that the Fed needed to bail out the banking system. There isn't a serious economist on the planet that disagrees. The reason why our opponents have taken the debate there is because quantitative easing during the six years after the bailout didn't work, and they know it. Vote against the motion that quantitative easing creates prosperity. It has not created prosperity. Closing Statement Liberal Berkeley economist, Brad Delong, recently described each side of the motion we are debating. About our opponents' view he said, "Even though the Fed…printed much more money than economists would have thought necessary to offset the impact of the financial crisis [—a five-fold increase in the monetary base from $800 billion to $4 trillion] … it wasn't enough. [Bernanke] balked at taking the next leap: more than doubling the monetary base to $9 trillion." Roger has publicly described a far-more modest U.K. proposal as "dangerous" and "delusional" arguing that, "sometimes a sovereign has no alternative to inflationary finance. But this always has a significant cost. And it's never the place to start or end." On our view of monetary policy, Berkley's Delong said, "[Larry Summers and Paul Krugman]…argue that there is little evidence that monetary policy will ever restore full prosperity." Delong admits: He doesn't know which of these views is correct. Why doesn't DeLong know which view is correct? Because $3 trillion of printing has produce no discernable effect on the economy. If it had, DeLong would have seen it and he would be urging more. Our opponents haven't brought any more evidence to the debate that central banks can print their way to prosperity than what Summers, Krugman, and Delong have already considered. If the evidence hasn't persuaded even these ardent advocates of stimulus, why should it persuade you? Bernanke now flat out admits, "Central banks can't print their way to prosperity." Our opponents have the burden of proving the motion true—a very tough burden in this case. They haven't made a convincing argument because no one can make a convincing argument on this issue. I urge you to vote against the far-fetched motion: central banks can print their way to prosperity. Learn more about Intelligence Squared and debate participants Simon Johnson, Andrew Huszar, and Roger Bootle at IntelligenceSquaredUS.org.

Primary Topic: Blog

Topics: Banking,Blog,Blog Highlights,Investment,Monetary Policy,Videos,Videos Highlights

Permalink: https://www.edwardconard.com/2015/11/20/ed-conard-defeats-iq2-motion-central-banks-can-print-prosperity-in-a-landslide-victory

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-defeats-iq2-motion-central-banks-can-print-prosperity-in-a-landslide-victory.png

Article 366

Title: Is Inequality Killing the American Dream?

Author(s)	Ed Conard
Publish Date	2015-10-23
Publish Time	12:45:39

Content: Ed Conard discusses income inequality and how risk-taking and innovation drive the economy with Michelle Fleury on the BBC's "Talking Business." Is Inequality Killing the American Dream? (Part 1) Is Inequality Killing the American Dream? (Part 2)

Topics: BBC,Blog,Inequality,Videos

Permalink: https://www.edwardconard.com/2015/10/23/is-inequality-killing-the-american-dream

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/10/ED_BBC_TB-e1473197241933.png

Article 367

Title: Will Trump Dominate Tonight's GOP Debate?

Author(s)	Ed Conard
Publish Date	2015-09-16
Publish Time	17:38:41

Content: Ed Conard discusses tonight's GOP presidential debate with Betty Liu and Pimm Fox on Bloomberg's "Markets Live."

Topics: Blog,Politics,Videos

Permalink: https://www.edwardconard.com/2015/09/16/will-trump-dominate-tonights-gop-debate

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/09/betty_4.png

Article 368

Title: Does the U.S. Need More Visas For the Highest-Skilled Foreign Workers?

Author(s)	Ed Conard
Publish Date	2015-08-18
Publish Time	18:48:18

Content: Ed Conard discusses whether Donald Trump's immigration plan is good for the U.S. economy on Fox Business News's "The Intelligence Report with Trish Regan."

Topics: Blog,Politics,Videos

Permalink: https://www.edwardconard.com/2015/08/18/does-the-u-s-need-more-visas-for-the-highest-skilled-foreign-workers

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/08/Ed_fbn_8_18_2-e1440016134661.png

Article 369

Title: Can Hillary Rally Conservative Voters with Biz Tax Credit Plan?

Author(s)	Ed Conard
Publish Date	2015-07-16
Publish Time	13:45:05

Content: Ed Conard discusses Hillary Clinton's plan for business with The Hill's Managing Editor Bob Cusack and Richard Fowler on Fox Business News's "Intelligence Report with Trish Regan."

Topics: Blog,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2015/07/16/can-hillary-rally-conservative-voters-with-biz-tax-credit-plan

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/08/new-new-e1437345665221-300x173.png

Article 370

Title: Hillary Clinton Misdiagnoses What Ails the Economy

Author(s)	Ed Conard
Publish Date	2015-07-13
Publish Time	13:42:13

Content: Ed Conard talks with Betty Liu about Hillary Clinton's new economic plan and the GOP's 2016 presidential candidates on Bloomberg TV's "Markets Live."

Topics: Blog,Politics,Videos

Permalink: https://www.edwardconard.com/2015/07/13/hillary-clinton-misdiagnoses-what-ails-the-economy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/08/Betty_5-e1436829238505-300x145.png

Article 371

Title: Which presidential hopefuls will be best for growing the economy?

Author(s)	Ed Conard
Publish Date	2015-06-18
Publish Time	12:05:32

Content: Ed Conard discusses which 2016 presidential candidates will be best for creating jobs and growing the economy on Fox News's "Risk & Reward."

Topics: Blog,economy,Growth,Politics,Videos

Permalink: https://www.edwardconard.com/2015/06/18/which-presidential-hopefuls-will-be-best-for-growing-the-economy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/06/Edward-Conard_RR-e1439589389170.png

Article 372

Title: Success of the 1% Has Not Caused Middle Class Stagnation

Author(s)	Ed Conard
Publish Date	2015-05-19
Publish Time	12:14:14

Content: Ed Conard sits down for a conversation on income inequality with The Manhattan Institute's VP for Policy Research Howard Husock and senior fellow Scott Winship at the 2015 National Meeting of the Adam Smith Society.

Topics: Blog,Inequality,Macroeconomics,Videos

Permalink: https://www.edwardconard.com/2015/05/19/success-of-the-1-has-not-caused-middle-class-stagnation

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/05/Ed-Panel-3-e1439589452833.png

Article 373

Title: Will Fed Regulations Cost Taxpayers $1.88 Trillion?

Author(s)	Ed Conard
Publish Date	2015-05-13
Publish Time	19:45:20

Content: Ed Conard and Fox News's Liz MacDonald discuss whether the cost of federal regulation will carry a $1.88 trillion price tag for taxpayers on Fox Business News's “Risk and Reward with Deirdre Bolton”.

Topics: Blog,Fed Regulations,Politics,taxes,Videos

Permalink: https://www.edwardconard.com/2015/05/13/are-fed-regulations-costing-taxpayers-1-88-trillion

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/05/Bolton-2-e1439589492605.png

Article 374

Title: Democrats block President Obama's fast-track trade deal

Author(s)	Ed Conard
Publish Date	2015-05-13
Publish Time	19:39:18

Content: Ed Conard and Sen. John Thune discuss President Obama's proposed legislation that would give him the ability fast-track the international trade deal on Fox Business News's "Risk and Reward with Deirdre Bolton".

Topics: Blog,Democratic Party,Growth,Politics,Trade,Videos

Permalink: https://www.edwardconard.com/2015/05/13/democrats-block-president-obamas-fast-track-trade-deal

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/democrats-block-president-obamas-fast-track-trade-deal.png

Article 375

Title: Rahm Emanuel win foreshadows inequality fight w/in Democratic Party

Author(s)	Ed Conard
Publish Date	2015-04-08
Publish Time	11:37:55

Content: Ed Conard discusses Rahm Emanuel's victory in the Chicago mayoral race along with Bloomberg View's Francis Barry and Matt Miller on Bloomberg's "In The Loop." BPlayer(null, {"id":"dq6Bfw~MR4~X3PuSW1dN3g","htmlChildId":"bbg-video-player-dq6Bfw~MR4~X3PuSW1dN3g","serverUrl":"http://www.bloomberg.com/api/embed","idType":"BMMR","autoplay":false,"video_autoplay_on_page":false,"log_debug":false,"ui_controls_popout":false,"use_js_ads":true,"ad_code_prefix":"","ad_tag_gpt_preroll":true,"ad_tag_gpt_midroll":true,"ad_tag_sz_preroll":"1x7","ad_tag_sz_midroll":"1x7","ad_network_id_preroll":"5262","ad_network_id_midroll":"5262","ad_tag_cust_params_preroll":"","ads_vast_timeout":10000,"ads_playback_timeout":10000,"module_conviva_insights":"enabled","conviva_account":"c3.Bloomberg","wmode":"opaque","use_comscore":true,"comscore_ns_site":"bloomberg","comscore_page_level_tags":{"bb_brand":"bbiz","bss_cont_play":0,"bb_region":"US"},"use_chartbeat":true,"chartbeat_uid":"15087","chartbeat_domain":"bloomberg.com","use_share_overlay":true,"share_metadata":{"canonical_url":"http://www.bloomberg.com/news/videos/2015-04-08/what-lessons-were-learned-from-chicago-mayor-s-race-"},"vertical":"business","width":640,"height":360,"ad_tag":"","ad_tag_midroll":"","offsite_embed":true});

Topics: Blog,Chicago,Democratic Party,Growth,Inequality,Politics,Rahm Emanuel

Permalink: https://www.edwardconard.com/2015/04/08/rahm-emanuel-win-foreshadows-inequality-fight-win-democratic-party

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/04/Bloom_clip-3-picture-e1439589635633.png

Article 376

Title: Does the success of the 1% hurt the middle & working class?

Author(s)	Ed Conard
Publish Date	2015-04-08
Publish Time	11:28:37

Content: Ed Conard discusses income inequality with Matt Miller on Bloomberg's “In the Loop."
BPlayer(null, {"id":"Ef0RDVclQse7c3lWk3lVSQ","htmlChildId":"bbg-video-player-Ef0RDVclQse7c3lWk3lVSQ","serverUrl":"http://www.bloomberg.com/api/embed","idType":"BMMR","autoplay":false,"video_autoplay_on_page":false,"log_debug":false,"ui_controls_popout":false,"use_js_ads":true,"ad_code_prefix":"","ad_tag_gpt_preroll":true,"ad_tag_gpt_midroll":true,"ad_tag_sz_preroll":"1x7","ad_tag_sz_midroll":"1x7","ad_network_id_preroll":"5262","ad_network_id_midroll":"5262","ad_tag_cust_params_preroll":"","ads_vast_timeout":10000,"ads_playback_timeout":10000,"module_conviva_insights":"enabled","conviva_account":"c3.Bloomberg","wmode":"opaque","use_comscore":true,"comscore_ns_site":"bloomberg","comscore_page_level_tags":{"bb_brand":"bbiz","bss_cont_play":0,"bb_region":"US"},"use_chartbeat":true,"chartbeat_uid":"15087","chartbeat_domain":"bloomberg.com","use_share_overlay":true,"share_metadata":{"canonical_url":"http://www.bloomberg.com/news/videos/2015-04-08/are-the-1-richer-because-they-innovate-more-"},"vertical":"business","width":640,"height":360,"ad_tag":"","ad_tag_midroll":"","offsite_embed":true});

Topics: Blog,economy,Growth,Income Inequality,Inequality,Innovation,middle class,Videos

Permalink: https://www.edwardconard.com/2015/04/08/does-the-success-of-1-hurt-the-middle-working-class

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/04/Bloom_clip-2-picture-e1439589696374.png

Article 377

Title: Has an MIT PhD debunked Piketty's inequality argument?

Author(s)	Ed Conard
Publish Date	2015-04-08
Publish Time	11:18:11

Content: Ed Conard discusses a challenge to Thomas Piketty's findings on the causes of rising inequality from MIT PhD Matthew Rognlie with Matter Miller on Bloomberg's "In The Loop."

BPlayer(null, {"id":"nvfpf46YQcqOVXoeGze6Ug","htmlChildId":"bbg-video-player-nvfpf46YQcqOVXoeGze6Ug","serverUrl":"http://www.bloomberg.com/api/embed","idType":"BMMR","autoplay":false,"video_autoplay_on_page":false,"log_debug":false,"ui_controls_popout":false,"use_js_ads":true,"ad_code_prefix":"","ad_tag_gpt_preroll":true,"ad_tag_gpt_midroll":true,"ad_tag_sz_preroll":"1x7","ad_tag_sz_midroll":"1x7","ad_network_id_preroll":"5262","ad_network_id_midroll":"5262","ad_tag_cust_params_preroll":"","ads_vast_timeout":10000,"ads_playback_timeout":10000,"module_conviva_insights":"enabled","conviva_account":"c3.Bloomberg","wmode":"opaque","use_comscore":true,"comscore_ns_site":"bloomberg","comscore_page_level_tags":{"bb_brand":"bbiz","bss_cont_play":0,"bb_region":"US"},"use_chartbeat":true,"chartbeat_uid":"15087","chartbeat_domain":"bloomberg.com","use_share_overlay":true,"share_metadata":{"canonical_url":"http://www.bloomberg.com/news/videos/2015-04-08/a-26-year-old-mit-student-takes-on-thomas-piketty"},"vertical":"business","width":640,"height":360,"ad_tag":"","ad_tag_midroll":"","offsite_embed":true});

Topics: Blog,economy,Growth,Income Inequality,Inequality,MIT,Piketty,Videos

Permalink: https://www.edwardconard.com/2015/04/08/does-an-mit-student-debunk-pikettys-inequality-argument

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/04/Bloom_clip-1-picture-e1439589745335.png

Article 378

Title: Is the 1% to blame for stagnate wages?

Author(s)	Ed Conard
Publish Date	2015-04-07
Publish Time	17:06:54

Content: Ed Conard discusses whether the 1% is to blame for stagnate wages with Deirdre Bolton on Fox Business News's "Risk and Reward."

Topics: 1%,Blog,economy,Growth,Inequality,middle class,Minimum Wage,Videos,wages

Permalink: https://www.edwardconard.com/2015/04/07/is-the-1-to-blame-for-stagnate-wages

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/04/bolton_4-e1439589811236.png

Article 379

Title: Is Rand Paul more than a philosophy?

Author(s)	Ed Conard
Publish Date	2015-04-07
Publish Time	17:02:02

Content: Ed Conard discusses Senator Rand Paul's entrance into the 2016 presidential race with Deirdre Bolton on Fox Business News's "Risk and Reward." </p> <p>

Topics: Blog,economy,election 2016,GOP,Politics,Rand Paul,Videos

Permalink: https://www.edwardconard.com/2015/04/07/is-rand-paul-more-than-a-philosophy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/04/EC_bolton_4_7-2-e1439589957889.png

Article 380

Title: Why Have Wages Stagnated Despite Employment Growth?

Author(s)	Ed Conard
Publish Date	2015-02-20
Publish Time	11:43:51

Content: Ed Conard explains to the BBC's Linda Yueh why middle class incomes stagnated despite 50% growth in U.S. employment since 1980.

Topics: BBC,Blog,Employment,Growth,income growth,Videos,Videos Highlights,wages

Permalink: https://www.edwardconard.com/2015/02/20/why-have-wages-stagnated-despite-employment-growth

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/02/conard-on-bbc-e1439590059713.png

Article 381

Title: What's the Price of Inequality?

Author(s)	Ed Conard
Publish Date	2015-02-05
Publish Time	16:16:14

Content: Ed speaks with Robert Peston, BBC economics editor, to counter common income inequality misconceptions. Listen to Part 1 and Part 2.

Topics: 1%,BBC,Blog,Income Inequality,Inequality,Radio,wealth gap

Permalink: https://www.edwardconard.com/2015/02/05/whats-the-price-of-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/02/GlobalEconomy-e1439590141219.jpg

Article 382

Title: Does the Pursuit of Status Drive Growth?

Author(s)	Ed Conard
Publish Date	2015-01-29
Publish Time	13:14:26

Content: After Scott Sumner surveyed, with aghast, the uselessness of the leather-bound backgammon sets and other luxury goods on the FT's HowtoSpendit website, he couldn't help but post an argument for progressive consumption taxes. Sadly, his argument overlooks the most valuable aspect of "luxury" goods—their motivational effect. Talented people can earn a living with less work and entrepreneurial risk-taking—two things that grow the economy and increase employment. Nevertheless, many talented workers work hard to earn money for the sake of status. As a result, the products, services, and resulting fantasies that seduce talented workers to work harder and take more entrepreneurial risk are critical to the success of the middle and working class. Higher-earning workers probably work more hours than most workers on average because their marginal hour of work produces more value than it does for others, even if the value of an addition dollar declines in value as a worker earns more. Nevertheless, if motivation were simply a matter of declining marginal utility, it is odd to find that the highest-earning workers choose to participate in the workforce more, on average, and work longer hours than other workers. Similarly, better-educated women have fewer children (a luxury) and postpone birth longer so they can work and earn more. And many of the richest workers continue working despite having more money than their families can spend. Clearly, people work for reasons other than just material wellbeing—chiefly, for status. While a progressive consumption tax, which Sumner proposes, may be an improvement over a progressive income tax, it will likely have a similar demotivating effect on risk-taking and hard work as higher taxes have had in Europe—a cost Sumner's argument ignores. In Europe, armies of talented workers run off to vacation—where the value of leisure is untaxed—rather than arduously endeavoring to create the next Google or Facebook, as they do in America. Europe's relative lack of effort has had a gradual compounding effect that has grown substantial over time. Unlike the United States, the institutional capabilities of Europe's employers and employees can no longer produce growth akin to America's despite access to the same technologies and a similarly, if not a better, educated workforce. In contrast, America's ingenuity and institutional capabilities have produced outsized employment growth relative to Europe despite median disposable household incomes that are 20 to 30% higher. Through a self-reinforcing feedback loop, relatively diminished European institutional capabilities lower the expected payoff and motivation for hard work and successful risk-taking, which are essential to building institutional capabilities. In America, a wave of low-skilled immigrants—generally the poorest workers—has been the chief beneficiary of faster growth. The rich on the other hand, have worked more, and while earning more, have largely fought each other to a draw in the race for relative displays of status. As success grows greater on average, avoiding loss of status becomes the chief source of motivation, just as avoiding lost profit is large part of the return on investment. Subzero refrigerators and expensive cars become must-have products. It's hard to see how the European alternative—or how higher taxes on goods and services that motivate status-seeking Americans to work harder and take more entrepreneurial risks—has proven to be more beneficial to the poor. Moreover, Sumner's hypothesis that envy motivates the middle class to tax the rich, while plausible, seems unlikely and unnecessary. Rather, the support of the middle class for taxing the rich seems quite straightforward—it's just a matter of tax or be taxed and where a bird in the hand—more government benefits today funded by others—is worth two in the bush—namely the hard-to-fathom "opportunity" to work more tomorrow. Even if the opportunity to work more were certain, which it is not, many voters no longer find that opportunity compelling.

Topics: Blog,Growth,luxury,Productivity,Scott Sumner,Spending,taxes

Permalink: https://www.edwardconard.com/2015/01/29/does-the-pursuit-of-status-drive-growth

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/01/jobs-graphic.jpg

Article 383

Title: Obama SOTU: Clever Politics, Bad Economics

Author(s)	Ed Conard
Publish Date	2015-01-21
Publish Time	21:14:46

Content: Ed sits down with Deirdre Bolton on Fox Business News to discuss President Obama's 2015 State of the Union speech.

Topics: Blog,Growth,Videos

Permalink: https://www.edwardconard.com/2015/01/21/obama-sotu-clever-politics-bad-economics

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/01/picture-1-e1421892440454.png

Article 384

Title: How the Government Can Tackle Cyber Security

Author(s)	Ed Conard
Publish Date	2015-01-21
Publish Time	20:50:32

Content: Ed joins Cedric Leighton and Cheri McGuire to discuss Washington’s plan to tackle cyber threats on Fox Business News with Deirdre Bolton.

Topics: Blog,Videos

Permalink: https://www.edwardconard.com/2015/01/21/how-the-government-can-tackle-cyber-security

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/01/picture-2-e1421891246301.png

Article 385

Title: D.C.’s Tax Inversion Problem & Presidential Politics

Author(s)	Ed Conard
Publish Date	2015-01-16
Publish Time	14:09:11

Content: Ed sits down with Bloomberg's Trish Regan on "Street Smart" to discuss the tax inversion threat to Washington and the GOP’s 2016 contenders.

Topics: Blog,Bloomberg,economy,Growth,inversion,taxes,Videos

Permalink: https://www.edwardconard.com/2015/01/16/d-c-s-tax-inversion-problem-presidential-politics

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/01/EdSmartStreet.png

Article 386

Title: Does the GOP already have a proven candidate for 2016?

Author(s)	Ed Conard
Publish Date	2015-01-14
Publish Time	18:00:07

Content: Ed discusses the 2016 election and why Mitt Romney should run for President on Kilmeade & Friends. List to the interview here.

Topics: Blog,Fox News,Mitt Romney,politics,Radio

Permalink: https://www.edwardconard.com/2015/01/14/does-the-gop-already-have-a-proven-candidate-for-2016

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/does-the-gop-already-have-a-proven-candidate-for-2016.png

Article 387

Title: Election 2016 & the fate of the middle class on Bill Martinez Live

Author(s)	Ed Conard
Publish Date	2015-01-14
Publish Time	9:23:51

Content: Click here to listen to the full interview. [audio mp3="https://www.edwardconard.com/wp-content/uploads/2015/01/BML_04_Ed_Conard_01_13_15.mp3"][/audio]

Topics: Bill Martinez,Blog,economy,election 2016,politics,Radio

Permalink: https://www.edwardconard.com/2015/01/14/election-2016-the-fate-of-the-middle-class-on-bill-martinez-live

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/01/BillMartinez.jpeg

Article 388

Title: A New Year's Resolution Worth Making

Author(s)	Ed Conard
Publish Date	2014-12-31
Publish Time	9:06:09

Content: Real Clear Politics By Edward Conard | December 31, 2014 With oil prices plunging below $60 a barrel, the U.S. economy growing at an annualized 5 percent last quarter, and the Dow soaring above 18,000, it's easy to overlook academic research published in 2014 that will likely have a lasting impact on economic debate. In particular, a half-dozen highly credible studies debunked widely-held economic myths. Each of these studies illustrate the need to confront wishful thinking with a great deal of skepticism. The year began with Harvard's Raj Chetty and Emmanuel Saez, of the famed Piketty and Saez duo, publishing a landmark study on U.S. economic mobility. They concluded: "Contrary to the popular perception, we find that percentile rank-based measures of intergenerational mobility have remained extremely stable for the 1971-1993 birth cohorts." In fact, "the probability that a child from a low-income family [e.g., the bottom 20%] reaches a fixed upper income threshold [e.g., $100,000]...has increased." Were mobility declining, it could be construed as evidence of rising cronyism. In April, Thomas Piketty published the English version of his book Capital in the Twenty-First Century, in which he tried to create a new myth, namely that cronyism has created a self-perpetuating accumulation of wealth that will compound faster than the economy, substitute for labor, and exert downward pressure on wages. While Paul Krugman described Piketty's theory that cronyism has predominantly driven the accumulation of capital as "an intellectual sleight of hand" and Larry Summers described Piketty's theory that capital can produce a higher return than the economy's growth rate independent of the supply and demand for capital as a "misreading of the literature," two studies did the heavy lifting. Four French economists published a paper in May that challenged the basis of Piketty's argument—that productive capital is accumulating faster than GDP. They concluded: "[Piketty's] result is based on the rise of only one of the components of capital, namely housing capital...'Productive' capital, excluding housing, has only risen weakly relative to income over the last few decades...Over the longer run, the 'productive' capital/income ratio has not increased at all." Later in the year, Tino Sanandaji scrutinized Piketty's sources and concluded: "Piketty...cites the relevant research on top earners incorrectly...'Hierarchical relationships' and 'relative bargaining power' do not explain rising top incomes in America...because the largest segment of the group Piketty calls 'supermanagers' do not work in hierarchical organizations to begin with— they are business owners running their own firms. The earnings of business owners are determined by market forces and equity prices, not bargaining with their 'hierarchical superiors'...In 2010, self-employed business owners account for an astonishing 70 percent of the wealth of the top 0.1 percent...Salaried corporate executives are too few in number to account for more than 2 or 3 percent of the earnings of the top 0.1 percent. CEOs with excessive compensation packages negotiated in smoky rooms are an easy target, but they do not constitute an economically significant group." Soon after, Paul Krugman admitted: "I'm actually a skeptic on the inequality-is-bad-for-performance proposition...[I'm] worried that the evidence for some popular stories is weaker than I'd like." Just in time for "Equal Pay Day," Claudia Goldin, one of Harvard's renowned labor economists, found that, beyond the lower-paying professions women tend to choose-e.g., social work rather than computer programing-differences in cumulative career hours worked accounts for the remaining gender pay gap. Goldin concluded: "In many occupations earnings have a nonlinear relationship with respect to hours. A flexible schedule often comes at a high price, particularly in the corporate, financial, and legal worlds." In professions, like pharmacology and computer programing, where working part time or taking time off does not diminish productivity, Goldin found little, if any, gender pay gap between comparable workers. In June, another of Harvard's renowned labor economists, George Borjas, published Immigration Economics, which confronted the hard-to-believe claim that immigrant high school dropouts complement native high school dropouts by performing work that Americans refuse to do. Borjas finds that where immigration increases the number of workers in a skill group by 10 percent, it reduces wages by 4 percent. Rather than claiming that immigrants perform work Americans are unwilling to do, perhaps it is more accurate to say they perform tasks at wages Americans are unwilling to take. As the year drew to a close, Jeffery Clemens and Michael Withers, both from the University of California-San Diego, published a study that used data from the Survey of Income and Program Participation to track the employment and earning histories of individuals most affected by increases in the minimum wage. Their approach contrasted with prior studies that examined groups of workers which contain individuals affected in varying degrees—fast-food industry workers, for example, where some workers earn more than the minimum wage. This approach allowed for more careful comparisons between more- and less-affected workers. The study found that increases in the minimum wage over the last 10 years have reduced employment among low-skilled workers 6 to 9 percentage points and subsequently reducing the chances of low-skilled workers transitioning to lower-middle class employment (i.e. $1,500 of monthly income) 3 to 4 years hence by 25 to 50 percent. The study also found that employers replace lower-skilled low-skilled workers with higher-skilled low-skilled workers when minimum wages rise. These offsets mask reductions in the lowest-skilled workers, especially in studies of industries that employs both types of low-skilled workers, like the fast-food industry. Our desire to help others is a powerful instinct, especially when we can help without significant cost to ourselves. We are eager to believe that we can help disadvantaged workers by raising minimum wages, even though the law of supply and demand counsels us otherwise. We are quick to deny immigration's adverse effect on low-skilled wages. We are keen to believe we can raise the wages of women despite employers logically hiring lower-priced women to do the equivalent work of men until they are no longer available. We are inclined to believe the gains of those more successful than ourselves are ill-gotten and therefore can be taxed and redistributed without diminishing incentives to take entrepreneurial risks that grow our economy, even though entrepreneurialism and employment growth are greatly diminished in Europe and Japan where incomes are more equally distributed. Each of these studies show us that we should confront our wishful thinking with a great deal of skepticism. That's a New Year's resolution worth making. Edward Conard; Author, Unintended Consequences: Why Everything You’ve Been Told About the Economy is Wrong; Visiting Scholar, American Enterprise Institute; former partner, Bain Capital

Topics: 2014,Blog,economic research,economy,OpEds,OpEds Highlights,policy,Print

Permalink: https://www.edwardconard.com/2014/12/31/a-new-years-resolution-worth-making

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/11/realclearpol.jpg

Article 389

Title: Sizing up the world economy & presidential politics

Author(s)	Ed Conard
Publish Date	2014-12-09
Publish Time	18:56:12

Content: Ed Conard sizes up the global economy and discusses presidential politics on Fox Business News' Risk and Reward with Deirdre Bolton. Part I Part II

Topics: Blog,fox,fox business news,global economy,Investment,politics,Videos

Permalink: https://www.edwardconard.com/2014/12/09/sizing-up-the-world-economy-presidential-politics

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/12/sizing.png

Article 390

Title: Krugman Steps Closer Toward Conceding Case Against Income Inequality Is Mistaken

Author(s)	Ed Conard
Publish Date	2014-12-05
Publish Time	15:43:08

Content: Earlier this week Paul Krugman took another step closer to conceding that the case against income inequality is mistaken. He said, “I’m actually a skeptic on the inequality-is-bad-for-performance proposition. … [I’m] worried that the evidence for some popular stories is weaker than I’d like.” Krugman laid some of the groundwork for his growing concession in his review of Piketty’s Capital in the Twenty-First Century where Krugman voiced cautious skepticism for Piketty’s core thesis—that increased cronyism was driving the income growth of the 1%. Krugman complained: "…there is one thing that slightly detracts from [Piketty’s] achievement [in Capital in the Twenty-First Century]—a sort of intellectual sleight of hand. … [The] rise [of America’s 1%] has happened for reasons that lie beyond the scope of Piketty’s grand thesis [i.e. the growing accumulation of capital]. … What we have seen in America…is something “radically new”—the rise of “supersalaries.” Now, to be fair, [Piketty] …advances a possible economic analysis of changing norms, arguing that falling tax rates for the rich have in effect emboldened the earnings elite….[to] behave differently [i.e. to exploit cronyism despite prior social norms to the contrary]. There’s a lot to be said for this diagnosis, but it clearly lacks the rigor and universality of Piketty’s analysis of the distribution of and returns to wealth." "Also, I don’t think Capital in the Twenty-First Century adequately answers the most telling criticism of the executive power hypothesis: the concentration of very high incomes in finance, where performance actually can…be evaluated. … Their rise can’t be attributed solely to power relations." "Overall, I’m more or less persuaded by Piketty’s explanation of the surge in wage inequality. … But as I said, his analysis here lacks the rigor of his capital analysis."

Topics: Blog,Income Inequality,Inequality,Paul Krugman,Thomas Piketty

Permalink: https://www.edwardconard.com/2014/12/05/krugman-steps-closer-toward-conceding-case-against-income-inequality-is-mistaken

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/12/krugman.jpeg

Article 391

Title: Pitfalls for hedge-funds in venture capital

Author(s)	Ed Conard
Publish Date	2014-10-27
Publish Time	18:53:33

Content: Ed discusses with Deirdre Bolton on Fox Business News. . . Part I Watch the latest video at video.foxbusiness.com Part II Watch the latest video at video.foxbusiness.com

Topics: Blog,Growth,Videos

Permalink: https://www.edwardconard.com/2014/10/27/pitfalls-for-hedge-funds-in-vc

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Article 392

Title: Mohamed El-Erian joins Elise Gould to continue yesterday's IQ2 debate: Does income inequality impair upward mobility?

Author(s)	Ed Conard
Publish Date	2014-10-24
Publish Time	18:01:52

Content: . .

Topics: Blog,Videos

Permalink: https://www.edwardconard.com/2014/10/24/ed-and-elise-gould-continue-their-iq2-debate-does-income-inequality-impair-upward-mobility

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/mohamed-el-erian-joins-elise-gould-to-continue-yesterdays-iq2-debate-does-income-inequality-impair-upward-mobility.png

Article 393

Title: Ed Defeats Motion "Income Inequality Impairs the American Dream of Upward Mobility.”

Author(s)	Ed Conard
Publish Date	2014-10-24
Publish Time	12:57:38

Content: Despite a highly partisan crowd of voters, Ed defeats the IQ2 Motion: "Income Inequality Impairs the American Dream of Upward Mobility.” Thirty percent of the voters moved to Ed’s side of the motion—one of the largest swings in the history of IQ2. Here and below are Ed’s opening and closing remarks. Against the IQ2 Motion “Income Inequality Impairs the American Dream of Upward Mobility”: If income inequality truly impaired mobility, there would be telltale signs: Growing inequality would have reduced mobility. It hasn’t. Even Emanuel Saez, of the liberal Piketty and Saez duo, admits, the chance of a low-income child reaching any higher level of income has increased. Economies with more equally distributed incomes would have greater mobility. They don’t. Even Miles Corak, whose findings the Obama Admiration claimed underpinned their infamous “Great Gatsby Curve,” admits, there are “almost no differences in upward mobility between Canada, Sweden, and the U.S.” Transferring more money to the poor would increase mobility. It hasn’t. Spending more money on education would increase test scores. It hasn’t. We may not know how to increase mobility, but we do know that growing prosperity raises the living standards of the poor. This isn’t really a debate about whether inequality impairs mobility. It’s really about whether the success of America’s top-earners hurts the middle and working class. Our opponents see the economy as a pie to be divided. Read More→

Topics: Videos

Permalink: https://www.edwardconard.com/2014/10/24/watch-the-iq2-debate-ed-defeats-motion-income-inequality-impairs-the-american-dream-of-upward-mobility

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/10/ed3.jpg

Article 394

Title: Krugman Ignores Buyers Surplus and the Motivational Value of Status

Author(s)	Ed Conard
Publish Date	2014-09-26
Publish Time	17:49:54

Content: In today's "The Showoff Society" Paul Krugman continues to blame the drive for status among America's most successful workers for abundant waste that yielded stagnant wage growth. Yesterday, he failed to recognize the drive for status fuels investment, risk-taking and innovation that helped spur U.S. job growth to twice the rate of Europe and three times the rate of Japan since 1980, and that the slowdown in wage growth likely resulted from open trade and immigration borders in the face of a worldwide surplus of labor. Today, Krugman ignores buyers' surplus—the value of goods to buyers over and above their price, which, according to liberal economists like Dean Baker and Brad De Long, is perhaps 5 times larger than the value captured by producers. In other words, producers and investors only capture 20 percent of the value created by their work, innovation, risk-taking, and investment. Consumers capture the other 80 percent. Moreover, according to a study published by the Federal Reserve, high-income Americans save upwards of 40% of their income on average—the wealthiest invest an even higher portion. As well, the portion of income used to buy existing assets, like art and real estate, doesn't consume economic resources; it merely transfers ownership rights from sellers to buyers. So a highly paid worker wastes a smaller portion of the value he or she produces than Krugman admits. And if ostentatious spending raises the bar for status and subsequently motivates other talented worker to work harder, take more risk, and invest more, that consumption is not simply wasted either. These dynamics drive free enterprise, which has lifted mankind out of poverty and raised living standards to extraordinary levels over the course history.

Topics: Blog,Employment,Free Enterprise,Paul Krugman,Wage Growth

Permalink: https://www.edwardconard.com/2014/09/26/krugman-ignores-buyers-surplus-and-the-motivational-value-of-status

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/09/Paul_Krugman_BBF_2010_Shankbone1-e1439820170750.jpg

Article 395

Title: Does Rat Race Waste Resources? Krugman and I disagree

Author(s)	Ed Conard
Publish Date	2014-09-25
Publish Time	16:38:48

Content: Paul Krugman demonstrates a laughable misunderstanding of economics in his blog post “Having It and Flaunting It” yesterday. He mistakenly claims “status competition…is a zero-sum game … where a lot of our economic growth has simply been wasted, doing nothing but accelerating the pace of the upper-income rat race.” The drive for status and the rat race it accelerates is not zero sum. Quite the contrary, it produces risk-taking, investment, and innovation. Would we rather our most talented workers work less and vacation more like they do in Europe, or solve interesting puzzles, like chess, that don’t benefit customers? Surely not. We all benefit when mankind’s talent works hard to solve problems valued by others. Krugman claims a large share of the gains since 1980 have gone to people with very high incomes. That may be true, but he ignores the fact that U.S. employment grew more than twice as fast as France and Germany’s and more than three times faster than Japan’s since then. Perhaps working class wages would have grown faster if the supply of labor had been more restricted like it is in Japan and has been in Europe. But he might want to ask the 37 million U.S. adult immigrants, their 16 million adult children and the young children of those 53 million adults as well as the millions of offshore workers working on behalf of the U.S. economy whether they would have preferred the slower growth of Europe and Japan. Fat chance. This post also appears on AEIdeas, the public policy blog of the American Enterprise Institute.

Topics: Blog,Employment,Europe,Immigration,Paul Krugman

Permalink: https://www.edwardconard.com/2014/09/25/does-rat-race-waste-resources-krugman-and-i-disagree

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/09/w.jpg

Article 396

Title: Tax Inversion Primer w/ Simon Constable on WSJ Live

Author(s)	Ed Conard
Publish Date	2014-09-03
Publish Time	18:10:45

Content: . .

Topics: Blog,Simon Constable,Videos,WSJ

Permalink: https://www.edwardconard.com/2014/09/03/3-min-tax-inversion-intro-w-simon-constable-on-wsj-live

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/simon-constable-on-wsj-live.png

Article 397

Title: Brookings Study Indicates Education and Parents’ Marital Status Have Large Impact on Mobility

Author(s)	Ed Conard
Publish Date	2014-08-27
Publish Time	10:50:37

Content: Brookings recently published a they-owe-the-public-better report on income inequality. One of the report’s headline conclusions shows, without any qualification, that growing up African American and poor (bottom quintile of earnings) is worse, from an expected earnings perspective, than growing up white and poor. See the chart below. While that may be true, a fairer way to measure whether America treats races differently is to factor out traits they have in common—chiefly, marital and educational status (the traits chosen by Brookings). Differences in racial treatment are best compared holding these other significant factors constant. Being African American per se may not make a person poor; rather, being raised by an unmarried parent and failing to graduate from school may make a person poor. Unfortunately, the report doesn’t present its evidence that fairly. Nevertheless, readers can draw perspectives from the report. According to Brookings’ evidence, for example, if poor married parents raise a child, the child has a near-even chance of ending up in any of the five income quintiles—what the author describes as “an opportunity utopia.” Married parents raise their child’s expected earnings two quintiles over children raised by a never-married parent (using the income distribution in the Brookings report). Surely, marriage is correlated to other traits—traits that may leave their families in poverty for example. But the fact that marriage has the same two-quintile effect on middle class children indicates that marriage itself likely has a significant effect on success. Similarly, graduating from college raises a person’s expected earnings about one quintile over a person who graduated from high school only and two-and-a-half quintiles over a person who did not complete high school, regardless of whether the person comes from a poor or middle-class family. Again, successfully completing college surely indicates innate traits like intelligence and conscientiousness that contribute to success, but these traits seem to have similar benefits for poor and middle-class children. It’s clear from the evidence: what overwhelmingly makes a person poor, whether African American or white, is an inability or failure to complete school and being raised by an unmarried parent. If racism has additional effects, Brookings chose not to reveal it. With the possibility of racism removed, the Brookings’ data show poor white children have a near-equal opportunity to advance to any level of income. Surely, these poor children also have lower graduation rates and higher incidences of unmarried parents than other children. Taking these factors into account, it’s hard to see income having much effect on mobility from the evidence Brookings presents.

Topics: Blog,Brookings,Marital Status,Race

Permalink: https://www.edwardconard.com/2014/08/27/brookings-study-indicates-education-and-parents-marital-status-have-large-impact-on-mobility

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/08/EarningsDistribution.png

Article 398

Title: Data Show Pay Increased for Middle Class Workers Since 2000

Author(s)	Ed Conard
Publish Date	2014-08-26
Publish Time	11:50:14

Content: An op-ed by David Cay Johnson points out that people earning between $100,000 and $400,000 per year captured “an astonishing” 75 percent of all (real) pay increases between 2000 and 2012. Twenty-two of those 75 percentage points stem from the fact that these workers earned 22 percent of the pay in 2000. So, all things equal, they would have earned 22 percent of any increase. The rest comes from 2.1 million people who had previously earned less than $100,000 joining their ranks—an astonishing 25 percent increase. (The number of people earning more than $400,000 also increased.) Johnson complains that those earning between $40,000 and $100,000 per year have lost 200,000 jobs because of “cuts in local government employment and the offshoring of factory work.” It’s more accurate to say this cohort gained 1.9 million jobs (a faster-than-average 4.4 percent increase) but lost 2.1 million jobs to pay raises that increased their (real pay) to more than $100,000 per year. That’s not to say America’s job creation machine hasn’t faltered in the recovery. Since 2007, growth in the number of college graduates exceeds the growth in managerial and professional jobs. There are fewer high-paying jobs for low-skilled workers relative to the number of low-skilled workers. And an increase in 3 million part-time jobs has replaced 3 million full time jobs.

Topics: Blog,David Cay Johnson,Wage Growth

Permalink: https://www.edwardconard.com/2014/08/26/data-show-pay-increased-for-middle-class-workers-since-2000

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/08/er-e1439820675467.jpg

Article 399

Title: Social Security Significantly Impacts Distribution of Wealth

Author(s)	Ed Conard
Publish Date	2014-08-22
Publish Time	12:00:33

Content: In a post about a survey released this month showing Americans are much less concerned about income inequality than Europeans, despite similar perceptions about the distribution of income in their countries, Paul Krugman described Americans as “delusional.” He sees this delusion stemming from racism that results in a “unique suspicion of and hostility to social insurance and anti-poverty programs,” which “empowers right-wing groups … [to] issue a lot of propaganda dismissing and minimizing inequality.” The survey, as well as Krugman’s blog post, cites the belief among Americans that the top 20 percent own 59 percent of the country’s wealth when, in fact, they own 84 percent as evidence of this supposed delusion. But when estimates of wealth properly include the value of Social Security, Medicare, and Medicaid, American intuition is surprising accurate. After redistribution, the top 20 percent receive 55 percent of the wealth—in line with people’s estimates. As well, despite popular misconceptions, OECD data confirm America spends more on social welfare than any other country—$13,500 per capita in 2009, nearly 25 percent more than the second largest spender, France, and 35 percent more than Germany, Sweden, and other high-spending Scandinavian countries.

Topics: Blog,Europe,Growth,Paul Krugman,Social Security,Social Welfare

Permalink: https://www.edwardconard.com/2014/08/22/social-security-significantly-impacts-distribution-of-wealth

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/08/graph-3-e1439820798199.png

Article 400

Title: Americans Much Less Concerned about Inequality than Europeans

Author(s)	Ed Conard
Publish Date	2014-08-22
Publish Time	11:38:13

Content: A survey released this month by the Cologne Institute for Economic Research finds Americans are much less concerned about income inequality than Europeans. Despite similar perceptions about the distribution of income as the Germans and French, only 30 percent of Americans believe “differences in income in [their country] are too large” versus 50 percent of the Germans and 70 percent of the French. Why might Americans be much less concerned about inequality? Perhaps, middle and working class Americans recognize they have benefited from the outsized success of America’s 1 percent. The demand created by that success has grown employment more than twice as much as in France and Germany—a 50 percent increase in employment since 1980. This has put upward pressure on wages despite downward pressure from immigration and open trade. According to OECD estimates, U.S. median family disposable incomes (i.e., after healthcare expenditures) are 30 percent more than Germany and France. A more conservative estimate suggests median U.S. disposable income is 15 percent higher than Germany and 25 percent higher than France.

Topics: Blog,Employment,Europe,Growth,Wage Growth

Permalink: https://www.edwardconard.com/2014/08/22/americans-much-less-concerned-about-inequality-than-europeans

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/08/graph-2-e1439820915872.png

Article 401

Title: America Spends 25 Percent More per Capita on Social Welfare than Any Other Country

Author(s)	Ed Conard
Publish Date	2014-08-21
Publish Time	22:58:40

Content: Despite popular misconceptions, Organisation for Economic Cooperation and Development (OECD) data confirms America spends more on social welfare than any other country—$13,500 per capita in 2009. This is nearly 25 percent more per capita than the second largest spender, France, and 35 percent more than Germany, Sweden, and other high-spending Scandinavian countries. Several factors obscure this truth. Europe taxes benefits more heavily, whereas benefits are often tax-exempt in the United States. The private sector finances a much greater share of social spending in America, particularly healthcare. While France spends more than America as a share of GDP—32 vs. 29 percent—the much larger U.S. GDP per capita—$47,000 vs. $34,000, $36,000 and $38,000 in France, Germany, and Sweden respectively—yields much greater spending per capita. The current OECD findings are similar to its 2007 findings—the year prior to the financial crisis—and to a 2003 study that contributed to the OECD's methodology. In both previous studies, the U.S. spent more per capita than other countries and a similar amount per capita before the crisis in 2007 as it did in 2009.

Topics: Blog,Europe,Growth,Inequality,Social Welfare

Permalink: https://www.edwardconard.com/2014/08/21/america-spends-25-percent-more-per-capita-on-social-welfare-than-any-other-county

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/08/Untitled1-e1439821032853.png

Article 402

Title: Studies Debunk Evidence that Higher Minimum Wages Don't Hurt Low-skilled Employment

Author(s)	Ed Conard
Publish Date	2014-08-21
Publish Time	18:32:45

Content: An op-ed in today's WSJ debunks shoddy evidence used by President Obama to claim that raising minimum wages increases growth. If raising wages truly stimulated demand, then larger increases should produce more growth. The research found the opposite: Of "the 13 states that raised their minimum wage in January [the states used as evidence by the president], those that raised it the most had, on average, lower job growth than did those that raised it the least." In fact, the three states that raised it the most—Connecticut, New Jersey, and New York—had worse job growth than the 37 states that did not raise their minimum wage at all. The president's evidence joins a long list of questionable research claiming minimum wages have little, if any, effect on employment rates. Most of this research looks at a single industry—typically fast-food—rather than lower-skilled workers more broadly. It compares hiring trends in contiguous counties across state lines with two different minimum wages, sometimes only a handful of counties, over fairly brief periods of time. There are numerous problems with this approach. Most importantly, it fails to capture compositional shifts in the workforce in response to higher wages. Companies can adapt to having to offer higher wages by replacing lower-skilled workers with higher-skilled workers. They trade higher wages for higher productivity, lower turnover, and subsequently lower training and recruiting costs. Overall employment may not fall because higher-skilled employment increases at the expense of lower-skilled employment—the workers who most often need minimum wage work. Another problem with this approach is that contiguous counties are often rural, incomparable, and unrepresentative. It's much more logical, for example, to compare counties with similar demographics and economies even if they are not contiguous—one urban community to another, for example. Studies that make these more rigorous comparisons, consistently find that raising the minimum wage reduces lower-skilled employment. With this in mind, look at Alan Krueger, The president's former chairman of the Council of Economic Advisers, answering questions about the minimum wage: Tom Keene: Is a fifteen-dollar minimum wage … a … condition that Seattle … and, for that matter, any other cities just cannot handle? Alan Krueger: Frankly, I think that it would be better to have a more reasonable national minimum wage … that would … prevent some of these local movements. … But … Seattle … can handle a relatively high minimum wage as long as … it doesn't go too much beyond the prevailing wages for those workers. Erik Schatzker: Alan you wrote the seminal paper on studying the impact of higher wages on fast food workers in New Jersey and you found that it did not, in fact, destroy jobs. Alan Krueger: We found fast food restaurants … can adjust by … improving productivity, by seeing turnover decline, and by reducing recruiting costs." Krueger recommends minimum wages not deviate much from prevailing market wages for low-skilled workers to minimize job losses and to prevent movements advocating higher wages that would. And he tacitly admits that fast food restaurants make compositional changes to their workforce in response to higher minimum wages—not exactly a ringing endorsement for higher wages.

Topics: Alan Krueger,Blog,Growth,WSJ

Permalink: https://www.edwardconard.com/2014/08/21/studies-debunk-evidence-that-higher-minimum-wages-dont-hurt-low-skilled-employment

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/08/WageRise.jpg

Article 403

Title: Does Economics 101 Apply to Immigration?

Author(s)	Ed Conard
Publish Date	2014-08-15
Publish Time	15:33:30

Content: Robert VerBruggen, a writer for RealClearPolicy, has written a pithy summary of Harvard labor economist's, George Borjas', recently published tough-minded book, Immigration Economics. VerBruggen writes: "[Borjas] lays out evidence that [immigration] undermines the employment prospects of the Americans who need decent jobs the most. … High-school dropouts -- about 10 percent of the native U.S. population and 30 percent of immigrants -- often take a hit to their wages. [Where immigration increases the number of workers in a skill group 10%, Borjas finds it reduces wages 4%.] [Meanwhile,] the overall economic benefits of immigration to natives are quite small: In the various models presented here, a 15 percent expansion of the labor supply can't provide a 'surplus' for natives amounting to even 1 percent of GDP." Does the complementarity argument fare better for higher-skilled workers? There are reasons to think it might -- even if you find the idea that immigrant high-school dropouts 'complement' native high-school dropouts somewhat absurd. … It's hard to be too upset when wealthy people encounter stiffer competition and as a result offer their services to the rest of us at a lower price. Of course, there's another side to the coin: benefits to immigrants. People disagree as to what role these benefits should play in making immigration policy, but hardly anyone would say they are entirely irrelevant. Borjas makes some less speculative points about the fate of immigrants in America as well, complicating the rosy narrative that…advocates often present. One significant problem seems to be that 'economic assimilation,' the tendency of immigrants to start out behind natives but steadily catch up as they remain in the country, has slowed in recent decades."

Topics: Blog,George Borjas,Immigration,Robert VerBruggen,Wage Growth

Permalink: https://www.edwardconard.com/2014/08/15/does-economics-101-apply-to-immigration

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/08/Aug-15-Chart_Imigration-Economics-e1439821405600.png

Article 404

Title: New IMF Study Casts Doubts on the Value of Increased Infrastructure Spending

Author(s)	Ed Conard
Publish Date	2014-08-13
Publish Time	11:53:44

Content: A study published recently by the International Monetary Fund, "Public Investment as an Engine of Growth," examines the impact of accelerated infrastructure investment on growth and productivity in “126 lower- and middle-income countries.” It finds “no robust evidence that the investment booms exerted a long-term positive impact on the level of GDP.” It does find some evidence, that spending increases GDP at the time of expenditure, albeit “probably very little,” but the increases weren’t statistically significant. With less infrastructure investment per dollar of GDP, one might expect additional investment to have more impact on growth in lesser-developed economies than more advanced economies like the United States. Japan, for example, increased infrastructure spending in the 1990s; it also had no discernible impact on its economy. These findings are consistent with arguments I made in Foreign Affairs that increased U.S. infrastructure spending was unlikely to deliver the exaggerated results forecasted by its advocates. The study begins by reminding readers: “This paper … is not about whether in theory public investment drives could accelerate growth [or] … whether public capital can promote growth by averting the emergence of bottlenecks … but rather whether in practice, with real governments deciding how to spend the funds and implementing investments, they have in fact accelerated growth.” It concludes: “Overall, it is difficult to find a clear-cut example that fits the oft-repeated narrative of a public investment boom followed by acceleration in GDP growth. … There is no robust evidence that the investment booms exerted a long-term positive impact on the level of GDP. … If anything … major drives in the past have been followed by slumps rather than booms. … Booms are associated with lower private investment expenditures as a percent of GDP… even after four years.” The paper cautions: “Popular impressions of the productivity of infrastructure are influenced by what are arguably special cases. Examples include major investments that resolved bottlenecks – the Erie Canal, the Hoover Dam, Post-war reconstruction in Europe. High returns are plausible for such investments, but the unanswered question is what fraction of actual public investment really addresses genuine bottlenecks rather than routine investments?” In examining five case studies, the paper reveals: “There is no evidence that rational selection of public investments according to sound economic criteria was ever seriously followed. … Predictions about prices, costs, and impacts were always too optimistic. … With the benefit of hindsight, it is clear that the returns on investments and the impacts were very low, probably negative. [Nevertheless,] expenditure plans were rarely curtailed. … Once started, there appears to have been considerable inertia.” Proponents of U.S. infrastructure investment will likely discount this damning evidence, perhaps claiming that evidence drawn from lesser-developed economies is not instructive to the United States despite Japan’s near-identical experience and a steady stream of similar evidence from the United States. The New York Times, for example, reports, “High-speed rail was supposed to be President Obama’s signature transportation project, but despite the administration spending nearly $11 billion since 2009 to develop faster passenger trains, the projects have gone mostly nowhere.” The Economist concludes federal subsidies encourage investments for streetcars despite “abysmal economics” compared to buses. Larry Summers justifies infrastructure spending with little more than a complaint that New York’s Kennedy Airport is an embarrassment that is in obvious need of repair. Clearly, he hasn’t been there in a while. Delta, American, Jet Blue, and the Port Authority recently invested a combined $3.5 billion to build their new terminals. Nearly $2 billion was invested in the airport’s AirTran and billions more were invested to upgrade the rest of the facilities. The paper ends by asking: “To those that advocate major increases in public investment … on what empirical grounds do they base the expectation that the drive will work?”

Topics: Blog,Europe,GDP,Growth,IMF

Permalink: https://www.edwardconard.com/2014/08/13/new-imf-study-casts-doubts-on-the-value-of-increased-infrastructure-spending

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/08/Untitled-e1439821584717.png

Article 405

Title: With Deirdre Bolton on Fox Business, Ed Conard takes a look at investment opportunities in Africa

Author(s)	Ed Conard
Publish Date	2014-08-05
Publish Time	18:51:18

Content: Watch the latest video at video.foxbusiness.com

Topics: Africa,Blog,Deirdre Bolton,Fox Business,Growth,Investment,Videos

Permalink: https://www.edwardconard.com/2014/08/05/with-deirdre-bolton-ed-conard-takes-a-look-at-investment-opportunities-in-africa-on-fox-business

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/08/Screen-Shot-2014-08-05-at-6.44.27-PM-e1439821659890.png

Article 406

Title: Ed Conard analyzes trends affecting private equity with Deirdre Bolton on Fox Business

Author(s)	Ed Conard
Publish Date	2014-08-05
Publish Time	18:35:20

Content: Watch the latest video at video.foxbusiness.com

Topics: Blog,Deirdre Bolton,Fox Business,Growth,Investment,Private Equity,Videos

Permalink: https://www.edwardconard.com/2014/08/05/ed-conard-analyzes-trends-affecting-private-equity-with-deirdre-bolton-on-fox-business

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/08/Screen-Shot-2014-08-05-at-6.29.32-PM-e1439821733719.png

Article 407

Title: Fed Data Shows Less Lending, Not More Saving, Factor in Recession

Author(s)	Ed Conard
Publish Date	2014-08-01
Publish Time	10:22:38

Content: In their book, House of Debt, Princeton economist Atif Mian and University of Chicago economist Amir Sufi claim reduced consumption by subprime homeowners occurred when home prices fell and caused the Great Recession. Larry Summers thought the book was “likely to be the most important economics book of 2014.” Paul Krugman cited it as evidence of “problems created by debt overhang.” In a recent blog post, Krugman rails: “The process of deleveraging produces huge, unnecessary costs: debtors are forced to cut back, but creditors have no comparable incentive to spend more, so there is a persistent shortfall of demand that leads to great pain and waste.” He urges “fiscal deficits to support demand while the private sector gets its balance sheets in order,” and “a rise in inflation targets both to encourage whoever isn’t debt-constrained to spend more and to erode the real value of the debt.” In my review of the book for Fortune, I counter that subprime homeowners continued consuming most all of their income, and that consumption fell because lower home prices and tighter credit standards prevented additional homeowners from also borrowing against the rising value of their homes and consuming more than they earned. A recent study by the Federal Reserve Bank of Boston confirms my view and shows the claims of Krugman, Mian, and Sufi are inconsistent with the facts. It concludes: “There is no evidence of enough substantial balance sheet adjustment … contributing to the slow economic recovery, nor is there evidence of big enough changes in households saving behavior or risk tolerance to raise concerns about the strength of aggregate demand going forward in the wake of the crisis.” The study elaborates: “The percent of high leverage homeowners who were repaying their nonhousing debt did not jump relative to other household types—a finding that is inconsistent with the claim that debt repayment by highly levered households has contributed to the sluggish economic recovery. … The vast majority of debt repayment by households was due to foreclosures, but debt charge-offs through foreclosure are not a form of active household debt repayment. “Much of the drop in overall household debt was due to less new borrowing (debt inflow) rather than to abnormally high debt repayment (debt outflow). … The reduction in debt inflows is mainly due to reduced first-time home purchases as well as less second-home buying and purchases by investors.”

Primary Topic: Blog

Topics: Blog,Debt,Mian & Sufi,Paul Krugman

Permalink: https://www.edwardconard.com/2014/08/01/fed-data-shows-less-lending-not-more-saving-factor-in-recession

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/08/bank.jpg

Article 408

Title: Ed Conard discusses why stifling tax inversion takes the pressure off of corporate tax reform with Maria Bartiromo on Opening Bell on Fox Business

Author(s)	Ed Conard
Publish Date	2014-07-28
Publish Time	11:41:50

Content: Watch the latest video at video.foxbusiness.com

Topics: Blog,Fox Business,Growth,Maria Bartiromo,Videos

Permalink: https://www.edwardconard.com/2014/07/28/ed-conard-on-opening-bell-with-maria-bartiromo

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/07/Screen-Shot-2014-07-28-at-11.37.42-AM-1-e1439821830470.png

Article 409

Title: Krugman Ignores Failed Keynesian Predictions

Author(s)	Ed Conard
Publish Date	2014-07-15
Publish Time	12:15:37

Content: In his blog post yesterday, Paul Krugman claimed: “We have a pretty good model of aggregate demand, and of how monetary and fiscal policy affect that demand. … And it remains true that Keynesians have been hugely right on the effects of monetary and fiscal policy, while equilibrium macro types have been wrong about everything.” Were that true, why have the Fed’s and CBO’s own Keynesian models, for example, so over-predicted the recovery? In Unintended Consequences: Why Everything You’ve Been Told about the Economy is Wrong, I identified two structural problems facing the economy: no near-term alternative use for risk-averse savings other than subprime consumption and a dial-back in risk-taking after banks proved more unstable than expected. As a consequence, I predicted slow growth and little, if any, price inflation despite what has now amounted to $5 trillion of fiscal stimulus and unprecedented monetary stimulus and that excess liquidity would sit idle until after the economy recovered. Keynesians, like Krugman, the Fed, and the CBO, were right that monetary policy would not produce price inflation but only because they were wrong that fiscal and monetary policy would stimulate growth. Six years after the financial crisis, it’s just dawning on Krugman and Larry Summers that the problems are structural.

Topics: Blog,GDP,Growth,Paul Krugman

Permalink: https://www.edwardconard.com/2014/07/15/krugman-ignores-failed-keynesian-predictions

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/07/7.15-blog-e1439821912784.png

Article 410

Title: June Employment Worse than it Appears

Author(s)	Ed Conard
Publish Date	2014-07-14
Publish Time	17:31:47

Content: Mort Zuckerman's claim in today's Wall Street Journal—that an increase of 288,000 jobs in June is the result of a 523,000 drop in full-time employment offset by an 800,000 increase in part-time employment—motivated me to look more carefully at long-term employment trends since 2007. I feared opportunistic reporting of random one-month fluctuations might distort perceptions. Since 2007, the U.S. population between the ages of 20 and 65 years old has grown by about 9 million people. Despite this population growth, employment is now at nearly the same level as it was in 2007 the pre-recession peak—146 million full- and part-time workers. Over the last six years, the number of college graduates has grown by 11 to 12 million people. In 2007, there were nearly 52 million managerial and professional jobs for 56 million college graduates. Since 2007, the recovery has created 3 to 4 million additional management and professional jobs. This means that today there are less than 56 million managerial and professional jobs for more than 67 million college graduates. With 75 percent of college graduates participating in the workforce and unemployment among college graduates near-zero at 3.3 percent, nearly 5 million college graduates are underemployed. These individuals have taken lower paying non-managerial and non-professional jobs at the expense of non-college graduates. With employment flat since 2007, job losses in lower-paying non-managerial and non-professional occupations have offset gains in management and professional employment. Even worse, a gain of 2 to 3 million low-paying service-sector jobs has offset a loss of 5 to 6 million higher-paying non-managerial and non-professional jobs, such as jobs in manufacturing, construction, administrative support and sales. At the same time, a gain of 3 million part-time jobs has offset a loss of 3 million full-time jobs. Six years after the financial crisis: working-age population growth has exceed employment growth; higher-paying managerial and professional jobs have grown much more slowly than the growth of college graduates; non-managerial/professional jobs have declined; non-managerial/professional jobs have shifted to lower-paying service jobs; and, part-time employment has grown at the expense of full time work. It's no surprise that most people feel the economy is still in recession.

Topics: Blog,Employment,Growth

Permalink: https://www.edwardconard.com/2014/07/14/june-employment-worse-than-it-appears

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/07/gotwork.jpg

Article 411

Title: Does Alan Krueger's defense of the Obama Admin's economic policies add up? You be the judge

Author(s)	Ed Conard
Publish Date	2014-07-08
Publish Time	12:42:40

Content: Last week, I debated Alan Krueger, President Obama's former Chairman of the Council of Economic Advisors on Bloomberg TV's In The Loop with Betty Liu. I made the argument that the administration pumped trillions of dollars of fiscal stimulus into the economy over the last six years, over-predicted the impact stimulus would have on growth, and, as a result, did little else to fix the structural problems slowing the recovery. Because of this, we have suffered five years of mediocre growth from a permanently lower base. Krueger claimed the private sector recovered normally despite relatively low government spending. Off camera, I showed that nominally over the last six years (2007 to 2013) federal spending, including transfer payments, grew 4 percent per year on average, GDP grew 2.5 percent per year, and tax receipts grew 1.3 percent per year. That pumped $5 trillion of fiscal stimulus into the economy beyond a continuation of the 2007 deficit—more than 5 percent of GDP on average over the last six years. I also argued that real spending grew 2.5 percent per year (2.2 percent of federal spending plus state and local outlays), which is on par with expected long-term economic growth. So there was little, if any, reduction against trajectory either. Alan countered with three graphs (from the White House Blog) that compared government purchases to prior recoveries. But purchases exclude large increases in transfer payments and tax cuts. Krueger never explained why these puzzling and hard-to-justify exclusions should be omitted. One might wonder why, for example, government purchases might stimulate growth, but transferring money to people who spend it would not and, therefore, should logically be omitted. He also presented the attached graph (also from the blog; to which I added clarifying modifications) as proof the private sector recovered as strongly as it did after prior recessions. Of course, the graph shows the recovery was much slower than the last eight recoveries (the red line) albeit, on par with the slow growth leading up to the financial crisis. When you align the growth trajectories leading up to the recession, however—a more reasonable way to compare the periods—you can see that unlike other recoveries, which rebound back to pre-recession trend lines, this recovery has experienced little more than mediocre growth off a permanently lower base.

Topics: Alan Krueger,Betty Liu,Blog,Bloomberg,GDP,Growth,Spending

Permalink: https://www.edwardconard.com/2014/07/08/does-alan-kruegers-defense-of-the-obama-admins-economic-policies-add-up-you-be-the-judge

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Article 412

Title: Ed Conard offers economic advice to President Obama on "Betty in the Loop" on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2014-07-03
Publish Time	10:13:21

Content:

Topics: Betty Liu,Blog,Bloomberg,Obama,Videos

Permalink: https://www.edwardconard.com/2014/07/03/ed-conard-offers-economic-advice-to-president-obama-on-betty-in-the-loop-on-bloomberg-tv

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Article 413

Title: June jobs report: Is the economy really recovering? Ed debates with Alan Krueger and Betty Liu on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2014-07-03
Publish Time	9:59:58

Content:

Topics: Alan Krueger,Betty Liu,Blog,Bloomberg,economy,Videos

Permalink: https://www.edwardconard.com/2014/07/03/june-jobs-report-is-the-economy-really-recovering-ed-debates-with-alan-krueger-and-betty-liu-on-bloomberg-tv

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Article 414

Title: What's housing market's impact on the economy? Ed discusses with Maria Bartiromo on Fox Business

Author(s)	Ed Conard
Publish Date	2014-07-02
Publish Time	14:50:09

Content: Watch the latest video at video.foxbusiness.com

Topics: Blog,economy,Fox Business,Maria Bartiromo,Videos

Permalink: https://www.edwardconard.com/2014/07/02/whats-housing-markets-impact-on-the-economy-ed-discusses-with-maria-bartiromos-show-on-fox-business

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/whats-housing-markets-impact-on-the-economy-ed-discusses-with-maria-bartiromo-on-fox-business.png

Article 415

Title: Ed Conard addresses the impact of high corporate tax policies on Maria Bartiromo's show on Fox Business

Author(s)	Ed Conard
Publish Date	2014-07-02
Publish Time	12:33:51

Content:

Topics: Blog,Fox Business,Growth,Maria Bartiromo,Videos

Permalink: https://www.edwardconard.com/2014/07/02/ed-conard-addresses-the-impact-of-high-corporate-tax-policies-on-maria-bartiromos-show-on-fox-business

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/07/ed5.jpg

Article 416

Title: Summers and Krugman Justify Stimulus Using Mian and Sufi’s Hard-to-Believe Theory Subprime Savings Caused Great Recession

Author(s)	Ed Conard
Publish Date	2014-06-20
Publish Time	12:57:18

Content: Larry Summer and Paul Krugman cite Atif Mian and Amir Sufi's hard-to-believe theory of the Great Recession to justify fiscal stimulus. In their book, House of Debt, Mian and Sufi claim falling home prices caused highly levered subprime households to reduce consumption and temporarily save a larger portion of their earnings. A more likely scenario is that subprime consumption fell back to sustainable levels when low-income households could no longer borrow against the rising value of their homes and consume more than they earned. In that case, because a Keynesian lull in demand didn’t cause the recession, stimulus could not mitigate a temporary dislocation of resources. Instead, what occurred was a permanent shift in demand, and the cost of dislocation was inevitable. I elaborate on the differences in my review of Mian and Sufi’s book.

Topics: Blog,Growth,Larry Summers,Mian & Sufi,Paul Krugman

Permalink: https://www.edwardconard.com/2014/06/20/summers-and-krugman-justify-stimulus-using-mian-and-sufis-hard-to-believe-theory-subprime-savings-caused-great-recession

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/06/recession-e1439822260113.jpg

Article 417

Title: Piketty Overlooks the Circumstantial Nature of Economics

Author(s)	Ed Conard
Publish Date	2014-06-10
Publish Time	9:46:43

Content: Despite the implausible economic theory underlying Capital in the Twenty-First Century (as addressed here, here, here, and here), Thomas Piketty nevertheless makes a valuable contribution by questioning Simon Kuznets' theory that income becomes more equally distributed as economies grow more prosperous. Instead, growing income equality (and inequality) appears to be highly circumstantial. When the U.S. economy prospered in the 1950s and '60s by educating its previously uneducated but talented workers, mechanizing unskilled jobs, and moving its rural population to inherently more productive cities, income equality increased. Today, however, when information technologies have opened a window of opportunities that exceeds the supply of properly trained talent and reduced the need for capital-intensive investment and when open borders have exposed U.S. workers to a worldwide surplus of unskilled labor income inequality has increased. In the future, when the rest of the world becomes more highly educated and science synthesizes intelligence and reengineers human genetics, the supply of intelligence could grow significantly. This might reduce its price and flatten the distribution of income and wealth. Piketty's theory of growing inequality appears to be no more universal than Kuznets' theory of growing equality. They are two sides of the same coin. Both are circumstantial. What puzzles me is how Piketty, after apparently recognizing Kuznets' failure to see the circumstantial nature of his not-so-universal "truth," failed to recognize the circumstantial nature of his own supposed "law." Businessmen and chess players recognize something frequently lost on economists: "universals" are predominantly probabilistic generalizations that are dependent on the likelihood of the circumstances that make them true. A queen, for example, is more valuable than a pawn because in most circumstances it is so. Nevertheless, there are cases where a pawn is more valuable. Except in the hard sciences, generalizations may help to guide our decisions, but circumstances ultimately determine the truth. Scott Sumner offers a clue to Piketty's naiveté. Sumner complains that Piketty sees Kuznets' theory as intentionally crafted propaganda—"a product of the Cold War," according to Piketty–rather than a well-intended theory that unwittingly overlooked the circumstances that made it true. After rereading Kuznets, Sumner concludes, "Nothing could be further from the truth. If anything, Piketty himself seems more like the scholar who makes excessive claims for his model."

Topics: Blog,economy,Scott Sumner,Thomas Piketty

Permalink: https://www.edwardconard.com/2014/06/10/piketty-overlooks-the-circumstantial-nature-of-economics

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/06/piketty_capital1-e1439822348289.jpg

Article 418

Title: Brad DeLong disingenuously counters criticism of Piketty's farfetched "2nd Law"

Author(s)	Ed Conard
Publish Date	2014-06-09
Publish Time	14:30:12

Content: P.S. Brad DeLong complains Krusell & Smith use an unrealistically high illustrative depreciation rate in their critique of Piketty's "Second Law." The rate is irrelevant to Krusell & Smith's central point--that the mathematics underlying Piketty's Second Law are farfetched—a point DeLong conspicuously avoids disputing. Krusell & Smith respond.

Topics: Blog

Permalink: https://www.edwardconard.com/2014/06/09/brad-delong-disingenuously-counters-criticism-of-pikettys-farfetched-2nd-law

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/06/piketty_capital1-e1439822348289.jpg

Article 419

Title: Economists Krusell & Smith find “Piketty’s second law…misleading, and…not fundamental”

Author(s)	Ed Conard
Publish Date	2014-06-04
Publish Time	13:18:44

Content: Alex Tabarrok reports on a recent paper by Per Krusell and Tony Smith that articulates the problem with Thomas Piketty’s so-called “Second Law of Capitalism” a problem that Larry Summers claims stems from Piketty “misreading the literature by conflating gross and net returns to capital.” Krusell and Smith conclude: “We find Piketty’s second law quite misleading, and certainly not fundamental.” Krusell and Smith reach this conclusion as follows: “The second fundamental law…is rather implausible, for two reasons. … First … it implies savings behavior that, as the growth rate approaches zero, requires the aggregate economy to save 100% of GDP each year. Such behavior is clearly hard to square with any standard theories of how individuals save. … Second … the data speaks rather clearly against Piketty’s theory.” “Though Piketty calls [the second law] an ‘accounting equation’, it really is a theory, because it builds in a certain form of savings behavior. It says that if the economy keeps the savings rate, s, constant over time, then the capital to income ratio k/y must, in the long run, become equal to s/g, where g is the economy’s growth rate...This formula is alarming because it suggests that were the economy’s growth rate to decline towards zero, as Piketty argues it will, capital’s share of income could increase explosively.1” (“1 Piketty also argues that the return to capital is insensitive to how much capital is accumulated, so that capital’s share is driven largely by changes in k/y.”) “In postwar U.S. data … with declines in growth, the net savings rate has fallen historically, and is currently actually already close to zero. … Decadal averages of savings rates and growth rates, [show] a clear positive relationship. … That s will remain constant and positive in the twenty-first century does not appear like a good assumption at all. … Projecting into the future based on Piketty’s second fundamental law, with g going to zero, appears unwise.” “Did we miss something important? … His formulation of aggregate savings does not address … the central question of how net savings rates vary with growth rates. … Contrary to what Piketty suggests… [the] distinction between net and gross variables is quite critical for his interpretation. … It is not consistent with the textbook model as it is generally understood by macroeconomists.” “We find Piketty’s second law quite misleading, and certainly not fundamental; we in fact think that the fundamental causes of wealth inequality are to be found elsewhere.” P.S. Brad DeLong complains Krusell & Smith use an unrealistically high illustrative depreciation rate in their critique of Piketty’s “Second Law.” The rate is irrelevant to Krusell & Smith’s central point–that the mathematics underlying Piketty’s Second Law are farfetched—a point DeLong conspicuously avoids disputing. Krusell & Smith respond.

Topics: Blog,economy,growth,Krusell & Smith,Savings Rate,Thomas Piketty

Permalink: https://www.edwardconard.com/2014/06/04/economists-krusell-smith-find-pikettys-second-lawmisleading-andnot-fundamental

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/06/graph-e1439822537863.png

Article 420

Title: Ed Conard on The Daily Show with Jon Stewart

Author(s)	Ed Conard
Publish Date	2014-06-01
Publish Time	13:14:23

Content: In this exclusive interview, one of Stewart's longest, Edward Conard discusses his book Unintended Consequences and argues that risk-taking isn't the enemy of a properly functioning economy.

Topics: Blog,Blog Highlights,Jon Stewart,Videos

Permalink: https://www.edwardconard.com/2014/06/01/ed-conard-on-the-daily-show-with-jon-stewart-discussing-his-book-and-why-risk-taking-isnt-the-enemy-of-a-properly-functioning-economy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-the-daily-show-with-jon-stewart.png

Article 421

Title: Financial Times raises concerns about integrity of Piketty’s data but effects likely inconsequential

Author(s)	Ed Conard
Publish Date	2014-05-30
Publish Time	9:18:03

Content: First, liberal economists damned Thomas Piketty’s book, Capital in the Twenty-First Century, with a stream of faint praise by applauding the quality of Piketty’s data while admitting to concerns about the quality of his economic logic. Then, Larry Summers took Piketty’s logic to the woodshed. Marty Feldstein followed by denouncing Piketty’s interpretation of the U.S. data. Meanwhile, Bonnet et al found that Piketty’s findings were entirely attributable to real estate, which does not substitute for labor. Now, Chris Giles, Economics Editor of the Financial Times, raises concerns about the integrity of Piketty’s data. Giles’ adjustments, however, appear inconsequential. The Manhattan Institute’s Scott Winship stated his conclusion in an amusing way: “Only a couple of issues Giles highlighted … appear to matter, but in the worst case for Piketty, they would make the originally unimpressive trends look less ambiguously benign.” It would be unfortunate if Piketty is declared the winner of this debate and it enhances his credibility. Even liberal economists including Summers (“[Piketty] misreads the literature”), Krugman (“an intellectual sleight of hand”), DeLong (“Piketty has no theory”), and Solow (“you eat your wage, not your share of national income”) have all taken steps to distance themselves from his theories. And, Bonnet et al (“any conclusion in terms of inequalities is hard to infer”) and Feldstein (“His thesis rests on … a flawed interpretation of U.S. income tax data”) have critisized his interpretation of the data directly. As long as the debate is over data—Piketty’s strength—and not the weakness of his theories, Piketty avoids his real problem. I elaborate on the problems with Piketty’s theories on Bloomberg TV’s In the Loop with Betty Lui.

Topics: Blog,Europe,Thomas Piketty

Permalink: https://www.edwardconard.com/2014/05/30/financial-times-raises-concerns-about-integrity-of-pikettys-data-but-effects-likely-inconsequential

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/05/Wealth-Inequality-in-US-1810-to-2010-e1439822644853.jpg

Article 422

Title: Ed Conard reviews Piketty’s Capital in the 21st Century and its critics on Bloomberg TV’s In the Loop with Betty Liu

Author(s)	Ed Conard
Publish Date	2014-05-29
Publish Time	12:30:38

Content:

Topics: Betty Liu,Blog,Bloomberg,Thomas Piketty,Videos

Permalink: https://www.edwardconard.com/2014/05/29/ed-conard-reviews-pikettys-capital-in-the-21st-century-and-its-critics-on-bloomberg-tvs-in-the-loop-with-betty-liu

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-reviews-pikettys-capital-in-the-21st-century-and-its-critics-on-bloomberg-tvs-in-the-loop-with-betty-liu.png

Article 423

Title: The Economist reports on the failure of European innovation

Author(s)	Ed Conard
Publish Date	2014-05-21
Publish Time	14:59:00

Content: The Economist reports: "Venture capital in Europe has delivered returns of just 2.1% a year since 1990, according to Thomson Reuters, making it perhaps the worst investment class outside Japan (American VC managed around 13%)." The article suggests that overfunding by European governments has driven down returns, but indicates this didn't occur until after 2007, which would not account for near-zero returns stretching back to 1990. A more precise argument would speculate that a recent increase in government handouts might make a bad situation worse. The Economist argues: "Nearly 40% of all the funds pumped into European VC last year came from state-backed sources, up from just 14% in 2007. … The public cash slushing around VC-land may in fact be repelling private money. … Several studies of public VC schemes have found that for every dollar the public sector puts in, the private sector pulls one out. … Ho-hum entrepreneurs whose firms only launch because of government backing (and dud firms that would have folded long ago without it) drive down average returns. Meanwhile, funds relying on private capital have to pay more to outbid government-backed rivals." The Economist concludes: "Europe has never been able to muster … the same quantity … of venture capital (VC) as Silicon Valley. That is frustrating to its politicians, who see venture capitalists as job-creating innovation machines. ... But investors who put up such capital in other parts of the world … are not especially eager to funnel money to startups … in Europe." Anemic European venture returns provide further evidence that properly trained talent and risk-underwriting equity are the binding constraints to economic growth in high-wage economies today.

Topics: Blog,Europe,Investing,Productivity

Permalink: https://www.edwardconard.com/2014/05/21/the-economist-reports-on-the-failure-of-european-innovation

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/05/seedsgrow-e1439823004168.jpg

Article 424

Title: Scott Sumner makes a noteworthy point about taxes

Author(s)	Ed Conard
Publish Date	2014-05-21
Publish Time	1:31:51

Content: “You cannot put the burden of a tax on someone unless you cut into his or her consumption. If the Obama tax increases did not cause Gates and Buffett to tighten their belts, then they paid precisely 0% of that tax increase. Someone else paid, even if they wrote the check. If they invested less due to the tax, then workers might have received lower wages. If they gave less to charity then very poor African's [SIC] paid the tax. I have no idea who paid, but I'm pretty sure it wasn't Gates and Buffett.” —Scott Sumner, “The Money Illusion”

Topics: Blog,Scott Sumner

Permalink: https://www.edwardconard.com/2014/05/21/scott-sumner-makes-a-noteworthy-point-about-taxes

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/05/taxes-e1439823089970.jpg

Article 425

Title: Marty Feldstein denounces Piketty's Capital in the 21st Century in the WSJ

Author(s)	Ed Conard
Publish Date	2014-05-20
Publish Time	11:40:03

Content: Marty Feldstein denounces Piketty's Capital in the Twenty-First Century in The Wall Street Journal: "His [Piketty's] thesis rests on … a flawed interpretation of U.S. income tax data …. The … problem with Mr. Piketty's conclusions about increasing inequality is his use of income tax returns without recognizing the importance of the changes that have occurred in tax rules. … Changes in taxpayer behavior [in reaction to changes in the tax laws since 1980] substantially increased the amount of income included on the returns of high-income individuals … [which] creates the false impression of a sharp rise in the income of high-income taxpayers even though there was only a change in the legal form of that income." Emphasis mine. Feldstein joins a growing list of serious economists on both the left and right denouncing Piketty.

Topics: Blog,Inequality,Marty Feldstein,Thomas Piketty,WSJ

Permalink: https://www.edwardconard.com/2014/05/20/marty-feldstein-denounces-pikettys-capital-in-the-21st-century-in-the-wsj

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/05/heyyyyyy-e1439823273555.jpg

Article 426

Title: Ed Conard debunks income inequality myths with the Wall Street Journal’s Mary Kissel

Author(s)	Ed Conard
Publish Date	2014-05-16
Publish Time	15:04:21

Content:

Topics: Blog,Inequality,Mary Kissel,Videos,WSJ

Permalink: https://www.edwardconard.com/2014/05/16/what-are-the-most-common-errors-in-the-income-inequality-debate-ed-conard-discusses-with-mary-kissel-on-wsj-live

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-debunks-income-inequality-myths-with-the-wall-street-journals-mary-kissel.png

Article 427

Title: Serious liberal economists are damning Piketty with faint praise

Author(s)	Ed Conard
Publish Date	2014-05-16
Publish Time	6:21:41

Content: Finally, an economist on the left, Larry Summers, comes out and admits that the emperor, Thomas Piketty, has no clothes. In truth, Paul Krugman, Brad DeLong, and Robert Solow have already damned Piketty with faint praise. Like all serious reviewers, they acknowledge the quality of his historical data on the distribution of income and wealth. But they are far more qualified in their praise of his economic theories and policy prescriptions. DeLong, for example, says that one serious complaint about the book is “that Piketty has no theory of what determines the rate of profit, and he badly needs one. And since he doesn't have a real theory of the rate of profit, he doesn't have a real theory of the rate of wages.” DeLong admits, “Piketty seems to need an additional argument here…that control over wealth shapes politics, and that politics will make sure that the rate of profit does not fall too far.... It seems to me that Piketty has a good case here. But I think he needs to make it....” In other words, Piketty fails to make an argument that is central to his thesis. DeLong tries to make the case on behalf of Piketty by summarizing Suresh Naidu’s review of Capital in the Twenty-First Century: “Factors of production are no longer paid their marginal products. Instead, wealth controls government. Government sets barriers to keep those kinds of property that the wealthy control safe from competition and earning their rents. The government is an executive committee for managing the affairs of the ruling class.” But DeLong admits that “the problem for Piketty” is that this argument is “only plausible.” Even worse, Piketty tries to make the related case that increasing income inequality, which is actually the chief driver of growing wealth today, is the result of crony capitalism—namely, public company boards giving CEOs undeserved pay raises. This is essentially the same dynamic DeLong evokes to explain how a surplus of capital could, nevertheless, continue to earn high returns. But Krugman, in his review, admits that “there’s a lot to be said for this diagnosis, but it clearly lacks the rigor and universality of Piketty’s analysis of the distribution of and returns to wealth”—the very (lack of) analysis DeLong criticizes. Krugman further acknowledges that the rise of the 1 percent, “it turns out, has happened for reasons that lie beyond the scope of Piketty’s grand thesis”—i.e., for legitimate economic reasons and not reasons of crony capitalism. Krugman even goes so far as to call Piketty’s analysis of growing income inequality “a sort of intellectual sleight of hand” that “detracts from [the book’s] achievement.” In a later posting, Krugman explains “why Capital in the Twenty-First Century is having such a big impact.” Rather than praise Piketty’s contributions to economic theory and analysis, Krugman conspicuously restricts his praise to the usefulness of Piketty’s historical data of growing income and wealth inequality. Solow takes a less obvious tack. He attempts to explain Piketty's theoretically possible but highly unlikely scenario in which return on investment remains higher than the rate of growth, regardless of the need for investment, without commenting on its low likelihood. Then, he covers himself with a clever question, cautioning the reader about a more likely scenario, while not admitting it is more likely—i.e., that the return on investment remains higher than the growth rate only because the economy will grow faster with more investment relative to GDP. He asks, “Would you rather live in a society in which the real wage was rising rapidly but the labor share was falling (because productivity was increasing even faster), or one in which the real wage was stagnating, along with productivity, so the labor share was unchanging? The first is surely better on narrowly economic grounds: you eat your wage, not your share of national income.” Between Summers’ savaging of the book, other analysis showing Piketty failing to split productive assets from real estate (which reveals no growth in assets relative to GDP), and serious liberal economists systematically hedging their praise, the distance between Piketty’s theories and serious economics continues to grow.

Topics: Blog,Larry Summers,Paul Krugman,Thomas Piketty

Permalink: https://www.edwardconard.com/2014/05/16/serious-liberal-economists-are-damning-piketty-with-faint-praise

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/serious-liberal-economists-are-damning-piketty-with-faint-praise.png

Article 428

Title: Unintended Consequences accurately predicted the slow recovery

Author(s)	Ed Conard
Publish Date	2014-05-15
Publish Time	8:10:56

Content: John Cochrane questions the accuracy of Keynesian economics by showing the failure of the Fed's and CBO's Keynesian models to accurately forecast the slow recovery. He ends a blog post by asking, "…the question of the day really should be why we have this slump -- which, let us be honest, no serious forecaster expected." I take exception. Here are excerpts from my book, Unintended Consequences: On the structural nature of the recession: "Investors and consumers have dialed back their appetite for investment and consumption to compensate for the now-recognized risk of damage from withdrawals." "If we leave the risk of damage from withdrawals hanging over the economy, it will slow rather than accelerate the already difficult structural transition of finding new ways to put short-term money to use." "Of course, the economy can increase employment by dialing down wages." On the effectiveness of fiscal stimulus: "There is a big difference between increases in government expenditures when taxpayers expect lawmakers to offset increases with real cuts to baseline spending in the future, and increases when they don't expect future offsets." "The post-1980 U.S. multiplier—the year when a period when exchange rates were floated—at 0.4 times government expenditures. That's not very encouraging. This, however, includes a multiplier of 1.8 times for investment spending and slightly less than zero for increased government consumption. All of the multiplier effect comes from stimulating investment, not consumption." "Theoretically, the government could make investments in innovation that accelerate the economy's transition from a misallocation of capital to subprime consumption to more sustainable endeavors, especially at a time when the private sector is reluctant to make risky investments of any kind. But lawmakers make lousy investors. The economy operates in an environment where success is highly uncertain and in large part randomly distributed. The private sector succeeds by funding many small investments—experiments that Darwinian survival-of-the-fittest ruthlessly rank-orders and prunes. The political investment process is entirely the opposite." On the effectiveness of monetary stimulus: "Printing money doesn't magically stimulate the economy. Only risk-taking does." "Increases or decreases in optimism tend to create self-reinforcing feedback loops that monetary policy can either allow or restrict. This self-reinforcing feedback loop is often mistaken as monetary policy itself growing the economy, but this is not the case. If the Fed relieves constraints to the expansion of credit—when there is no pent-up demand for increased risk-taking—credit will sit unused and the velocity of money will slow. This happens in recessions when investors and consumers grow risk-averse and hoard their output. In such circumstances, relieving credit constraints has little if any effect on the economy." "Increases in the money supply…sit idle during recessions when consumers and investors are reluctant to borrow money and lenders are reluctant to lend. Unless the money is spent, and production capacities tighten, prices are unlikely to rise. In that case, a little bit of price inflation may require a lot of monetary inflation. The cost of uncertainty from a large increase in the money supply may be enormous and long-lasting relative to a small amount of near-term price inflation. Again, the adverse reaction of consumers and investors to this uncertainty might be far greater than any benefit."

Topics: Blog,Financial Crisis,John Cochrane,Monetary Policy,Unintended Consequences

Permalink: https://www.edwardconard.com/2014/05/15/unintended-consequences-accurately-predicted-the-slow-recovery

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/05/CBO-forecast-changes-e1439824516695.png

Article 429

Title: Shouldn't valid economic theories produce accurate forecasts?

Author(s)	Ed Conard
Publish Date	2014-05-15
Publish Time	7:54:21

Content: In a series of blog posts, John Cochrane presents two graphs showing how both the Fed and CBO have continued to make significant mistakes in forecasting large Keynesian rebounds, and have slowly revised their forecasts downward. The downward forecasting is consistent with a point I made on March 3rd, after the CBO's Budget and Economic Outlook was published. If Keynesian economics properly modeled the current circumstances, it would make accurate near-term forecasts of the recovery. Because the slow recovery stems from permanent structural problems and not a temporary lull in demand, Keynesian models have grossly overestimated the speed of recovery. The gross inaccuracy of Keynesian forecasts, is evidence the theory is wrong, at least under the current circumstances. Cochrane ends his first post by asking, "…the question of the day really should be why we have this slump -- which, let us be honest, no serious forecaster expected." I take exception here ["here" hyperlinked to second post]. My book, Unintended Consequences, accurately predicted the slow recovery and lays out my rational.

Topics: Blog,GDP,John Cochrane

Permalink: https://www.edwardconard.com/2014/05/15/shouldnt-valid-economic-theories-produce-accurate-forecasts

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/05/graph1-e1439824611210.png

Article 430

Title: Larry Summers savages Piketty’s Capital in the 21st Century

Author(s)	Ed Conard
Publish Date	2014-05-14
Publish Time	15:54:40

Content: Larry Summers’ review of Thomas Piketty’s book has finally arrived, and he savages it. Frankly, it’s hard to find any aspect of Piketty’s theory that escapes Summers’ disdain. Here are excerpts from Summers’ review: “I have serious reservations about Piketty’s theorizing as a guide to understanding the evolution of American inequality.” “Piketty argues that as long as the return to wealth exceeds an economy’s growth rate, wealth-to-income ratios will tend to rise, leading to increased inequality…. This rather fatalistic…view of capitalism can be challenged on two levels. It presumes, first, that the return to capital diminishes slowly, if at all, as wealth is accumulated and, second, that the returns to wealth are all reinvested. Whatever may have been the case historically, neither of these premises is likely correct as a guide to thinking about the American economy today.” “Economists universally believe in the law of diminishing returns. As capital accumulates, the incremental return on an additional unit of capital declines…. Piketty argues that the economic literature supports his assumption that returns diminish slowly (in technical parlance, that the elasticity of substitution is greater than 1), and so capital’s share rises with capital accumulation. But I think he misreads the literature by conflating gross and net returns to capital…. I know of no study suggesting that measuring output in net terms, the elasticity of substitution is greater than 1, and I know of quite a few suggesting the contrary.” “The determinants of levels of consumer spending have been much studied by macroeconomists. The general conclusion of the research is that an increase of $1 in wealth leads to an additional $.05 in spending. This is just enough to offset the accumulation of returns that is central to Piketty’s analysis…. [For example,] less than one tenth of the 1982 [Forbes’ 400 list of wealthy Americans] was still on the list in 2012 despite the fact that a significant majority of members of the 1982 list would have qualified for the 2012 list if they had accumulated wealth at a real rate of even 4 percent a year…. In a similar vein, the data also indicate, contra Piketty, that the share of the Forbes 400 who inherited their wealth is in sharp decline.” “The gains in income of the top 1 percent substantially represent labor rather than capital income, so they are really a separate issue from processes of wealth accumulation…. Some large part of Bill Gates’s reported capital income is really best thought of as a return to his entrepreneurial labor…. The executives who make the most money are not for most part the ones running public companies who can pack their boards with friends [i.e., Piketty’s chief theory for the cause of rising income inequality]. Rather, they are the executives chosen by private equity firms to run the companies they control.” “By opening up for debate issues around the long-run functioning of our market system, Capital in the Twenty-First Century has made a profoundly important contribution”“…This is not to say, however, that all of its conclusions will stand up to scholarly criticism…in the short run or to the test of history in the long run.”

Topics: Blog,Inequality,Larry Summers,Thomas Piketty

Permalink: https://www.edwardconard.com/2014/05/14/larry-summers-savages-pikettys-capital-in-the-21st-century

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/05/summers.jpg

Article 431

Title: New evidence eviscerates relevancy of Piketty's claim capital has grown at expense of labor

Author(s)	Ed Conard
Publish Date	2014-05-09
Publish Time	16:11:28

Content: Until Piketty responds effectively to the just-released paper, "Does Housing Capital Contribute to Inequality? A comment on Thomas Piketty's Capital in the 21st Century," the credibility of his argument has been eviscerated. From the paper: "In his book, Capital in the 21st Century, Thomas Piketty highlights the risk of an explosion of wealth inequality because capital is accumulating faster than income in several countries including the US…Our work challenges the conclusions of the author… The author's result is based on the rise of only one of the components of capital, namely housing capital…'Productive' capital, excluding housing, has only risen weakly relative to income over the last few decades…Over the longer run, the 'productive' capital/income ratio has not increased at all… Rent, not housing prices, should matter for the dynamics of wealth inequality…the value of housing capital must be corrected by measuring it on actual rental price, and not housing prices…When we apply this change, we find that the capital/income ratio is actually stable or only mildly higher in the countries analyzed (France, the US, the UK, and Canada) except for Germany where it rose… When the value of the housing capital is calculated from rent and not from housing prices, any conclusion in terms of inequalities is hard to infer…The diffusion of homeownership is likely to slow or even reverse the rise of inequality regardless of trends… Our analysis led us to conclude...that long-run trends in wealth inequality are not dramatic...[The] dramatic rise in inequality in the US has little to do with capital…These conclusions are exactly opposite to those found by Thomas Piketty."

Topics: Blog,Growth,Inequality,Thomas Piketty

Permalink: https://www.edwardconard.com/2014/05/09/new-evidence-eviscerates-relevancy-of-pikettys-claim-capital-has-grown-at-expense-of-labor

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/05/Untitled-e1439824751683.png

Article 432

Title: Ed debates who the strongest Republican nominee for the 2016 presidential election is with Betty Liu on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2014-05-08
Publish Time	15:21:50

Content:

Topics: Betty Liu,Blog,Bloomberg,Lahnee Chen,Videos

Permalink: https://www.edwardconard.com/2014/05/08/2016-republican-nominee-debate

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-debates-who-the-strongest-republican-nominee-for-the-2016-presidential-election-is-with-betty-liu-on-bloomberg-tv.png

Article 433

Title: Ed Conard debates Vice President Biden’s former chief economist, Jared Bernstein, on income inequality

Author(s)	Ed Conard
Publish Date	2014-05-01
Publish Time	13:07:32

Content: At the Milken Institute’s Global Conference in Los Angeles on Monday, a top-level discussion of income inequality, economic mobility, and poverty revealed differing interpretations of the data, their causes, and their implications for public policy. AEI visiting scholar Edward Conard faced off against Vice President Biden’s former chief economist Jared Bernstein. The Bernstein/Conard debate over inequality went something like this: Bernstein suggested that inequality was bad for the bottom of the wage scale, as evidenced by stagnant or falling wages at the lower end of the income distribution, relative to many other countries, and compared to post World War II wage growth when inequality was lower. Conard contended that the local demand created by rising top-end wages is the chief reason that median incomes have continued to rise, despite wage pressure from within and outside the US, and suggested that social issues may play a role in the falling wages at the lower end of the income distribution scale. I found Conard’s arguments more convincing, but you should watch the video yourself. I’ve paraphrased a selection of the comments below. 1. Inequality: what has caused it? Bernstein: 1) Technology: as tech has evolved, it’s complementarity with the most highly-skilled workers has put a wage premium on workers with those skills. 2) Globalization: increasing the supply of labor puts downward pressure on employment and earnings opportunities for non-college-educated workers 3) Financialization: more resources are being devoted to an industry with highly unequal pay. And the growth of “super managers” more broadly explains 2/3 of the growth in the concentration of income in the top 10%. Conard: Key point: income growth at the top and wage pressure on unskilled workers are both factors—but are largely unrelated. 1) Technology and innovation: agrees with Bernstein on this point. 2) Pressure on the wages of middle class and on low-skilled workers: this is the result of a variety of factors—the massive entry of women into the US labor force, more workers from the Baby Boom generation, and over 30 million foreign-born immigrants. Along with globalization, this large increase in the domestic labor supply has placed downward pressure on the wages of unskilled workers. 2. Is inequality bad for those not at the top? Bernstein: Yes. Growth at the top means that those at the bottom are operating at a relatively greater disadvantage—they cannot afford the schools and educational enrichment activities that the top end of the income scale enjoy. In the post WWII era, incomes at the top, middle, and bottom all doubled. That has not happened since inequality has risen over the past three decades. The wages at the bottom of the scale have remained mostly flat, and the growth in the median US incomes has been flat since the early 2000s. Conard: No. Over the past 30 years, median incomes have risen significantly despite inequality. Only after the recession have they dipped. And they still remain well above most high-wage countries, like Germany and France. The only force driving up American wages relative to the world wage? Local demand—and that demand is chiefly due to the outsized success of the top 1% relative to those in Europe and Japan. That has been evidenced in two ways: wage and employment growth. US employment has grown by 50% since 1980; Germany and France—less than half as much; Japan, less than a third. And as US employment has grown by 50%, we average 20 to 25% more hours of work per person than Europe and Japan, and at income levels 20 to 25% higher than in Europe and Japan. If it were the case that income inequality was bad for the middle class, we would not have seen the outsized growth in employment relative to Europe and Japan at wages that are significantly higher. And comparing post WWII growth with the current US economy is not comparing apples and apples. A dearth of births in the Great Depression meant very tight labor market after the war, driving up wages. The movement from rural to urban areas boosted productivity. Capital-intensive manufacturing was substantial. Those trends have run their courses, and we now have a much greater labor supply (Baby Boomers, a wave of immigration, and entry of women in the labor force) and more global competition. So growth must be compared to other high-wage economies at this point in time—not to the past when circumstances were different.

Topics: Blog,Jared Bernstein,Videos

Permalink: https://www.edwardconard.com/2014/05/01/ed-conard-debates-vice-president-bidens-former-chief-economist-jared-bernstein-income-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/05/graph.jpg

Article 434

Title: My Essay On Inequality and Risk-Taking Is Featured in Income Inequality in America: Fact and Fiction

Author(s)	Assistant
Publish Date	2014-05-01
Publish Time	9:27:33

Content: The Manhattan Institute's e21 brief Income Inequality in America: Fact and Fiction features my essay "Inequality and Risk-Taking in a 21st Century Economy."
https://economics21.org/files/e21ib_1.pdf

Topics: Blog

Permalink: https://www.edwardconard.com/2014/05/01/my-essay-on-inequality-and-risk-taking-is-featured-in-income-inequality-in-america-fact-and-fiction

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2018/01/tn_e21-income-inequality-brief.jpg

Article 435

Title: Ed Conard debates why raising the wage is bad economic policy with Trish Regan on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2014-04-30
Publish Time	13:18:51

Content: . . .

Topics: Blog,Bloomberg,Trish Regan,Videos

Permalink: https://www.edwardconard.com/2014/04/30/should-the-u-s-raise-the-minimum-wage-i-debate-the-issue-with-trish-regan-on-bloomberg-tv

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-debates-why-raising-the-wage-is-bad-economic-policy-with-trish-regan-on-bloomberg-tv.png

Article 436

Title: Piketty and Krugman Admit the Laffer Curve Is Real

Author(s)	Ed Conard
Publish Date	2014-04-23
Publish Time	14:53:04

Content: Real Clear Politics By Edward Conard | April 23, 2014 Liberal and conservative economists disagree sharply over the extent to which a lower marginal tax rate motivates talented workers to take the risks and suffer the consequences necessary to earn more money. The strongly held belief that higher tax rates do not create significant disincentive for risk-taking is central to the liberal argument. Imagine the shock, then, when two pillars of liberal economics-Paul Krugman and Paris School of Economics professor Thomas Piketty-conceded that a lower U.S. marginal tax rates had a profound effect on the economy precisely through its motivational effects on the most productive workers. In his review of Piketty's new book, Capital in the 21st Century, Krugman admits that he is "more or less persuaded by Piketty's explanation of the surge in wage inequality," which Krugman summarizes as the following: "Piketty argues high-level executives set their own pay, constrained by social norms. He attributes skyrocketing pay at the top to an erosion of these norms. Falling tax rates for the rich have in effect emboldened the earnings elite. When a top manager could expect to keep only a small fraction of the income...he might have decided that the opprobrium wasn't worth it. Cut his marginal tax rate drastically, and he may behave differently." Piketty (as described by Krugman) advances the premise that a lower marginal tax rate motivates talented workers to risk their reputations and stature to earn more money. They seem to suggest that we need high tax rates to rein in workers who would otherwise be "emboldened" to earn more. The only difference between their hypothesis and the conservative hypothesis is the restriction Krugman and Piketty place on the risks people are motivated to take. Conservatives see money motivating highly talented workers to take the entrepreneurial risks necessary to earn more money. Krugman and Piketty only see it motivating undesirable behavior-public-company CEOs, for example, damaging their standing in the community to make more money by manipulating cronies on their corporate board of directors to pay them at the expense of shareholders. The facts make their restriction all the more dubious. The vast majority of people in the top one percent or even the 0.1 percent are not public-company CEOs with an opportunity to steal from their shareholders. They are entrepreneurs and service providers who earned more by convincing customers to pay them more despite competitive alternatives. And they competed with those alternatives for the same pool of talented employees. They did not "set their [own] pay"; they competed to earn it. Nevertheless, the earnings of this group of people rose, at precisely the same time public-company CEO earnings rose. In fact, the pay of the 0.1 percent has risen faster than the pay of public-company CEOs since the late 1990s. Nor has the pay for public-company CEOs risen relative to the pay for CEOs at private companies, where owners, and not alleged cronies, control compensation. Were rising "crony capitalism" a significant driver of the outsized success of the one percent, growth would have slowed relative to economies with more equally distributed incomes. Misallocating resources, after all, slows growth. Yet, U.S. innovation, employment, and economic growth accelerated relative to the high-wage economies of Europe and Japan with more equally distributed incomes-the exact opposite of what the Piketty/Krugman hypothesis would predict. Without the skewed benefit of U.S. innovation, Europe and Japan's growth would have been even slower. The facts strongly indicate that the rising opportunity costs, rather than cronyism, have driven up the compensation of the most talented and properly trained workers. No surprise, even Krugman concedes, Piketty's "diagnosis...clearly lacks...rigor." In truth, Krugman and Piketty ascribe motivational effects to marginal tax rates that go far beyond the level most serious conservative economists ascribe to them. In the Piketty/Krugman view, the motivational effects from a lower marginal tax rate alone accounted for the large increases in the pretax earnings of the one percent. Most mainstream economists see other powerful factors at work. They recognize that information technology and globalization created entrepreneurial opportunities that exceeded the supply of properly trained talent needed to capitalize on these opportunities. As a result, pay for those workers rose independent of the marginal tax rate. The rapid growth of companies and communities, like Google, Microsoft, and Silicon Valley, provided valuable on-the-job training and networks of expertise that greatly increased America's chances to innovate successfully relative to Europe and Japan. Minimal needs for startup capital gave individuals and not just large corporations access to IT-related entrepreneurial opportunities. Like any game of chance, higher payoffs for success motivated increased risk-taking, especially among talented workers. With higher payoffs, Americans produced more innovation than their counterparts in Europe and Japan. A lower marginal tax rate only increased payoffs further. America's success drove up the opportunity cost and pay of highly talented workers throughout the economy. The lack of competition from Europe and Japan's talented elite drove up top American pay even further. In an increasingly innovation-driven economy, the difficulty investors face with regard to established companies is motivating CEOs to take the risks necessary to innovate. Over and over again, we see companies like Kodak, Dell, Yahoo, and Microsoft reluctant to take the risks needed to innovate and grow until seriously threatened by competitors. CEOs often avoid confronting strategic risks where the possibility of failure jeopardizes their career. They prefer the status quo, even if it is detrimental in the long run, because they generally care far more about preserving their stature than they do about earning more money. Motivating CEOs to take risks that jeopardize their careers is expensive. In Piketty and Krugman's version of the economy, the most talented workers eagerly sell their stature for money. Were that the case, CEOs would earn a lot less! Edward Conard, a former Managing Director at Bain Capital, is a Visiting Scholar at the American Enterprise Institute (AEI). He is also the author of Unintended Consequences: Why Everything You've Been Told About The Economy Is Wrong.

Topics: Blog,Laffer Curve,OpEds,Paul Krugman,Print,Thomas Piketty

Permalink: https://www.edwardconard.com/2014/04/23/piketty-and-krugman-admit-the-laffer-curve-is-real

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/11/realclearpol.jpg

Article 437

Title: Renowned Labor Economist, Claudia Goldin, Finds Cumulative Career Hours Worked Explains the Gender Pay Gap

Author(s)	Ed Conard
Publish Date	2014-04-08
Publish Time	14:47:43

Content: Just in time for today's "Equal Pay Day," one of Harvard's renowned labor economists, Claudia Goldin, examines the gender wage gap and finds that differences in cumulative career hours worked accounts for the remaining gender pay gap beyond the lower-paying professions women tend to choose—e.g., social work versus computer programing. Goldin concludes: "What…is the cause of the remaining pay gap? Quite simply, the gap exists because hours of work in many occupations are worth more when given at particular moments and when the hours are more continuous. That is, in many occupations earnings have a nonlinear relationship with respect to hours. A flexible schedule often comes at a high price, particularly in the corporate, financial, and legal worlds. A compensating differentials model explains wage differences by the costs of flexibility." In professions, like pharmacology and computer programing, where working part time or taking time off does not diminish productivity, Goldin finds little if any gender pay gap between comparable workers. As Mark Perry and Andrew Biggs argue in today's Wall Street Journal: if companies could hire comparable female workers at 77% of the cost of men, why wouldn't they take full advantage of that until wages converged?

Topics: Blog,Caudia Goldin,Gender Pay Gap,Growth

Permalink: https://www.edwardconard.com/2014/04/08/renowned-labor-economist-claudia-goldin-finds-cumulative-career-hours-worked-explains-the-gender-pay-gap

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Article 438

Title: Debate with Robert Reich on the latest budget released by Rep. Paul Ryan on Ronan Farrow's MSNBC Show

Author(s)	Ed Conard
Publish Date	2014-04-01
Publish Time	20:55:10

Content:

Topics: Blog,MSNBC,Paul Ryan,Robert Reich,Ronan Farrow,Videos

Permalink: https://www.edwardconard.com/2014/04/01/robert-reich-on-the-latest-budget-released-by-rep-paul-ryan-on-ronan-farrow

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/debate-with-robert-reich-on-the-latest-budget-released-by-rep.-paul-ryan-on-ronan-farrows-msnbc-show.png

Article 439

Title: Ed Conard defeats the IQ2 Motion: "Income Inequality Impairs the American Dream of Upward Mobility"

Author(s)	Ed Conard
Publish Date	2014-04-01
Publish Time	13:27:24

Content: Despite a highly partisan crowd of voters, Ed defeated the IQ2 Motion: "Income Inequality Impairs the American Dream of Upward Mobility." Thirty percent of the voters moved to Ed's side of the motion—one of the largest swings in the history of IQ2. Opening Statement If income inequality truly impaired mobility, there would be telltale signs: Growing inequality would have reduced mobility. It hasn't. Even Emanuel Saez, of the liberal Piketty and Saez duo, admits, the chance of a low-income child reaching any higher level of income has increased. Economies with more equally distributed incomes would have greater mobility. They don't. Even Miles Corak, whose findings the Obama Admiration claimed underpinned their infamous "Great Gatsby Curve," admits, there are "almost no differences in upward mobility between Canada, Sweden, and the U.S." Transferring more money to the poor would increase mobility. It hasn't. Spending more money on education would increase test scores. It hasn't. We may not know how to increase mobility, but we do know that growing prosperity raises the living standards of the poor. This isn't really a debate about whether inequality impairs mobility. It's really about whether the success of America's top-earners hurts the middle and working class. Our opponents see the economy as a pie to be divided. They believe Steve Jobs' success takes income away from others. We see his success as growing the economy and the demand for labor. It's true that productivity has grown faster than median wages. Our opponents see this as evidence that lesser-skilled workers no longer share in the success of our economy. They overlook the fact that growth can manifest itself in two ways: where the supply of labor is restricted—like it was in the 1950s and '60s—growing demand drives up wages; where the supply of labor is unrestricted—like it is today—growth drives up employment. The baby boom, the increased participation of women in the workforce, immigration, and growing trade deficits have created an enormous increase in the supply of labor. As a result, employment grew instead of wages. U.S. employment has grown 50% since 1980—twice as fast as Germany and France, and three times faster than Japan. Two to three times faster growth is an unheard-of difference in performance. This difference would have been even greater if those countries hadn't benefited from the disproportionate share of innovation produced by the United States. And America achieved this employment growth at median incomes that were 20 to 30% higher than Germany, France, and Japan. Because of this growth, today, America is home to 37 million adult immigrants, their 16 million native-born adult children, and all the young children of these 53 million adults. Perhaps wages would have grown faster if the supply of labor had been more restricted. But it's disingenuous to close one eye, ignore America's extraordinary employment growth relative to its peers, and claim that income inequality hurts the middle and working class. No other high-wage economy has done more to help the middle class and working poor. That's why you should vote against the motion that "Income Inequality Impairs the American Dream of Upward Mobility." To persuade you that the success of America's top-earners subtracts from everyone else's income, our opponents will claim successful Americans used cronyism to misappropriate their earnings. If these Americans had misallocated resources on a scale necessary to achieve their success, growth would have slowed relative to economies with more equally distributed incomes. The opposite occurred. America's growth accelerated relative to its peers. Rising crony capitalism can't explain America's faster growth. That's not to say there isn't crony capitalism. There is. But the status quo is under assault from innovation more that it's ever been. The turnover of CEOs, Fortune 500 companies, and the Forbes 400 wealthiest Americans have all accelerated—a far cry from evidence of rising crony capitalism. It wasn't crony capitalism that produced America's success. It was hard work and entrepreneurial risk-taking. Information technology made knowledge workers more productive and opened a large window of low-cost investment opportunities. This increased the productivity and pay of our most talented workers and gave rise to a growing number of successful entrepreneurs. Americans were uniquely successful at capitalizing on these opportunities. Their success didn't hurt America; it made us stronger. To avoid debating this truth, our opponents will retreat to a more ambiguous claim —that perhaps we could have raised living standards even more if we had taxed success more heavily. Even if that's true, "upward mobility has not been impaired" and therefore you should vote against the motion. Even if you believe that higher taxes distribute more income to the middle class than they destroy, you should at least recognize there is little evidence supporting this highly speculative claim. In the real world, Germany, France, and Japan all distributed income more equally and none of them produced faster employment growth than America. Nor did they grow their median incomes faster than the U.S. since the early 1990s, despite more restricted supplies of labor. In the academic world, there have been six highly regarded cross-country studies on the effect of income inequality on growth by economists at Harvard, MIT, the OECD, the World Bank, and the IMF. All of them have reached the same conclusion: inequality is correlated with faster growth in high-wage economies. The IMF's most recent study—whose headlines insisted that redistribution does not slow growth—admitted, "Redistribution above the 75th percentile is indeed harmful to growth, as the Okun 'big trade-off'…suggests." Guess which country lies at the 75th percentile? America. Another one of these studies also examined Okun's 'big trade-off' and found that, by 2001, the growth-promoting effects of inequality had pushed the income of the bottom 90% above what it would have been, if their share of income hadn't fallen. Even if this briefly-stated evidence fails to persuade you, it does not mean the success of our top-earners has hurt America. Quite the contrary, not only has America's much faster growth created employment for tens-of-millions of additional workers at much-higher median incomes than other high-wage economies, it has improved every capable child's chances of earning a higher standard of living. Even Emanuel Saez agrees. The success of America's top-earners is an asset, not a liability. Vote against the motion that "Their Success Impairs Upward Mobility." Closing Statement Germany is the second most prosperous major economy in the world. In Germany, the 99% earn 47% of GDP. In the United States, they earn the same share of GDP—47%. And that's 47% of a faster growing economy, with median disposable family incomes that are 20% higher. With America's 1% earning a larger share of GDP than their counterparts in Germany, how can the 99% in both countries earn the same share of GDP? Relative to Germany, the additional share of GDP earned by America's 1% comes entirely from the investors' share of GDP, not the share earned by the 99%. For those of you who continue to believe the economy is a pie, please recognize that the larger slice of America's 1% come entirely from investors and not from the 99%. With valuable on-the-job training at companies like Google and access to networks of experts like Silicon Valley, the productivity of America's top earners is higher than the rest of the worlds'. Given these advantages, it should come as no surprise that America's 1% creates a greater share of GDP relative to investors than their counterparts elsewhere. And given these advantages, it should also come as no surprise that the returns to a college education are significantly higher in the United States than in any other country in the world, according to the OECD. Ultimately, this debate boils down to whether the outsized success of America's talent is an asset or a liability for the rest of the country. By every measure--employment growth, median incomes, returns to education, and opportunities for immigration--the U.S. provides more upward mobility than any other economy. Even ultra-liberal Emanuel Saez agrees: mobility has not declined. Even if you believe we ought to tax the rich more, you should vote against the motion that "The Success of America's Top-Earners, Impairs the American Dream of Upward Mobility." Watch the debate here. See all the details at IQ Squared.

Topics: Blog,Blog Highlights,Videos

Permalink: https://www.edwardconard.com/2014/04/01/ed-defeats-the-iq2-motion-income-inequality-impairs-the-american-dream-of-upward-mobility

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Article 440

Title: The New York Times reports there are only 500,000 full-time minimum-wage jobs—the same number the Congressional Budget Office expects a raise to $10.10 will destroy

Author(s)	Ed Conard
Publish Date	2014-03-12
Publish Time	10:09:08

Content: In yesterday's New York Times' Economix blog Bruce Bartlett reports on data from the Bureau of Labor Statistics showing that of the people earning the minimum wage, "about half were young people and about two-thirds worked only part time. Just half a million people worked full time at a minimum-wage job." This is worrisome because the CBO estimates that raising the minimum wage to $10.10 per hour would destroy 500,000 jobs. Even worse, because of substitution effects—where a low skilled worker earning $7.25 per hour is replaced by a higher skilled worker earning $10.10 an hour—the job loss for lower skilled workers would be larger than 500,000.

Topics: Blog,Bruce Bartlett,New York Times

Permalink: https://www.edwardconard.com/2014/03/12/the-new-york-times-reports-there-are-only-500000-full-time-minimum-wage-jobs-the-same-number-the-congressional-budget-office-expects-a-raise-to-10-10-will-destroy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/03/unemployement-mdn-e1439825489282.jpg

Article 441

Title: Brookings Inadvertently Finds the Poor Have Higher Incomes in Cities Where the Rich are Richer

Author(s)	Ed Conard
Publish Date	2014-03-11
Publish Time	21:51:02

Content: A recent report by the Brookings Institution inadvertently shows the poor have higher incomes in cities where the rich are richer. Unfortunately, the study overlooks many factors that might better explain the differences between rich and poor within cities and between them. And, of course, correlation is not causation, especially where possible explanations seem overlooked. Nevertheless, the relationship between rich and poor in the data Brookings chose to present is hard to overlook.

Topics: Blog,Brookings

Permalink: https://www.edwardconard.com/2014/03/11/brookings-inadvertently-finds-the-poor-have-higher-incomes-in-cities-where-the-rich-are-richer

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Article 442

Title: Recent Study Finds Minuscule Losses on AAA-Rated Tranches of Subprime Mortgages

Author(s)	Ed Conard
Publish Date	2014-03-11
Publish Time	15:50:26

Content: Pervasive misunderstandings about the causes of the financial crisis have significantly slowed the economic recovery. The public mistakenly believes banks recklessly made no-money-down loans to homeowners, consequently suffered loan losses, and, as a result, needed the government to bail them out. A recent study finds that's not the case. Nevertheless, the public continues to demand, and has extracted, financial and regulatory retribution from the banks, despite the fact that this slows the recovery. In fact, banks found investors to make down payments on behalf of homeowners and, as a result, largely avoided losses despite a near 30% drop in real estate prices—proof that credit ratings were more accurate than popularly recognized. The new study analyzes 90% of the subprime mortgages (worth $2 trillion) issued between 2004 and 2006—the peak of the subprime frenzy—and finds that the AAA-rated tranches of these mortgage securitizations—the tranches predominantly held by banks—suffered only $1.8 billion of losses as of February 2011. In total, the loss on all A-rate tranches in the study have been less than $50 billion. For comparison, the market value of JP Morgan—one bank—is $220 billion (on 3/10/2014). The Financial Crisis Inquiry Commission similarly predicted that losses on the AAA-rates tranches of subprime mortgage would be near-zero and that total losses would be less than $350 billion. In truth, depositors—namely, intuitional investors—overreacted, panicked, ran to the banks, and withdrew their deposits in the face of a 30% drop in real estate prices. Banks were forced to sell assets—loans (IOUs from homeowners)—to fund withdrawals. With everyone selling loans and no one buying, financial assets temporarily fell to fire-sale prices. At those prices, banks could not sell enough assets to fund withdrawals and were rendered insolvent. There is little reason to believe a 30% drop in real estate price wouldn't have sparked a run on the banks even with conventional 20% homeowner down payments. It's well known to policymakers, that banking, unlike other parts of the economy, is highly unstable. If depositors panic and demand withdrawals en masse, they discover banks lent out deposits and consequently don't have enough money to fund all the withdrawals in the short run. Under those circumstances, demand for withdrawals logically cascades to near-100%. No depositor wants to be left holding the bag, so each races the other to the bank. After nearly 80 years without a major run on U.S. banks, everyone was lulled into believing that implicit government guarantees, which stand behind the banking system, had mitigated this risk. In the fall of 2008, they discovered this was not the case. With a finite capacity for bearing risk, the economy has dialed-back risk-taking elsewhere to compensate for this now-recognized risk. Consumers spend a smaller share of their income and investors have slowed the pace of innovation and competitions. As a result, the economy now grows more slowly off a permanently lower base of demand. If policy puts banks at greater risk from insolvency from withdrawals and not just from loan losses, it drives banks to hold more deposits in reserve to cover the risk of withdrawals. When we leave corn in the silo rather than eating it or planting it, growth slows, unemployment rises, and/or wages fall; as they have. It's unfortunate that few people recognize this tradeoff. Demanding that banks hold more equity is zero-sum. It just diverts equity from underwriting risk elsewhere for no net increase in risk-taking and growth overall. Again, it's unfortunate that few people recognize this tradeoff. One of the only ways to reduce the risk of withdrawals is to strengthen government guarantees of banks. But if guarantees are priced improperly, it can lead to "moral hazard"—banks taking more risk than they should. Another way to reduce the risk of withdrawals is to reduce the supply of risk-averse capital—i.e., to reduce the need for lending to fully utilize the economy's idle resources. One way the U.S. can do this is by demanding balanced foreign trade where it can—with China, for example, versus Saudi Arabia. This prevents surplus exporters, like China, who have an excess of risk-averse savings, from using the proceeds from our purchases of their goods to buy our assets—namely, government-guaranteed debt—instead of our goods, which employ our people. They add corn to our silo, when our silos are overflowing. While it's true the Chinese don't deposit their risk-averse savings directly into U.S. banks, they do it indirectly by crowding out buyers for a fixed amount of government-guaranteed debt. The U.S. suffers slower growth, higher unemployment, and lower wages, if banks leave the resulting increase in corn sit idle or greater financial instability if they lend it out. With a limited capacity to bear risk, the economy has dial back risk-taking to compensate for the now-recognized risk of bank runs and the impotency of implicit government guarantees to mitigate them. As a result, the economy grows more slowly from a permanently lower base of demand. Risk-averse savings sit unused. Unemployment has risen and incomes have fallen. If we recognized the banks were not rendered insolvent from loan losses, which turned out to be small, but from a run on the banks sparked by a 30% drop in real estate prices that likely would have occurred with conventional 20% down payments, we would be taking steps to mitigate the true problems underlying the anemic recovery rather than blaming banks and demanding retribution. We would be strengthening government guarantees of liquidity and reducing the supply of risk-averse capital. So far we've done neither.

Topics: Blog,GDP,Growth

Permalink: https://www.edwardconard.com/2014/03/11/recent-study-finds-minuscule-losses-on-aaa-rated-tranches-of-subprime-mortgages

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/03/Blog-Image-3.11-e1439825630534.jpg

Article 443

Title: CBO Cuts Its Forecasted Growth of the Economy Another 3 Points

Author(s)	Ed Conard
Publish Date	2014-03-03
Publish Time	19:19:01

Content: Lost in the controversy surrounding the CBO's estimate that the Affordable Care Act will motivate 2.5 million low-wage workers to quit working at the taxpayers' expense, is its 20% reduction in its forecasted growth of the economy. Since the recession, the CBO has continued to forecast that a five-year economic rebound is just around the corner and that this rebound will grow the real economy 20% before the economy returns to its long term growth rate. Every year, when the rebound doesn't materialize, the CBO pushed its forecast back another year. This just-around-the-corner feature of its forecast gives air cover to advocates of government spending who claim an elevated level of spending is temporarily needed to bridge a soon-to-end lull in demand. Last year, the CBO dialed back its forecasted rebound to 19% and its long-term growth rate to 2.3% per year. This year, it dialed down its expected rebound further to 16%, which accumulates less than four points of growth more than its now-forecasted long term growth rate of 2.2% per year. Overall, the CB0 now expects the economy to be 7% smaller in 2017 than it forecasted in 2007, with no significant rebound back to the prior trend line. After mistakenly giving air cover to advocates of increased government spending over the last five years, the CBO is finally realizing that this recession stems, not from a temporary lull in demand, like many other recessions, but from permanent structural problems that increased government spending cannot mitigate.

Topics: Blog,economy,Growth

Permalink: https://www.edwardconard.com/2014/03/03/cbo-cuts-its-forecasted-growth-of-the-economy-another-3-points

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/03/3.3-e1439825694701.jpg

Article 444

Title: IMF Finds Income Redistribution at European Levels Likely Hinders Growth in Advanced Economies Like the U.S.

Author(s)	Ed Conard
Publish Date	2014-03-03
Publish Time	17:35:28

Content: A recently published cross-country comparison by the International Monetary Fund that shows income inequality slows growth, seems easy to misconstrue by advocates of income redistribution. With the U.S. economy having greater income inequality but growing faster and more sustainably than Europe and Japan, how can cross-country comparisons, at least ones relevant to the U.S., find that economies with more equally distributed incomes grow faster? The study singles out countries that redistribute income more than the U.S.—France, Germany, and the Netherlands, for example—and cautions that redistribution of this magnitude slows growth, but questions the statistical significance of this conclusion because of a scarcity of data. The study shows that countries with economies that naturally distribute incomes more equally grow faster and more consistently than those that achieve equality through redistribution. It's no surprise, for example, that countries ruled by dictators who oppress their economies distribute income more unequally and grow more slowly. And in a world where the incomes of talented workers are growing faster than the economy in total, saturating an under-educated population with education can increase the share of higher scoring workers, more evenly distribute incomes, and accelerate growth. Similarly, if the U.S. could find a way to increase the productivity of its least productive workers, incomes would be more equally distributed and the economy would grow faster. Unfortunately, no one has found a cost-effective way to do that. Redistribution of income, on the other hand, likely slows growth by reducing the payoffs for success and slowing the accumulation of equity needed to finance innovation. A narrow range of policy differences, however, makes it difficult to measure the effects of redistribution with statistical significance. The study compounds the problem by differentiating between economies with high and low levels of income redistribution and analyzes each group separately. So while the study admits that economies with a high degree of income redistribution like France, Germany, and the Netherlands grow less sustainably than the U.S., and cautions that redistribution as a policy for achieving greater income equality may hinder growth, it nevertheless concludes that countries with economies that naturally distribute incomes more equally grow faster. That conclusion may be relevant to developing economies but is largely irrelevant to the U.S., which currently has inadequate means for achieving greater equality other than through higher levels of income redistribution.

Topics: Blog,Europe,Growth,Redistribution

Permalink: https://www.edwardconard.com/2014/03/03/imf-finds-income-redistribution-at-european-levels-likely-hinders-growth-in-advanced-economies-like-the-u-s

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/03/MonetaryFunds.jpg

Article 445

Title: Ed Conard debates the impact the Federal Reserve's monetary policy is having on the economy on Bloomberg TV's "In the Loop"

Author(s)	Ed Conard
Publish Date	2014-02-21
Publish Time	14:55:22

Content: BPlayer(null, {"id":"qpN3PVpxSVqPfqg9egP0SQ","htmlChildId":"bbg-video-player-qpN3PVpxSVqPfqg9egP0SQ","serverUrl":"http://www.bloomberg.com/api/embed","idType":"BMMR","autoplay":false,"log_debug":false,"ui_controls_popout":false,"wmode":"opaque","share_metadata":{"canonical_url":"http://www.bloomberg.com/news/videos/b/aa93773d-5a71-495a-8f7e-a83d7a03f449"},"use_share_overlay":true,"video_autoplay_on_page":false,"use_js_ads":true,"ad_code_prefix":"","ad_tag_gpt_preroll":true,"ad_tag_gpt_midroll":true,"ad_tag_sz_preroll":"1x7","ad_tag_sz_midroll":"1x7","ad_tag_sz_overlay":"1x7","ad_network_id_preroll":"5262","ad_network_id_midroll":"5262","ad_network_id_overlay":"5262","ads_vast_timeout":10000,"ads_playback_timeout":10000,"use_comscore":true,"comscore_ns_site":"bloomberg","comscore_page_level_tags":{"bb_brand":"bbiz","bss_cont_play":0,"bb_region":"US"},"use_chartbeat":true,"chartbeat_uid":"15087","chartbeat_domain":"bloomberg.com","vertical":"business","ad_tag_overlay":"business/videooverlay","use_parsely":true,"source":"BBIZweb","module_conviva_insights":"enabled","conviva_account":"c3.Bloomberg","zone":"video","ad_tag_cust_params_preroll":"","width":640,"height":360,"ad_tag":"","ad_tag_midroll":"","offsite_embed":true});

Topics: Blog,Bloomberg,economy,Federal Reserve,Videos

Permalink: https://www.edwardconard.com/2014/02/21/ed-conard-debates-the-impact-the-federal-reserves-monetary-policy-is-having-on-the-economy-on-bloomberg-tvs-in-the-loop

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-debates-the-impact-the-federal-reserves-monetary-policy-is-having-on-the-economy-on-bloomberg-tvs-22in-the-loop22.png

Article 446

Title: On Bloomberg TV's "In the Loop" Ed Conard explains the data featured in the recent CBO report

Author(s)	Ed Conard
Publish Date	2014-02-21
Publish Time	14:36:12

Content:

Topics: Blog,Bloomberg,Videos

Permalink: https://www.edwardconard.com/2014/02/21/cbo-report-and-minimum-wage

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/on-bloomberg-tvs-22in-the-loop22-ed-conard-explains-the-data-featured-in-the-recent-cbo-report.png

Article 447

Title: Part II: CBO Report Shows Increasing the Minimum Wage Hurts Marginal Workers

Author(s)	Ed Conard
Publish Date	2014-02-20
Publish Time	19:05:53

Content: The most damning aspect of Tuesday's CBO report on the minimum wage may not be its acknowledgment that raising the minimum wage is a highly inefficient way to help families in poverty relative to subsidizing work with the Earned Income Tax Credit (EITC). The most damning aspect is the report's implicit acknowledgment that raising the minimum wage hurts marginal workers by reducing their chances for employment. The report estimates that raising the minimum wage will imposed three times as many job losses on marginal workers as adults generally. Nevertheless, the report concludes that overall job losses suffered by marginal workers are likely to be low because few marginal workers currently have jobs. Twenty-three percent of African-American workers between the ages of 20 and 24 years old, for example, are unemployed. For the least skilled among those workers, the unemployment rate is even higher. Those workers are unable to produce $7.25 of value in an hour of work—the amount of the minimum wage—that customers are willing to buy, and so remain unemployed. Raising the minimum wage to $10.10 per hour will make it that much harder for those workers to find economically viable work. So in addition to the 500,000 workers who can produce $7.25 of value in an hour but not $10.10—individuals who the CBO expects will lose their jobs outright—there are many currently unemployed workers who will find it even harder to find work, especially low-skilled entry-level work that serves as a gateway to a lifetime of employment. Liberals, such as the editorial page of the New York Times, downplay this concern and argue that an increase in the minimum wage rather than the EITC is needed to prevent employers from pocketing the benefits of lower wages subsidized by the EITC. To a large extent, competition makes it difficult for employers to pocket subsidies rather than passing the savings to their customers through lower prices—especially in industries where competition demands minimum wages. Lower prices increase the demand for products made with minimum wage labor, which increases minimum wage employment. If some companies hire more low-skilled marginal workers eligible for the EITC, namely single mothers, because they can pocket the subsidies, it would be a nice problem to have. In short, increasing the EITC is a lot cheaper way for taxpayers to help families in poverty and a lot less destructive to marginal workers than raising the minimum wage.

Topics: Blog,EITC,Investment

Permalink: https://www.edwardconard.com/2014/02/20/part-ii-cbo-report-shows-increasing-the-minimum-wage-hurts-marginal-workers

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/02/20121128_minwage1-e1439826985825.jpg

Article 448

Title: On Yahoo's "Daily Ticker" Ed Conard argues raising the Earned Income Tax Credit (EITC) will help the working poor more than raising the minimum wage

Author(s)	Ed Conard
Publish Date	2014-02-20
Publish Time	15:49:50

Content:

Topics: Blog,EITC,Videos,Yahoo Daily Ticker

Permalink: https://www.edwardconard.com/2014/02/20/on-yahoos-daily-ticker-ed-conard-argues-raising-the-earned-income-tax-credit-eitc-will-help-the-working-poor-more-than-raising-the-minimum-wage

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/on-yahoos-22daily-ticker22-ed-conard-argues-raising-the-earned-income-tax-credit-eitc-will-help-the-working-poor-more-than-raising-the-minimum-wage.png

Article 449

Title: Part I: CBO Report Shows Increasing Minimum Wage Inefficient at Reducing Poverty

Author(s)	Ed Conard
Publish Date	2014-02-20
Publish Time	14:05:18

Content: The CBO published a worrisome analysis of the minimum wage on Tuesday. The study estimates that, in the short run, raising the minimum wage to $10.10 per hour will lift 900,000 people out of poverty, presumably adults and their children, but reduce employment by 500,000 workers. The study cautions “the effects on total national income of an increase in the minimum wage differ in the long term...In the long term…reduction in the workforce lowers the nation’s output and income.” The report warns that raising the minimum wage is a highly ineffective way to reduce poverty. It points out “just 19% of the $31 billion [of income transferred] would accrue to families with earnings below the poverty threshold,” while “29% would accrue to families earning more than three times the poverty threshold.” Because families in poverty supply very few hours of work, the CBO expects that only $300 of cash will be transferred on average to poor families. The CBO expects that earnings transferred to “low- and moderate- income workers” will be taxed at a 32% marginal tax rate because government benefits are reduced as poor families earn more, so only $200 of net cash would be transferred, in large part, because minimum wage workers tend not to work full time. The study makes no mention of a prior CBO report that estimated the marginal tax rate for a single mother working full time at the minimum wage (i.e., earning $15,000 to $20,000 per year) at 65% to 95%, which includes the expected reduction in government benefits. Tuesday's study acknowledges that it would be far more efficient to aid poor families using the Earned Income Tax Credit (EITC) than increases in the minimum wage. In a footnote, the CBO admits “the cost to employers of the change in the minimum wage was much larger [emphasis mine] than the cost to the federal government of the change in the EITC.” In another prior report, the CBO estimated that transferring a dollar of income to a family in poverty requires transferring almost $7 of income through the minimum wage versus $1.70 using the EITC. Given the CBO damning analysis, one can’t help but wonder why in the run-up to the 2016 elections, Democrats would propose increasing the minimum wage rather than increasing the EITC. The report seems to offer a clue. In a footnote, it warns, “At the same time that the proposed increases in the minimum wage would take effect, the Affordable Care Act’s requirement that many employers provide health insurance (or pay a penalty if they do not) will impose an additional cost on employers for some low-wage workers who do not currently have employment-based health insurance. CBO expects that the cost will ultimately be borne by workers through lower wages.” An increase in the minimum wage, despite being a highly inefficient way to help the poor, would prevent this from become more visible.

Topics: Blog,EITC

Permalink: https://www.edwardconard.com/2014/02/20/cbo-report-shows-increasing-minimum-wage-ineffecient-at-reducing-poverty

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/02/BudgetOffice.jpg

Article 450

Title: Will Obamacare’s subsidies increase unwed births?

Author(s)	Ed Conard
Publish Date	2014-02-14
Publish Time	17:12:19

Content: Last week, the CBO warned that Affordable Care Act's subsidies will motivate 2.5 million low-wage workers to quit work at the expense of taxpayers--a 3-fold increase from its original estimate. In light of that inconvenient revelation, one can't help but wonder what other unintended consequences this enormous subsidy might have, namely, on the increasing number of children born to single mothers--one of the largest causes of poverty and a concern about which the CBO has, so far, remained silent. A recent comparison of OECD countries sheds light on this concern. It finds a percentage point increase in welfare spending relative to GDP (which represents about a 5% increase in spending) increases unwed births by 4.4%. Obviously, there are many pushes and pulls around any estimate like that, but in a country, like the US, where 50% of children born to high school graduates are born to unwed mothers, that ought to be a concern.

Topics: Blog,Europe,Social Welfare

Permalink: https://www.edwardconard.com/2014/02/14/will-obamacares-subsidies-increase-unwed-births

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/02/2.14-Graph-e1439840652613.jpg

Article 451

Title: Contrary to liberal claims, CBO concludes that labor participation will drop because of ACA’s subsidies, not from the freedom healthcare exchanges offer

Author(s)	Ed Conard
Publish Date	2014-02-07
Publish Time	19:23:03

Content: Sadly, many liberals (way too many to name) are heralding a new CBO report that predicts 2.5 million full-time low-wage workers will choose to stop working as a result of increased subsidies they’ll receive from the Affordable Care Act. These advocates mistakenly claim the CBO has concluded that untethering insurance from employment will allow people to make more optimal choices about whether to work. While it’s true that enabling people to gain health insurance from a source other than their employer may reduce workforce participation, those heralding the report conflate the effects from untethering with the effects from subsidies. The CBO’s forecast is based solely on its conclusion that low-wage workers will choose to work less if the government (i.e., taxpayers) pays them to work less—through increased healthcare subsidies based on low earnings —and withdraws that subsidy if they earn more. Nowhere does the report say labor supply drops from the creation of healthcare exchanges that facilitate the untethering of insurance from employment—i.e., the feature that allows optimum choice. Excerpts from Appendix C of the report, “Labor Market Effects of the Affordable Care Act,” make this clear: “In CBO’s view, the ACA’s effects on labor supply will stem mainly from the following provisions, roughly in order of importance: • The subsidies for health insurance purchased through exchanges; • The expansion of eligibility for Medicaid [i.e. subsidized healthcare]; • The penalties on employers that decline to offer insurance; and • The new taxes imposed on labor income.” “CBO estimates that the ACA will reduce the total number of hours worked…almost entirely because workers will choose to supply less labor.” “The largest declines in labor supply will probably occur among lower-wage workers.” “The reduction in CBO’s projections of hours worked represents a decline in the number of full-time-equivalent workers of about 2.0 million in 2017, rising to about 2.5 million in 2024.”

Topics: Blog,Employment,Growth,Healthcare/Seniors

Permalink: https://www.edwardconard.com/2014/02/07/contrary-to-liberal-claims-cbo-concludes-that-labor-participation-will-drop-because-of-acas-subsidies-not-from-the-freedom-healthcare-exchanges-offer

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/02/i2RGrkqmK_Vs-e1439840730899.jpg

Article 452

Title: Companies don't pay CEOs to work hard; they pay them to bear risks necessary for improvement

Author(s)	Ed Conard
Publish Date	2014-02-05
Publish Time	15:29:30

Content: In his NYT op-ed from several weeks ago, Joe Stiglitz reveals his misunderstanding of incentive pay. He argues, "So C.E.O.'s must be given stock options to induce them to work hard. I find this puzzling: If a firm pays someone $10 million to run a company, he should give his all to ensure its success." Stiglitz mistakenly assumes CEOs are paid to work hard (or in some other similar fashion) and then asks whether paying them more could possibly induce them to work any harder when they are surely already working as hard as they possibly can. Stiglitz doesn't realize that companies don't pay CEOs for what they can do; they pay them for what they are willing to do. Companies pay CEOs to compel them to take the risks necessary to commercialize innovations that significantly improve their company's product offerings relative to competitors. Stiglitz should read a brief summary of the book Leadership on the Line to understand the risks faced by leaders who demand change. A CEO's primary objective is to maximize the value of his career by remaining CEO for as long as possible. Taking strategic risks and failing put once-in-a-lifetime CEO careers in jeopardy. An undiversified CEO is logically more reluctant to bear potential career-ending risks than diversified investors. If given the opportunity, a CEO can easily become satisfied with satisfactory underperformance, which is difficult for investors to identify on their own. While it's true, competitors' innovations often compel change, companies pay CEO for more than reactive change; they pay for proactive change. The differential pay for success must be large enough to compel CEOs to find and take prudent risks proactively. Society, namely customers, are better served by this incentive structure. The problem is compounded by the growing value of success more broadly. To attract top talent, CEO pay must be competitive with the pay for other similarly talented endeavors, which has risen. As the average pay rises, CEO should logically grow more risk-averse making a compelling differential for proactive success even larger. University of Chicago's Steve Kaplan, provides evidence supporting this view. His research shows that CEO pay has risen comparably with other high paid professions; that the value of CEO pay relative to the value of success to investors has remained comparable; and that boards have exerted more control over CEOs as evidenced by the shortened tenure of CEOs.

Topics: Blog,Growth,Investment,Joe Stiglitz,New York Times,Steve Kaplan

Permalink: https://www.edwardconard.com/2014/02/05/companies-dont-pay-ceos-to-work-hard-they-pay-them-to-bear-risks-necessary-for-improvement

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/02/Executive-corner-office-e1439587871797.jpg

Article 453

Title: Mankiw shows rich parental resources have almost no impact on income inequality

Author(s)	Ed Conard
Publish Date	2014-01-31
Publish Time	19:05:20

Content: Greg Mankiw reports that Chetty/Saez's recent study on income mobility finds that "91 percent of the variance [in a person's income] is unexplained by [their] parents' income." "Based on adoption studies," Mankiw speculates that "conservatively…half…of that 9 percent… [stems from] genetics rather than environment… [which] leaves only 4.5 percent of the variance attributed directly to parents' income." He notes that even if universal preschool could "completely neutralized the [non-genetic] effect of parent's income… the standard deviation [i.e. the variation] of income would [only] fall to 0.977 [i.e. 98%] of what it now is."

Topics: Blog,Chetty & Saez,Greg Mankiw,Growth

Permalink: https://www.edwardconard.com/2014/01/31/mankiw-shows-rich-parental-resources-have-almost-no-impact-on-income-inequality

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Article 454

Title: Ed Conard debates with Rep. Jim Himes on President Obama's refusal to work with Congress to pass legislation on Betty Liu's “In the Loop” on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2014-01-29
Publish Time	11:57:18

Content:

Topics: Blog,Videos

Permalink: https://www.edwardconard.com/2014/01/29/ed-conard-debates-with-rep-jim-himes-on-president-obamas-refusal-to-work-with-congress-to-pass-legislation-on-betty-lius-in-the-loop-on-bloomberg-tv

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-debates-with-rep.-jim-himes-on-president-obamas-refusal-to-work-with-congress-to-pass-legislation-on-betty-lius-in-the-loop-on-bloomberg-tv.png

Article 455

Title: Ed Conard addresses how the Fed's policies have affected economic volatility on Betty Liu's "In the Loop" on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2014-01-29
Publish Time	11:01:48

Content:

Topics: Blog,economy,Videos

Permalink: https://www.edwardconard.com/2014/01/29/ed-conard-addresses-the-feds-policy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-addresses-how-the-feds-policies-have-affected-economic-volatility-on-betty-lius-22in-the-loop22-on-bloomberg-tv.png

Article 456

Title: Ed Conard debates Phil Mattingly on the path forward for Congress and the president after the State of the Union on Betty Liu's "In the Loop" on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2014-01-29
Publish Time	11:01:46

Content:

Topics: Betty Liu,Blog,Bloomberg,congress,Obama,Phil Mattingly,Videos

Permalink: https://www.edwardconard.com/2014/01/29/ed-conard-debates-phil-mattingly

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-debates-phil-mattingly-on-the-path-forward-for-congress-and-the-president-after-the-state-of-the-union-on-betty-lius-22in-the-loop22-on-bloomberg-tv.png

Article 457

Title: Ed Conard debates Austan Goolsbee on President Obama's proposals to solve income inequality on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2014-01-28
Publish Time	16:45:20

Content:

Topics: Austan Goolsbee,Blog,Bloomberg,Obama,Videos

Permalink: https://www.edwardconard.com/2014/01/28/ed-conard-debates-austan-goolsbee-on-president-obamas-plan-for-income-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-debates-austan-goolsbee-on-president-obamas-proposals-to-solve-income-inequality-on-bloomberg-tv.png

Article 458

Title: Mankiw explains why it’s illogical to raise the minimum wage rather than the earned income tax credit

Author(s)	Ed Conard
Publish Date	2014-01-27
Publish Time	21:43:17

Content: Advocates for raising the minimum wage complain that the wage hasn’t kept pace with inflation. They intentionally overlook a logical shift in policy to the earn income tax credit (EITC), which supplements the wages of low income workers with cash. Greg Mankiw, shows that the minimum wage plus the EITC has kept up with inflation. He explains why raising the minimum wage, which taxes the people who produce minimum wage employment—the customers and employers of minimum wage workers—is a suboptimal way to raise minimum wages versus increasing the EITC. And he points out that nearly 80% of an increase in the minimum wage (unlike an increase in the EITC) is captured by workers who are not in poverty. Raising the minimum wage also hurts lower skilled workers by increasing the number of higher skilled workers competing for minimum wage work.

Topics: Blog,EITC,Greg Mankiw,Growth,Investment

Permalink: https://www.edwardconard.com/2014/01/27/mankiw-explains-why-its-illogical-to-raise-the-minimum-wage-rather-than-the-earned-income-tax-credit

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/01/1.27-Graph-556.350-e1439841289946.png

Article 459

Title: Chetty & Saez distance themselves from prior claims that government expenditures financed by progressive taxation reduces poverty

Author(s)	Ed Conard
Publish Date	2014-01-23
Publish Time	22:15:41

Content: Lost in the coverage surrounding Chetty & Saez's newly released paper, which debunks the claim that income mobility is declining in the U.S., are the provocative conclusions in their companion paper, "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States". The authors seems to back off their prior claim that, "the level of local tax expenditures…is positively correlated with intergenerational mobility…that this correlation is robust to…local…characteristics [and]…that the…progressivity of state income taxes are positively correlated with intergenerational mobility." They now admit, "There is [only] a weak… correlation between local tax progressivity and upward mobility…but the correlation is not statistically significant…when other [local] factors are considered," and that the correlation between upward mobility and government expenditures is "[even] smaller than that between local tax rates and upward mobility." Perhaps revealingly, the authors don't include their first paper in the bibliography of their second paper! And they didn't include taxes or government expenditures in the second paper's summary analysis of factors affecting mobility (i.e. their multifactor regression). It would have been interesting to see how much additional predictive power these factors contribute. Both papers show that single motherhood has an overwhelmingly negative effect on mobility (even if the text of the first paper remains oddly silent about it). When one factor alone provides nearly all the predicative power of a model, and that factor squares with common sense, researchers must, at least in part, evaluate other factors by the amount of incremental predicative power they add (i.e. use stepwise regression). Instead, the authors do the opposite. They submit a multifactor model that does no better at predicting upward mobility than simply knowing the share of children raised by single mothers in a community and use it to question whether single motherhood has as large an impact on poverty as it appears. Details aside, Chetty and Saez's analysis of upward mobility seems to do little more than support the conservative view that the culture of poverty in America, which includes high incidents of: unwed motherhood, high school drop outs, criminality, and other harmful factors, hurts children and makes it much harder for them to climb out of poverty. Factors that isolated these communities further—longer commutes to work outside the community, greater racial segregation and, ultimately, a larger income gap between the poor and middle class when the more-adapt move away—foster this ruinous culture and make escape even harder. The Chetty/Saez analysis debunks several other myths as well. They find that the success of the one percent has little if any effect on mobility. Ergo, the economy is not zero-sum where the rich succeed at the expense of the poor. Their evidence also indicates government expenditures to combat poverty are weak compared to the powerful effects of culture. Lower student-teacher ratios, for example, do little if anything to improve mobility in urban areas; only improving test scores does. And better access to college does little to help the poor presumably because few truly capitalize on it.

Topics: Blog,Chetty & Saez,Growth

Permalink: https://www.edwardconard.com/2014/01/23/chetty-saez-distance-themselves-from-prior-claims-that-government-expenditures-financed-by-progressive-taxation-reduces-poverty-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/01/ScoolChildren.png

Article 460

Title: Chetty and Saez debunk the claim that income mobility is declining in the U.S.

Author(s)	Ed Conard
Publish Date	2014-01-23
Publish Time	19:43:53

Content: Chetty and Saez's new study, "Is the United States Still a Land of Opportunity? Recent Trends in the Intergenerational Mobility," debunks the notion that income mobility in the U.S. has declined. They conclude, "Contrary to the popular perception, we find that percentile rank-based measures of intergenerational mobility have remained extremely stable for the 1971-1993 birth cohorts." In fact, "the probability that a child from a low-income family (e.g., the bottom 20%) reaches a fixed upper income threshold (e.g., $100,000)…has increased," as has the probability of low-income children attending college. They go on, "Putting together our results with evidence from Hertz ("Trends in the Intergenerational Elasticity of Family Income in the United States," 2007) and Lee and Solon ("Trends in Intergenerational Income Mobility," 2009) that intergenerational mobility did not change significantly between the 1950 and 1970 birth cohorts, we conclude that rank-based measures of social mobility have remained stable over the second half of the twentieth century in the United States…If anything, intergenerational mobility may have increased slightly in recent cohorts. The authors claim that income mobility in the U.S. is "significantly lower" than in other developed countries. But studies show income inequality is predominantly the same in the U.S. as other developed countries except for the poorest children, even when compared to countries like Denmark that have high income equality. A companion paper by Chetty and Saez, "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States," provides an explanation for why relative mobility is so low in the lowest quintile of income. The papers supports the conservative view that the culture of poverty in America, which includes high incidents of: unwed motherhood, high school drop outs, criminality, and other harmful factors, hurts children and makes it much harder for them to climb out of poverty. Their analysis debunks Kruger's "Great Gatsby Curve," which claims rising income inequality has reduced mobility. Chetty and Saez show that the success of the 1%, the primary driver of rising income inequality, has little if any effect on mobility. Instead, Chetty and Saez's analysis indicates that declines in the income of the poor relative to the middle class hurts the mobility of poor children. Other studies, such as Chulhee Lee's 2005 paper, "Rising Family Inequality in the United States, 1968 to 2000: Impacts of Changing Labor Supply, Wages and Family Structure," shows that the declines in the income of the poor relative to the middle class stems largely from a reduction in hours worked by the poor.

Topics: Alan Krueger,Blog,Chetty & Saez

Permalink: https://www.edwardconard.com/2014/01/23/chetty-and-saez-debunk-the-claim-that-income-mobility-is-declining-in-the-u-s

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/01/EverythingAboutEconomy1.jpg

Article 461

Title: Brookings reports decline in income inequity

Author(s)	Ed Conard
Publish Date	2014-01-20
Publish Time	18:38:25

Content: A new Brookings report, “Income Growth and Income Inequality: The Facts May Surprise You” reports that after-tax income inequality declined between 2000 and 2010, and likely declined through 2012 (the most recently reported numbers). While it’s true that top income earners capture most all the gains since the depths of the recession, Brookings reports: “CBO’s new numbers show that households in the top income percentile saw their before- and after-tax incomes shrink more than one-third between 2007 and 2009. Middle-income Americans experienced pre-tax income losses of 4.5% and after-tax income losses of just 1.4%. In the bottom one-fifth of U.S. households, after-tax incomes actually edged up during the recession…Even accounting for the robust pre-tax gains they enjoyed in 2010-2012, IRS data suggest the top 1% of households had lower pre-tax incomes in 2012 than they did in 2007… or in 2000.”   Brookings also reports, “A commonly used indicator of middle class income… the Census Bureau’s estimate of median household money income… [which] reached a peak in 1999 and fell 9% in the years thereafter…fails to account for changing tax burdens and… even worse…ignores income received as in-kind benefits and health insurance coverage from employers and the government. By ignoring in-kind benefits as well as sizeable tax cuts in the recession, the Census Bureau’s money income measure seriously overstated the income losses that middle-income families suffered in the recession…Between 1979 and 2010 the after-tax real incomes of…households in the middle three-fifths of the income distribution saw their after-tax incomes grow only about 40%...”   As well, household incomes overlook large increases in the size of the U.S. workforce and household formation since 1980. Since 1980, the U.S. added 45 mm jobs—a 50% increase, double the growth rate of Germany and France. This growth absorbed 25mm immigrants, not counting their native born children, who are of similar magnitude.

Topics: Blog,Brookings

Permalink: https://www.edwardconard.com/2014/01/20/brookings-reports-decline-in-income-inequity

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/01/Blog-Image_2-e1439842689336.jpg

Article 462

Title: Income Inequality is Not the Problem

Author(s)	Ed Conard
Publish Date	2014-01-16
Publish Time	18:06:51

Content: If the rich succeed at the expense of others, growing income inequality in the U.S. should drive down poor and middle class incomes relative to the other high-wage economies. Misallocating a large share of the economy's resources should also slow growth. Alternatively, if the success of the most successful workers grows the economy faster without hurting other workers, that growth should increases domestic demand for other workers and raise their incomes. The U.S. economy has grown faster than other high wage economies since the financial crisis. It was also growing faster before, suggesting resources are not misallocated relative to other high-wage economies. America's median household incomes are substantially higher than the median incomes in other high-wage economies (blue diamond), despite the out-sized success of top-earning America's relative to the top-earners in other high wage economies (green). America's poor (red), whose incomes are largely a function of government policy rather than economic wages, are no poorer.

Topics: Blog,Europe

Permalink: https://www.edwardconard.com/2014/01/16/income-inequality-is-not-the-problem

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/01/Blog-Image-e1439842791114.jpg

Article 463

Title: Alan Blinder Wages War on the Facts

Author(s)	Ed Conard
Publish Date	2014-01-15
Publish Time	13:04:05

Content: Alan Blinder claims "in the late 1970s, the U.S. labor markets began to turn ferociously against workers with low skills and education," that "technology was clearly the major villain," and that "the U.S. government piled on" by "[waging a] war on the poor." His claims don't square with the evidence. Since 1980, U.S. demand for labor pulled 25 million foreign born workers to its shores, predominantly low-skilled Hispanic workers. At the same time, unemployment, trended downward until the financial crisis. Real government spending excluding defense doubled from $7,000 per person to $14,000 per person (2005 dollars; includes state and local spending). According to the Cato Institute the U.S. spends "nearly $1 trillion every year to fight poverty" which "amounts to $20,610 for every poor person in America, or $61,830 per poor family of three." These figures exclude social security, and Medicare. The real per person spending on poverty has more than doubled since the 1970s.

Topics: Blog,Employment,Immigration

Permalink: https://www.edwardconard.com/2014/01/15/alan-blinder-wages-war-on-the-facts

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/01/USForeignBorn.png

Article 464

Title: Income inequality and the middleclass

Author(s)	Ed Conard
Publish Date	2014-01-14
Publish Time	13:10:23

Content: If income inequality hurts the middleclass, why are US incomes higher across the entire distribution?

Topics: Growth

Permalink: https://www.edwardconard.com/2014/01/14/income-inequality-and-the-middleclass

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/income-inequality-and-the-middleclass.png

Article 465

Title: Response to Austan Goolsbee on inflation

Author(s)	Ed Conard
Publish Date	2014-01-13
Publish Time	20:17:31

Content: Austan Goolsbee, former chair of President Obama's Council of Economic Advisers, makes a contradictory argument for loose monetary policy in a WSJ column on January 10th, 2014. Goolsbee claims that it's time for "critics of quantitative easing" who "condemned the expansion of the balance sheet at the Federal Reserve as risking a hyperinflation…to admit they were wrong" because there has been no inflation. Price inflation requires both loose monetary policy and tight capacity utilization. So the risk of inflation comes after the economy recovers, not before. Allowing the Fed to quadruple the monetary base gives it the ability to tax savers with price inflation after the economy recovers. The increased risk of the Fed either allowing or being unable to prevent inflation after the economy recovers slows growth today. The economy's growth is constrained by its willingness to take risk, so it dials back risk-taking elsewhere to compensate for this increased risk. At the same time, monetary expansion does little to accelerate growth today because the money sits unused (as it has) for want of equity to underwrite the additional risk of putting it to work. Monetary inflation doesn't produce price inflation because it doesn't produce growth. Goolsbee admits that, "research indicates that these Fed policies have helped the economy [only] modestly…lowering long-term Treasury rates by [only] about 30 basis." And he admits that, "Yes, you would get inflation if the system went back to normal and the Fed just kept its foot on the gas" (or failed to contract the money supply, which Goolsbee leave unstated). But then he waves off this risk because "the Fed has promised all along that it was only doing this as a temporary measure until economic conditions improved" [emphasis mine]. In other words, Goolsbee argues that mere promises from Janet Yellen and President Obama that they won't raise taxes via inflation when the economy recovers mitigates the risk of handing the Fed the wherewithal to do so if it chooses. If he had a more serious argument than that, surely he would have made it.

Topics: Austan Goolsbee,Blog,Growth,Inflation

Permalink: https://www.edwardconard.com/2014/01/13/response-to-austan-goolsbee-on-inflation

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2014/01/money-bill-inflation_4-e1439843129916.jpg

Article 466

Title: Ed Conard analyzes the impact of the past three Federal Reserve chairmen on "In the Loop" with Betty Liu on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2013-12-18
Publish Time	11:25:58

Content:

Topics: Betty Liu,Blog,Bloomberg,Federal Reserve,Videos

Permalink: https://www.edwardconard.com/2013/12/18/fed-chairmen

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-analyzes-the-impact-of-the-past-three-federal-reserve-chairmen-on-22in-the-loop22-with-betty-liu-on-bloomberg-tv.png

Article 467

Title: Ed Conard with Dagen McDowell and Connell McShane on Fox Business advocating for the Fed supporting innovation over inflation

Author(s)	Ed Conard
Publish Date	2013-12-17
Publish Time	15:24:15

Content: Watch the latest video at video.foxbusiness.com

Topics: Blog,Connell McShane,Dagen McDowell,Federal Reserve,Fox Business,Inflation,Videos

Permalink: https://www.edwardconard.com/2013/12/17/innovation-over-inflation

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/12/EdConard8.png

Article 468

Title: Larry Summers & The Causes of Slow Growth

Author(s)	Ed Conard
Publish Date	2013-12-16
Publish Time	19:18:06

Content: In his December 15th Financial Times blog post, Larry Summers continues warming to the notion that the slow recovery stems from permanent structural problems and not a temporary Keynesian lull in demand. Presumably, then, optimal economic policy would maximize long-term private sector growth, rather than maximizing short-term growth at the expense of the long-term, in order to avoid permanent damage to the economy from a temporary lull in demand. Summers blames a variety of structural problems for slower growth including slowing workforce growth that has been long in the making vs. the abrupt change in the trajectory of U.S. growth in aftermath of the financial crisis. He blames both slowing productivity growth and accelerating IT productivity despite the contradiction. He blames growing income inequality despite the U.S. economy and employment having grown twice as fast as Germany and France over the last two decades and over three times faster than Japan, and with higher U.S. growth largely driven by the differential success of its most productive workers. He also blames interest rates having reached the zero bound while tacitly admitting that over two trillion dollar of monetary inflation has done little if anything to increase price inflation. After famously disagreeing with James Tobin and Robert Barro, who argued that asset values drive investment, he now admits, it’s “only rational to recognize that low interest rates raise asset values and drive investors to take greater risks.” Ironically, he doesn't see that an interest rate-driven increase in financial asset values does little to motive investment. He complains that “risk aversion has risen as a consequence of the crisis and as saving – by both states and consumers – has risen.” Oddly, he describes a rise in publicly-held federal debt from 35% of GDP, prior to the crisis, to over 70% today as “state savings” rather than the opposite. And, he sees increased savings as the cause of increased risk-aversion rather than an effect. He doesn’t acknowledge that the economy has dialed back risk-taking after re-awaking to the fact that banking—i.e., the use of risk-averse savings—is highly unstable and that the trade deficit floods the U.S. economy with risk-averse savings.

Topics: Blog,growth,interest rates

Permalink: https://www.edwardconard.com/2013/12/16/larry-summers-the-true-causes-of-slow-growth

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/12/slow-e1439843475833.jpg

Article 469

Title: Shamus Khan Declares War on the 1%

Author(s)	Ed Conard
Publish Date	2013-12-15
Publish Time	18:22:09

Content: Shamus Khan declares war on the 1 percent in The New York Times claiming economics is zero sum and that U.S. growth has not trickled down to the middle class despite the U.S. economy and employment having grown twice as fast the high wage economies of Germany and France and three times faster than Japan over the last two decades and with significantly higher median incomes. The differential growth of the U.S. economy would have been higher still without the contribution of U.S. innovation to growth in the standard of living in Europe and Japan.

Topics: Blog,growth

Permalink: https://www.edwardconard.com/2013/12/15/war-on-the-1-percent

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/12/MiddleClass.jpg

Article 470

Title: The Minimum Wage: A Case Study in Unintended Consequences

Author(s)	Ed Conard
Publish Date	2013-12-14
Publish Time	23:39:26

Content: President Obama has called for an increase in the minimum wage to give poor workers a pay increase. Here's why it's well-intended but misguided: 1. Two-thirds of the adults living in poverty don't work,[1] so raising the minimum wage does little to help most people in poverty. 2. 50% of the minimum wage workers are less than 25 years old.[2] The unemployment rate among those workers is currently about 15%; for African Americans it's about 25%.[3] Raising the cost of hiring young workers will increase the unemployment of the least productive workers—those who find it difficult to obtain employment at the prevailing wages. 3. At the same time, studies have shown that raising the minimum wage pulls more affluent and presumably more skillful housewives and part-time students into the workforce who take minimum wage jobs at the expense of poorer less skilled workers, compounding the job losses for the least productive workers.[4] 4. The CBO estimates that a single mother working fulltime at the minimum wage is taxed at a 65% marginal tax rate because those workers lose government benefits as they earn more money.[5] a. So an increase in the minimum wage does little to alleviate their poverty. b. To the extent it raises their pay, in effect, it taxes the consumers of fast-food and discount shopping, who skew toward younger and poorer people and families to pay for this increase. c. The high marginal tax rate largely hands the money back to taxpayers who skew richer by reducing the need for higher taxes to fund government expenditures on poverty. 5. Businesses forced to pay the minimum wage in order to compete successfully with offshore producers will lose work to those competitors. [1] http://www.census.gov/hhes/www/poverty/data/historical/hstpov25.xls [2] http://www.bls.gov/cps/minwage2012tbls.htm [3] http://www.aei.org/article/economics/the-tragedy-of-teenage-unemployment/?utm_source=today&utm_medium=paramount&utm_campaign=120513 [4] http://econpapers.repec.org/article/sejancoec/v_3a75_3a2_3ay_3a2008_3ap_3a473-496.htm#.UqeJP5lfD-I.email; http://moya.bus.miami.edu/~lgiuliano/minwage_prepub.pdf; http://www.freepatentsonline.com/article/Southern-Economic-Journal/188352381.html [5] http://www.cbo.gov/sites/default/files/cbofiles/attachments/11-15-2012-MarginalTaxRates.pdf

Topics: Blog,Minimum Wage,Talent

Permalink: https://www.edwardconard.com/2013/12/14/raising-the-minimum-wage

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/12/Minimum-wage-e1439843726147.png

Article 471

Title: Interest-Rate Policy and Economic Growth

Author(s)	Ed Conard
Publish Date	2013-12-14
Publish Time	18:31:20

Content: Floyd Norris, in The New York Times, reports that construction is primarily responsible for slow employment growth. Meanwhile, Craig Torres and Ilan Kolet report in Bloomberg that “investment in software is up 19 percent since the 2007 business-cycle peak, while…investment in non-residential structures…is down 18 percent since the fourth quarter of 2007. Spending on equipment…is up just 2.2 percent, according to data from the Bureau of Economic Analysis. Spending on information processing equipment is up 3.9 percent since the 2007 business cycle peak.” They note that this “suggests business spending may be less responsive to interest-rate policies,” since software is “typically financed…on a month-to-month subscription basis, making the cost of borrowing less likely to influence the decision.”

Topics: Blog,growth,interest rates,Investing

Permalink: https://www.edwardconard.com/2013/12/14/interest-rate-policy-and-economic-growth

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/12/Fed_re-e1439843794212.jpg

Article 472

Title: Declining U.S. Poverty

Author(s)	Ed Conard
Publish Date	2013-12-07
Publish Time	18:35:47

Content: A recently released study by a number of Columbia University professors, extends an approximation of the Census Department's recently developed supplemental poverty measure (SPM) back in time to show that poverty has declined dramatically in the U.S. over the last 45 years, despite headline measures of poverty (OPM) showing little if any improvement.

Topics: Blog,poverty

Permalink: https://www.edwardconard.com/2013/12/07/the-decline-of-poverty

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/12/Supplemental-Poverty1-e1439843925173.png

Article 473

Title: Ed Conard addresses reasons behind sluggish economic growth with David Asman on "After the Bell" on Fox Business

Author(s)	Ed Conard
Publish Date	2013-11-27
Publish Time	19:01:35

Content:

Topics: Blog,David Asman,Fox Business,growth,Videos

Permalink: https://www.edwardconard.com/2013/11/27/ed-conard-addresses-reasons-behind-sluggish-economics-growth-with-david-asman-on-after-the-bell-on-fox-business

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-addresses-reasons-behind-sluggish-economic-growth-with-david-asman-on-22after-the-bell22-on-fox-business.png

Article 474

Title: Equity, Not Inflation, Drives Innovation and Growth

Author(s)	Ed Conard
Publish Date	2013-11-27
Publish Time	8:44:58

Content: Real Clear Politics By Edward Conard | November 27, 2013 It has finally dawned on left-leaning economists like Paul Krugman and Larry Summers that the U.S. economy is not suffering from a temporary lull in demand but rather from a structural problem that yields slower growth from a permanently lower base. If this economic outlook is correct, and there is plenty of evidence that it is, there is little reason for Keynesian stimulus, which sacrifices long-term growth to avoid permanent damage from a temporary lull in demand. When a slowdown is structural, as it is today, the damage from economic displacement is unavoidable. If government spending could permanently grow an economy, Europe, especially Southern Europe, would have proven to be one of the faster growing economies in the world, rather than the opposite. Paul Krugman correctly notes that savings now outstrip the need for investment, but mistakenly attributes the reason to slowing population growth. The notion that all investment waits for growing demand is extreme. Today, innovation drives growth. Investments in innovation create value independent of population growth and force competitors to respond in kind in order to avoid losses and preserve their profits. More likely than Krugman's theory is that the economy now recognizes something it never should have forgotten-banks are inherently unstable. Eight hundred years of financial history has proven this to be true. Without a significant U.S. run on the banks since the Great Depression, we naively came to believe we had solved this problem. But the 30-percent drop in real estate prices between August of 2007 and the first quarter of 2009 set us straight. The private sector has permanently dialed back risk-taking in all its forms to compensate for this now-recognized risk. As a result, growth has slowed and savings sit idle. To bring the supply and demand for savings back into balance, Krugman calls for negative interest rates via increased price inflation-presumably, permanently negative real rates given what he now sees as the permanent nature of the problem. It is true that when savings sit idle, neither consumed nor invested, as they do today, growth slows, unemployment rises and wages fall. While negative interest rates discourage savings, they are unlikely to work as a permanent solution. Paying people to borrow money would grossly distort lending and would be unsustainable. Nor is it likely the Fed can engineer a bout of price inflation to drive down real interest rates without slowing growth further. The Fed has printed $2 trillion of money over the past five years with little, if any, sign of growth or price inflation. That is because price inflation requires both excess liquidity and tight capacity utilization. Monetary inflation cannot deliver price inflation until the economy recovers, i.e., when price inflation and low interest rates are no longer needed. In effect, monetary inflation hands the Fed the ability to redistribute wealth from lenders to borrowers when capacity finally tightens. Because of this, inflating the money supply only adds uncertainty and produces little, if any, gain. At a time when the growth of the economy is constrained by its willingness to take risk, such policies only hinder growth. What are we to do? We must recognize that we do not have a surplus of savings; we have a surplus of risk-averse savings and a shortage of equity. Risk-averse savers demand the right to withdraw their funds on-demand. They deposit their money in banks, money market funds and repurchase agreements (repos). If these savers panic and run en masse to withdraw their money, as they did when real estate prices fell, they destabilize the economy. Investments funded with bank loans take years to pay back and cannot be liquidated overnight to fund withdrawals. To grow our economy faster and more stably, we need more equity-wealth that is willing to bear losses-relative to the amount of risk-averse savings that can be withdrawn at the first sign of loss. This is especially true in our innovation-based economy, which depends on prudent risk-taking and the willingness of investors to bear losses to produce growth. Successful innovation, and the risk-taking that produces it, creates more equity, which in turn expands our capacity to underwrite more risk. More equity is also needed to put risk-averse savings to work. We need equity holders to use their equity as collateral to borrow risk-averse savings and reinvest the proceeds of their borrowing to produce more innovation. Equity holders do not borrow risk-averse savings and take risks because of slightly lower interest rates. They borrow and take risks because they see opportunities and have enough wealth to feel comfortable bearing the possible losses. A shortage of equity slows innovation and leaves risk-averse savings sitting on the sidelines unused. Taxing, redistributing and consuming the returns to successful risk-takers slows the accumulation of equity, which ultimately slows growth. In the face of permanent structural problems, short-term gimmicks like price inflation and negative interest rates or government spending funded by higher taxes on successful entrepreneurs will not grow our economy faster, quite the contrary. Without a temporary lull in demand, we have to grow the old fashion way-by earning it. Edward Conard, a former Managing Director at Bain Capital, is a Visiting Scholar at the American Enterprise Institute (AEI). He is also the author of Unintended Consequences: Why Everything You've Been Told About The Economy Is Wrong. Read the original op-ed that appeared in Real Clear Politics here.

Topics: Blog,growth,Krug,OpEds,Print,Private Equity

Permalink: https://www.edwardconard.com/2013/11/27/equity-not-inflation-drives-innovation-and-growth

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Article 475

Title: Yellen Should Focus on Innovation, Not Inflation

Author(s)	Ed Conard
Publish Date	2013-11-21
Publish Time	11:00:03

Content: Bloomberg View By Edward Conard | November 21, 2013 President Barack Obama has shown a determination to redistribute wealth by increasing government spending, despite unsustainable deficits. We shouldn't be surprised if Janet Yellen, the president's nominee to be Federal Reserve chairman, shares his objective. After 30 years of Fed chairmen who pursued anti-inflationary policies, the central bank is now attempting to engineer an unexpected bout of inflation. One consequence of this policy is that it transfers wealth from lenders to borrowers. Yellen, whose nomination could be put to a Senate vote the week of Dec. 9, will probably redouble these efforts. Advocates of inflationary monetary policy recommend increasing the money supply until the economy regains full employment. Christina Romer, the former chairman of the president's Council of Economic Advisers, for instance, once called on the Fed "to begin targeting the path of nominal gross domestic product" -- to increase the money supply until it produced either growth or price inflation -- because "desperate times call for bold measures." Low interest rates can be an effective lever for spurring economic activity. When savings sit unused, as they often do during a recession, lower interest rates can discourage saving and, to a lesser extent, encourage investment. However, when nominal interest rates reach zero, as they have, real rates can fall no further without price inflation. If savings continue to remain unused at zero interest rates, price inflation can push real rates below zero. A zero nominal interest rate with 3 percent inflation costs savers 3 percent a year in purchasing power. Unintended Consequences In an expansion, monetary policy can accelerate growth by easing credit constraints. During a recession or weak recovery, however, individuals and institutions often are reluctant to take the risks necessary to grow the economy even in the face of low interest rates. Cash -- namely, bank deposits -- sits on the sidelines, neither lent nor borrowed. In this situation, loosening credit constraints no longer produces growth or inflation.John Maynard Keynes called this "pushing on a string." Under these conditions, it takes an enormous amount of monetary inflation to produce a small, if any, amount of price inflation. Current events bear this out. The Fed has printed more than $2 trillion of money since the financial crisis -- a fourfold increase -- with little, if any, effect on growth or inflation. If a given amount of monetary inflation produced a proportionate amount of price inflation, the Fed could implement expansionary monetary policies with minimal risk to the economy. Under the current conditions, however, it would take an enormous and uncertain amount of monetary inflation to produce a trickle of growth or price inflation. That means the risks of unintended and not fully controllable consequences are great. When the economy is already constrained by the unwillingness to take risks, adding a large amount of risk slows rather than accelerates growth. In the face of greater uncertainty, companies and individuals have remained reluctant to invest. Some, including David Blanchflower of Dartmouth College, point to an increase in the purchases of items such as automobiles that rely on short-term financing as evidence that the Fed's monetary policy has stimulated growth. This argument ignores the fact that more spending in one sector can damp spending in another. Despite an increase in car sales, the current level of consumer spending on nondurable goods has been lower than during other recoveries. Overall, it is clear that the expansion of the money supply hasn't produced robust widespread growth. Outdated Views Fed Chairman Ben S. Bernanke justified the central bank's bond purchases under quantitative easing by arguing that the resulting rise in asset values -- the so-called wealth effect -- would spur growth. Unlike cash savings, whose value decreases with inflation, asset values tend to rise. As a result, investors may temporarily value such assets more than alternatives when threatened with inflation. But unless investors and consumers are irrational, temporary distortions in asset values won't influence their behavior significantly. It is no surprise, then, that rising asset values haven't spurred increased business investment in the recovery. Paul Krugman and others claim price inflation can lower wages, equilibrating supply and demand for labor in a recession, when labor sits idle. Wages, however, make up almost two-thirds of costs, so it is unlikely that prices would rise unless wages rose. Joseph Stiglitz says income inequality has slowed the recovery. Like many liberal Keynesian economists, he sees increased consumer demand as the sole way to stimulate the economy, at least in the short run, because investors allegedly wait for demand to materialize and capacity to tighten before investing. An unexpected bout of price inflation would supposedly stimulate demand by transferring wealth from lenders, who save rather than consume, to borrowers, who can repay their debts with inflated dollars. Borrowers would presumably spend this windfall and therefore spur growth. This is an outdated view of the economy. Today, investments in innovation drive growth. Innovation creates value regardless of economic conditions. And companies that face innovative competitors must similarly innovate to preserve their profits. The competitive evolution of smartphones hasn't slowed, for example, because of the slow recovery. Today, a transfer, or threatened transfer, of wealth from investors to consumers increases short-term consumption at the expense of investment, innovation and growth. Underwriting Risks It is true that redistributing wealth from lenders to borrowers through unexpected price inflation is better than taxing successful equity investors directly. The latter predominantly bear the risks that grow the economy. Nevertheless, wealth, in all its forms, underwrites these risks. Redistributing and consuming wealth shrinks risk-taking and slows growth. Moreover, depositors and other debt holders tend to be consumers, often retirees, rather than wealthy business investors. To the extent wealth is transferred from one group of consumers to another, it does little to increase consumption overall. But here is the rub. Obama has been willing to accept a slower recovery for the sake of increasing the redistribution of wealth and income. His administration has pushed for higher government spending despite unsustainable deficits and for higher taxes on wealthy investors despite marginal tax rates that are already higher than those under the Bill Clinton administration. Why wouldn't he nominate a Fed chairman who holds similar views? Don't let 30 years without inflation fool you. (Edward Conard, a former managing director at Bain Capital LLC, is a visiting scholar at the American Enterprise Institute. He is the author of "Unintended Consequences: Why Everything You've Been Told About the Economy Is Wrong.") Read the original op-ed that appeared in Bloomberg View here.

Topics: Blog,Federal Reserve,Inflation,investment,Janet Yellen,OpEds,Print

Permalink: https://www.edwardconard.com/2013/11/21/yellen-should-focus-on-innovation

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/11/bloomberg.jpg

Article 476

Title: Ed Conard discusses why Janet Yellen and the Fed's monetary policy should focus on innovation with Deirdre Bolton on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2013-11-21
Publish Time	10:50:48

Content:

Topics: Blog,Bloomberg,Deirdre Bolton,Janet Yellen,Videos

Permalink: https://www.edwardconard.com/2013/11/21/i-address-why-janet-yellen-and-the-feds-monetary-policy-should-focus-on-innovation-with-deirdrebolton-on-bloomberg-tv

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Article 477

Title: Ed Conard addresses how Janet Yellen, the nominee for chairman of the Federal Reserve, could affect monetary policy with Connell McShane and Dagen McDowell on Fox Business

Author(s)	Ed Conard
Publish Date	2013-11-11
Publish Time	14:42:51

Content: Watch the latest video at video.foxbusiness.com

Topics: Blog,Connell McShane,Dagen McDowell,Federal Reserve,Fox Business,Janet Yellen,Videos

Permalink: https://www.edwardconard.com/2013/11/11/fox-business-janet-yellen

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/11/EdConard10.png

Article 478

Title: Ed Conard discusses the JP Morgan fine and why the banks are not entirely to blame for the Great Recession on "All In" and with Chris Hayes on MSNBC

Author(s)	Ed Conard
Publish Date	2013-10-23
Publish Time	10:54:24

Content:

Topics: Blog,Chris Hayes,JP Morgan,MSNBC,Videos

Permalink: https://www.edwardconard.com/2013/10/23/ed-conard-jpmorgan

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-discusses-the-jp-morgan-fine-and-why-the-banks-are-not-entirely-to-blame-for-the-great-recession-on-22all-in22-and-with-chris-hayes-on-msnbc.png

Article 479

Title: Ed Conard discusses the Republicans' debt strategy with Kathleen Hays and Vonnie Quinn on "The Hays Advantage" on Bloomberg Radio

Author(s)	Ed Conard
Publish Date	2013-10-18
Publish Time	17:16:35

Content: Click here to listen to the full interview.

Topics: Blog,Bloomberg,Debt,Kathleen Hays,Radio,Vonnie Quinn

Permalink: https://www.edwardconard.com/2013/10/18/bloomberg-radio

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/07/hays.jpg

Article 480

Title: Ed Conard discusses the best way forward for Detroit's financial recovery with Betty Liu on "In the Loop" on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2013-10-18
Publish Time	9:28:31

Content:

Topics: Betty Liu,Blog,Bloomberg,Detroit,Videos

Permalink: https://www.edwardconard.com/2013/10/18/ed-conard-discusses-the-best-way-forward-for-detroits-financial-recovery-with-betty-liu-on-in-the-loop-on-bloomberg-tv

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/10/EdConard11.png

Article 481

Title: Ed Conard addresses the unsustainability of U.S. debt and why it is worth fighting for with David Asman and Liz Claman on Fox Business

Author(s)	Ed Conard
Publish Date	2013-10-17
Publish Time	9:21:02

Content: Watch the latest video at video.foxbusiness.com

Topics: Blog,Davis Asman,Debt,Fox Business,Liz Claman,Videos

Permalink: https://www.edwardconard.com/2013/10/17/ed-conard-addresses-the-unsustainability-of-u-s-debt-and-why-it-is-worth-fighting-for-with-david-asman-and-liz-claman-on-fox-business

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Article 482

Title: Ed Conard argues why negotiation on the continuing resolution and debt ceiling is key to lowering government spending on "Money Moves" with Deirdre Bolton on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2013-10-15
Publish Time	17:01:46

Content:

Topics: Blog,Bloomberg,Debt,Deirdre Bolton,Videos

Permalink: https://www.edwardconard.com/2013/10/15/ed-conard-argues-why-negotiation-on-the-continuing-resolution-and-debt-ceiling-is-key-to-lowering-government-spending-on-money-moves-with-deirdre-bolton-on-bloomberg-tv

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Article 483

Title: Ed Conard on CBS "Money Watch" explaining why negotiations over the debt ceiling is key to reign in government spending

Author(s)	Ed Conard
Publish Date	2013-10-15
Publish Time	9:22:09

Content:

Topics: Blog,CBS,Debt,Videos

Permalink: https://www.edwardconard.com/2013/10/15/cbs-money-watch-debt-ceiling

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-cbs-22money-watch22-explaining-why-negotiations-over-the-debt-ceiling-is-key-to-reign-in-government-spending.png

Article 484

Title: The case for hostage taking

Author(s)	Ed Conard
Publish Date	2013-10-14
Publish Time	12:50:17

Content: POLITICO By Edward Conard | October 14, 2013 As the budget and debt ceiling-standoff continues in Washington, many are asking the wrong question: Which party will pay a political price for the government shutdown? Democrats are comparing Republicans to "hostage-takers"; Republicans complain that Democrats refuse to negotiate. Here's the right question: Can we afford not to have this fight? With federal expenditures running 30 percent higher than revenues, debt at nearly twice the historical average, and no significant improvement in sight, is it any wonder that a contingent of conservative legislators is willing to ignore political expediency and stand on principle instead? Over the past 10 years, federal spending has grown twice as fast as GDP. Despite a top marginal tax rate higher than the rate under the Clinton administration, this level of spending has opened up a projected $650 billion-a-year deficit. Without an expected one-time increase in reimbursements from Fannie Mae and Freddie Mac, the deficit would be $100 billion higher, and over $1 trillion at normalized interest rates. For perspective, we only raise $1.3 trillion a year in income taxes. Yes, the deficit is down from $1.4 trillion at depth of the crisis, but on a comparable basis, it's still six times larger than it was in 2007 before the financial crisis. Because of the size of this annual deficit, America's publicly held debt – currently an unprecedented $12 trillion — continues to grow relative to GDP with no end in sight. Interest payments on the debt and entitlement growth will gradually eat the U.S. economy alive. With 2.5 percent-a-year growth, debt will grow relative to GDP if deficits are greater than $300 billion. With the debt already at nearly 75 percent of GDP, nearly twice the 40-year average, it's clear America needs reduction. Some point to the Congressional Budget Office's relatively optimistic economic assumptions as reason not to be concerned with America's spending levels. But the CBO's forecast of a bounce back in the economy to the pre-crisis growth trend line ignores evidence that points to mediocre growth from a permanently lower base. The CBO assumes 10 more years of growth without recession, wars, or other contingencies. It assumes sequestration will drive discretionary spending to nearly 40 percent below its 40-year average, and that Congress won't pass new spending initiatives such as increases in Medicare reimbursements — the so called doctor fix — which it is already drafting. Despite these realities, the president and his party have refused to discuss fundamental changes to entitlement spending. Instead, they have campaigned relentlessly for more spending. In 2009, for example, Democrats passed Obamacare — another major entitlement program – on a narrow, party-line vote after liberal Massachusetts, of all states, elected a Republican to fill Ted Kennedy's vacant Senate seat. Today, Democrats refuse to allow discussion of ways to better target sequestration-mandated cuts because they fear that doing so would make the reduced spending levels more palatable and thus permanent. Fortunately, America's system of government forces the majority to negotiate with any minority that garners at least a 40-percent share of the representational vote. And in today's situation, the minority was given additional negotiating leverage because Democratic lawmakers chose to fund popular spending increases with debt rather than unpopular tax increases. Under the circumstances, agreeing to increase the debt limit and pass the continuing funding resolution are the House Republican majority's only hand to play against the president and Senate Democrats. The job of every president is to ride herd over Congress. The president must not only use the bully pulpit to pressure the opposition; he or she must push his or her own party to compromise. Successful compromise unites moderates in both parties against the extremes of either party. But because of a lack of leadership by moderates in both parties, the opposite has occurred here. Pragmatic Republicans are right to be concerned that there is likely little to be gained from a bruising fight that could hurt Republicans more than Democrats. But it is hardly certain that a more pragmatic approach, even if it wins back the Senate, will bring better results, given the president's veto power. There is little incentive for Democrats to trade significant entitlement reform for tax increases when mandatory spending increases outlays without the need to pass legislation with a majority of Congress. Once the money is spent, the GOP can only borrow to delay tax increases or acquiesce and increase taxes now. Republicans' focus on defunding or scaling back Obamacare — an unpopular entitlement program — rather than entitlements generally, namely Social Security and Medicare, has raised questions about their true objective. But critics forget that spending is fungible. For any level of taxation, growth in one program crowds out spending on other programs. Cost reduction is simply a matter of priorities. Republicans value preserving Medicare and avoiding tax increases over expanding Obamacare. It is true that negotiating with hostage-takers encourages hostage-taking. But given the fact that the debt ceiling and continuing funding resolution legislation are the only mechanisms forcing the parties to compromise over the country's unsustainable fiscal path, that argument is akin to saying that agreeing to negotiate and compromise will only lead to demands for more compromise. For America's sake, let us hope so. Edward Conard, a former managing director at Bain Capital, is a visiting scholar at the American Enterprise Institute and the author of Unintended Consequences: Why Everything You've Been Told About the Economy Is Wrong. Read the original op-ed that appeared in Politico here.

Topics: Blog,congress,Debt,OpEds,Print

Permalink: https://www.edwardconard.com/2013/10/14/case-for-hostage-taking

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Article 485

Title: Ed Conard discusses how the markets will respond to the nomination of Janet Yellen as the new Chairman of the Federal Reserve with Trish Regan on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2013-10-09
Publish Time	9:25:56

Content:

Topics: Blog,Bloomberg,Federal Reserve,Janet Yellen,Trish Regan,Videos

Permalink: https://www.edwardconard.com/2013/10/09/ed-conard-addresses-how-the-markets-will-respond-to-the-nomination-of-janet-yellen-as-the-new-chairman-of-the-federal-reserve-with-trish-regan-on-bloomberg-tv

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Article 486

Title: Ed Conard addresses the underlying issues behind the government shutdown on Bloomberg TV's "In the Loop" with Betty Liu

Author(s)	Ed Conard
Publish Date	2013-10-02
Publish Time	9:58:40

Content:

Topics: Betty Liu,Blog,Bloomberg,Videos

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Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-addresses-the-underlying-issues-behind-the-government-shutdown-on-bloomberg-tvs-22in-the-loop22-with-betty-liu.png

Article 487

Title: Make the President a Spending Offer He Can't Refuse

Author(s)	Ed Conard
Publish Date	2013-09-30
Publish Time	12:23:07

Content: Roll Call By Edward Conard | September 30, 2013 Have right-wing Republicans fooled the moderate wing of their party into pursuing a quixotic effort to defund Obamacare at the risk of severely disrupting the government and reducing their chances in the 2014 midterm elections? That seems doubtful. With the Standard & Poor's volatility index below 15, there is little evidence the financial markets, much less other serious observers, think Congress will fail to pass a spending bill. What, then, can Republicans accomplish with a strategy that many see as doomed to fail? The Republican-backed House bill, which ties passage of a continuing resolution to a one-year delay of the Affordable Care Act's individual mandate, forces Senate Democrats to reaffirm their support for Obamacare. For many Democratic politicians, taking this stand doesn't matter. But seven Democratic Senate seats are in play in the upcoming midterm elections in conservative states that voted for Mitt Romney in the 2012 presidential election — South Dakota, West Virginia, Montana, Arkansas, Louisiana, Alaska and North Carolina. Polling shows that support for the health care law is low among swing voters. This is especially problematic because the electorate in midterm elections tends to skew toward older and more affluent voters, namely, those with health care. Given that Democrats have a 54-46 majority (including two independent senators who vote with Democrats), these seven seats could make the difference in which party controls the Senate. This strategy only fails if Senate Republicans shut down the government, which seems quite unlikely. If the strategy unfolds correctly, right-wing Republicans can grandstand, moderate Republicans can say they wanted to defund Obamacare but were sensible not to force a government shutdown, and at-risk Democratic Senate seats will be left in greater jeopardy. While Obamacare stays funded, Republicans improve their chances of taking back the Senate next year and the presidency in 2016. If Republicans are careful not to overreach, they may be able to accomplish more than just political gain. To succeed, Republicans need to make the president an offer he cannot refuse — they can, for example, grant him the authority to give government agencies greater flexibility in making budget cuts required by the sequester. The rigid across-the-board cuts that the sequester demands maximize the disruption caused by cost reductions, which increase the likelihood of a public backlash. By replacing these blunt cuts with a scalpel, Republicans can increase the effectiveness of the sequester and hold the president responsible for the success of their implementations. Sens. Patrick J. Toomey, R-Pa., and James M. Inhofe, R-Okla. and Reps. Paul D. Ryan, R-Wis., and Jim Cooper, D-Tenn., have written bills that grant this flexibility, but the president and his party have rejected them in order to make any cuts as difficult and damaging to implement as possible. It's true that granting the president flexibility to make cuts could allow him to reduce funding for Republican priorities. But Republicans could negotiate reasonable restrictions to the president's discretion. Without a congressional majority large enough to override a presidential veto, Republicans can't slow mandatory spending increases except by truly withholding their support for a continuing resolution or debt ceiling increases, thereby significantly disrupting the government, which the public strongly opposes. Given their weak negotiating position, the only mechanism likely to slow government spending is the sequester. The sequester, however, drives discretionary spending to less than 6 percent of gross domestic product in five years — 30 percent below its 40-year historical average. Those low levels of spending will be difficult to sustain if for no other reason than strong public sentiment, and harder still without the flexibility to implement cuts intelligently. With the sequester likely to be the only practical vehicle available to limit spending increases, Republicans should use what little negotiating leverage they have to make the sequester as sustainable as possible. Federal spending has grown twice as fast as GDP over the past 10 years. Despite marginal tax rates that are higher than those during the Clinton administration, this level of spending has opened up a projected $650 billion per year deficit, nearly a hundred billion dollars more without an expected one-time increase in reimbursements from Fannie Mae and Freddie Mac, and hundreds of billions of dollars more at normalized interest rates. Federal debt relative to GDP has risen to nearly twice its 40-year historical average — a level that threatens U.S. prosperity — with no end in sight. Nevertheless, the president and the Democrats refuse to modify entitlement spending, are eager to unwind the sequester, and have proposed further increases in spending. Americans are depending on Republicans to use their negotiating leverage to slow the rate of spending increases. But they are also depending on Republicans to negotiate responsibly. Given the public's insistence that negotiations not jeopardize government operations, the only proposals likely to succeed are ones that paint the president and his party as unreasonable if they reject them — like one that grants the president greater flexibility to implement sequester cuts. And even then, the odds may be long. Read the original op-ed that appeared in Roll Call here.

Topics: Blog,Debt,Obama,OpEds,Print

Permalink: https://www.edwardconard.com/2013/09/30/make-the-president-a-spending-offer-he-cant-refuse

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Article 488

Title: Ed Conard on CNBC offers insight into how the debt ceiling fight factors into the 2014 midterm elections

Author(s)	Ed Conard
Publish Date	2013-09-27
Publish Time	11:53:38

Content:

Topics: Blog,CNBC,Debt,Elections,Videos

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Article 489

Title: Ed Conard on “Bloomberg Surveillance" examining House Republicans' plans for negotiating over the debt ceiling

Author(s)	Ed Conard
Publish Date	2013-09-23
Publish Time	10:31:30

Content:

Topics: Blog,Bloomberg,Debt,Videos

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Article 490

Title: Ed Conard on Bloomberg TV discussing how BlackBerry can save their struggling company

Author(s)	Ed Conard
Publish Date	2013-09-23
Publish Time	10:21:20

Content:

Topics: Blackberry,Blog,Bloomberg,Videos

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Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-bloomberg-tv-discussing-how-blackberry-can-save-their-struggling-company.png

Article 491

Title: Ed Conard on "The Willis Report" on Fox News discussing which college majors are most valuable and lead to economic growth

Author(s)	Ed Conard
Publish Date	2013-09-17
Publish Time	10:47:16

Content: Watch the latest video at video.foxbusiness.com

Topics: Blog,Fox Business,growth,The Willis Report,Videos

Permalink: https://www.edwardconard.com/2013/09/17/ed-conard-on-the-willis-report-on-fox-news-discussing-which-college-majors-are-most-valuable-to-economic-growth

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Article 492

Title: Ed Conard speaking with Tom Ashbrook on NPR's "On Point" about the value of technology and business degrees to the economy

Author(s)	Ed Conard
Publish Date	2013-08-21
Publish Time	12:14:21

Content: Click here to listen to the full interview on NPR.

Topics: Blog,College,economy,NPR,Radio,Tom Ashbrook

Permalink: https://www.edwardconard.com/2013/08/21/ed-conard-speaking-with-tom-ashbrook-on-nprs-on-point-about-the-value-of-technology-and-business-degrees-to-the-economy

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Article 493

Title: Yale's The Politic: An Interview with Edward Conard

Author(s)	Ed Conard
Publish Date	2013-08-14
Publish Time	10:13:26

Content: The Politic - The Yale Undergraduate Journal of Politics "An Interview with Edward Conard" By Adira Levine The Politic: What do you see as the current direction of the economy? There are two kinds of recessions. The most common recessions stem from temporary Keynesian-like lulls in demand. The economy declines briefly and then rebounds back to the prior trend line. A temporary lull in demand can cause permanent damage to the economy. Displaced workers may never regain their prior productivity, for example. Keynesian stimulus attempts to temporarily inflate demand to avoid such displacement. It sacrifices long-term growth for short-term growth. The second type of recessions, which are rarer, stem from permanent structural problems. Demand declines and grows from a permanently lower base, never rebounding back to the prior trend line. The economy can still achieve full employment but at lower wages than would have been the case had it rebounded. Where the decline in demand is permanent, displacement is unavoidable. Keynesian stimulus becomes an expensive bridge to nowhere. Under these circumstances, a more optimal economic policy maximizes long-term growth. Most of the arguments for Keynesian stimulus implicitly assume this recession stems from a temporary lull in demand. They often cite historical evidence, but most all the historical evidence is from recessions that stem from temporary lulls in demand. Advocates of Keynesian stimulus rarely acknowledge the difference between recessions that stem from the temporary lulls and permanent structural problems. I believe the financial crisis exposed structural risks in our economy that we underestimated prior to the crisis. We assumed implicit government guarantees, which stand behind our banking system, mitigated the risk of bank runs because there hadn't been a major run on U.S. banks since 1929. Despite the Fed's successful intervention as the lender of last resort, we now realize there is much more risk of damage from bank runs than we realized. As a result, the economy has dialed back risk-taking in other areas to offset this now-recognized risk. In my book, I predicted that fiscal and monetary stimulus wouldn't have much effect on the recovery or cause inflation if we failed to mitigate the structural problems exposed by the financial crisis. We have not mitigated these risks. The Politic: In your book Unintended Consequences, you criticize efforts to increase bank regulation as slowing risk-taking. How can the United States avoid another Financial Crisis while decreasing oversight? In the book, I call for charging banks for the inherent guarantees governments provide to depositors, thicker capital adequacy requirements, and regulation to increase transparency. Nevertheless, I criticize the philosophy of eliminating "too big to fail" as failing to address the structural risk inherent in banking. Consider a simple corn economy. We can eat the corn, plant the corn, or store the corn in silos. If we eat it or plant it, the economy will grow. But if we store the corn in silos, rather than eating or planting it, the economy will grow more slowly, unemployment will be higher and wages lower. In a recession, for example, people get scared and hoard rather than consume or plant their corn. Banks take corn out of the silo and loan it to consumers who eat it or to famers who plant it. Bank can go bankrupt in two ways: by making loans that borrowers can't pay back and from a run on the banks. It is important to separate the two. We must hold banks 100 percent responsible for bad loans. If we don't, banks will make unproductive loans with our savings. Bank can also go bankrupt from withdrawals. Unfortunately, risk-averse savers would stuff their silos with corn were it not for the right to withdraw their deposits from banks on-demand. But there are no investments like that in the real world. If you build a home or a factory, it could take 30 years to pay back the corn. The deposits have been loaned and cannot be retrieved except over long periods of time. As a result, banks are inherently unstable. If depositors panic and run to the banks en masse to withdraw their savings, banks must sell assets to fund withdrawals. With heavy selling, assets values sink to fire sale prices. Banks cannot sell enough assets at those prices to fund the withdrawals. Under those circumstances, withdraws logically cascade to 100 percent of deposits as depositors race one another to withdraw their savings. The network freezes and the entire banking system is rendered insolvent. This problem is well understood by economists. But prior to the financial crisis, we assumed implicit government guarantees standing behind our banking system mitigated this risk. We were mistaken. We now recognize the risk of damage from a run on the banks is much larger than we realized. The economy has dialed back to compensate. Most of the measures in Dodd-Frank do little to mitigate this risk. In fact, it makes it harder for the Federal Reserve to intervene as the lender of last resort to end a panic by politicizing the Fed's intervention. It increases rather than decreases the risk of damage from a panic. Preventing banks from becoming too big to fail allows us to liquidate banks that make bad loans and fail in insolation. We can sell their assets to other solvent banks. But in a panic caused by a systematic shock to the economy — a 30 percent drop in real estate prices, for example, which affects all banks — it doesn't matter if banks are consolidated or fragmented. Depositors can and will withdraw from all banks regardless. Eliminating banks that are too big to fail does nothing to reduce this risk. Worse, if we hold banks responsible for funding withdrawals in a panic, they have no choice but to leave deposits sitting idle available for withdrawals rather than lending them to build homes and factories that increase productivity, raise standards of living, increase wages, and lower unemployment. If we fail to mitigate this risk, our economy will grow from a permanently lower base. Charging banks for the inherent guarantees governments provide to depositors, increasing transparency to price those guarantees more accurately, and increasing capital adequacy requirements to reduce the risk of subsidizing loan losses are steps we could take to reduce the risk of damage to our economy from bank runs. The Politic: Should any reforms be made to banks? Taking risk-averse savings and putting them to work, which is critical to growing as fast as we can and creating as many jobs as we can, is highly unstable. To minimize unemployment and maximize growth, we have to live with this instability. The cheapest way to minimize this instability is for the government to guarantee banks from going bankrupt from panic withdrawals, but not to guarantee banks from losing money from loan losses. Separating those two in a panic is very difficult. The reason risk-averse savers are running to the banks to withdraw their deposits is because they are concerned banks may lose money on their loans. Larger capital adequacy reserves protect the government from extending its guarantees to loan losses. But when there is a systematic panic to the whole system like there was in the crisis, we want the Federal Reserve, as the lender of last resort, to step in and do exactly what it did. Instead, we have mistakenly blamed the Federal Reserve and the banks as opposed to recognizing that this is an inherent instability that we live with. The Politic: Why should the subprime mortgage industry and Wall Street practices not be held responsible for the Financial Crisis, as many people suggest? Obviously, those factors contributed, but with a 30 percent drop in real estate prices, it is likely a run on the banks would have occurred even with conventional 20 percent down payments. And contrary to popular belief, in effect, banks found subordinated lenders in mortgage securitizations to make down payments on behalf of homeowners. Some critics claim government policies that subsidized housing are responsible for the rise in U.S. home prices prior to the crisis, but home prices rose similarly in countries that did not have these polices. Rising home prices were more closely correlated to countries that ran trade deficits. Blaming borrowing and lending puts the cart before the horse. The problem is an abundance of risk-averse savings — corn in the silos — that must be invested or consumed to achieve full employment. Putting risk-averse savings to work — savings, which demand no losses and on-demand withdrawals — is inherently risky and unstable. On opposite ends of the spectrum, there are two kinds of savers. On one end are risk-averse savers who are unwilling to bear losses — corn in the silo. On the other end of the spectrum are equity investors who are willing to tolerate risk by bearing losses. To put risk-averse savings to work, equity must bear the risk. Unfortunately, we have a surplus of risk-averse savings relative to a shortage of equity available to bear risk. For a variety of reasons, price does not equilibrate supply and demand. For example, risk-averse savings are, by their nature, price insensitive. Successful risk-taking, which largely produces equity, is taxed heavily by the government. The trade deficit exacerbates this imbalance. When we buy goods from surplus exporters like Germany, Japan, and China, they end up with a surplus of dollars, which they must use to buy U.S. goods or assets. If they bought U.S. goods, trade would balance. Instead, they buy U.S. assets. Only countries with high saving rates and that are willing to invest their savings offshore can run trade surpluses. As risk-averse savers, Germany, Japan, and China predominately buy U.S. government-guaranteed debt. With a limited amount of government-guaranteed debt, offshore demand for this debt pushes domestic risk-averse savings into the private sector. This influx of risk-averse savings further destabilizes our economy. There are huge institutional markets of risk-averse savings. Like corn in the silo, that money would sit idle were it not for money center banks. Until we find an alternative use for these savings, we will not return to the pre-crisis trend line. A solution requires figuring out how to invest risk-averse savings productively with minimal risk. So far, we have not found a viable alternative use for these savings. The Politic: Why should people feel comfortable taking risks in order to innovate when there's such a high chance of failure statistically? Innovation is like any game of chance; poker, for example. What causes you to play a round of poker? You look at the pot, you look at your hand, you ask, "What's the value of the pot and what's the probability of me winning the pot relative the cost of continuing to play?" The chance of successfully innovating and capturing the value as profit is very low — perhaps one in 100 — so the payoffs need to be large to motivate the optimal level of risk-taking. Do I think it's perfectly linear? No. The Politic: How can society incentivize risk-taking? The most obvious way to increase the payoff for risk-taking is to lower the taxes on successful risk taking. To do that, we need less government spending. With a shortage of risk-taking, more risk-taking produces a self-reinforcing feedback loop that increases the payoff for risk-taking. For example, successful risk-taking produces industries like those surrounding Google and Facebook that provide our workforce with more valuable training. That training increases their chances of success. Successful risk-taking also puts equity into the pockets of investors who are then more willing to underwrite the risks that produce innovation. It's not as though European growth would immediately accelerate if it cut its tax rate. Because of these self-reinforcing feedback loops, it would now take decades of innovation to build the industries and work experience necessary to grow faster. The Politic: With so much value placed on investment, what is the place for philanthropy in society? People are merciful and charitable. We don't want people to suffer. Most all of us are willing to pay for less suffering. But we also need to recognize what is truly in the best interest of the poor. In many cases, investment is more beneficial than charity. In 1980, 50 percent of the world was living on less than $1.25 a day. Today it's down to 20 percent. Has charity lifted those people out of poverty? No. Economic growth has lifted them out of poverty. Commerce is the salvation of the poor! The Politic: In your book, you write that the increase in the income disparity is beneficial. What positive effects can be seen from the income disparity in the U.S.? High payoffs for successful risk-taking indicate a shortage of risk-taking that produces innovation relative to the value of innovative discoveries. Those discoveries have produced faster growth, higher employment, and higher median wages. Since 1980, U.S. employment has increased almost 45 percent, from about 100 million to 145 million workers. Since 1991, the U.S. economy has grown over 60 percent. Against these same measures, France and Germany grew less than half as much, and Japan about half as much as France and Germany. U.S. median wages are 25 to 30 percent higher on a comparable basis. Without the success of the U.S. economy, the European and Japanese economies would have produced even slower growth. The Politic: Some argue that the income disparity mostly benefits people at the top. Let's split the population by income into the top, the middle, and the bottom. What's occurring in those three groups is very different. Let's start with the middle. The U.S. has created 44 million jobs since 1980. Half of those jobs were created at the highest end of the wage scale. That growth also pulled 10 million immigrants into the U.S. workforce since 1996, when the Census Department started publishing statistics. Those immigrants received better jobs, health care, and education for their children. The U.S. economy also put tens of millions of people to work offshore. No other high wage economy has done more for the middle class and working poor. Arguments to the contrary focus on the tepid growth of median incomes. Nevertheless, the total amount of middle class income has increased substantially because the number of jobs has increased substantially. There is an economic tradeoff between higher pay and fewer jobs or lower pay and more jobs. Also, when you hear that median incomes haven't grown, keep in mind that measure doesn't include not-taxable benefits, healthcare principally, as well as pensions and government entitlements, which have grown significantly. At the top of the pay scale, the income of the "one percent" is accelerating because of a shortage of risk taking that produces innovation relative to the growing value of the unrealized opportunities. One constraint to harvesting that value is the supply of smart, talented people. The second is getting them properly trained. And the third is getting them to take entrepreneurial risks that commercialize innovation. It's ironic that my critics pigeonhole me as the defender of the one percent. I believe the talents of mankind are owned by mankind and not by the lucky recipients of that talent, and that the unrealized investment opportunities that lie before us are owned by mankind. If everybody with talent was trained properly and taking risks that produced innovation, I would say it's morally wrong that the lucky recipients of talent should benefit merely from these circumstances. But I see many talented people that won't get the proper training. They want to be psychology majors, for example, even though there's a surplus of psychology majors. They see business and technology as tedious and boring. We can't pay them enough to get the training and take the career risks needed to produce innovation. It's their reluctance that sets the wage. We shouldn't pay individuals one dollar more than necessary to motivate them to get the training and take the risks. It's our talent and investment opportunity; not theirs. At the other end of the income scale, I don't think economics alone causes poverty. We're currently in a recession, but even at full employment, we still had plenty of poverty. I do not believe the poor are lazy. I believe there are sociological issues — e.g. high rates of dropouts, teenage and unwed pregnancies, crime, and childhood neglect — that make it difficult for people to become as successful as they could be. Economics on its own won't solve these problems. The Politic: Is it not possible to increase the number of jobs without increasing the income disparity? Theoretically, it might be possible, but empirically, we don't see it. The other high-wage economies — Europe and Japan — have less income disparity but they have produced much less innovation, slower growth, and less employment than the United States. Our median incomes are 25 to 30 percent higher than theirs. Our hours of work per working age adult are in the range of 35 or 40 percent higher than theirs. It's hard to look at that and say that we ought to mess with the U.S. model. I think the European and Japanese models show you how difficult it has been over the past two or three decades to grow income and employment in high wage economies. They've all fallen back to about 75 to 80 percent of our GDP per capita as we've spurted ahead over these last couple of decades. The Politic: Many students are not sure if Social Security and Medicare as we know it will be solvent by the time we reach the age to qualify. What is the fix for entitlement programs? Let's not kid ourselves. Ultimately, economic growth determines the level of entitlements we will be able to afford in the future. The more growth we generate between now and then, the more we will be able to afford. The more we invest, namely to produce innovation, the faster we will grow. The more we consume today, the less we have to invest for tomorrow. If I were a young person, I'd be for investment because I'd be for a better future. I'd ask older people to reduce their consumption and increase investment so the future would be better for our children. I think politics is split between the party that represents consumers and the party that represents investors. The vast majority of voters are consumers. A small minority are investors. I believe the natural course of democracy, unfortunately, is to tax investors for the sake of increased consumption. Republicans are really a coalition of two minority parties — pro-investors and the Christian Right — fused together out of necessity to create a near-majority. Pro-investors tend to be fiscally conservative and socially liberal. The Christian Right tends to be socially conservative and fiscally liberal. Unfortunately, I think many idealistic young people are reluctant to join with the pro-investors because of their pragmatic coalition with the Christian Right. They end up supporting consumption over investment even though they are for investment. Ironically, that only strengthens the Christian Right's negotiating leverage within the collation. The Politic: Do you see value in a liberal arts education, as opposed to a more strictly pre-professional education? Economically, the only thing I care about is what's good for the poor and the middle class. All the rest of this stuff is a means to the end. The question is whether the poor are better served by humanities majors or technical majors. The best way to help the poor is to grow the economy. If you look at the income per capita versus the income for the poorest 20 percent, there's a very tight correlation between the two. America's poor are much better off than China's poor or Africa's poor. Over the past 20 years, we have differentiated ourselves through the commercialization of innovation, not through humanities. We need more people to find and commercialize innovative ideas that are likely 20 times more valuable than they cost. That's what's pulling the poor out of poverty. I think business and technology majors are more likely to do that than liberal arts majors. That's not say we don't need any humanities majors. My wife is a novelist. Critical thinking is valuable in all of its forms. There are plenty of things we can learn from humanities and use to create value that's truly valuable for the poor. Ultimately, we need a balance. But in the end, commerce has proven to be the salvation of the poor, not charity. Talented people have a moral obligation to put their talent to work on behalf of mankind in the most productive way. There is hardly perfect alignment, but by and large people pay for what they want and need. For the most part, we serve our fellow man by serving customers as best we can. Edward Conard is a top-ten New York Times best-selling author of Unintended Consequences: Why Everything You've Been Told about the Economy is Wrong and a visiting scholar at the American Enterprise Institute. After earning his M.B.A. from Harvard Business School, Conard worked at Bain & Company and Wasserstein Perella. He was a partner at Bain Capital from 1993 to 2007 and headed Bain's New York office starting in 2000. Conard received national media attention in 2011 for a then-anonymous contribution of $1 million to a Super PAC supporting the campaign of Mitt Romney, his former partner at Bain Capital. Conard currently sits on the board of directors of Waters Corporation. Read the original article here.

Topics: Banking,Blog,College,Employment,Financial Crisis,Healthcare/Seniors,Inequality,Print,Social Welfare,The Politic

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Article 494

Title: Ed Conard on “In the Loop” with Betty Liu discussing how the next Chairman of the Federal Reserve will impact monetary policy

Author(s)	Ed Conard
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Article 495

Title: Ed Conard on “In the Loop” with Betty Liu addressing the conflict between the RNC and NBC about the network's apparent bias

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Article 496

Title: Ed Conard on "Happening Now" on Fox News analyzing how to accurately gauge U.S. economic growth

Author(s)	Ed Conard
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Article 497

Title: Ed Conard on "Varney & Co." takes on Obama's proposed tax plan

Author(s)	Ed Conard
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Topics: Blog,Obama,Varney & Co.,Videos

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Article 498

Title: We don't need more humanities majors

Author(s)	Ed Conard
Publish Date	2013-07-30
Publish Time	12:48:11

Content: Washington Post By Edward Conard | July 30, 2013 It's no secret that innovation grows America's economy. But that growth is constrained in two ways. It is constrained by the amount of properly trained talent, which is needed to produce innovation. And it is constrained by this talent's willingness to take the entrepreneurial risks critical to commercializing innovation. Given those constraints, it is hard to believe humanities degree programs are the best way to train America's most talented students. According to the Bureau of Labor Statistics (BLS), U.S. employment has grown roughly 45 percent since the early 1980s. Over the same period, Germany's employment grew roughly 20 percent, while France's employment grew less than 20 percent and Japan's only 13 percent. U.S. employment growth put roughly 10 million immigrants to work since the BLS started keeping track in 1996 and it has employed tens of millions of people offshore. The share of people in the world living on less than $1.25-a-day has fallen from over 50 percent to nearly 20 percent today, according to The World Bank. Name another high-wage economy that has done more than the United States for the employment of the world's poor and middle class during this time period. Contrary to popular belief, U.S. employment growth isn't outpacing other high-wage economies because of growing employment in small businesses. Europe has plenty of small family-owned businesses. U.S. growth is predominately driven by successful high-tech startups, such as Google, Microsoft, and Apple, which have spawned large industries around them. A Kauffman Institute survey of over 500 engineering and tech companies established between 1995 and 2005 reveals that 55 percent of the U.S.-born founders held degrees in the science, engineering, technology or mathematics, so called STEM-related fields, and over 90 percent held terminal degrees in STEM, business, economics, law and health care. Only 7 percent held terminal degrees in other areas — only 3 percent in the arts, humanities or social sciences. It's true some advanced degree holders may have earned undergraduate degrees in humanities, but they quickly learned humanities degrees alone offered inadequate training, and they returned to school for more technical degrees. Other studies reach similar conclusions. A seminal study by Stanford economics professor Charles Jones estimates that 50 percent of the growth since the 1950s comes from increasing the number of scientific researchers relative to the population. Another recent study from UC-Davis economics professor Giovanni Peri and Colgate economics associate professor Chad Sparber finds the small number of "foreign scientists and engineers brought into this country under the H-1B visa program have contributed to 10%-20% of the yearly productivity growth in the U.S. during the period 1990-2010." Despite the outsized importance of business and technology to America's economic growth, nearly half of all recent bachelor's degrees in the 2010-2011 academic year were awarded in fields outside these areas of study. Critical thinking is valuable in all forms, but it is more valuable when applied directly to the most pressing demands of society. At the same time, U.S. universities expect to graduate a third of the computer scientists our society demands, according to a study released by Microsoft. The talent gap in the information technology sector has been bridged by non-computer science majors, according to a report by Daniel Costa, the Economic Policy Institute's director of immigration law and policy research. Costa finds that the sector has recruited two-thirds of its talent from other disciplines—predominately workers with other technical degrees. But with the share of U.S. students with top quintile SAT/ACT scores and GPAs earning STEM-related degrees declining sharply over the last two decades, the industry has turned to foreign-born workers and increasingly offshore workers to fill its talent needs. While American consumers will benefit from discoveries made in other countries, discoveries made and commercialized here have driven and will continue to drive demand for U.S. employment—both skilled and unskilled. UC-Berkeley economics professor Enrico Moretti estimates each additional high-tech job creates nearly five jobs in the local economy, more than any other industry. Unlike a restaurant for example, high-tech employment tends to increase demand overall rather than merely shifting employment from one competing establishment to another. If talented workers opt out of valuable training and end up underemployed, not only have they failed to create employment for other less talented workers, they have taken jobs those workers likely could have filled. Thirty years ago, America could afford to misallocate a large share of its talent and still grow faster than the rest of the world. Not anymore; much of the world has caught up. My analysis of data collected by economics professors Robert Barro of Harvard University and Jong-Wha Lee of Korea University reveals that over the last decade America only supplied 10 percent of the increase in the world's college graduates, much less than the roughly 30 percent it supplied thirty years ago. Fully harnessing America's talent and putting it to work addressing the needs of mankind directly would have a greater impact on raising standards of living in both the United States and the rest of the world than other alternatives available today. About the author: Ed Conard is the author of "Unintended Consequences: Why Everything You've Been Told About the Economy is Wrong." He is a visiting scholar at the American Enterprise Institute (AEI) and a former Managing Director at Bain Capital. This piece reflects his opinion. Read the original posting of the article here.

Primary Topic: Blog

Topics: Blog,College,Innovation,OpEds,Print,Productivity

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Article 499

Title: Ed Conard on the "The Hays Advantage" on Bloomberg Radio

Author(s)	Ed Conard
Publish Date	2013-07-11
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Content: With hosts Kathleen Hays and Vonnie Quinn Ed addresses how the Fed's QE has the potential to hard long-term economic growth. To listen to the full interview click here.

Topics: Blog,Bloomberg,Federal Reserve,Kathleen Hays,Radio,Vonnie Quinn

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Article 500

Title: To Restrain Leviathan, Let's Outlaw Mandatory Spending Increases

Author(s)	Ed Conard
Publish Date	2013-07-03
Publish Time	14:01:10

Content: Real Clear Politics By Edward Conard | July 3, 2013 Mandatory spending ensures there will never be a grand bargain to bring America's fiscal policy back into equilibrium. Despite our threatening fiscal affairs-a $650 billion deficit, publically held debt at an unprecedented 75% of GDP, entitlement growth that eats our economy alive, and no end in sight-the Democrats refuse to cut spending and reform entitlements and the Republicans refuse to raise taxes further. Other than crossing our fingers and hoping growth bails us out, any chance of putting the United States on a sustainable path rests, not on a balanced budget amendment, which is too extreme to ever see the light of day, but rather on an amendment that outlaws mandatory spending increases. The liberal and conservative views on economics are so different the two sides will never reach agreement on economic policy without a negotiated settlement. Conservatives believe higher payoffs incent more entrepreneurial risk-taking necessary to produce innovation, and that the successful innovation has grown working and middle class employment faster than other high-wage economies. Growth pulled 14 million immigrants into the U.S. workforce over the last 25 years, for example. Conservatives believe growth is self-reinforcing. Successful innovation produces companies like Google for example, that give our workforce more valuable on-the-job training. The value of this training increases employees' chances of entrepreneurial success, which induces further risk-taking. Success also creates more equity, which is needed to bear the risks that produce innovation. The United States has more equity per dollar of GDP and produces more innovation. These self-reinforcing effects compound gradually. Were Europe to cut taxes for example, growth would not accelerate immediately. It would take decades for Europe's economy to acquire the skills and build the industries needed to grow like America, if it could ever catch up at all. Liberal economists argue that high tax rates, which reduce payouts for success, have little if any effect on risk-taking. Look at the debate between Glenn Hubbard and Larry Summers's in the May 5th New York Times Magazine. Liberals claim rising pay for the top 1% is not indicative of the success of innovation in America relative to the rest of the world, but that it is a byproduct of growing crony capitalism, monopoly pricing power, and the preponderance of unequal opportunities. Look at Paul Krugman's recent arguments on monopolies, for example, Greg Mankiw's debate with Joe Stiglitz, and Steve Kaplan's surprising data on CEO pay. Given these widely differing views, as income inequality rises, the Democrats are dedicated to redistributing income through increased government spending. Because of these sharply differing beliefs and objectives, only a negotiated agreement is possible. But even negotiation is nearly impossible under the current conditions. Mandatory spending increases take away the Republicans' negotiating leverage because the Democrats don't need to win a vote to pass spending increases. The Republicans' only leverage is to threaten not to raise the debt ceiling, which forces an abrupt balancing of the budget. It's no surprise these not-credible threats have only produced small changes in the growth of spending. This forces Republicans to accept the Sequester's poorly designed cuts to discretionary spending. It is the only vehicle available to them to rein in spending growth. To maximize their negotiating leverage, Democrats refuse to let government agencies reallocate spending within their departments, which would minimize damage from the cuts. By maximizing the damage, Democrats hope to increase voter resistance to the cuts, which reduces the Republicans' negotiating leverage. The Republicans could offer the Democrats tax increases for spending cuts but why should the Democrats accept their offer? Lowering spending defeats the Democrats' objective. Mandatory spending increases give them a winning hand. And tax increases must ultimately follow spending increases, even if we borrow in the interim. The Republicans are left with little more than a choice between immediate tax increases or deficits, and inevitable tax increases. They choose deficits. Why reduce the payoff for risk taking and slow the accumulation of equity today, if you can borrow cheap money in the interim to delay raising taxes on successful innovation until later? Even Paul Krugman agrees. Surprisingly, the Republicans alone are blamed for creating this standoff. But with the Republicans agreeing to a 39% marginal tax rate, higher if you include changes to payroll taxes, with no reduction in spending, it's hard to see the logic behind that conclusion. Successfully blaming the Republicans allows the Democrats to resist entitlement reform despite runaway entitlement growth. How can moderates break this stalemate? A balanced budget amendment will never pass when the gap between spending and taxes and the objectives of the Democrats and Republicans differ so widely. How would we close the gap between spending and revenues if such an amendment were passed? A better chance for success is to outlaw mandatory spending increases. Congress should be required to debate and vote on all spending increases beyond inflation. Votes would have to be brought forward and compromises made. That won't solve the problem, but it will help on the margin. And unlike a balanced budget amendment, spending wouldn't need to fall in a recession when tax revenues decline. It's true this would shift negotiating leverage toward spending restraint. The far Left wouldn't like that. But it gives the Republicans a moral base on which to stand. Given America's dire fiscal position, it's the right thing to do. And it forces Democrats to choose between moderation and extreme. With federal government spending still at a historically high 23% of GDP in the first quarter of 2013, and no logical end in sight for the growth in entitlement spending other than catastrophic disruption, there may never be more support for such a critically needed amendment than now. Edward Conard, a former Managing Director at Bain Capital, is a Visiting Scholar at the American Enterprise Institute (AEI). He is also the author of Unintended Consequences: Why Everything You've Been Told About The Economy Is Wrong. Read the original posting of the article here.

Topics: Blog,congress,Debt,Monetary Policy,OpEds,Politics,Print

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Article 501

Title: Ed Conard on "In the Loop" with Betty Liu Discussing His Recent OpEd in Fortune Magazine

Author(s)	Ed Conard
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Article 502

Title: What we can learn from the Fed's failures

Author(s)	Ed Conard
Publish Date	2013-07-01
Publish Time	12:54:54

Content: Fortune Magazine By Edward Conard | July 1, 2013 Bernanke's efforts have failed to produce a robust recovery and they've underscored the need for lower government spending. After Federal Reserve chairman Ben Bernanke announced the Fed would likely reduce its bond-buying program later this year, some complained that the Fed's stimulus would still continue unabated. But every serious economist knows policy largely works by altering market expectations. The Fed is clearly taking steps to diminish those expectations. If QE was working -- if it created more value than it cost -- why would the Fed reset policy expectations prematurely while unemployment is still at 7.5%, and even higher if you include the underemployed?The chairman justified his actions by claiming growing optimism, even though last month he said the economy is "suffering just now from a bad attack of economic pessimism." Despite his now positive outlook, this month's jobs report was again mediocre; Europe is also back in recession and evidence of a slowdown in China mounts. These would hardly seem like conditions under which the Fed would choose to reset expectations. Instead, it seems as though Bernanke is finally throwing in the towel on QE. Who can blame him? Radical monetary and fiscal policies have failed to produce a robust recovery in the wake of the financial crisis. Although some Keynesians, such as Paul Krugman, claim the stimulus was too small, the federal government has increased spending by nearly 25% in real terms, and financed that spending with trillion-dollar-a-year deficits for four years and counting. Those deficits have been funded by never-before-seen increases in the Fed's balance sheet. Make no mistake; the stimulus has been enormous. Unfortunately, the U.S. economy likely faces a permanent decline in demand in the aftermath of the financial crisis, not a temporary lull. The economy now recognizes there is enormous risk of damage from a run on the banks. Prior to the crisis, the U.S. economy greatly discounted this risk because a run on the banks of the scale seen in the financial crisis had not occurred since 1929. We assumed implicit government guarantees of banks -- guarantees that the government made explicit in the financial crisis -- mitigated the risk of a run. We were mistaken. The private sector has permanently dialed back risk-taking, resulting in economic activity to compensate for this now-recognized and as-of-yet-unmitigated risk. That is not to say that the economy cannot grow and reach full employment. It can. But it will grow normally from a lower base without the large one-time rebound typical of most recoveries. Under these conditions, fiscal and monetary policies are likely to have little, if any, positive effect. Even skeptics of Keynesian economics recognize that increased government spending may prevent a temporary lull in demand from permanently damaging the economy. Layoffs and bankruptcies, which displace workers and companies, permanently lower productivity. Avoiding that damage is valuable. As the lull in demand grows longer, however, the cost of avoiding displacement increases while the value of avoiding displacement remains constant. If the fall in demand is permanent -- if it stems from a structural problem, for example -- displacement is inevitable and cannot be avoided. Increased government spending then becomes an expensive bridge to nowhere that slows rather than stimulates growth. A permanent increase in government spending merely shifts demand from the private sector to the public sector. At best, the government redistributes consumption from workers and investors. In reality, it taxes, redistributes, and consumes income that would otherwise be invested. Moreover, redistribution reduces the payoff and incentives for work, investment, and risk-taking, which slows growth further. What increase in services the government does produce, it generally produces less efficiently than the private sector. Those factors slow growth. Again, look at Europe. Its contribution to innovation over the last twenty-five years has been anemic. If there is any doubt whether a permanent increase in government spending can permanently increase demand, one need look no further than Europe over the last thirty years. Private sector growth slowed relative to the United States as public sector spending as a percent of GDP increased relative to the United States.

Proponents of government spending claim Europe's meager recovery proves austerity has failed. As if Europe's troubles do not stem from the fact that the euro allowed slower growing countries to consume more than they produced and that this ultimately proved unsustainable. These proponents often cite headlines from a recent IMF study that concludes, "Fiscal consolidation typically reduces output and raises unemployment in the short term," despite the fact that most all of the study's data points represent temporary Keynesian lulls. Unmentioned is the fact that austerity includes both tax increases and spending cuts, and that the study finds that "tax increases are much worse for the economy than spending cuts," that "after a few years, even large (spending-based) fiscal adjustments create growth for the economy," and that cuts to entitlements do not slow growth. It is true that a cut in government spending, once increased, may cause a brief recession. No rational taxpayer will increase their spending until the government cuts spending. The government has little, if any, credibility when it comes to real spending cuts. Most "cuts" are from a growing baseline and often never materialize. After a cut in government spending, private spending will grow back cautiously. Proponents of spending then use the cost of recession, caused by withdrawing from increased government spending, as justification for a never-ending succession of further spending. In the waning days of his tenure, Chairman Bernanke may have finally come to realize that the Fed's radical monetary policy, which facilitated deficit spending that was intended to accelerate an economic rebound back to the prior trend line, has been ineffective. The economy is suffering from a permanent decline in demand and needs economic policies that will increase long-term growth. This requires lower government spending, which mitigates the need for further tax increases and accelerates the accumulation of equity needed to bear the risks that grow the economy. Ed Conard is a visiting scholar at the American Enterprise Insitute and author of the best-selling Unintended Consequences. He is a former managing partner at Bain Capital. Read the original posting of the article here.

Topics: Ben Bernanke,Blog,Federal Reserve,Monetary Policy,OpEds,Print

Permalink: https://www.edwardconard.com/2013/07/01/what-we-can-learn-from-the-feds-failures

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/what-we-can-learn-from-the-feds-failures.png

Article 503

Title: Ed Conard Debates the Economic Value of Humanities Degrees on "Street Smart" with Trish Regan on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2013-06-27
Publish Time	10:35:57

Content:

Topics: Blog,Bloomberg,College,Trish Regan,Videos

Permalink: https://www.edwardconard.com/2013/06/27/bloomberg_5

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-debates-the-economic-value-of-humanities-degrees-on-22street-smart22-with-trish-regan-on-bloomberg-tv.png

Article 504

Title: Ed Conard co-hosts "The Kudlow Report" on CNBC and Discusses the Recent IRS Scandal Along With the Lack of Entrepreneurs in the U.S.

Author(s)	Ed Conard
Publish Date	2013-06-03
Publish Time	19:26:44

Content:

Topics: Blog,CNBC,IRS,Politics,Productivity,Videos

Permalink: https://www.edwardconard.com/2013/06/03/ed-conard-co-hosts-the-kudlow-report-on-cnbc

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-co-hosts-22the-kudlow-report22-on-cnbc-and-discusses-the-recent-irs-scandal-along-with-the-lack-of-entrepreneurs-in-the-u.s.png

Article 505

Title: Ed Conard on The Jim Bohannon Show

Author(s)	Ed Conard
Publish Date	2013-05-14
Publish Time	9:00:12

Content:

Topics: Blog,Jim Bohannon,Radio

Permalink: https://www.edwardconard.com/2013/05/14/jim-bohannon-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/05/jim.jpg

Article 506

Title: How to Fix America

Author(s)	Ed Conard
Publish Date	2013-05-13
Publish Time	11:32:19

Content: Which Tools Should Washington Use? Unleash the Private Sector By Edward Conard | May 13, 2013 In "Can America Be Fixed?" (January/February 2013), Fareed Zakaria argues that American democracy has grown increasingly dysfunctional since the 1970s and that "a series of lucky breaks" -- namely, the end of inflation, new information technologies, globalization, and excessive borrowing, which has allowed Americans to consume more than they have produced -- have covered up structural problems in the U.S. economy. He worries that these factors are now keeping unemployment high and wages low. In outlining his solution to this problem,Zakaria looks back to the 1950s and 1960s, when W ashington spent lavishly on domestic investment and the economy "boomed." What the U.S. government needs to do today, he concludes, is establish "massive job-training programs" and a "national infrastructure bank " from which "technocrats" could allocate funds to public works projects based "on merit rather than...pork." But Zakaria's argument is grounded in a misreading of history: although government investment in infrastructure in the 1950s and 1960s did contribute to economic growth, many other factors drove that growth as well. Moreover, it is unlikely that building new physical infrastructure would do as much for growth in today's knowledge-based economy as it did in the two decades following World War II. Finally, there is little reason to believe that politicians would allow technocrats to control infrastructure spending. And even if they did, it is doubtful that technocrats could choose investments effectively -- much less with the wisdom and efficiency of free enterprise. After all, private-sector investment and risk taking, not infrastructure investment, have driven U.S. economic growth over the last two decades, and they will likely continue to do so in the future. INVEST FOR SUCCESS Low inflation, information technology, and globalization do not fully explain the United States' economic success over the past two decades. Europe and Japan also enjoyed these things, yet their productivity growth fell to near record lows, while the United States' soared to near-record highs. (Productivity, which measures output per worker, is the best measure of economic success, because it excludes population expansion, which adds to GDP without raising livings standards.) In fact, the contrast is even starker than it appears, because American innovation helped boost the rest of the world's productivity. It is thus difficult to conclude that a dysfunctional U.S. democracy slowed economic growth. Many advocates of government spending claim that productivity growth has not benefited the middle and working classes. Since the early 1980s, however, the U.S. economy has added 40 million jobs to the country's work force -- an increase of roughly 40 percent. France's and Germany's work forces have grown by less than half that amount, and Japan's, by even less. Indeed, U.S. job growth was so robust over the last two decades that it pulled 14 million new immigrants into the work force. Contrary to popular belief, the United States did not outsource jobs: it insourced them. Even if wages have remained flat (a disputable point), the United States still created an enormous increase in total middle-class income relative to Europe and Japan during this time. No other high-wage economy has done more for the middle class and the working poor. Neither debt-fueled consumption nor borrowing can explain the United States' productivity surge or economic growth. Regardless of how it is funded, consumption does not increase productivity; investment and innovation do. Nor do borrowing and lending between entities in the U.S. economy -- which make up the bulk of the country's debt -- account for American economic growth. (Try borrowing from yourself and see if it allows you to consume more.) Moreover, the United States has borrowed far too little internationally to impact its growth substantially. The United States has achieved its impressive economic results not only by investing more than Europe and Japan but also by making riskier investments that produced innovation. The success of these investments accounts for the United States' stellar economic performance. Furthermore, Zakaria's statement that "Americans have consumed more than they have produced" overlooks the full value of the assets produced by the United States. GDP measures the cost of investments -- but on the whole, U.S. investments have produced more value than their cost. This differential is largely responsible for driving up the value of the U.S. stock market from roughly 50 percent of GDP between the 1920s and the early 1990s to well over 100 percent of GDP today. To be sure, the U.S. government has sold a lot of one major asset -- government-guaranteed debt -- to foreign investors in order to fund consumption, but the U.S. economy has produced assets that are far more valuable than the assets it has sold abroad. BRIDGES TO NOWHERE Even though it was entrepreneurship that drove U.S. economic growth over the last two decades, Zakaria argues that infrastructure investment is now the key to jump-starting the economy. Public-sector investment in the 1950s and 1960s did contribute to the impressive economic performance of those years, but it is far from clear that the same types of investments would produce rapid growth today. The United States in 2013 does not resemble the country it was in the two decades following World War II. In those days, government-built highways and television were just beginning to knit the U.S. economy together. Capital intensive companies, such as General Motors and Procter & Gamble, raced to exploit previously unrealized economies of scale. Capitalizing on investment opportunities that had been postponed for two decades -- due to the Great Depression and World War II -- accelerated the economy, as did sending the most talented students to college, which the United States did before the rest of the world. Meanwhile, rapidly declining food prices and lower government spending (roughly 28 percent of GDP then, compared with nearly 40 percent now) freed up resources to fuel growth. But none of these factors is present today. In the contemporary knowledge-based economy, innovation is the linchpin of growth, not physical infrastructure. The U.S. economy has grown sevenfold since World War II, whereas the physical inputs it consumes have grown only twofold. Japan raised government investment to six percent of GDP after its real estate bubble burst in 1990, and that figure remained substantially higher than the United States' until 2005, yet Japan's productivity growth slowed. Even if infrastructure investment were the key to reinvigorating the U.S. economy, it is unlikely that technocrats, much less the political process, could identify the best investments. As with biological evolution, the U.S. economy is far too complex for any one individual or organization to understand which investments will succeed and which will fail. Free enterprise picks investments successfully by running millions of experiments, and the survival of a product depends on its producing more value per dollar of cost than other products do. Competition ruthlessly prunes products that fail to meet this threshold. The public sector works in the opposite way; it undertakes large investments with virtually no competition. To grasp the problem of entrusting the public sector with making large-scale investments, one need took no further than the costly wars in Afghanistan and Iraq, the unsustainable ballooning of U.S. entitlement programs, and the failure of large increases in education spending to boost American students' test scores. CUT THE CHAINS Today, two major factors are restricting economic growth. First, despite a worldwide abundance of unskilled labor, there are insufficient incentives for talented workers to get the training and take the types of risks that produce innovation. Although there is an enormous shortage of information technology experts in the United States, for example, some of the country's recent college graduates remain underemployed or unemployed. Many gifted students have chosen not to seek jobs in information technology because the salaries, despite being in the upper income brackets, are too low to motivate them to pursue these tedious and arduous careers. Raising taxes on high incomes to fund more infrastructure investment would further reduce the incentives for talented people to get the training and take the risks that produce innovation. It is hard to believe that such a policy would accelerate economic growth. Second, despite a worldwide abundance of savings, there is a lack of equity to underwrite the risks that produce economic growth. Fortunately, the United States does have more equity per dollar of GDP than either Europe or Japan. As a result, its entrepreneurs have taken more economic risks and its economy has produced more innovation and has grown faster than those of Europe and Japan. Washington can tax and spend income that investors would otherwise invest as equity, or it can leave this money in the hands of the private sector. Historically, the private sector has chosen the risks that produced economic growth far more effectively than the public sector. For the U.S. economy to reach its full potential, Washington should return to the policies that drove economic growth over the past two decades: lower federal spending and less onerous government regulation. It is important not to conflate the causes of high unemployment and slow economic growth after the 2008 financial crisis with the policies that have underpinned the U.S. economy's long-term success. A major cause of U.S. economic sluggishness over the past few years is that the private sector now recognizes that there is an enormous risk of damage from bank runs -- a risk that it thought government guarantees had mitigated after the panic of 1929. To compensate for this risk, the economy has dialed back both investment and consumption. Growth has slowed, unemployment has risen, and bank deposits and other short-term savings now sit unused. Growth is unlikely to reach its full potential until policymakers lessen this newly found risk and the economy subsequently redeploys these unused resources. Although some argue that the government can stimulate demand in the short run by borrowing and spending idle savings, this policy is ultimately self-defeating. In the long run, deficit spending will permanently bloat the federal budget with additional interest expenses, and lawmakers will have to raise taxes to cover these costs. If they raise taxes on successful entrepreneurs, this will discourage the economic risk taking that produces innovation by socializing gains and privatizing losses. The costs of slower growth in the long run would overwhelm any benefits from fiscal stimulus in the short run. Although reducing government spending today might contract the U.S. economy in the immediate future, doing so is necessary to finally return the country to economic strength. The private sector will gradually fill the void, as the public sector retreats. Raising taxes in the interim, moreover, would only slow growth further. In order to recapture the United States' economic dynamism, President Barack Obama should reassert the prime objective of U.S. economic policy during the last four administrations: fostering private-sector investment. It was entrepreneurship, not government investment, that powered U.S. economic growth over the past two decades -- and if Washington grasps this fact, the same dynamic will likely continue well into the future. Edward Conard is a Visiting Scholar at the American Enterprise Institute and a former Managing Director of Bain Capital. He is the author of Unintended Consequences: Why Everything You've Been Told About the Economy Is Wrong.

Topics: Banking,Blog,Debt,Fareed Zakaria,Foreign Affairs,growth,OpEds,Print,Productivity

Permalink: https://www.edwardconard.com/2013/05/13/how-to-fix-america

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/05/tn_foreignaffairs-copy.jpg

Article 507

Title: Ed Conard on "Money Moves" on Bloomberg TV with Erik Schatzker

Author(s)	Ed Conard
Publish Date	2013-05-06
Publish Time	14:29:39

Content:

Topics: Blog,Bloomberg,Erik Schatzker,Videos

Permalink: https://www.edwardconard.com/2013/05/06/bloomberg5613

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/05/MoneyMoves.png

Article 508

Title: Ed Conard on The Marc Steiner Show

Author(s)	Ed Conard
Publish Date	2013-04-16
Publish Time	11:32:20

Content: Ed Conard discusses President Obama's proposed budget with Margaret Flowers, co-director of It'sOurEconomy.US, and Scott Lilly, Senior Fellow at the Center for American Progress.

Topics: Blog,Marc Steiner,Radio

Permalink: https://www.edwardconard.com/2013/04/16/ed-conard-on-the-marc-steiner-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/04/marc.jpg

Article 509

Title: Ed Conard on “Money Moves” on Bloomberg TV with Deirdre Bolton (4/12/13)

Author(s)	Ed Conard
Publish Date	2013-04-12
Publish Time	14:47:59

Content:

Topics: Blog,Bloomberg,Deirdre Bolton,Videos

Permalink: https://www.edwardconard.com/2013/04/12/ed-conard-on-money-moves-with-deirdre-bolton-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-money-moves-on-bloomberg-tv-with-deirdre-bolton.png

Article 510

Title: Ed Conard on HuffPost Live

Author(s)	Ed Conard
Publish Date	2013-04-10
Publish Time	16:30:49

Content:

Topics: Blog,HuffPost Live,Videos

Permalink: https://www.edwardconard.com/2013/04/10/ed-conard-on-huffpost-live

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-huffpost-live.png

Article 511

Title: Ed Conard on "In the Loop" on Bloomberg TV with Betty Liu

Author(s)	Ed Conard
Publish Date	2013-04-08
Publish Time	10:14:55

Content:

Topics: Betty Liu,Blog,Bloomberg,Videos

Permalink: https://www.edwardconard.com/2013/04/08/ed-conard-on-bloomberg-tv-with-betty-liu

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/08/liu.jpg

Article 512

Title: Fox Business with Connell McShane and Dagen McDowell

Author(s)	Ed Conard
Publish Date	2013-04-03
Publish Time	13:39:25

Content: Watch the latest video at video.foxbusiness.com

Topics: Blog,Connell McShane,Dagen McDowell,Fox Business,Videos

Permalink: https://www.edwardconard.com/2013/04/03/fox-business-with-connell-mcshane-and-dagen-mcdowell

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/fox-business-with-connell-mcshane-and-dagen-mcdowell.png

Article 513

Title: The Diane Rehm Show

Author(s)	Ed Conard
Publish Date	2013-03-11
Publish Time	10:11:21

Content: Click here to listen to the show.

Topics: Blog,Diane Rehm,NPR,Radio

Permalink: https://www.edwardconard.com/2013/03/11/ed-conard-on-the-diane-rehm-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/03/diane.jpg

Article 514

Title: Ed Conard on "In the Loop" on Bloomberg TV with Betty Liu

Author(s)	Ed Conard
Publish Date	2013-03-06
Publish Time	10:42:58

Content: Ed on Betty Liu discuss U.S. fiscal policy, Detroit's financial instability and the outlook for buyout activity.

Topics: Betty Liu,Blog,Bloomberg,Detroit,Monetary Policy,Videos

Permalink: https://www.edwardconard.com/2013/03/06/ed-conard-in-the-loop-with-betty-liu-discussing-u-s-fiscal-policy-and-the-state-of-detroits-finances

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-22in-the-loop22-on-bloomberg-tv-with-betty-liu.png

Article 515

Title: Ed Conard on Fox Business with Connell McShane and Dagen McDowell

Author(s)	Ed Conard
Publish Date	2013-02-14
Publish Time	14:32:57

Content: Watch the latest video at video.foxbusiness.com Ed addresses what sequester cuts will really mean for the economy.

Topics: Blog,Connell McShane,Dagen McDowell,Fox Business,post-format-gallery,sequester,Videos

Permalink: https://www.edwardconard.com/2013/02/14/ed-on-fox-business-addressing-what-sequester-cuts-will-really-mean-for-the-economy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-fox-business-with-connell-mcshane-and-dagen-mcdowell.png

Article 516

Title: Ed Conard on Bloomberg TV's "Street Smart" with Trish Reagan

Author(s)	Ed Conard
Publish Date	2013-02-12
Publish Time	10:41:09

Content:

Topics: Blog,Bloomberg,Trish Regan,Videos

Permalink: https://www.edwardconard.com/2013/02/12/ed-conard-on-street-smart-with-trish-reagan

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-bloomberg-tvs-22street-smart22-with-trish-reagan.png

Article 517

Title: Ed Conard on "GPS" with Fareed Zakaria, Paul Krugman, Arianna Huffington and Mort Zuckerman

Author(s)	Ed Conard
Publish Date	2013-02-10
Publish Time	17:08:19

Content:

Topics: Arianna Huffington,Blog,Fareed Zakaria,Mort Zuckerman,Paul Krugman,Videos

Permalink: https://www.edwardconard.com/2013/02/10/ed-conard-on-gps-with-fareed-zakaria-paul-krugman-and-others

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-22gps22-with-fareed-zakaria-paul-krugman-arianna-huffington-and-mort-zuckerman.png

Article 518

Title: Ed Conard on “Money Moves” on Bloomberg TV with Deirdre Bolton (2/5/13)

Author(s)	Ed Conard
Publish Date	2013-02-05
Publish Time	10:51:51

Content:

Topics: Blog,Bloomberg,Deirdre Bolton,Videos

Permalink: https://www.edwardconard.com/2013/02/05/ed-conard-on-money-moves-with-deirdre-bolton

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/04/DeirdreBolton.png

Article 519

Title: Ed Conard on Varney & Co: Long-term Effects of Tax Increases

Author(s)	Ed Conard
Publish Date	2013-02-04
Publish Time	22:15:29

Content: What are the long-term effects of tax increases? Ed discusses this and more.

Topics: Blog,Fox Business,Varney & Co.,Videos

Permalink: https://www.edwardconard.com/2013/02/04/ed-on-varney-co-discussing-the-long-term-effects-of-tax-increases

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/02/Stuart_Varney1.jpg

Article 520

Title: Ed Conard debates Joe Stiglitz on MSNBC's Up with Chris Hayes

Author(s)	Ed Conard
Publish Date	2013-02-03
Publish Time	18:53:47

Content: Ed Conard and Joe Stiglitz debate the state of the U.S. economy.

Topics: Blog,Chris Hayes,Joe Stiglitz,MSNBC,Videos

Permalink: https://www.edwardconard.com/2013/02/03/ed-conard-debates-joe-stiglitz-on-msnbcs-up-with-chris-hayes

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Article 521

Title: Ed Conard on Fox Business with Connell McShane and Dagen McDowell

Author(s)	Ed Conard
Publish Date	2013-01-08
Publish Time	16:46:19

Content: Watch the latest video at video.foxbusiness.comWatch the latest video at video.foxbusiness.comWith "Markets Now" hosts Connell McShane and Dagen McDowell Ed discusses a recent Gallup poll showing the public's dissatisfaction with Washington D.C. politics and how Obama's measures to increase spending have gone unnoticed in the media.

Topics: Blog,Connell McShane,Dagen McDowell,Fox Business,Obama,Politics,Videos

Permalink: https://www.edwardconard.com/2013/01/08/ed-conard-on-markets-now-on-fox-business

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-fox-business-with-connell-mcshane-and-dagen-mcdowell.png

Article 522

Title: PRI's The Takeaway with John Hockenberry

Author(s)	Ed Conard
Publish Date	2013-01-02
Publish Time	18:08:20

Content: Ed Conard addresses President Obama's negotiation tactics on the fiscal cliff and what the eventual deal will mean for the U.S. economy.

Topics: Blog,Debt,John Hockenberry,Monetary Policy,Obama,Politics,PRI,Radio

Permalink: https://www.edwardconard.com/2013/01/02/ed-conard-on-pris-the-takeaway-with-john-hockenberry-on-the-fiscal-cliff-negotiations

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/01/TheTakeAway.jpg

Article 523

Title: Edward Conard: Among the top 10 most searched authors on Google in 2012

Author(s)	Ed Conard
Publish Date	2012-12-27
Publish Time	9:25:10

Content: Google's "Zeitgeist" search trends report shows "Edward Conard" as one of the top ten most searched authors in 2012. Below is a full list of the top ten most searched authors. You can find a link to the report here. Charles Duhigg William Landay Brian Souza ML Stedman EL James Cheryl Strayed Gillian Flynn Sylvia Day Edward Klein Edward Conard

Topics: Blog,Google

Permalink: https://www.edwardconard.com/2012/12/27/edward-conard-among-the-top-10-most-searched-authors-on-google-in-2012

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/12/google.jpeg

Article 524

Title: The objective of economic policy as illustrated by 200 years of economic history condensed into 4 minutes

Author(s)	Ed Conard
Publish Date	2012-12-23
Publish Time	16:16:38

Content: Hans Rosling's amazing video: “200 Countries, 200 Years, 4 Minutes” brings the goal of The Coherent Research Institute into focus.

Topics: Blog,Hans Rosling,Monetary Policy

Permalink: https://www.edwardconard.com/2012/12/23/hansrosling

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/12/Screen-Shot-2014-05-08-at-4.42.36-PM-e1439856127640.png

Article 525

Title: The Goal of Tax Policy

Author(s)	Ed Conard
Publish Date	2012-12-22
Publish Time	16:05:34

Content: People often view debates over economic policy as debates between selfish libertarians, who seek to keep what they earn, and generous communitarians seeking to help the poor. Communitarians recognize that talent is randomly distributed among mankind and that humanity and not individuals are the rightful owners of that talent. Talented individuals have a moral obligation to the community to utilize their talents fully to improve mankind’s standard of living. They have an obligation to get the training necessary to fully utilize their abilities for society’s best interest, not their own. And they have an obligation to take the entrepreneurial risks necessary to produce innovation that raises standards of living. Anything less than making the effort and taking the risks necessary to fully utilize one’s talent on behalf of mankind is immoral. Despite this obligation, we see a world filled with talent that’s unwilling to get the training necessary to fully utilize its potential—art history majors instead of MBAs—and a world of trained talent unwilling to take the risks necessary to produce innovation—“salarymen” instead of entrepreneurs. The high and growing price for successful risk-taking indicates a shortage of entrepreneurial risk-takers relative to a growing world of unrealized opportunities. Payoffs rise to induce more talent to get the training and for trained talent to take the risk necessary to produce innovation. The high price of talent also better allocates scarce resources to the most valuable opportunities. Ironically, it’s the art history majors, the ones who create the shortage of talented risk-takers, who complain the loudest about the growing payoffs for successful innovators. On the other side of the coin, society’s goal should be to extract maximum value on behalf of society from its talent—i.e. the value capture by the rest of society. Toward that end, we should recognize that most of this value is created by buyer’s surplus—the value of goods and services over and above their cost. Nowhere is this value captured by GDP, which measures the price of goods. Nor is this unquantified value taxable. Nevertheless, innovation has produced steady growth in value relative to cost over the last several centuries. This growth has vastly improved standards of living. From this perspective, it’s shortsighted for society to maximize taxes paid by its talent. Rather it should maximize value produced by its talent less its cost—i.e. the value captured by the rest of society. The true cost of talent to society is its consumption not the after-tax income it earns, much of which is invested and produces buyer’s surplus, which is mostly captured by non-investors. Taxes are a relative small portion of the value talent produces when buyer’s surplus is included. And taxes are an even smaller portion of the value underutilized talent fails to produce. The goal of tax policy should be to maximize the total value the rest of society captures from its talent.

Topics: Blog,growth,Investing,investment,Talent

Permalink: https://www.edwardconard.com/2012/12/22/the-goal-of-tax-policy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/12/changing-career-1-827x399-e1439856198334.jpeg

Article 526

Title: Does a lack of correlation prove that taxes don't affect growth rates?

Author(s)	Ed Conard
Publish Date	2012-12-19
Publish Time	23:09:38

Content: A recent study posted by the Congressional Budget Office, "Taxes and the Economy: An Economic Analysis of the Top Tax Rates Since 1945" purports to show that tax rates are uncorrelated with growth and savings. Some political commentators, such as Eliot Spitzer, have used the report to argue for tax increases, claiming they have no effect on growth. A closer look at the report, however, would leave any serious economist scratching their head in dismay. The report simply plots each year's U.S. per capita growth rate against the year's U.S. marginal tax rate and finds no statistically significant correlation. There are two problems with this approach. First, there are many factors that contribute to growth. In the 1950s for example, the United States knitted the nation's economy together with TV and interstate highways. This created a window to capitalize newly accessible nationwide economies of scale. At the same time, the United States was the first economy to send its workforce to college. Again, this opened untapped growth opportunities. Two decades of underinvestment, first from the great Depression and then from WWII, added further to the growth opportunities. The cost of food fell from over 20% of GDP to less than 10% freeing resources needed to fuel growth. Federal, state and local government spending was low relative to GDP—28% then versus closer to 40% today. As a result, effective tax rates were lower then despite higher marginal rates. Tax shelters allowed investors to avoid high marginal rates. You can't just compare the growth rate in the 1950s when marginal tax rates were higher (but effective tax rates were lower) to the early 2000s when marginal tax and growth rates were lower and claim there is no correlation, without taking all these differences into consideration. That's why they don't award PhDs for not finding correlations. The world is complex. It's easy not to find correlations and hard to find them. A legitimate analysis must establish the causation of growth and then show that taxes don't contribute further to the statistical significant of the model's prediction. But even then, because of the complexities in predicting growth, one has to remain very leery of any analysis that claims to prove anything from a lack of correlation. One economist who tries this approach is Peter Lindert who argues "Why the Welfare State Looks Like a Free Lunch." He uses multiple factors to predict the growth of high wage economies between 1978 and 1995. He claims to have a statistically significant model for predicting growth and that tax rates do not contribute significantly to the predictive power of his model. But after 1995, the U.S. economy grew faster than Europe and Japan's despite all three economies having access to burgeoning internet technology that accelerated growth and similarly educated workforces to capitalize on these opportunities. Do the factors in his model predict this difference in growth? No. Similarly, even the most sophisticated economic forecasting models failed to predict the growing risk of the financial crisis. It's obvious these models overlook significant factors that effect growth independent of tax rates. Some political commentators claim there is no proof whatsoever that tax rates effect growth. But the United States ran an experiment of lower government spending and taxes since the mid 1980s while Europe tried the opposite. And the United States grew faster after the commercialization of the internet. Since 1991, the U.S. grew 63% while France and Germany grew less than half as fast. Productivity growth rose from less than 1.5% per year to over 2% per year while France and Germany's productive growth did the opposite—growth declined to less than 1.5% per year. Standards of living rose in the United States relative to France and Germany. Today America has 35 to 40% more hours of work per working age adult than France and Germany. No evidence? The differences are startling. And if anything, innovation produced by the U.S. and implemented by Europe economy pulled the growth rates of the rest of the world up. A second problem with correlating tax rates to growth rates is the time frame. If Europe, for example, were to lower its spending and taxes, would it immediately grow like the United States? Of course not. Its workforce lacks the on-the-job training to quickly accelerate growth through innovation. Imagine trying to innovate in Greece today. Its workers simply don't have the training and won't for a long time, if ever. The success of the United States is decades in the making. It can't be recreated in a couple of years. It stems from years of positive feedback loops restructuring the U.S. economy. For example, success begets success. Relative success in the United States demands more work and risk-taking. Our most talented people work longer hours than their counterparts in Europe. They flock to business schools to get training that allows them to compete. And they start companies that grow the economy through innovation. That success creates companies like Google, Facebook, and countless others that give our workers far more valuable on-the-job training. That training increases their chances of success. Better chances increases risk-taking. The success of our risk-takers puts equity in to the hands of investors willing to underwrite the risks needed to produce innovation. No surprise, the America has much more equity per dollar of GDP than Europe and Japan, it underwrote more of the risks needed to produce innovation, and, as a result, it grew faster. One recent state-of-the-art study, "Do Tax Structures Affect Aggregate Economic Growth? Empirical Evidence from a Panel of OECD Countries," that looks at the effect of taxation on the growth of 21 high-wage economies over 35 years finds, "High top marginal tax rates of personal income tax reduce productivity growth by reducing entrepreneurial activity." And that, "a strong reliance on income taxes seems to be associated with significantly lower levels of GDP per capita." This empirical evidence squares with economic theory. Higher payoffs for risk-taking should spur more risk-taking that's needed to produce innovation. More innovation accelerates growth. A shortage of risk-taking and investment yields positive returns to risk-takers. That produces equity, which underwrites the risks that produce innovation. More equity to underwrite risk produces more risk-taking, which produces more innovation that increases growth. Taxing, redistributing and consuming income that would otherwise be invested does the opposite. It slows the accumulation of equity and lowers the expected return on risk-taking. America chose one path lower government spending and taxes while Europe chose the opposite. After two decades of compounding feedback, the differences between the structures of these economies are stark. The U.S. economy can produce faster growth than Europe's. A change in the tax rate is unlikely to change growth trajectories significantly in the short-run. Any effect should be expected to compound gradually.

Topics: Blog,economy,Europe

Permalink: https://www.edwardconard.com/2012/12/19/taxes-growth

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/12/IMG_2467a-wall-street-bull-834x399-e1439856295914.jpeg

Article 527

Title: Ed Conard on Bloomberg TV with Tom Keene

Author(s)	Ed Conard
Publish Date	2012-12-13
Publish Time	10:55:34

Content: Ed discusses U.S. tax policy and campaign financing.

Topics: Blog,Bloomberg,Politics,Tom Keene,Videos

Permalink: https://www.edwardconard.com/2012/12/13/on-bloomberg-tv-ed-discusses-u-s-tax-policy-and-campaign-financing

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/02/bbc-conard-2-e1439856436654.png

Article 528

Title: Why tax hikes fall short for cliff talks

Author(s)	Ed Conard
Publish Date	2012-12-12
Publish Time	19:54:04

Content: POLITICO By Edward Conard | December 12, 2012 To accelerate private-sector growth, Republicans will need all their negotiating leverage to minimize taxes on investors by maximizing spending cuts. In a world where the majority of voters garner benefits from spending and see little cost to taxing investors, that's never been easy. But the current circumstances make it much more precarious. Lawmakers have increased government spending 30 percent since 2007 — from 20 percent of gross domestic product historically to 24 percent — on flat tax revenues. That has opened up an unprecedented $1.1 trillion-a-year deficit. The resulting unsustainable rise in debt coupled with near-zero interest rates have shielded spending advocates from voters realizing that draconian across-the-board tax increases are needed to support the proposed level of spending. Instead, many voters mistakenly believe that raising taxes on upper-income taxpayers provides enough revenue to bring taxes and spending into balance. As a result of these misunderstandings, most voters blame Republicans, not Democrats, for refusing to compromise on the deficit by agreeing to raise taxes on investors. These misunderstandings have given the president an opportunity for two bites at tax-the-investors apple — one by the end of the year to avoid the fiscal cliff and another when a comprehensive solution to the deficit is finally negotiated. Republicans must be shrewd to avoid this piecemeal negotiating trap. Debt can't continue to rise relative to GDP forever. To hold it constant, we can sustain deficits of about $200 billion a year. Today, that leaves a $900 billion-a-year gap between revenues and spending. Letting the Bush tax cuts expire on upper-income taxpayers raises less than $50 billion a year. Limiting deductions to 28 percent of income for upper-income taxpayers, raising capital gains and dividend tax rates to ordinary income tax rates and raising estates taxes together would raise less than $100 billion a year more. Reasonable changes to Medicare and Social Security, such as raising the retirement age and raising upper-income Medicare premiums, would raise much less than $50 billion a year more. It's true that ending the Afghanistan war saves about $150 billion a year. But Obamacare increases spending by a similar amount — even after its tax increases and Medicare cuts. And government spending as a percentage of GDP is projected to continue rising as the number of workers per retiree drops from 3-to-1, currently, to 2-to-1. In truth, the president can't pay for his proposed spending without draconian across-the-board tax increases. Even the fiscal cliff — which would raise middle-class taxes hundreds of millions of dollars a year by letting the Bush tax cuts expire for all taxpayers, expose them to the alternative minimum tax and end the payroll tax holiday — would close only two-thirds of the fiscal gap. The need for dramatically higher revenues makes the president's threat to veto any legislation that does not raise taxes on investors by the end of the year credible. How better to raise taxes on the middle class than by going over the fiscal cliff and successfully blaming the resulting tax increases on Republicans? As if their negotiating position was not precarious enough, it will grow increasingly difficult for Republicans to hold the line on tax increases. When the middle class and seniors realize the truth, they are going to fight hard to maintain their incomes by increasing taxes on investors even further. Investors who thought a 39 percent tax rate was acceptable are in for a rude awakening. Even with tax increases and spending cuts from the fiscal cliff, we still would need a 70 percent marginal tax rate to close the $900 billion-a-year gap. Recent history shows that's hardly outside the realm of possibility. Not but 30 years ago, marginal tax rates were that high. Raising taxes on upper-income taxpayers, whether at the margin or on average, would redistribute and consume income that would otherwise be invested. That would slow growth and employment. Nevertheless, Republicans are under enormous pressure to agree to tax increases on investors by year-end in order to gain time needed to hammer out compromises that reduce spending to sustainable levels. They risk losing the House if they are successfully blamed for being unreasonable. If that happens, the damage to our economy will be much worse. Under these circumstances, a better alternative than agreeing to tax increases piecemeal is accepting a rollback of the Bush tax cuts on upper-income taxpayers conditioned upon Congress taking all the actions necessary to stop debt from growing relative to GDP. Capping deductions is a less damaging way to raise revenues than taxing income at the margin, but neither is good for growth. Ed Conard, a former managing director of Bain Capital, is an American Enterprise Institute visiting scholar and the author of “Unintended Consequences: Why Everything You’ve Been Told About the Economy Is Wrong” (Portfolio, 2012).

Topics: Blog,Debt,Obama,OpEds,Politico,Politics,Print,Spending

Permalink: https://www.edwardconard.com/2012/12/12/why-tax-hikes-fall-short-for-cliff-talks

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/12/politco.jpg

Article 529

Title: Surveillance Midday with Tom Keene

Author(s)	Ed Conard
Publish Date	2012-12-10
Publish Time	14:32:44

Content: Ed discusses the recent presidential election and his book, Unintended Consequences.

Topics: Blog,Elections,Politics,Radio

Permalink: https://www.edwardconard.com/2012/12/10/surveillance

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/12/TomKeene1.jpeg

Article 530

Title: Ed Conard on "In the Loop" on Bloomberg TV with Betty Liu

Author(s)	Ed Conard
Publish Date	2012-12-10
Publish Time	11:40:22

Content: Ed talks taxes and why rates for the rich will not close the deficit.

Topics: Betty Liu,Blog,Bloomberg,Debt,Spending,Videos

Permalink: https://www.edwardconard.com/2012/12/10/ed-conard-on-in-the-loop-with-betty-lui-discussing-why-raising-taxes-on-the-rich-will-not-close-the-deficit

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/08/liu.jpg

Article 531

Title: Ed Conard on Fox Business News with Connell McShane and Dagen McDowell

Author(s)	Ed Conard
Publish Date	2012-12-03
Publish Time	20:19:30

Content: Ed addresses Obama's increased government spending and the public's dissatisfaction with Washington D.C. politics. Watch the latest video at video.foxbusiness.com

Topics: Blog,Connell McShane,Dagen McDowell,Fox Business,Fox News,Politics,Videos

Permalink: https://www.edwardconard.com/2012/12/03/fox-12-3

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-fox-business-with-connell-mcshane-and-dagen-mcdowell.png

Article 532

Title: Warren Buffett Is Wrong About Taxes

Author(s)	Ed Conard
Publish Date	2012-12-03
Publish Time	16:43:01

Content: Bloomberg By Edward Conard | December 3, 2012 The U.S. is holding a debate that is critical to its future: whether to tax, redistribute and consume income that would otherwise be invested. Warren Buffett has weighed in, supporting higher taxes on wealthy taxpayers. Unfortunately, the evidence he uses to make his case is superficial and flawed. One can't help but wonder: If he had stronger evidence, why wouldn't he use it? Buffett, the chairman of Berkshire Hathaway Inc., is an iconic leader. The U.S. needs insightful analysis from him. His claim that taxing upper-income taxpayers doesn't reduce investment runs counter to standard economic logic. Federal Reserve surveys show the top 5 percent of households save and invest 40 percent of their income. Median- income households save very little, whereas the Buffett household probably invests 99 percent of its income. If we tax, redistribute and consume income that otherwise would have been invested, the investable pool of savings declines. With a smaller pool of capital, less-attractive investment opportunities remain unfunded. Buffett tautologically claims investors will continue to invest in opportunities with expected returns above the cutoff point. Of course they will. Investment is lost at the margin. Buffett points to the 1950s and 1960s, when marginal tax rates were higher, and claims that because the economy grew faster then, it can grow faster today with higher marginal tax rates. Different Economies What he fails to mention is that the advent of interstate highways and television knitted together the U.S economy in the 1950s. Large capital-intensive companies such as General Motors Co. (GM) and Procter & Gamble Co. raced to exploit previously unrealized economies of scale. As a result, entrepreneurs and individual tax rates mattered much less to growth then than they do today. Growth accelerated independent of the tax rate. The U.S. sent its workforce to college long before the rest of the world. That also opened new investment opportunities. Two decades of underinvestment in the private sector -- first during the Great Depression and then during World War II -- added further to the rebound. The cost of food dropped from more than 20 percent of gross domestic product to less than 10 percent, freeing resources to fuel the manufacturing boom. A much smaller portion of GDP was taxed, redistributed and consumed. Federal, state and local government spending was 28 percent of GDP then versus close to 40 percent today. The 1950s and 1960s don't provide evidence that increased government consumption, and the taxes needed to fund it, has no effect on growth. They show that investment matters. Buffett also claims the commercialization of the Internet in the early 1990s created a huge tailwind that benefited the rich, as if investors did little to earn this success. Similarly, proponents of higher taxes and spending often claim that faster growth in the 1990s demonstrated that higher taxes on investors don't hurt growth even though the commercialization of the Web would have accelerated growth independent of the tax rate. Comparing the growth of the U.S. with Europe's since the early 1990s removes the effect of the Internet. Both economies had access to the same technology and similarly educated workforces to capitalize on the Web's opportunities. Since then, the U.S. economy has grown 63 percent (in the period through the end of 2010); France and Germany's together grew less than half as fast. U.S. productivity growth increased from 1.2 percent a year to 2 percent while France and Germany's declined to less than 1.5 percent a year in the periods 1972-1995 versus 1995-2004. Without U.S. innovation, Europe's growth would have been lower. European Contrast It is true that higher labor redeployment costs slowed Europe's transition away from manufacturing. Yet that doesn't explain why young, talented European workers clung to jobs in declining industries while their American counterparts eagerly walked away from promising careers to join risky startups. In the U.S., higher payouts drove increased risk-taking. Success from that risk-taking raised the bar for success. The most promising U.S. students flocked to business schools and worked much longer hours than their underutilized counterparts in Europe, whose work effort declined. The success of these American workers created Google Inc., Facebook Inc. and countless other companies that gave the U.S. workforce more valuable on-the-job training. That training increased the chances for entrepreneurial success. Entrepreneurial success put equity into the hands of investors willing to underwrite the risks that produce innovation. No surprise, the U.S. has more equity per dollar of GDP than Europe and Japan, and has produced more innovation. Although commercializing the Internet may have created a tailwind, a lot of that tailwind was earned. Government spending was also much lower in the 1990s than it is today: 18 percent of GDP versus 24 percent. State and local government spending was lower, too. As a result, President Bill Clinton's across-the-board tax increase paid down debt, which strengthened the U.S. economy. Today, higher taxes are needed to fund an increase in unproductive consumption, which slows growth. Taxing income that otherwise would have been invested as equity in order to retire cheap offshore debt seemed like bad economic policy in the 1990s. With 20-20 hindsight, however, it turned out to be an ideal time to sell overpriced equity to pay off debt. That's not the case today when equity is dear. Far from showing that tax rates and government spending have no effect of growth, the 1990s provide evidence that payoffs for risk-taking and the accumulation of equity matter. The debate over whether to tax, redistribute and consume income that would otherwise be invested is critical to the future of America. The nation can't afford to base its decision on superficial arguments. The country deserves better from a leader such as Warren Buffett. (Edward Conard was a partner at Bain Capital LLC from 1993 to 2007. He is the author of "Unintended Consequences: Why Everything You've Been Told About the Economy Is Wrong." The opinions expressed are his own.) Read the article on Bloomberg.com.

Topics: Blog,Bloomberg,Europe,OpEds,Print,Warren Buffett

Permalink: https://www.edwardconard.com/2012/12/03/bloomberg-oped

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/12/url-4-e1439857435361.jpeg

Article 533

Title: Ed Conard on "Up" with Chris Hayes debating Sen. Sherrod Brown

Author(s)	Ed Conard
Publish Date	2012-11-11
Publish Time	7:55:18

Content: Ed debates Senator Sherrod Brown and Molly Ball from The Atlantic on what the administration and Congress should do leading up to the fiscal cliff.

Topics: Blog,Chris Hayes,congress,Debt,Molly Ball,Obama,Sherrod Brown,Videos

Permalink: https://www.edwardconard.com/2012/11/11/postelection2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/11/ChrisHayes.jpg

Article 534

Title: Ed Conard on "Money" with Melissa Francis

Author(s)	Ed Conard
Publish Date	2012-11-09
Publish Time	11:15:45

Content: Watch the latest video at video.foxbusiness.com Former Bain Capital Managing Director Ed Conard, Greenleaf Book Group CEO Clint Greenleaf and Tasti D-Lite CEO Jim Amos on how Obama's re-election impacts businesses.

Topics: Blog,Clint Greenleaf,Jim Amos,Melissa Francis,Obama,Politics,Videos

Permalink: https://www.edwardconard.com/2012/11/09/foxbusiness-money

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/11/MelissaFrancis.jpg

Article 535

Title: Ed Conard on Fox Business with Connell McShane and Dagen McDowell

Author(s)	Ed Conard
Publish Date	2012-11-07
Publish Time	12:46:37

Content: Ed discusses the effect of President Obama's re-election on the financial markets.

Topics: Blog,Connell McShane,Dagen McDowell,Elections,Fox Business,Obama,Politics,Videos

Permalink: https://www.edwardconard.com/2012/11/07/postelection

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Article 536

Title: Ed Conard on "Money Moves" on Bloomberg TV with Deirdre Bolton

Author(s)	Ed Conard
Publish Date	2012-11-06
Publish Time	15:55:22

Content: On "Money Moves" Ed speculates on who will win the presidential election and the future of private equity.

Topics: Blog,Bloomberg,Deirdre Bolton,Elections,Politics,Private Equity,Videos

Permalink: https://www.edwardconard.com/2012/11/06/bloombergtv

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-22money-moves22-on-bloomberg-tv-with-deirdre-bolton-2012.png

Article 537

Title: Ed Conard on Varney & Co. on Fox Business

Author(s)	Ed Conard
Publish Date	2012-11-06
Publish Time	12:18:43

Content: Will Romney be able to compromise and work with Congress if he is elected president? Ed discusses how Mitt Romney would advance the administration's agenda if he were elected.

Topics: Blog,Elections,Obama,Politics,Romney,Videos

Permalink: https://www.edwardconard.com/2012/11/06/varney-co

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-varney-co.-on-fox-business.png

Article 538

Title: Ed Conard speaking at the UP Experience

Author(s)	Ed Conard
Publish Date	2012-10-25
Publish Time	11:02:58

Content: Ed explains the success of his book and how the U.S. became the most powerful economy in the world. Edward Conard: Unintended Consequences from The UP Experience

Topics: Blog,economy,Unintended Consequences,Videos

Permalink: https://www.edwardconard.com/2012/10/25/up-experience

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/10/TheUpExperience.png

Article 539

Title: The Takeaway with John Hockenberry on PRI

Author(s)	Ed Conard
Publish Date	2012-10-18
Publish Time	15:12:48

Content: Ed Debates Timothy Noah on how to best fix America's debt.

Topics: Blog,John Hockenberry,PRI,Radio,Timothy Noah

Permalink: https://www.edwardconard.com/2012/10/18/takeaway

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/01/TheTakeAway.jpg

Article 540

Title: Ed Conard on "In the Loop" on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2012-10-08
Publish Time	10:38:32

Content: Ed talks about the the slow recovery of the U.S. economy.

Topics: Betty Liu,Blog,Bloomberg,economy,Videos

Permalink: https://www.edwardconard.com/2012/10/08/bloomberg-3

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/08/liu.jpg

Article 541

Title: Do We Get the Banks We Deserve?

Author(s)	Ed Conard
Publish Date	2012-10-03
Publish Time	12:00:00

Content: Ed Conard, Justin Rowlatt, Kai Ryssdal and Eliot Spitzer discuss the scrutiny of financial institutions and consumers on the BBC's "Marketplace Live."

Topics: Banking,BBC,Blog,Eliot Spitzer,Justin Rowlatt,Kai Ryssdal,Radio

Permalink: https://www.edwardconard.com/2012/10/03/do-we-get-the-banks-we-deserve

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Article 542

Title: Howard Dean & Ed Conard Preview The First Presidential Debate

Author(s)	Ed Conard
Publish Date	2012-10-03
Publish Time	9:27:33

Content: What's in store when Obama and Romney meet for the first debate?

Topics: Blog,Elections,Howard Dean,Obama,Politics,Romney,Videos

Permalink: https://www.edwardconard.com/2012/10/03/howard-dean-ed-conard-preview-the-first-presidential-debate

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Article 543

Title: Debate at Columbia Business School with Rep. Barney Frank and Andrew Ross Sorkin

Author(s)	Ed Conard
Publish Date	2012-09-07
Publish Time	21:47:23

Content: Ed debates policymakers and pundits on the role of risk in spurring innovation in business. The Sanford C. Bernstein & Co. Center for Leadership and Ethics at Columbia Business School filmed held an interactive debate entitled "Financial Innovation: A Risky Business?" with Ed Conard along with David Abrams, Caroline Baum, Wilson Ervin, Representative Barney Frank, Gary Gensler, Linda Gibbs, Robert Solow, Alicia Glen, Bruce Greenwald, Blythe Masters, Andrew Ross Sorkin, and Peter Stringham.

Topics: Andrew Ross Sorkin,Barney Frank,Blog,Columbia University,Productivity,Videos

Permalink: https://www.edwardconard.com/2012/09/07/business-columbia

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/debate-at-columbia-business-school-with-rep.-barney-frank-and-andrew-ross-sorkin.png

Article 544

Title: Ed Conard on Fox Business' Money with Melissa Francis

Author(s)	Ed Conard
Publish Date	2012-09-06
Publish Time	9:48:06

Content: Ed weighs in on income inequality and Elizabeth Warren's statements at the DNC.

Topics: Blog,Elizabeth Warren,Fox Business,Inequality,Melissa Francis,Videos

Permalink: https://www.edwardconard.com/2012/09/06/ed-conard-on-fox-business-money-with-melissa-francis

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/11/MelissaFrancis.jpg

Article 545

Title: Ed Conard on "Fox & Friends" during the Republican National Convention

Author(s)	Ed Conard
Publish Date	2012-08-31
Publish Time	11:55:22

Content: Ed Conard discusses why Mitt Romney should not apologize for his successful record at Bain Capital.

Topics: Blog,Fox & Friends,Politics,RNC,Romney,Videos

Permalink: https://www.edwardconard.com/2012/08/31/ed-on-fox-and-friends-during-the-republican-national-convention

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-22fox-friends22-during-the-republican-national-convention.png

Article 546

Title: Ed Conard talks with Neil Cavuto from Fox Business

Author(s)	Ed Conard
Publish Date	2012-08-30
Publish Time	11:37:13

Content:

Topics: Blog,Fox Business,Neil Cavuto,Videos

Permalink: https://www.edwardconard.com/2012/08/30/ed-talks-with-neil-cavuto-at-the-republican-national-convention

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Article 547

Title: The Book of Ed

Author(s)	Ed Conard
Publish Date	2012-08-16
Publish Time	21:11:57

Content: Huffington Post By Howard Fineman | July, 2012 Ed Conard's book Unintended Consequences is onThe New York Times best-seller list, but it was hard to find at my neighborhood Washington bookstore, Politics and Prose, deep in what you could call Obama Country. I stopped by the other day to look for it. A salesperson checked on her computer, and we eventually located a single copy on a bottom shelf towards the back of the store. "Our best sellers don't always match The Times'," she said. In this case, that's too bad. Mitt Romney is running his campaign so close to the vest as to be nearly invisible. The theory is to disappear, leaving President Obama to run against himself and his record on the economy. So if you want to know where Romney is coming from, as we said back in the day, you need to read not only the Book of Mormon and clips from The Boston Globe and his tax returns (OK, you can read just one of those), you also need to read Conard's technical but fervent paean to the folks whom the soon-to-be Republican presidential nominee reverently calls "the job creators." That is: America's wealthiest and yearning-to-be-wealthiest. The gist of the Book of Ed is that the lower-income tax era that began 32 years ago with Ronald Reagan, and that has continued through the Obama Years, is a great thing. It nurtures the richest (and those who want to be the richest), which is also a good thing because they take the risks that spur job-creating innovation as they strive for the Big Score. Income inequality is not only inevitable, it is a blessing, he writes, in that we need these fat geese because their eggs are the most efficient way to hatch economic growth. The "unintended consequences" in the title, Conard explained to me, are the unemployment and stagnation created by government policies that ignore the fundamental physics of risk and striving. "The economy is what it is," he says. The fact that this theory bestows social utility on the accumulation of wealth in general and the careers of investment bankers and take-over artists doesn't make it wrong, though it does make it convenient for the likes of Conard--and Romney--and the partners of, say, Bain Capital. Conard is not a weird guy with a soup-stained Adam Smith tie at a Grover Norquist rally. Conard is a presentable Manhattanite with an MBA from Harvard, which Mitt also attended. He and Romney are good friends--so much so that Conard gave a million dollars to an independent PAC supporting the former Massachusetts governor. Conard is a former managing director of Bain Capital. Romney hired him. Romney read a full draft of the book and made suggestions, including ways to cut it from 140,000 words to 80,000. "We've talked about a lot of the ideas in the book over the years," Conard told me. "He told me I'm the new Ayn Rand." Actually, Conard isn't. Unlike Randian purists, he worries about federal deficits and thinks we need an across-the-board tax hike to ameliorate them. "We've got spending at 25 percent of GDP and tax revenues at 16 percent," he said. "We are not going to get that first number down fast enough." It's a view diametrically opposed to the one his friend and former boss espouses, at least these days. We'll see what happens if and when he becomes president. Conard is not a Ron Paul-style no-government man. He favors temporary limits on immigration to protect American jobs as we transition further into a "service economy." He thinks that banks should be taxed for the privilege of being backstopped by the federal government, as they were in 2008. But he and Romney do share a profound faith in what they see as a hardheaded, realistic and--to them, inspiring--view of how the world works. By Conard's calculations every dollar of successful risk-bearing investment produces at least five dollars in new wealth. "I used that number in the book because that is the generally accepted minimum," he said, "but I the real number is closer to 20 dollars." Our superior culture of risk, he says, is fostered by comparatively low personal taxes and light government regulation. And that, in turn, has yielded growth rates way above those of Europe and Japan. "The Internet is the key and they have produced NOTHING--no Facebook, Google, Amazon, YouTube, Apple, Microsoft--NOTHING." Bottom line: leave the market alone. Romney has given the book a cautious endorsement. "Ed has some interesting ideas," he said. "I don't agree with all of them, but give him a listen. He is a very capable thinker." It is easy to deride Conard's thoughts as nothing more than a redrawing of the Laffer curve from the dawn of the Reagan Administration in 1981. In the intervening years we have had growth, but also are leaving our posterity with crushing debt. And we have shredded our sense of common purpose as a country. In search of gold, we've bitterly divided ourselves into red and blue. The 2012 campaign is and will highlight that chasm. But it would be a mistake for Democrats to underestimate the appeal of the Book of Ed, and of Romney's preaching its core message at a time of economic stagnation. Greed may not be good, but sometimes it sells.

Topics: Blog,Howard Fineman,Huffington Post

Permalink: https://www.edwardconard.com/2012/08/16/the-book-of-ed

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/08/HuffingtonPost.jpg

Article 548

Title: Ed Conard speaks with Michael Ettlinger from Center for American Progress on C-SPAN

Author(s)	Ed Conard
Publish Date	2012-08-15
Publish Time	14:11:01

Content:

Topics: Blog,C-SPAN,Michael Ettlinger,Videos

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Article 549

Title: Ed Conard on CNBC's Closing Bell

Author(s)	Ed Conard
Publish Date	2012-08-14
Publish Time	15:35:32

Content:

Topics: Blog,CNBC,Videos

Permalink: https://www.edwardconard.com/2012/08/14/paulryan

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Article 550

Title: Ed Conard on "In the Loop" with Betty Liu on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2012-08-09
Publish Time	11:38:27

Content:

Topics: Betty Liu,Blog,Bloomberg,Videos

Permalink: https://www.edwardconard.com/2012/08/09/bettylui

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Article 551

Title: Ed Conard debating Andrew Ross Sorkin on CNBC's Squawk Box

Author(s)	Ed Conard
Publish Date	2012-08-07
Publish Time	15:28:13

Content:

Topics: Andrew Ross Sorkin,Blog,Cnb,Videos

Permalink: https://www.edwardconard.com/2012/08/07/squakbox

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/08/ed2.jpg

Article 552

Title: What Obama Didn't Learn From the 1990s

Author(s)	Ed Conard
Publish Date	2012-08-03
Publish Time	14:15:05

Content: The Wall Street Journal By Edward Conard | August, 2012 With the prospects for a postrecession economic rebound fading, it has grown increasingly obvious that the United States must eventually raise taxes or cut spending. President Obama claims we can raise taxes on those earning over $250,000, to avoid spending cuts with little, if any, effect on growth because growth was faster in the 1990s and in the 1950s and '60s when marginal income-tax rates were higher. The evidence doesn't support Mr. Obama's conclusion. President Clinton raised taxes in the 1990s and the economy grew. So does that mean it would grow today if we did the same thing? Commercialization of the Internet lifted the Nasdaq from 800 in 1995 to 4,500 in 2000, the largest five-year gain of any major index in American history. Put bluntly, increased payoffs for successful investment and rising equity values simply dwarfed offsetting increases in marginal tax rates. The taxes themselves didn't increase growth. The story is similar for the Eisenhower and Kennedy eras, when top marginal rates were high. The economy rebounded from two decades of underinvestment, first from the Great Depression and then from World War II. Large corporations like General Motors raced to capitalize on markets unleashed from wartime rationing and controls. A postwar increase in college graduates raised productivity and opened new avenues for investment. Dramatic improvements in agricultural productivity lowered the cost of food to 10% of GDP from 25%. Oil was a fraction of today's price and dollar-an-hour offshore labor was inconsequential. Mass markets were fostered by TV and interstate highways. Meanwhile, weakened by the war, slow to educate their workforces, and fragmented into smaller markets, Europe and Japan remained weak economic competitors until the 1970s. No such favorable circumstances lie on the horizon today. Rising real-estate values prior to the 2008 financial crisis accelerated economic activity just as a 30% drop afterward decelerated it. Without a foreseeable rise in asset prices, high taxes and government spending will have a more dampening effect on growth. Today, federal, state and local spending has reached 38% of GDP. In the late 1990s, it was only 33%. Throughout the 1950s and '60s, it was only 28%. The notion that the robust economy of the 1950s, '60s and '90s proves that historically high government spending and taxes have little, if any, negative effect on growth is naïve. What does this history really teach us? Expectations of growing wealth drive investment and risk-taking up and down. Do increased government consumption and higher marginal tax rates on successful investors and risk-takers raise expectations of increased investment and wealth in the future? No. When the government consumes income that would otherwise be invested, it slows growth no matter the tax rate. Public investment might increase productivity in theory—the GI Bill and investment in the federal highway system, for example, helped make Americans more productive. But today's endless increases in government spending with no discernible improvement in our infrastructure or educational outcomes makes it painfully obvious that politics and special interests have undercut its benefits. With unconvincing evidence that additional government spending has been productive, its champions claim that incremental increases in marginal tax rates have only a small impact on private investment and risk-taking. They fail to see that small effects gradually compound into big effects. Just look at the performance of the U.S. economy relative to Germany and France, where top marginal income tax rates are five points higher and total government spending relative to GDP is five to 14 points higher. Total hours of work since 1991, a true measure of employment, grew 12% in the United States; they grew only 2% in France and declined 4% in Germany, according to the U.S. Bureau of Labor Statistics. The number of hours worked did not slow because of a shortage of workers. Today, even with 8% unemployment, the hours of work available per working-age adult are 35%-40% greater in the U.S. than they are in Germany and France. Incredibly, the French government even restricts the number of hours one can work to spread around what little work remains. High marginal tax rates are a disincentive to work longer hours and take risks that might create wealth and jobs. In the U.S., higher payoffs gradually drive talented individuals to work longer hours, take more risk, and earn more income. The success of U.S. entrepreneurs created companies like Google and Facebook that provided talented Americans with more valuable on-the-job training and increased their chances of success. Success also put equity into the hands of investors more willing to bear the risks needed to innovate. As a result, U.S. productivity growth accelerated to 2% per year after 1990 from 1.2% per year in the two decades prior, according to the University of Pennsylvania's Center for International Comparisons. At the same time, productivity growth in Germany and France slowed despite access to the same technology and similarly educated workforces. Higher taxes on the most productive workers to fund increased government spending reduces incentives, and redistributes and consumes income that would otherwise fund private investment. Expectations of lower investment and slower growth lower asset values and slow economic activity. Until circumstances improve, lowering the trajectory of unproductive government spending provides our best opportunity for growing economic activity today. Mr. Conard, a former managing director of Bain Capital, is the author of "Unintended Consequences: Why Everything You've Been Told About the Economy Is Wrong" (Portfolio, 2012).

Topics: Blog,Blog Highlights,economy,growth,investment,Obama,OpEds,Print,Private Equity,Productivity

Permalink: https://www.edwardconard.com/2012/08/03/what-obama-didnt-learn-from-the-1990s

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Article 553

Title: Ed Conard debates Austan Goolsbee at the Center for American Progress

Author(s)	Ed Conard
Publish Date	2012-08-02
Publish Time	13:10:38

Content: On a panel entitled "Who Holds the Keys to Prosperity," Ed Conard debates which socioeconomic class is most responsible for driving U.S. economic growth. On the panel is Stephen Moore from the Wall Street Journal, Austan Goolsbee, former head of the White House Council of Economic Advisers and professor of Economics at University of Chicago's Booth School of Business, and Nick Hanauer from Second Avenue Partners.

Topics: Austan Goolsbee,Blog,Nick Hanauer,Productivity,Stephen Moore,Videos

Permalink: https://www.edwardconard.com/2012/08/02/cap

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/08/austan.jpg

Article 554

Title: Ed Conard on "Cavuto" on Fox Business Channel

Author(s)	Ed Conard
Publish Date	2012-07-31
Publish Time	11:41:53

Content: Watch the latest video at video.foxbusiness.com

Topics: Blog,Fox Business,Neil Cavuto,Videos

Permalink: https://www.edwardconard.com/2012/07/31/ed-conard-on-cavuto-on-fox-business-channel

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/07/cavuto.jpg

Article 555

Title: Ed Conard speaks with aiCIO's Paula Vasan

Author(s)	Ed Conard
Publish Date	2012-07-24
Publish Time	13:42:24

Content: (Click image to reach video)

Topics: aiCIO,Blog,Paula Vasan,Videos

Permalink: https://www.edwardconard.com/2012/07/24/ed-conard-speaks-with-aicios-paula-vasan-about-the-societal-value-of-income-inequality-and-risk-taking

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Article 556

Title: Ed Conard on "Up" with Chris Hayes

Author(s)	Ed Conard
Publish Date	2012-07-15
Publish Time	13:43:56

Content:

Topics: Blog,Chris Hayes,Videos

Permalink: https://www.edwardconard.com/2012/07/15/ed-conard-on-up-with-chris-hayes-talking-about-risk-mitt-romneys-role-at-bain-capital-and-attacks-on-business-made-by-democrats

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/07/grey.jpg

Article 557

Title: Ricochet's Money & Politics Podcast with Jim Pethokoukis

Author(s)	Ed Conard
Publish Date	2012-07-11
Publish Time	17:54:56

Content:

Topics: Blog,Jim Pethokoukis,Monetary Policy,Politics,Radio,Ricochet

Permalink: https://www.edwardconard.com/2012/07/11/ricochets-money-politics-podcast-with-jim-pethokoukis

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Article 558

Title: Inside the List

Author(s)	Ed Conard
Publish Date	2012-07-10
Publish Time	23:03:12

Content: By Gregory Cowles Published: July 6, 2012 UNEQUAL EXCHANGE: For a few weeks now, two drastically different arguments about America's income gap have been bouncing around the hardcover nonfiction list. In "The Price of Inequality" (currently at No. 27 on the extended list), the Columbia professor and Nobel-winning economist Joseph E. Stiglitz makes the case that the growing gulf between haves and have-nots is a drag on the economy and a drain on society. Meanwhile, in "Unintended Consequences" (at No. 12), the former Bain Capital managing director Edward Conard says inequality is healthy and America could use more of it. This is a political dispute as much as an economic one, of course: Conard is close to his old Bain colleague Mitt Romney, and Stiglitz was chairman of President Clinton's Council of Economic Advisers from 1995 to 1997. But basic economic theories are also at play. Who's right? I'm not qualified to judge — I was a French major — but the books are in such perfect, symmetrical opposition that I've been a little surprised not to see their authors duking it out on every Sunday morning talk show. So I figured I'd give them the chance here. A condensed version of this exchange will be published in the July 15 Book Review. INEQUALITY IS BAD: "I'm not arguing that there should be no inequality," Stiglitz said via e-mail. "There is a need for incentives, and any system of incentives will lead to some differences — perhaps large differences — in incomes. But I am arguing that excessive inequality is bad for economic growth and stability; even the I.M.F. has recognized this. The weight of evidence, some of which I cite in my book, is really on my side: (excessive) inequality is bad for growth. "There are a variety of reasons I lay out in my book. It leads, for instance, to underinvestment in the 'public good,' including infrastructure, education and technology. The level of inequality in the United States has clearly reached this 'excessive' level. It has more inequality than any of the other advanced industrial countries. Indeed, the growth of inequality in recent years has meant that while G.D.P. per capita has increased, income of the median household has essentially stagnated. Trickle-down economics has not worked. "Even more disturbing is that the United States has become the country with the least equality of opportunity among the advanced countries for which there is data, and this includes many in 'old Europe.' This means that a child's life prospects are more dependent on the income and education of his parents than in these other countries; and it also means that we are not making use of one of our most valuable resources, our young people. "I argue further that the way inequality is created in the United States — much of it the result of market distortions like monopolies, the 'abuses' of the financial system, chief executives taking advantage of deficiencies in corporate governance to claim a larger share of corporate revenues, using campaign contributions to get preferential tax treatment, corporate welfare and other gifts from the public — actually weakens the economy. The inequality is not the result of innovations that enhance growth. The richest are not the inventors of the laser and the transistor, the discoverers of DNA, the innovators who have transformed our lives and our economy. Rather, many have succeeded in garnering for themselves a larger share of the national pie — not increasing the size of the pie. "Conard's position is that inequality is good because it spurs innovation. But the incentive structures of the bankers spurred reckless risk-taking at the expense of the public and exploitation — not innovations that led to sustained faster growth. The wealthy use their money to buy favors from the government, whether direct gifts or laws and regulations that give them scope to exploit others. "As I wrote in response to a question posed to me by Vanity Fair: "The real drivers of growth and innovation are young businesses, and small- and medium-sized businesses, and especially in high-tech areas, these are typically based on government-supported research. Part of America's problem today is that too many of those at the top don't want to make their fair share in contributing to these 'public goods,' with many paying taxes that are but a fraction of those who are much less well off. "Just providing low tax rates to those at the top — giving them more money that they could

invest in the United States and innovate — doesn't mean that they will or have. There is, sometimes, no sense of responsibility or obligation. Some of those at the top (like the infamous Facebook investor) would rather give up their citizenship than pay the low capital gains tax rate. But more generally, many have decided it is better to create jobs abroad, or to buy expensive villas abroad — money that doesn't stimulate our economy or make it stronger. "I can see the argument for encouraging real entrepreneurship, innovation and job creation through lower tax rates on those things. But it doesn't make sense to allow lower taxes for job-destroying private equity firms or country-destroying speculators/hedge funds than for the scientists who win Nobel Prizes." INEQUALITY IS GOOD: "Joe argues the rich have garnered an increasing share of income by unproductively manipulating government policies, which slows overall G.D.P. growth," Conard wrote. "His hypothesis doesn't explain why American productivity growth has accelerated from 1.2 percent per year in the 1970s and '80s to 2 percent per year since the commercialization of the Internet, while Europe's and Japan's productivity growth has slowed considerably relative to the United States despite similarly educated workforces and access to the same technology. Nor does it explain why United States employment and total middle-class income have grown more than twice as fast as Europe's and Japan's since the 1980s. "I argue that the payoffs for successful risk-taking needed to produce innovation were higher in the United States for a variety of reasons, including government policies, at a time when the commercialization of the Internet opened a rich window of untapped investment opportunities. Higher payoffs motivated more risk-taking and investment (properly measured to include the wages of innovators). This had a powerful compounding effect over time. Success raised the bar for success. Talented American workers worked longer hours, took more risk and earned more income than their counterparts in Europe who diminished their work effort. Success produced new companies, like Google and Facebook, that provided valuable on-the-job training, which increased their workforces' chances of success. Success put equity into the hands of investors more willing to bear the risks needed to produce innovation. While some critics call this 'trickle down,' even liberal economists, like Dean Baker, agree the benefits from investment and innovation are at least five times more valuable to non-investors than investors. "I believe Joe and I share the same objective: growing middle- and working-class employment and incomes as fast as possible. We should grow concerned about income inequality when it sets back this objective — if and when the rich use their wealth to thwart innovation or to take rightfully earned income away from the middle class and the working poor, for example. Joe claims we have reached that point, but comparisons to Europe and Japan make that hard to believe. In addition to faster growth, the top 10 percent in the United States pays a substantially greater share of taxes relative to their share of income than their counterparts in Europe and Japan. And higher government expenditures in Europe are funded by higher taxes on the middle class, not the top 10 percent. This would not be the case if the rich controlled the American political process to their advantage. "We should also grow concerned when a backlash to inequality threatens to dampen the incentives for the risk-taking needed to produce innovation and employment growth. In the aftermath of the financial crisis, slow growth and high unemployment have fomented this backlash. But the slow growth of Europe and Japan demonstrates that we should be far more concerned about the difficulty of generating employment growth in high-wage economies than reducing income inequality. So far, the United States has proven to be the superior real-world alternative by a wide margin. As I argue in my book, theoretical alternatives, like Joe's, are fraught with unintended consequences: in this case, slower employment growth."
http://www.nytimes.com/2012/07/15/books/review/inside-the-list.html

Topics: Blog,Gregory Cowles,Inequality,Joe Stiglitz,New York Times,Print

Permalink: https://www.edwardconard.com/2012/07/10/inside-the-list

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/07/nyt.jpg

Article 559

Title: Capitalism Is Regulation - The New Republic's Eric Posner reviews "Unintended Consequences"

Author(s)	Ed Conard
Publish Date	2012-07-05
Publish Time	22:05:16

Content: By Eric A. Posner The New Republic July 5th, 2012 THE FINANCIAL CRISIS of 2008 shook the faith of many people in free markets. It marked the end of a political consensus in favor of limited regulation and low taxes that began in the late 1970s. In that decade, an influential group of commentators blamed economic stagnation on strict regulation, high taxes, and lax monetary policy, arguing that these policies undermined incentives to invest and hence suppressed economic growth. Although their major policy proposals—deregulation of industry, low taxes, and control of inflation—are frequently identified with the Republican Party, deregulation began in the Carter administration, and this free-market agenda was advanced during the Clinton administration. One of the most heavily regulated sectors of the American economy in the 1970s was finance. Banks were generally small, highly specialized institutions that could take deposits and lend money but by law stayed out of most other areas of finance (insurance, securities underwriting, and so forth); regulators limited the types of loans banks could make, their personnel, where they opened branches, the liabilities they held—almost every aspect of their balance sheet and their operations. Banking was extremely stable from the late 1930s through the 1970s, with no real crises. But critics pointed out that small banks could not compete with vast financial conglomerates in other countries, and noted that foreign banks were just as stable as American banks. Thus, the American system of highly regulated finance seemed to sacrifice economic growth without any gains in the form of enhanced financial stability. It was this analysis that led Congress and regulators, starting with the Carter administration, to allow financial institutions to enter new markets and to borrow more and more against their assets, enabling them to grow more rapidly. Deregulation made its most rapid strides during the Clinton administration. A huge new market in financial derivatives developed; regulators did not attempt to regulate it despite worries about its size and opacity, or those who did were slapped down by the administration and Congress. And deregulation seemed to pay off. The size of the financial sector swelled, as did employment and bonuses. But the financial crisis prompted a reappraisal. Critics of Wall Street argue that the crisis proves that deregulation failed. The erstwhile defenders of financial deregulation are on the defensive. It is against this background that one can best understand Edward Conard's book. Conard presents himself as a critic of the move back toward regulation, exemplified by the Dodd-Frank Act, and as a defender of free market principles. He hopes to revive the deregulatory spirit of the 1980s and 1990s. Conard makes his argument in two parts. First, he argues that the American economy did well in the 1990s and early 2000s, all the way up to the crisis, and remains in strong shape. The light regulatory policies of that era, including low taxes, delivered prosperity and thus should not be abandoned. Second, Conard argues that the financial crisis does not justify a heavy load of new regulation. He argues that financial crises are inevitable, that the government responded appropriately to the crisis of 2008, and that the economy is recovering as it should. The type of regulation that would be needed to prevent such a crisis from recurring is either impossible or likely to produce very negative consequences for economic growth. But certain sensible regulations could minimize the risk of another crash. Conard's first argument rests on an important point—that it is necessary to distinguish the financial system from the "real economy"—as well as financial regulation from other areas of the law. The financial crisis and the ensuing recession were not caused by low taxes, deregulation in other sectors of the economy, or other pro-market trends such as the collapse of labor unions. As Conard points out, American productivity increased rapidly from the '80s to the '00s—faster than in Europe and Japan—and a case can be made that this was at least partly the result of the American system of low taxation and light regulation—and not of technological advances such as the commercialization of the Internet, which took place in other countries that did not enjoy such robust growth. Nor did the trade deficit and the high rates of consumer debt detract from the economic accomplishments of the era. The trade deficit reflected the superiority of the American economy: foreigners did not buy American goods because they preferred to make profits by buying American investment assets. Meanwhile, Americans could be employed in more productive occupations because low-skill manufacturing jobs were outsourced to foreign countries where people make 75 cents per hour to produce goods for American consumption. The relatively low rate of income growth for lower-income workers since the 1980s reflected globalization, immigration, and technological change—not low taxes and deregulation. Conard further argues that low taxation on the rich largely accounts for economic growth. Only the rich can spare the capital to make the long-term, risky investments that are essential to economic growth. When a rich person invests, most of the social value of the investment is enjoyed by the non-rich. Mark Zuckerberg made billions off Facebook, but the social value of Facebook to users is far higher. By contrast, the middle class and the poor use their wealth to buy goods, which generates fewer benefits for other people. High marginal tax rates that take from Zuckerberg and give to you and me will deter the Zuckerbergs of the future from making investments that will benefit us far more than the wealth transfer will. (Assuming that you and I consume the transfer we receive rather than invest it—but Conard also thinks that even if we invest, we will do a bad job, because, unlike the rich, we have not proven that we are any good at picking winners.) But while Conard is right to distinguish taxation from financial regulation—and to emphasize that they serve different functions and respond to different problems—he will not persuade supporters of progressive taxation to abandon their position. The problem with his argument is that although he is correct that at some point high taxes will stifle economic growth, no one knows where that point lies. Sophisticated recent work by economists suggests that marginal rates over 50 percent would not hamper growth. Conard labors hard to defend his view that investment, which is necessary to economic growth, is highly sensitive to much lower levels of taxation, but the empirical evidence is ambiguous. Someone like Zuckerberg may act the same regardless of whether his return is $10 billion or $10 million. After all, what is Zuckerberg going to do with all that money, which he cannot possibly spend on houses and cars? Conard ends up relying heavily on his theory that people are motivated by status rather than income, and so they will work harder for more income because the marginal dollar will buy more status ("I am richer than you") even if it will not buy new meaningful consumption opportunities (one can own only so many houses and cars). Conard's theory depends on rich people endlessly reinvesting their profits in new investments in a kind of joyless treadmill of capital-slavery. If they manage to consume their returns, then they benefit the economy no more than the non-rich. Indeed, Conard goes so far as to criticize rich people for giving away their money to charities when, according to Conard, they should use it for further long-term equity investments. Conard makes a good point that much philanthropic giving generates little social gain. Many rich people do not think very carefully when they give away their money—after all, they are buying status, not trying to maximize social wealth. But Conard does not realize that his criticism of the generosity of the rich contradicts his explanation for why tax rates on the rich should be low. The same factor that causes rich people to throw away their money on worthless philanthropic activities—that the value to them of the billionth dollar is zero, so one might as well give it away—will also prevent rich people from devoting the necessary time and effort to ensure that the marginal dollar is intelligently invested. In any event, sacrificing some growth at the margin to help poor people is a price worth paying. Conard laments that the long-term victims of pro-equality policies that suppress growth will be the working classes and middle classes in the future, but this just re-states the trade-off. Should we help the poor today at the expense of future generations, who will be much wealthier than people alive today? Still, Conard's contrarian chapter on the benefits of low taxation for the rich is powerfully written. It should be read by anyone who takes for granted the superiority of progressive taxation and has not thought carefully about the trade-offs involved. Conard's second argument is that the financial crisis does not justify a surge of re-regulation. Conard argues, plausibly in my view, that a major cause of the financial crisis was simply excessive optimism about housing prices—the type of "irrational exuberance" that periodically causes financial booms and busts. But surely a bust of this type does not necessarily lead to a collapse across the entire credit market; the essential link for Conard was the government's failure to explicitly guarantee short-term debt. When housing prices sank, consumers did not withdraw their FDIC-guaranteed funds from banks. The magic of government insurance is that when depositors trust it, they do not make withdrawals, so taxpayers do not pay a dime. But FDIC insurance does not cover the bulk of large deposits made by firms, and does not reach other short-term markets—the money market and, crucially, the repo market, where investments banks retrieve short-term funds. When housing prices fell, the housing-linked collateral used in those markets also lost its value, causing funders to stop rolling over loans, and suddenly depriving large financial institutions of their funding and driving them into insolvency. The securitization of mortgages—which increased the demand and ultimately the quantity of high-risk mortgages—and the opaqueness of derivatives exacerbated the crisis. Conard puts the problem nicely by describing the different roles of what he calls “long-term equity” and “risk averse short-term capital” in the economy. Long-term equity refers to purchasing power that people have accumulated, which they are willing to put into risky investments that might take a long time to pay out, and might pay out nothing or a lot—for example, an early investment in Facebook or Webvan stock. The vast majority of long-term equity acts through corporations and rich people—people who have so much money that they can risk a large portion of it without making sacrifices in their daily lives. “Risk averse short-term capital” refers to purchasing power that people (or firms) can set aside temporarily but will need to draw on in the short term, and possibly at any moment, for everyday expenses. While long-term equity will park itself in illiquid investments that cannot be cashed out for years, short-term risk averse capital will put itself only in accounts where it can be quickly moved away at the slightest hint of trouble. Traditionally, this meant demand deposits in banks. In the modern era, there are other vehicles such as money market mutual funds and, for large firms, the repo market, where pensions and other large institutions lend money overnight; these loans are typically rolled over, but if money is needed, the lender can simply refuse to roll it over and thus access it within a day or two. Conard makes a claim that ought to be striking when you consider that he presents himself as an advocate for the free market. While low taxes are needed to ensure that long-term equity flows toward risky but potentially lucrative and (hence) socially valuable projects like Facebook and Google, people will refrain from investing their risk averse short-term capital unless the government guarantees their funds. Or they will put it in banks but withdraw it on a hair-trigger basis in response to any real or imagined threat to the health of banking, which either prevents banks from deploying the capital to valuable projects or destroys those projects when the inevitable panic ensues—again, unless there is a government guarantee. In a way, there is nothing remarkable about this point. The entire system of banking regulation is based on it. Yet it is insufficiently appreciated that at the heart of capitalism is a kind of socialism, which is taken for granted even by free-market advocates like Conard. Economic growth requires that the government guarantee savings. Conard goes farther than most by arguing that the government should not just guarantee bank accounts up to the current FDIC limit of $250,000 and vaguely (“implicitly”) guarantee the financial system by serving as lender of last resort. It should provide explicit guarantees of all short-term debt. Conard does not explain clearly how far he would take this proposal—does he mean all deposits in the banking system, plus the repo market and other short-term debt markets, markets worth many trillions of dollars? If he does envision such an extension of government guarantees, then all these markets would need to be regulated as well to prevent risk-taking by subsidized market participants, which implies a massive extension of banking regulation, so that it covers not only traditionally tightly regulated commercial banks, but any firm that relies on short-term debt financing for long-term investments. A government guarantee at the heart of capitalism means that regulation is necessary, and Conard does not deny this. If all people (and firms) know that their short-term savings will be guaranteed by the government, they have no incentive to put their savings in safer, better-run banks. Riskier banks will offer higher interest rates on deposits and attract short-term savings, so the government must step in and force banks to lend prudently. This, too, is conventional wisdom, and reflected in the law. Conard gestures at some market-based solutions to this problem, but he ultimately embraces government regulation as he must, insisting correctly that the government must price deposit insurance, regulate the balance sheets of banks, and forbid them to make excessively risky loans. He even praises the Bush administration for closing a loophole in capital adequacy rules in 2001. Conard spends a lot of time debunking the theory that predatory lending caused the financial crisis, pointing out that zero-down payment loans do not harm borrowers but benefit them. And he defends bankers, pointing out that they kept housing-related assets on their balance sheets and lost money on them, so they must have believed in their products. Still, zero-down payment loans added a huge amount of systemic risk to the financial system, and we can certainly blame the bankers for making them available, as Conard admits. And the problem with banking is not that bankers deceive people but that they gamble with taxpayer-guaranteed funds. Like any gambler, they lose as well as win, so the fact of loss in the financial crisis tells us nothing unless we tote up the wins as well. Bankers did very well over the last decade, even if you include their losses during the crisis. Unlike casino gamblers, they enjoyed a government subsidy. Where does this leave us? Conard presents himself as a defender of the market. At the start of the book, he asks portentously, “Do free markets optimize on their own, or can private investors put our economy at risk for their own gains? Nothing less than the credibility of capitalism is at stake." It is clear where Conard thinks he stands. Throughout the book, he rails at regulation, blaming it for the financial crisis and other problems. He attacks Dodd-Frank and many other regulatory initiatives. Yet at the level of theory Conard is just as much in favor of regulation of financial markets as, say, the "ultraliberal" (Conard's word) Paul Krugman. Indeed, the regulatory system he favors could be massive. It is impossible to reconcile his Manichaean vision and his endorsement of regulation. In a revealing passage, Conard tries to square the circle: "The widespread failure of banks from temporary withdrawals is not a failure of free markets. It's a consequence of a logical policy decision." The policy decision he is referring to is the decision not to give banks an explicit government guarantee. In other words, the widespread failure of banks is not a failure of free markets; it is the result of insufficient government intervention! The passage makes no sense, and perhaps should best be understood as an attempt to reduce cognitive dissonance, an effort by a free-market advocate to persuade himself that his support for massive banking regulation is not a rejection of free market principles. What accounts for this feature of the book? One can only speculate. Conard worked at Bain for many years, and one senses from occasional allusions to his former master-of-the-universe status that his experiences there have influenced the way he understands the financial system. Bain is a private equity firm, and the job of people such as Conard is to spot undervalued businesses, buy them, reorganize them, and then sell them at a profit. This is obviously a high-stakes enterprise, with a great deal of risk and a great deal of reward. If you make a mistake—think a business is undervalued when it is not, or end up ruining the business rather than improving it—you lose your own money, and the money of partners and investors, and you might even feel guilty about destroying jobs. Your investors if not your conscience will flush you from your ecological niche. By contrast, if you do well, not only do you make money for yourself and others, but you may obtain satisfaction from improving a business, potentially saving jobs and increasing employment. One can forgive Conard for seeing in private equity a fierce Darwinian process that chews up the weak and yet advances the public good. Conard can take pride in the fact that he helped society while enriching himself and crushing competitors who are not as high on the evolutionary scale as he is. But he should be cautious about attributing similar virtues to the bankers. The free-market nostrums that may apply to private equity do not easily transfer over to the topsy-turvy world of finance. Because the heart of the financial system is a massive government intervention, the losers—people who park their savings in the wrong firms—survive. Darwin is not at work here. The lords of finance—unlike the lords of private equity—face perverse incentives. They obtain profits not by replacing bad businesses with good businesses, but, in major part, by inventing new methods for companies to evade the very types of financial regulation that Conard supports. Indeed, an enormous amount of trading is simply a kind of legal gambling—a vast quantity of zero-sum transactions that generate no benefit for society while creating systemic risk. So there is tension between Conard's Bain-inspired advocacy of free market principles and his attempts to apply those principles to finance. Conard tries to insist that the financial system adds value to the economy. He cites a paper by the economist Thomas Philippon which shows that the financial industry has grown when it has needed to grow, in response to economic demand for financial innovation produced by the railroads in the 1800s and dot coms in the 1990s. Conard neglects to mention that this paper was unable to account for the enormous growth of the financial sector from 2001 to 2006. A more recent paper by Philippon provides evidence that the financial sector has become less efficient over the past thirty years, a period during which the advance of information technology should have made it more efficient. Of course, we would all be in bad shape without the modern financial industry, but there are very good reasons to believe that it is too big and highly inefficient. Conard's book is a hodgepodge of the good and the bad. Most of the book has a certain impressive intellectual rigor. Conard thinks in abstractions—human beings are almost entirely absent from an analysis that emphasizes the movements of capital through the market—and writes in a highly abstract way, which will defeat readers who do not bring some background in finance, but which also enables him to make his points compactly and to cover a lot of terrain. He draws on the academic literature intelligently but selectively, and clearly has thought through the logic of his argument rather than relying on the theories of others. The book has a point of view—Conard is unapologetically conservative—but it is in places pleasingly unpredictable, and does not toe the Republican Party line. One sees a logical mind working its way through the evidence, and engaging with its own deeply entrenched prior assumptions, not always successfully, but often illuminatingly. Yet there is also much not to like. The book has a silly if inevitable subtitle ("Why Everything You've Been Told About the Economy Is Wrong"): many of the ideas that Conard presents are textbook economics although presented in his distinctive idiom. He presents certain technocratic quibbles as large disagreements in philosophy, just as Republicans and Democrats portray their conflict over five percentage points in the marginal tax rate as an epic showdown between socialism and Social Darwinism. If many of his proposals are interesting, they are not always adequately defended. Conard does not explain how explicit government guarantees of short-term capital would work—taken literally, the proposal implies a huge expansion of banking regulation to cover the entire financial system—and he seems to back off it at the end. He favors capital adequacy regulations but does not discuss the immense difficulties that are involved in implementing them—they were gamed mercilessly by the financial industry in the years leading up to the financial crisis—while cavalierly dismissing other proposals as unworkable when they face difficulties of similar magnitude. When not writing about the economy, Conard's thinking can be weak indeed. He argues that Roe v. Wade caused the advance of free market principles by enabling Reagan to form a coalition of economic libertarians and social conservative. But Roe v. Wade did not secure Margaret Thatcher's election. Conard forgets that deregulation began under the Carter administration and that free-market principles advanced worldwide thanks to global causes such as the failure of Keynesian economics in the 1970s, globalization (which made national regulation and taxation more difficult), and the collapse of communism. In another passage, Conard attacks the new health care legislation without explaining what is wrong with it, instead tossing off the talking point that the Obama administration has harmed the economy by introducing "uncertainty"—an unfalsifiable theory if there ever was one, and unfair in light of the extraordinary economic upheavals that the administration has had to confront. In his better moments, Conard might have noticed and addressed the parallel between the case for health regulation and his own case for banking regulation: that once we decide not to let banks fail and people die, we create moral hazard, which can be addressed only with regulation that compels banks and people to buy correctly priced insurance and constrains their risk-taking behavior. Eric A. Posner is a professor at the University of Chicago Law School. http://www.tnr.com/book/review/edward-conard-unintended-consequences

Topics: Blog,economy,Eric Posner,Financial Crisis,growth,The New Republic

Permalink: https://www.edwardconard.com/2012/07/05/capitalism-is-regulation

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/07/new_rep.jpg

Article 560

Title: "Big Think" interview on the success of Bain Capital

Author(s)	Ed Conard
Publish Date	2012-07-05
Publish Time	10:23:08

Content: "The Bain Capital Way: Create as Much Value at the Lowest Cost as Fast as You Can" Daniel Honan | July 5, 2012, What's the Big Idea? If you're in a horse race--and that's how Bill Bain would describe private equity--you don't try to teach the lamest horse how to run. Instead, you pick a thoroughbred and teach it how to compete more successfully against the competition. Private equity firms look to engineer growth, introduce new products, reorganize or change a company's leadership. Ed Conard, a retired partner of Bain Capital says that one of the company's key insight was that "companies are in fierce competition with each other to deliver as much value as they possibly can at the lowest cost as fast as they possibly can. So they're constantly trying to make those improvements, innovate to create more value, cut costs to deliver more value at lower and lower cost. And what do investors capture? They capture the difference between themselves and the next best competitor." What's the Significance? While Conard does not speak for Bain Capital, he says that the firm worked extremely hard to help two steel mills succeed in the late 1990s. With one business in particular, Conard says "we killed ourselves to make that business as successful as we could possibly make it." In other words, Conard says Romney and his Bain colleagues were not plotting to destroy a company and fire its workers. The Obama campaign has taken aim at Mitt Romney's record at Bain, and his dealings with these still mills in particular, but Conard says "I think it's a misnomer to think that the only thing we did was try to take the weak and the lame and fix them. We were looking at a whole broad range of investment opportunities and trying to find in each circumstance what would make the company more successful and then go about implementing those things."

Topics: Bain Capital,Blog,Private Equity,Videos

Permalink: https://www.edwardconard.com/2012/07/05/thinkbig

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/22big-think22-interview-on-the-success-of-bain-capital.png

Article 561

Title: Ed Conard debates Joe Stiglitz on BBC's "In the Balance"

Author(s)	Ed Conard
Publish Date	2012-07-02
Publish Time	15:54:57

Content: Listen to the interview here

Topics: BBC,Blog,Joe Stiglitz,Radio

Permalink: https://www.edwardconard.com/2012/07/02/edward-ed-conard-debates-joe-stiglitz-on-bbcs-in-the-balance

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2015/08/BBCInTheBalance.jpg

Article 562

Title: Ed Conard debates Nick Hanauer on "Fareed Zakaria GPS"

Author(s)	Ed Conard
Publish Date	2012-06-28
Publish Time	13:08:01

Content: http://www.youtube.com/watch?v=8ESUwN9Uc_0

Topics: Blog,Fareed Zakaria,Nick Hanauer,Videos

Permalink: https://www.edwardconard.com/2012/06/28/edward-ed-conard-and-nick-hanauer-debate-who-is-responsible-for-creating-jobs-on-fareed-zakaria-gps

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-debates-nick-hanauer-on-22fareed-zakaria-gps22.png

Article 563

Title: Ed Conard's interview with the Heritage Foundation

Author(s)	Ed Conard
Publish Date	2012-06-28
Publish Time	11:34:46

Content: Edward Conard spent 14 years as a partner at Bain Capital, the most scrutinized company in America. But these days, he's in the news for another reason. As the author of "Unintended Consequences," Conard has challenged the conventional wisdom about the U.S. economy and outlined ideas that have resulted in scorn from the New York Times and Jon Stewart. Conard visited Heritage this week to share his perspective at The Bloggers Briefing. He also sat down for an interview to talk about the book, media coverage of Bain Capital and why President Obama has such a poor economic record. While working for Bain Capital, Conard headed the firm's New York office and oversaw the acquisition of large industrial companies. He also worked alongside Mitt Romney. So as theWashington Post and other media outlets examine Bain Capital, Conard sees the coverage not just as a critique of private equity but American business as well. "These are really attacks on business," he said. "They pit employees against employers. It's kind of old-fashioned union organizing in a sense. And they want to pretend that managers only work for investors, Bain Capital only works for investors. But they don't realize we're all working for the customer, first and foremost." He noted the vast majority of Bain Capital's investments were successful, growing two-and-a-half times faster than the S&P 500. Even though those investments added about $100 billion of revenue relative to the S&P 500, Bain is portrayed as a "vampire" and "job destroyer." On Obama's poor economic record — the unemployment rate stands at 8.2 percent — Conard attributes a "profound misunderstanding of what drives growth of the economy and what drives employment in the economy." He continued: I think that by misinterpreting the financial crisis for political gain and turning employees against employers for political gain, I think he's done a great disservice to the economy. I don't think he's fixed the problems that have to be fixed, and then on top of that he's loaded an enormous amount of regulation on top, which increases uncertainty and only exacerbates an already a difficult problem of trying to get our economy to grow in the aftermath of the financial crisis. … It's hard to rate that anything but poor. Despite the economic challenges facing America, Conard remains optimistic about the future of the country. He said workers in the United States are much more productive than their counterparts around the globe. That's put tens of millions people to work. "No other high-wage economy has done more for the middle class and working poor than this economy," he said. Critics have called Conard a defender of inequality. He responds by pointing to the absurdity of their arguments, which are often grounded in anything but economics. He said the likes of Joseph Stiglitz and Timothy Noah simply don't see that the economy has shifted. His book is subtitled, "Why Everything You've Been Told About the Economy Is Wrong." Conard calls it an innovation-based, risk-oriented, individual, entrepreneurial economy. He pointed to the 13 people who created Instagram and sold it for $1 billion in just two years. "Innovation is like looking for pieces in a jigsaw puzzle. You have to find a lot of pieces that don't match to find the one or two pieces that match," he explained. "And you have to motivate people to take almost certain failure to get a small amount of success, which has driven our economy forward. And if they don't see high payoffs for success, it's unlikely they will take the risk."

Topics: Bain Capital,Blog,Heritage Foundation,Inequality,Obama,Unintended Consequences,Videos

Permalink: https://www.edwardconard.com/2012/06/28/ed-conard-discusses-economics-obamas-politics-and-the-reaction-to-his-book-with-the-heritage-foundation

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conards-interview-with-the-heritage-foundation.png

Article 564

Title: The Heritage Foundation hosts Ed Conard and Rep. Buck McKeon

Author(s)	Ed Conard
Publish Date	2012-06-27
Publish Time	17:18:06

Content:

Topics: Blog,Buck McKeon,Heritage Foundation,Videos

Permalink: https://www.edwardconard.com/2012/06/27/the-heritage-foundations-blogger-briefing-featuring-ed-conard-and-rep-buck-mckeon

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/08/Screen-Shot-2012-08-27-at-10.04.03-AM-1-e1439860061541.png

Article 565

Title: The Long and the Short of Extending Bond Maturities

Author(s)	Ed Conard
Publish Date	2012-06-26
Publish Time	19:55:04

Content: The Wall Street Journal By Edward Conard | June 26, 2012 Todd G. Buchholz says the U.S. government should lock in low interest rates by issuing long-term debt ("Washington Should Lock In Low Rates," op-ed, June 20), but it is a bad idea. No surprise that the Fed has wisely done the opposite. Our economy currently suffers from a surplus of price-insensitive, risk-averse short-term savings. With the now-recognized risk of damage from withdrawals, the private sector has dialed back its use of these savings, which now sit idle. Growth has slowed and unemployment has risen as a result. It is true that the government's interest expense may be lower in the future if it locks in lower long-term rates today, but it makes little sense for the government to compete with private investors for long-term capital. Instead, the government should use its valuable guarantee to put idle short-term savings to work and leave long-term capital for the private sector to use more productively now or later. The Fed's approach has a better chance of increasing employment in the short run. Ed Conard New York

Topics: Blog,Blog Highlights,Monetary Policy,OpEds,Print,Todd Buchholz,WSJ

Permalink: https://www.edwardconard.com/2012/06/26/the-long-and-the-short-of-extending-bond-maturities

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Article 566

Title: Stansberry Radio

Author(s)	Ed Conard
Publish Date	2012-06-22
Publish Time	20:51:38

Content:

Topics: Blog,Radio,Stansberry

Permalink: https://www.edwardconard.com/2012/06/22/the-truth-about-private-equity-and-economics-with-edward-ed-conard-on-stansberry-radio

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/06/StansberryRadio.jpg

EDWARD CONARD

TOP TEN The New York Times BESTSELLER

Article 567

Title: Ed Conard speaks with Milt Rosenberg

Author(s)	Ed Conard
Publish Date	2012-06-18
Publish Time	16:19:30

Content:

Topics: Blog,Milt Rosenberg,Radio

Permalink: https://www.edwardconard.com/2012/06/18/edward-ed-conard-discusses-hidden-investmentsinnovation-on-ext-720-w-milt-rosenberg

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/06/MiltRosenberg.jpeg

Article 568

Title: Michael Medved interviews Ed Conard about the U.S. economy

Author(s)	Ed Conard
Publish Date	2012-06-18
Publish Time	16:03:00

Content:

Topics: Blog,economy,Michael Medved,Radio

Permalink: https://www.edwardconard.com/2012/06/18/edward-ed-conard-discusses-how-economy-relates-to-europe-japan-on-the-michael-medved-radio-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/06/michael-medved.jpg

Article 569

Title: Ira Stoll's review in "Future of Capitalism"

Author(s)	Ed Conard
Publish Date	2012-06-13
Publish Time	13:21:11

Content: Mitt Romney's private equity firm, Bain Capital, has been in the news lately because of the Republican presidential candidate's record there, which is being attacked by President Obama. But Mr. Romney turns out not to be the only participant in the public policy debate these days with a Bain Capital pedigree. Edward Conard was a Bain Capital partner from 1993 to 2007, headed its New York office, and is out with a new book, Unintended Consequences: Why Everything You've Been Told About the Economy Is Wrong. It's a dense, quirky, highly analytic book about why America's economy has done better than international competitors and about how to avoid ruining that success. Mr. Conard begins by explaining just how strong American growth has been. Since 1991, he says, the U.S. economy has grown 63% in real terms, while during the same period France grew only 35%, Germany, 22%, and Japan, 16%. America created Google, Facebook, Microsoft, Intel, Apple, Cisco, Twitter, Amazon, eBay, and YouTube, while Europe and Japan "scarcely contributed." Americans work harder, he says, in part because of a tax system that provides greater rewards: "Today, a dollar of incremental income produces sixty cents of after-tax income for the average U.S. worker but only 40 cents in France." Then he turns to the financial crisis. The cause, he says, was not a housing "bubble": "housing only doubled in value from the mid-1990s to its peak in 2007 while the Dow grew 370 percent over the same period….The price of oil rose sevenfold…Ironically, residential housing was one of the worst performing asset classes." Nor was the problem the supposedly short-term-oriented incentive structure of Wall Street pay, he argues. At Bear Stearns, 50% of compensation was in stock employees had to hold for five years; senior Lehman Brothers employees had close to half their compensation subject to the same rules. End "too big to fail"? Forget it, he writes: "Reducing the size and interconnectedness of banks will do little, if anything, to reduce the threat of panicked withdrawals…Busting up big banks will only reduce our economy's competitiveness." Mr. Conard allows that "Florida homebuilders need to go bankrupt and move to new endeavors," but argues, "it is illogical, even irresponsible, not to save the banks once they begin to fail from panicked withdrawals." In an appearance on The Daily Show with Jon Stewart (well worth watching), Mr. Conard went even further, crediting Timothy Geithner, Ben Bernanke, and Henry Paulson for having "saved our economy" and doing "a brilliant job." Mr. Conard is skeptical about restoring American manufacturing, preferring that American-based companies take advantage of the 75-cent-an-hour labor available offshore. A weakness of the book that makes it sometimes a hard slog for a reader is that it is written at a fairly high level of abstraction. Anecdotes from Mr. Conard's Bain experience, or from anywhere else, for that matter, are rare, though when they do appear they are welcome. I disagreed with some of Mr. Conard's proposed solutions. He wants more temporary immigrant workers in America, suggesting a system by which such workers would be sent home in recessions "to reduce the volatility of our domestic employment." Good luck with those deportations, and with managing a population of "guest workers" at risk of deportation in a downturn. Mr. Conard also makes the odd prediction that "voting-age children of poor immigrants will soon wash over the United States, demanding increased consumption through the redistribution of income." Who is he talking about? Marco Rubio? Bobby Jindal? Norman Podhoretz? Not every child of immigrants favors increased redistribution. There's also an unwarranted attack on the liberal arts. "The U.S. economy is full of underutilized talent. Many liberal-arts majors choose selfish solipsism over the burden of shouldering the risk and responsibility critical to increasing economic growth. They study literature and art history rather than computer programming and engineering," he writes. "Art history and Elizabethan poetry doesn't employ workers; the arduous and tedious application of business sciences such as computer programming and accounting does." Mr. Conard's own writing might be better if he had studied literature or valued it more; as for fine arts, remember the story of Steve

Jobs and the Reed College calligraphy class. The larger point is that the liberal arts — or at least some exploration of a philosophical, religious, or historical framework, if not through the liberal arts than through the social sciences — is necessary if students are to be able to explain or understand why increasing economic growth is even desirable. On most of the big issues, though, Mr. Conard is pretty good. Toward the end of his book, he writes, "The strategic question then is straightforward. With politicians now directing more than 40 percent of the economy's resources, are we better off letting politicians control more or less of the economy's resources?" Put that way, the question answers itself. http://www.futureofcapitalism.com/4348/unintended-consequences

Topics: Blog,Financial Crisis,Print,Unintended Consequences

Permalink: https://www.edwardconard.com/2012/06/13/ira-stolls-future-of-capitalism-review

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/06/FutureofCapitalism.png

Article 570

Title: Ed Conard discussing how private equity and investing helps the middle class on America Now radio with Andy Dean

Author(s)	Ed Conard
Publish Date	2012-06-12
Publish Time	15:45:46

Content: . .

Topics: America Now,Andy Dean,Blog,Monetary Policy,Private Equity,Radio

Permalink: https://www.edwardconard.com/2012/06/12/edward-ed-conard-discussing-how-private-equity-and-investing-helps-the-middle-class-on-america-now-radio-with-andy-dean

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Article 571

Title: How to Get Our Savings on the Move Again

Author(s)	Ed Conard
Publish Date	2012-06-11
Publish Time	14:07:59

Content: Harvard Business Review Friday June 8, 2012 by Edward Conard Some politicians claim that unsystematic loan losses, like the $2 billion loss JP Morgan recently suffered, significantly increase the risk of another financial crisis. They do not. A 30% drop in real estate prices, which systematically threatened all lenders with upwards of a trillion dollars of losses, caused the financial crisis. Subprime mortgage losses turned out to be much smaller than expected —$300 billion, according to the Federal Crisis Inquiry Commission—and non-bank lenders suffered most of those losses (notwithstanding mark-to-market losses from credit downgrades). Nevertheless, institutional investors withdrew $1.5 trillion of short-term funding from intermediaries—five times more than loan losses—despite $15 trillion of explicit government guarantees made during the crisis. Had the government guarantees been smaller, the withdrawals would have been much larger. Two billion dollars of losses may be eye opening, even for JP Morgan with equity worth $170 billion, but it's orders of magnitude smaller than risks large enough to spark a financial crisis. The financial crisis stems from the fact that the U.S. economy finds itself on the horns of a dilemma. Price-insensitive, risk-averse savers hoard rather than invest their savings and insist on the right to withdraw their funds "on-demand." If these savings sit idle, growth slows and unemployment rises. Banks are the vehicle through which the economy puts short-term savings to work. Because it takes time to repay loans, the economy runs the risk that short-term savers may panic and demand withdrawals en masse—when real estate prices fall 30%, for example. When that happens, lenders must sell assets—namely loans—to fund withdrawals. In a panic, when sellers vastly outnumber buyers, asset values sink to fire sale prices. At low enough prices, banks cannot sell enough assets to fund withdrawals and still remain solvent. Depositors race to withdraw funds before insolvency, which amplifies withdrawals. Banks, therefore, face two types of risk: loan losses (or credit default risk), which are relatively limited, and withdrawal risk (or liquidity risk), which is nearly unlimited. Overcollateralization protects lenders from loan losses—traditional 20% homeowner down payments protect lenders from losses in the case of conventional mortgages; comparably sized subordinate tranches of mortgage securitizations protect AAA-rated debt in the case of subprime no-money-down mortgages. Real estate prices, however, fell 30% during the crisis. We can demand that banks hold loans that can withstand a 30% drop in real estate prices and still maintain their AAA-ratings, but this requires banks to make loans with no less than 50% overcollateralization. To dampen the amplified risk of withdrawals without the need for excessive collateral, the government makes explicit guarantees of liquidity in the case of retail deposits and implicit guarantees in the case of institutional deposits—implicit guarantees that were made explicit in the financial crisis. But the world woke up in 2009 and recognized that implicit government guarantees of short-term institutional deposits did not and, now, likely will not hold deposits in place as it assumed they had since 1929. Borrowers and lenders have dialed back lending to compensate for the now-recognized risk of damage from withdrawals. Savings sit idle and unused as a result. The economy has contracted, growth has slowed, and unemployment remains high. Angry voters conflate the risk of loan losses with the risk of withdrawals. They insist lawmakers hold banks responsible for both. They fail to see that institutional depositors can withdraw from a fragmented banking system as easily as from a consolidated one, and that it is near impossible for the private sector to hold enough equity in reserve to make guarantees credible enough to stem withdrawals. The United States has only about $20 trillion of publicly traded equity. And equity is a constrained resource, especially in a recession. Reductions in risk underwriting elsewhere offset gains from diverting equity to underwrite the risk of withdrawals. The government, however, was able to guarantee and fund withdrawals without either idling equity or suffering losses despite a 1929-like bank run. In fact, the government expects to turn a profit. A better solution than threatening banks and the economy with the risk of damage from withdrawals, and suffering slower growth and higher unemployment as a consequence, is to strengthen the government's ability to guarantee withdrawals in a panic rather than politicizing its ability to act. Were the government to do this—chiefly, by making explicit rather than implicit guarantees—it could take steps to reduce the heightened risk of moral hazard (where risk takers are encouraged to take excessive risks by capturing gains while avoiding some of the losses). This could be done by increasing capital adequacy requirements to hold banks more accountable for the risk they can manage—default risk—and by restricting guarantees to systematic risks that affect all banks. The government could also charge banks for the guarantees they are, in fact, making. It could improve the accuracy of that pricing by taking steps to maximize visibility into the risks banks are taking and by selling a portion of each bank's insurance to the public. Entities too illiquid for price discovery could borrow short-term funds from those that are liquid enough. Instead, the Fed cuts the short-term interest rate to near zero and dares anyone to use hair-triggered, short-term debt to fund longer-term loans. As if nobody learned their lesson! No surprise: that no longer increases growth. Until the government takes steps to manage the risk of damage from withdrawals, the recovery will remain anemic. http://blogs.hbr.org/cs/2012/06/how_to_get_our_savings_on_the.html

Topics: Banking,Blog,Financial Crisis,HBR,OpEds,Print

Permalink: https://www.edwardconard.com/2012/06/11/how-to-get-our-savings-on-the-move-again

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/06/hbr1.jpg

Article 572

Title: Laura Ingraham's radio show

Author(s)	Ed Conard
Publish Date	2012-06-11
Publish Time	13:48:34

Content:

Topics: Blog,Laura Ingraham,Radio

Permalink: https://www.edwardconard.com/2012/06/11/ed-conard-explains-private-equity

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/06/LauraIngraham.jpg

Article 573

Title: Ed Conard on Business News Network

Author(s)	Ed Conard
Publish Date	2012-06-11
Publish Time	12:00:22

Content: http://www.youtube.com/watch?v=-IaPvGQEhNU

Topics: Blog,Business News Network,Videos

Permalink: https://www.edwardconard.com/2012/06/11/ed-conard-on-business-news-network-discussing-what-really-went-wrong-in-the-financial-crisis

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-business-news-network.png

Article 574

Title: How America Can Lead the Global Economy

Author(s)	Ed Conard
Publish Date	2012-06-08
Publish Time	0:50:20

Content: What I learned at Bain Capital working with Mitt Romney: outsourcing is good and America's future isn't manufacturing, it's ideas. Foreign Policy Magazine By Edward Conard | June 7, 2012 The United States must integrate its economy more fully with China and India to maximize their dependence on the United States for employment, innovation, and growth in order to cement its leadership role. This dependence not only increases the chances of a mutually beneficial alliance on terms more favorable to the United States, but it allows the United States to maximize growth by shifting an increasing share of its output to innovation, rather than slower growing goods and services. In effect, the United States must become the head to the world's body. For fourteen years, I served as a partner at Bain Capital, working closely with Mitt Romney on making businesses stronger, in order to grow them faster and increase their value. We searched the landscape for unrealized investment opportunities and saw first-hand where the U.S. economy succeeds and fails. The United States will not succeed by manufacturing commodity-like products that can be used to transport low-cost labor around the world. Innovation is the source of its competitive advantage where other economies have achieved only limited success. Remarkably many people have yet to realize that today's economy is very different than that of the 1950s. Then, the United States capitalized on the value of mass marketed manufactured goods, like automobiles. Growth was driven by large-scale companies that funded low-risk investments, which added capacity to meet growing demand. Individuals mattered less. But that economy slowed to a crawl long ago. Supporters of the Obama administration and its economic policies have found some refuge amid the tide of dismal economic news in the fact that the U.S. manufacturing sector has grown slightly in the past year. But the truth remains that America's future does not lie in making things -- it lies in conceiving of things, much of which others will make for us. Today, with the advent of the Internet, 13 people can create Instagram and $1 billion of value in two years. Information and innovation from successful high tech startups, like Google and Facebook, drive growth. The talents of individuals, their willingness to take risks that produce innovation, payoffs for successful risk-taking, and the accumulation of equity needed to underwrite those risks, matter much more today than they did in the past. To maintain its faster growth, the United States must outsource production to low-wage economies, continue to transition to a local service economy to protect its wages from competition with low cost offshore labor, and pump up its growth rate by continuing to produce a disproportionate share of the world's innovation. Concerns that the United States may not find alternative uses for its lesser skilled labor at comparable pay are overstated. If offshore labor were free, how much of it should the United States buy? All of it. At $1 an hour, it's effectively free. Cheap offshore labor is no different than any other productivity improvement that lowers cost. It makes the United States richer and stronger by increasing the relative value of its alternative endeavors -- both existing alternatives and new investments. When it competes with China for manufactured goods, the United States is attempting to make for $20 an hour what it can buy for $1 an hour. It should use the $19 of savings to employ additional nurses, school teachers, and waitresses -- positions that cannot be outsourced. Median incomes have grown 37 percent from 1979 to 2007, even more if we account for demographic shifts in the U.S. workforce, despite nearly a 40 percent increase in the U.S. workforce from increased immigration and record levels of workforce participation -- hardly an indication that the marginal product of labor declines as we employ more labor. The problem is that China, which exports more than it imports, buys U.S. assets -- principally low-risk government-guaranteed debt -- instead of goods from the sale of their exports. When the U.S. economy is expanding, it uses those resources to grow services and investment that produce innovation. But in a recession, consumers and investors retreat from risk-taking and savings sit idle, slowing growth and increasing unemployment. The trade deficit the United States

runs with countries like China exacerbates this effect, causing unemployment to rise and U.S. workers and their families to suffer. In effect, surplus exporters pulled employment from the United States at a time when more jobs are needed. In the long run, both the United States and surplus exporters like China benefit from a more open U.S. economy. But currently, U.S. workers alone suffer higher and more volatile unemployment as a result of our largely unrestricted trade policies -- policies that allow large trade deficits during times of high unemployment. Successful integration of the U.S. economy with the rest of the world demands offshore economies sharing the burden of unemployment by buying goods, which employs U.S. workers, rather than assets during these times. The United States must insist on these actions by its trade partners in the short run, when economic conditions warrant it, as a quid pro quo for granting them access to U.S. markets over the long run. The alternative -- the government intervening to borrow this money from its trade partners, likely spending it less productively than the private sector to temporarily increase employment in the interim -- harms the United States' long term potential. In the long run, open trade is valuable to the United States and its trading partners. Increased dependence will forge a mutually beneficial and enduring alliance with negotiating leverage benefitting the employer -- the United States -- relative to its offshore employees in China and India.
http://foreignpolicy.com/2012/06/07/how-america-can-lead-the-global-economy/

Topics: Bain Capital,Blog,Foreign Policy,OpEds,Print,Productivity,Romney,Trade

Permalink: https://www.edwardconard.com/2012/06/08/how-america-can-lead-the-global-economy

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Article 575

Title: Ed Conard debates Nobel Prize winning economist Joe Stiglitz

Author(s)	Ed Conard
Publish Date	2012-06-05
Publish Time	18:20:55

Content: Bloomberg TV - In the Loop with Betty Liu video

Topics: BBC,Betty Liu,Blog,Blog Highlights,Bloomberg,Chris Hayes,Joe Stiglitz,MSNBC,Videos

Permalink: https://www.edwardconard.com/2012/06/05/ed-conard-debates-nobel-prize-winning-economist-joe-stiglitz-over-income-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/06/ed8.jpg

Article 576

Title: The Wall Street Shuffle with Daniel M. Cofall

Author(s)	Ed Conard
Publish Date	2012-06-04
Publish Time	19:26:57

Content:

Topics: Blog,Daniel Cofall,Radio

Permalink: https://www.edwardconard.com/2012/06/04/edward-conard-on-the-wall-street-shuffle

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/06/WallStreetShuffle.jpg

Article 577

Title: Businessweek review by Roger Lowenstein

Author(s)	Ed Conard
Publish Date	2012-05-31
Publish Time	20:18:53

Content: With his bashing of private equity, Barack Obama has given Mitt Romney a huge opening. Edward Conard, Romney's friend and former partner at Bain Capital, is eagerly seizing that opportunity with his manifesto for private investment, Unintended Consequences: Why Everything You've Been Told About the Economy Is Wrong. Conard is eloquent and passionate about the virtue of investment and even the merits of America's trade deficit. He's the ideal guy to challenge post-crash criticisms of America's market economy, and to serve as a sort of shadow debating captain against the Democrats' populist instincts. Regrettably, Conard overplays his hand. As far off the rails as Obama can be in attacking Bain for chasing profits—which is merely capitalism at work—Conard goes him one better. You know the Democrats' caricature of Republicans who only care about rich people? Well, meet Ed Conard. The thesis of Unintended Consequences is that risky investment drives improved productivity, which in turn drives higher wages and living standards for the poor and the rich. This is standard trickle-down, and it's not much in dispute. The trouble is where Conard goes with it. He chalks America's superior performance up to the country's being basically a capitalist nirvana. As he puts it—with characteristic humility—"U.S. innovators have produced Intel (INTC), Microsoft (MSFT), Google (GOOG), Facebook (FB), etc. The rest of the world has contributed next to nothing." Nonetheless, Conard thinks that the U.S. is short on capital. And if someone has to sacrifice in order to facilitate more investment, Conard, a card-carrying member of the 0.1 percent, is perfectly willing to nominate people who are less well off than he is. In particular, Conard does not like that wealthy people have to pay taxes. As he tells it, any increase in marginal rates will discourage the rich from investing. And only the rich, he claims, do invest. (He conveniently omits the huge sums in pension funds.) He celebrates the inequality that produces big fortunes and sees in America's skewed distribution evidence of the divine. "God"—Conard has learned, evidently on high authority—put the talented on earth "to take responsibility, lead, innovate, and take prudent risks." While Conard presents the incentivizing power of lower tax rates as a proven and immutable fact, it is in fact highly contentious. In the 1990s, tax rates rose and so did growth. Conard does offer counter-arguments—but presented as the views of unnamed "proponents of income redistribution." Conard uses this loaded phrase 18 times. Conard plainly cares about investment. He also cares about yachts. Where some conservatives suggest taxing consumption rather than income, Conard rejoins: "A heavy tax on consumption will discourage increased investment by making it harder to display status." And since, as he elsewhere argues, "the thirst for … impressive homes, sleek boats, and exotic vacations" is what largely motivates people, such trinkets of affluence must be protected. He argues in effect that more private sector investment is always better. But government is about trade-offs. More resources invested in Silicon Valley means less for education or defense (or for food). Conard even disdains charity because it drains resources from the pool of capital; stocking the cellar with champagne is OK but not alms for the poor. His view of American progress is extremely blinkered. Surely free public schooling, the Homestead Act, and democracy—more than low capital-gains rates—enabled the U.S. to develop a productive middle class. Yet after lamenting that Hispanics "slip across the border" and send "their children" to "our schools," he cautions: "We will not be as prosperous in the long run if we … provide the same benefits to all Americans regardless of their economic contribution." This is, within limits, precisely how we did become prosperous. Because Conard sees markets as perfect, he seeks to give them uninhibited control over society's resources. He believes stimulus spending is ineffective because consumers will anticipate higher taxes later and refrain from spending. Conard thus imagines citizens to be the logical robots of economic theory. Similarly—and monstrously—he envisions a perfectly efficient housing market, and argues that middle-class Americans weren't hurt by home foreclosures because "home owners with little of their equity at stake walked away from their homes to capture the value of lower rents." This is the view of a theorist who stays indoors. Try as he might to write empirically, Conard lets his bias show. The author singles out select stock market moves to prove the market rose in response to Republicans such as Reagan and fell due to Obama. He fails to mention that the market rose during each of Obama's first three years. His partisanship leeches ultimately into something worse: bitterness that the world doesn't seem eager for his pinched, miserly breed of capitalism. He blames America's shortage of talent on "liberal-arts majors [who] choose selfish solipsism" and adds, as if it were a crime, "They study literature and art history rather than computer programming and engineering." One wonders if Conard's beef with poets is that they worship beauty more than capital. Although Unintended Consequences reveals the author's intelligence and skill at elucidating economics, its merits are overwhelmed by its elitism. One might have thought this was a volume to scare Obama. But it's the Romney campaign that should hope it disappears. http://www.bloomberg.com/news/articles/2012-05-31/book-review-unintended-consequences-by-edward-conard

Topics: Blog,Inequality,investment,Obama,Productivity,Romney,Unintended Consequences

Permalink: https://www.edwardconard.com/2012/05/31/businessweek-review-by-roger-lowenstein

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/BusinessWeek.png

Article 578

Title: Ed Conard's interview with The Daily Caller

Author(s)	Ed Conard
Publish Date	2012-05-31
Publish Time	13:30:11

Content:

Topics: Blog,The Daily Caller,Videos

Permalink: https://www.edwardconard.com/2012/05/31/ed-conard-discusses-the-role-of-private-equity-in-the-economy-with-the-daily-caller

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Article 579

Title: Chris Stigall Radio Show

Author(s)	Ed Conard
Publish Date	2012-05-30
Publish Time	18:47:40

Content:

Topics: Blog,Chris Stigall,Radio

Permalink: https://www.edwardconard.com/2012/05/30/edward-conard-on-the-chris-stigall-radio-show-5-30-12

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/09/stigall_radio20_300x300-e1439861736375.jpeg

Article 580

Title: Ed Conard on Fox Business Channel with Neil Cavuto

Author(s)	Ed Conard
Publish Date	2012-05-29
Publish Time	22:36:48

Content:

Topics: Blog,Fox Business,Neil Cavuto,Videos

Permalink: https://www.edwardconard.com/2012/05/29/edward-conard-on-fox-business-channel-with-neil-cavuto-5-29-12

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/08/NeilCavuto.jpg

Article 581

Title: Wall Street Journal Report with Maria Bartiromo

Author(s)	Ed Conard
Publish Date	2012-05-25
Publish Time	17:34:57

Content:

Topics: Blog,Maria Bartiromo,Videos,WSJ

Permalink: https://www.edwardconard.com/2012/05/25/wall-street-journal-report-with-maria-bartiromo

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/MariaBartiromo.jpg

Article 582

Title: Ed Conard on CNN's Your Money with Ali Velshi

Author(s)	Ed Conard
Publish Date	2012-05-24
Publish Time	21:56:59

Content: http://www.youtube.com/watch?v=Lp828RQhU8U

Topics: Ali Velshi,Blog,CNN,Videos

Permalink: https://www.edwardconard.com/2012/05/24/edward-conard-on-cnns-your-money-with-ali-velshi-5-29-12

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/Capitalism.png

Article 583

Title: Read Ed's Interview with American Enterprise Institute Magazine

Author(s)	Ed Conard
Publish Date	2012-05-23
Publish Time	14:29:03

Content: Innovation, Risk, and the ‘Most Hated Book of the Year’ By Nick Schulz Wednesday, May 23, 2012 Edward Conard argues that in the wake of the commercialization of the Internet, the structure of our unrealized investment opportunities has changed dramatically. Editor’s note: Edward Conard is the author of “Unintended Consequences: Why Everything You’ve Been Told About the Economy Is Wrong.” It’s a book that the New York Times has said might be “the most hated book of the year” for its blunt discussion of the role played by investment and risk-taking in driving innovation, economic growth, and income inequality. Conard is a retired partner of Bain Capital, where he ran Bain’s New York office. Below, he answers questions from THE AMERICAN’s Editor-in-Chief Nick Schulz about investment, risk, inequality, and more. Nick Schulz: You argue that antiquated accounting obscures the link between investment and innovation. Can you give a specific example or two of what you mean and why this matters so profoundly? How does, say, Wal-Mart, Google, or any other firm account for something in a way that obscures how its investments yield innovation and growth? Edward Conard: People create innovation by finding ways to make improvements and by implementing those improvements—both incremental improvements and major changes. These efforts extend far beyond science-related endeavors. For accounting reasons, the costs of people are largely expensed. Only recently, for example, have accounting rules allowed the capitalization of software development costs, an endeavor essential to the acceleration of U.S. growth. These costs are still largely expensed. The book’s claims are based on the work of Corrado, Hulten, and Sichel, who conservatively identify and reclassify people-related investments both historically and across economies. They find people-related investments have risen steadily over time and that they accelerated following the commercialization of the Internet. By these measures, investment in the United States has significantly outpaced other high-wage economies. We see the results of this increased investment in our output. The United States has grown significantly faster than other high-wage economies, the growth rate of the productivity of the U.S. workforce has returned to near-WWII highs, and the value of the stock market has grown relative to GDP. Increased consumption doesn’t produce those kinds of gains. Productivity gains have come largely from acceleration in the growth rate of know-how and not from acceleration in the growth rate of capital investment per employee or increased workforce training. We have not seen similar gains in other high wage countries. Schulz: The economist Arnold Kling has argued that for certain innovative firms, the bright distinction between labor and capital is meaningless; instead, it is more useful to think that labor is capital. Do you agree? Conard: Yes. After World War II, the United States largely grew by supplying efficiently manufactured goods to a newly created national market. We capitalized on the value of automobiles, for example. To do that, we had to build an enormous automotive manufacturing industry, pave millions of miles of roads, build a worldwide oil industry, and produce a fleet of 250 million cars (today). The scale of these endeavors was enormous. It left less room for the entrepreneurialism of individuals. Today, 13 people can create Instagram and $1 billion dollars of value in two years with virtually no capital. In the wake of the commercialization of the Internet, the structure of our unrealized investment opportunities has changed dramatically. The importance of individuals, talent, and risk-taking have increased dramatically relative to the importance of capital. Schulz: You point out that skill-biased technological change has driven rising income inequality. In your view, is there a point at which inequality should concern policymakers? If so, what’s the proper response? Conard: We should grow concerned when further growth in income inequality stops being beneficial to the middle class and the working poor—if and when the rich somehow use, or I suppose even credibly threaten to use, their wealth to thwart further innovation or to take rightfully earned income away from the middle class and the working poor. We might find the middle class paying a disproportionate share of the taxes, for example. Today, we find the opposite. As the most talented Americans have grown disproportionally more productive relative to the rest of the world, they have paid a disproportionally greater share of the taxes. And where Europe has provided more government services, the European middle class has paid for those services with higher taxes. At the margin, it's hard to see how the success of another Steve Jobs significantly threatens the middle class. We might also grow concerned if we were paying talented people more money to create value than is required to discover and harvest the value of innovation. If, for example, there was a shortage of talent and it was able to collect unearned monopoly rent. But, again, today we see quite the opposite. We see a surplus of underutilized talent and a shortage of talented people willing to get training essential to growth and to take the risks necessary to produce it. It's hard to see how talented risk-takers are collecting monopoly rent. Along the same lines, some economists argue that the payoffs for successful risk-taking don't motivate increased risk-taking—that Americans will take the risks necessary to produce innovation even though their colleagues in Europe and Japan stand in stark contrast. Wishful thinking has always been the scourge of critical thinking. We might also grow concerned when a backlash to inequality threatens to dampen down the incentives for the risk-taking needed to produce innovation, which, in turn, threatens the benefits of accelerated innovation. The optimal responses would depend on the circumstances, and the resulting effects would be hard to predict. For example, if the rich were truly able to close off opportunities to others, we would want to take action to make the political process more balanced, by restricting campaign contributions, for example. But one party would likely endeavor to restrict the other, no matter the optimality of the balance. If a shortage of talent was merely collecting rent, we might want to open immigration to the most talented workers. But other countries might make concerted efforts to steal our know-how and mitigate our competitive advantage. In the third case, we might endeavor to educate others about the benefits to them from innovation, which is the objective of my book and your organization, but there is no guarantee such efforts would work. Schulz: You point out that the only way to support domestic unskilled wages in a world awash in unskilled labor is to successfully redeploy that labor to other sectors of the economy. What would those sectors be and how do you envision that happening? Conard: It's not something I envision happening; it has already happened! U.S. manufacturing employment is now only 11 percent of overall employment, less than other high-wage economies. Steep declines in the cost of food drove growth in manufacturing in the 1950s and 1960s. Today, productivity gains in manufacturing drive growth in domestic services—doctors, nurses, schoolteachers, truck drivers, and salesclerks. Because of this successful transition, long-term growth in the United States has been substantially higher than other high-wage economies. It is near impossible to predict which sectors will grow and decline. If we knew that, we would all be rich! And we wouldn't need to pay successful entrepreneurs to take the risk necessary to find new growth opportunities for us. Instead, the economy must run millions of experiments. These business experiments compete fiercely with each other for customers and capital. Competition prunes away all but the most valuable—by my estimate, companies that probably produce 20 times more value for customers than the cost of their products. Before the fact, entrepreneurs face near certain failure. After the fact, they only earn a dollar more than the next-best alternative—a small and uncertain share of the value they create for us. If there is a better way to find growth, no one has found it. Schulz: Why do you think offshore savings (in, say, Europe and Asia) are so risk-averse (e.g. preferring U.S. Treasuries)? Are there offshore exceptions to this general rule? Conard: A country can't run a trade surplus unless their workers save money and buy assets instead of goods. If they bought goods, trade would be balanced. No surprise, surplus exporters—namely Germany, Japan, and China—are all nations with high savings rates. Deferred consumption by middle-class workers, both here and abroad, tends to produce risk-averse savings. They save for homes and retirement and can't afford large losses. Successful innovation produces equity, which underwrites risk. Equity owners can often tolerate more risk because they have more assets. Most of the innovation has occurred in the United States, no matter the reasons. Manufacturing-based exporters have tended not to be innovative leaders. It's hard to be competitive at one thing, much less two. We have a much bigger stock market relative to GDP than Europe and Japan. In part, that leads to a greater tolerance for the risks necessary to produce innovation. The United States is the exception. Schulz: How should the public and policymakers think about asset bubbles (e.g. the dotcom/telecom bubble of 1999/2000)? Obviously there's lots of capital that, in hindsight, is misallocated. But, in your view, there are unappreciated aspects of bubbles, correct? Conard: I believe there is no systematic way to identify asset bubbles. If an individual or group of individuals has an opinion that differs from the market, they are almost always in error, not the market. And even if some hedge fund managers have found a way to beat the market, I wouldn't

trust them with my freedom regardless. We simply can't let someone have the power to determine whether we can buy a legitimate good or asset for a price we are willing to pay. At the end of the day, institutional buyers have to take responsibility for themselves. There is simply no other way for the free market to work. This is why the Financial Crisis Inquiry Commission went out of its way to avoid blaming buyers for the crisis. Were it to have done so, it would have produced questionable grounds for increased regulation. Although markets will make mistakes from time to time, there's no way we can trust any group in government to monitor bubbles and take action; the mistakes they make will be much worse than the mistakes markets make. Schulz: How do we know that it is consumers and wage earners who capture the vast majority of value created from investment, and not investors themselves? Conard: Wage earners have consistently captured 70 percent of GDP over time and across economies, no matter the amount of capital invested per worker. While GDP is measured at the price of goods, consumers buy goods because they are worth more than they cost. Google, for example, costs users a small loss of privacy for an enormous increase in their productivity. Economics calls this buyers' surplus. I conservatively estimate the value of products at two times their price, but show several micro and macro examples that indicate the value is probably closer to 20 times the price on average. Because all products compete against each other for the customer's incremental dollar, it is logical that some common ratio of value-to-price drives their success and failure even though markets may be inefficient. If wage earners capture 70 percent of half the value of production, and consumers capture 100 percent of the other half, then non-investors capture about 85 percent of the value of production. The middle 40 percent of income earners capture about a third of that value. Schulz: Who are your intellectual influences? Conard: Bruce Greenwald at Columbia, my close friend, taught me economics, issue by issue, over 30 years. His early work on equity as the binding economic constraint played a major role in my thinking. His later work on trade, in both the long and short run, changed my views. Ricardo Caballero at MIT showed me that trade was driven by many factors besides competiveness. His work on the financial crisis gave me confidence to propose strengthening government guarantees of liquidity. Gary Gorton at Yale showed me a run on the banks, not loans losses, caused the financial crisis. Paul Roemer opened my eyes to the changing structure of unrealized investment opportunities. Mario Giampietro gave me a glimpse of the big picture—a nested hierarchy of positive feedback loops. Bill Bain taught me how business really works—competition forces competitors to deliver more and more value at lower and lower costs; customers capture most all the value created by investors; investors only capture their advantages relative to competitors; and those advantages are fragile and quickly eroding. Allan Bloom opened my eyes to the importance of communitarianism and that talented people have a moral obligation to maximize their contribution to society. FURTHER READING: Nick Schulz interviews more authors in "The Life and Death of Great American Cities," "America Is Out of Control," "Want to End Poverty? Legalize Freedom," and "The Most Important Start-Up." Kevin A. Hassett and Steven J. Davis say "Private Equity Is a Force for Good." Arthur C. Brooks contends "True Fairness Means Rewarding Merit, not Spreading the Wealth." Image by Rob Green / Bergman Group
http://www.american.com/archive/2012/may/innovation-risk-and-the-most-hated-book-of-the-year

Topics: AEI,Blog,Inequality,Nick Schulz,Print,Productivity,Unintended Consequences

Permalink: https://www.edwardconard.com/2012/05/23/innovation-risk-and-the-most-hated-book-of-the-year

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/AEI.png

Article 584

Title: Ed Conard on Fox & Friends

Author(s)	Ed Conard
Publish Date	2012-05-23
Publish Time	6:15:51

Content:

Topics: Blog,Fox & Friends,Videos

Permalink: https://www.edwardconard.com/2012/05/23/edward-conard-on-fox-and-friends

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/fox.jpg

Article 585

Title: Ed Conard on Wall Street Journal's The News Hub with Simon Constable

Author(s)	Ed Conard
Publish Date	2012-05-22
Publish Time	19:13:43

Content:

Topics: Blog,Simon Constable,Videos,WSJ

Permalink: https://www.edwardconard.com/2012/05/22/edward-conard-on-wall-street-journals-the-news-hub-with-simon-constable

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/WSJLive.jpg

Article 586

Title: Ed Conard on TheStreet.com

Author(s)	Ed Conard
Publish Date	2012-05-22
Publish Time	13:51:17

Content:

Topics: Blog,The Street,Videos

Permalink: https://www.edwardconard.com/2012/05/22/edward-conard-on-thestreet-com-5-30-12

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/08/Screen-Shot-2012-08-27-at-10.22.25-AM1-e1439862490660.png

Article 587

Title: Ed Conard on CNN's Starting Point with Soledad O'Brien

Author(s)	Ed Conard
Publish Date	2012-05-22
Publish Time	13:50:23

Content: Part 1 http://www.youtube.com/watch?v=ePwUhJJY5LM Part 2 http://www.youtube.com/watch?v=wy3i64IZttY

Topics: Blog,CNN,Soledad O'Brien,Videos

Permalink: https://www.edwardconard.com/2012/05/22/edward-conard-on-cnns-starting-point-with-soledad-obrien-5-23-12

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/soledad_obrien.jpeg

Article 588

Title: Ed Conard on CNN's Erin Burnett Outfront

Author(s)	Ed Conard
Publish Date	2012-05-22
Publish Time	0:11:10

Content:

Topics: Blog,CNN,Erin Burnett,Videos

Permalink: https://www.edwardconard.com/2012/05/22/edward-conard-on-cnns-erin-burnett-outfront-may-22nd-2012

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/Erin-Burnett.jpg

Article 589

Title: Ed Conard on "Cavuto" on Fox Business

Author(s)	Ed Conard
Publish Date	2012-05-21
Publish Time	22:32:56

Content: http://www.youtube.com/watch?v=tntXNsYh32o

Topics: Blog,Fox Business,Neil Cavuto,Videos

Permalink: https://www.edwardconard.com/2012/05/21/edward-conard-on-fox-business-channel-may-21st-2012

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/08/NeilCavuto.jpg

Article 590

Title: Ed Conard on Bloomberg's In The Loop With Betty Liu

Author(s)	Ed Conard
Publish Date	2012-05-21
Publish Time	14:38:44

Content: Part 1 http://www.youtube.com/watch?v=3i5PMEB0h3k Part 2 http://www.youtube.com/watch?v=M82H4QNHOPU

Topics: Betty Liu,Blog,Bloomberg,Videos

Permalink: https://www.edwardconard.com/2012/05/21/edward-conard-on-bloombergs-in-the-loop-with-betty-liu

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/08/liu.jpg

Article 591

Title: The Morning Meeting Radio Show

Author(s)	Ed Conard
Publish Date	2012-05-18
Publish Time	13:58:50

Content:

Topics: Blog,Radio,The Morning Meeting

Permalink: https://www.edwardconard.com/2012/05/18/edward-conard-on-the-morning-meeting-radio-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/09/58906_155907327769063_5111248_n-e1439862910142.jpg

Article 592

Title: Ed Conard on Reuters TV

Author(s)	Ed Conard
Publish Date	2012-05-17
Publish Time	13:10:14

Content:

Topics: Blog,Reuters,Videos

Permalink: https://www.edwardconard.com/2012/05/17/edward-conard-on-reuters-tv

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/09/EdConard18.png

Article 593

Title: Ed Conard on Fox Business Channel's Willis Report

Author(s)	Ed Conard
Publish Date	2012-05-17
Publish Time	5:17:47

Content: . . http://www.youtube.com/watch?v=x2OWy5XwgF4

Topics: Blog,Fox Business,The Willis Report,Videos

Permalink: https://www.edwardconard.com/2012/05/17/edward-conard-on-fox-business-channels-willis-report

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/WillisReport.jpg

Article 594

Title: Fairness Radio with Chuck and Patrick

Author(s)	Ed Conard
Publish Date	2012-05-16
Publish Time	2:44:29

Content:

Topics: Blog,Chuck and Patrick,Fairness Radio,Radio

Permalink: https://www.edwardconard.com/2012/05/16/edward-conard-on-fairness-radio-with-chuck-and-patrick

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/fairnessradio.jpg

Article 595

Title: How Roe v. Wade Empowered U.S. Investors

Author(s)	Ed Conard
Publish Date	2012-05-15
Publish Time	23:20:31

Content: Bloomberg By Edward Conard It’s possible, but unlikely, that small differences in culture alone can explain the greater economic success of the U.S. relative to Europe and Japan after the introduction of the Internet. The U.S. has poured investment into innovation since the early 1990s. It opened trade borders to lower costs, freed resources and relaxed capacity constraints. When besieged by low-cost unskilled offshore labor, it transitioned quickly from manufacturing to more productive endeavors that included innovation and services that cannot be produced offshore. In contrast, Europe and Japan remained wedded to manufacturing-based economies with attendant lower levels of innovation and slower growth rates. High costs imposed by pro- labor governments discouraged companies from exiting manufacturing, laying off workers, and redeploying them to more productive endeavors. Pro-labor governments obstructed trade borders to slow workforce dislocations. In Germany and Japan, about 20 percent of employment remains in manufacturing, compared with only 10 percent in the U.S. Manufacturing Transition Europe’s and Japan’s slower transition out of manufacturing left their best thinkers mired in a declining sector. Meanwhile, the most talented U.S. thinkers created communities of experts around companies such as Google Inc. (GOOG) and Facebook Inc. (FB) And the U.S.’s more valuable on-the-job training, lower labor-redeployment costs, and lower marginal tax rates increased payouts for successful risk taking. Nonetheless, the questions remain: Why did these underlying incentives emerge in the U.S. and not elsewhere? Why does the U.S. have lower labor redeployment costs, more open trade borders, lower marginal tax rates and, ultimately, more tolerance for unequal distribution of income? By the random dint of history, the landmark Supreme Court case Roe v. Wade of 1973 brought pro-investment voters to power in the U.S. The faction of pro-investment voters, representing about 35 percent of the electorate, combined with enough of the now-mobilized social conservatives -- principally the members of the Christian Right, who vote Republican and represent 15 percent of the electorate -- to seize the majority and permanently shift the political economic center to the right. A similar shift in political power didn’t occur in Europe and Japan, and pro-labor, anti-investment majorities continued to control those economies. These majorities increased labor- redeployment costs and closed trade borders to slow the need for redeploying labor; supported unionism by strengthening trade barriers; failed to lower marginal tax rates as much as the U.S.; and discouraged unequal distribution of income and wealth. The U.S. differs from Europe and Japan in four ways. Europe and Japan have parliamentary democracies where parties are represented in proportion to their share of the vote. In the U.S., it’s a winner takes all, two-party system and that makes it easier for a large minority of voters -- in this case, pro- investment tax cutters -- to join forces with another large minority of voters -- the Christian Right -- to seize power. Roe might have had a minimal effect on U.S. politics were it not for the fact that Christian fundamentalists are a large enough portion of the country’s population to affect the outcome of an election. About 25 percent of U.S. voters identify themselves as evangelical Christians. Prior to Roe v. Wade, three-fifths of evangelical Christian voters were Democrats, and two-fifths were Republicans. Reagan Embrace When Ronald Reagan endorsed the pro-life movement, these proportions reversed. Reagan combined the Christian Right with the pro-investment tax cutters to create a majority. Pro- investment tax cutters maintained control of the party, selecting fiscally conservative, but socially moderate, presidential candidates such as John McCain, George W. Bush, Bob Dole, George H.W. Bush and Gerald Ford. The fact that conservative Southern Democrats controlled political power throughout the southeastern U.S. amplified Roe’s political impact. As conservative pro-life voters defected to the Republican Party because of the ruling, it became increasingly difficult for fiscally conservative Southern Democrats to win elections as Democrats. Over time, these conservative Southern Democrats changed sides, gradually shifting political power to

Republicans. Most voters don't realize that Roe does more than legalize abortion. It legalizes controversial third-trimester abortions in certain cases and takes away the electorate's right to vote on this issue by making the late procedures a judicial right rather than a legislative decision. Third-term abortions are illegal throughout most of the democratic world. Their legalization by Roe, even if few women chose to have them, made opposition to the ruling more tolerable to pro-choice moderates. The court's denial of the electorate's right to vote on an issue where both sides have legitimate points of view -- the majority of Americans opposes third-term abortions -- further increased the tolerance for opposition to Roe by pro-choice moderates. The denial of the other side's right to vote -- because one fears the possible outcome of that vote -- is difficult for many to swallow when they acknowledge the reasonableness of the other side's position. The stance of pro-investment Republicans adds to this tolerance of pro-choice voters toward their position. Pro-investment Republicans oppose outlawing abortions by shrewdly arguing that the decision should be legislative, not judicial. Studies by the Pew Research Center show that more than half the voters support Roe, and only a quarter supports a ban on all abortions. If put to a vote, support among voters for first- and second-term abortions would assure legalization in all but a handful of states. If Roe remains as a judicial matter, it is far more likely that courts will outlaw abortions. Marriage of Convenience This marriage of convenience between pro-choice fiscal conservatives and pro-life social conservatives brought the larger pro-investment faction in this coalition to power. Without the unique set of circumstances surrounding Roe, the U.S. would probably be in the same place politically as Europe and Japan with respect to well-intended, but misguided, anti-business economic policies. Instead, after Roe, lawmakers cut marginal tax rates to about 30 percent, from 70 percent before the decision. They also left trade borders open and allowed labor redeployment costs to remain low. If a politician shouts, “Tax the rich,” two-thirds of the U.S. electorate will answer, “Yes, and more!” But as lawmakers threaten to keep raising the tax rate on rich investors to distribute income to poor consumers, more and more voters will grow apprehensive about the effects on the economy, and their support will erode. A populist politician whose objective is to redistribute income seeks the highest tax rate possible on rich investors without losing 51 percent of the vote (or a few points more, perhaps, depending on the value of the margin of safety). A smaller tax increase that wins more of the vote unnecessarily leaves money on the negotiating table. Similarly, a politician aiming to lower taxes on rich investors seeks the largest tax cut that still captures 51 percent of the vote. Richard Nixon was the last Republican president before voters contested Roe. Without the 15 percent bloc of evangelical Christian voters in his back pocket, he had to accept a 70 percent marginal tax rate to capture 51 percent of the vote. Even then, he only won the election because of the unpopularity of the Vietnam War. Dwight Eisenhower only won by accepting a 90 percent marginal tax rate. Bill Clinton was the first Democratic president to win office after voters contested Roe. With only 85 percent of the vote available to him, and with 40 percent of that vote backing tax reduction, Clinton could only support marginal tax rates as high as 39 percent and still capture 51 percent of the vote. With this 15 percent bloc of evangelical Christian voters in his pocket, Reagan was able to lower marginal rates to 29 percent and still capture the election. Lower Tax Rates Roe lowered the marginal tax rate from at least 39 percent -- perhaps even 70 percent to 90 percent -- to 29 percent to 34 percent. Most pro-investment tax cutters are pro-choice. They endorse the pro-life agenda for no other reason than to bring their minority bloc of voters to power. Because of this endorsement, Republicans lose a small number of pro-investment tax cutters to the Democrats. Opposing social conservatives is more important to this group than defeating redistribution -- the raison d'etre of populist liberal politics. These defectors admonish Republicans to move to the center socially. But they fail to realize how much Republicans would have to raise taxes to win enough votes from the center of the electorate to compensate for the loss of the pro-life Christian Right. Capturing an additional 10 percent to 15 percent of the electorate at the center likely demands at least a 10-point increase in the marginal tax rate -- probably significantly more. Ironically, the defection of these pro-investment tax cutters to the left increases the clout of social conservatives within the pro-investment coalition -- exactly the opposite of their objective. This permanent shift in the center to the pro-investment right had a significant effect on U.S. economic policy. Americans remember the Reagan administration using its alliance with the Christian Right to cut marginal tax rates, tame inflation, and deregulate numerous industries, including trucking, telecommunications and airlines. Less recognized is the administration's profound effect on labor polices and private-sector unions. By deregulating industries and leaving trade borders open to international competition, Reagan put enormous pressure on heavily unionized industries, like trucking, airlines, steel and automobile manufacturing. He fired air-traffic controllers and replaced them with non-unionized workers, symbolically signaling to business leaders that he expected them to take a more aggressive stance toward unions. His ally, Margaret Thatcher, did the same thing in the U.K., enduring a long strike to weaken the coal miners' union. Union Tax Reagan recognized that high-priced union wages were little more than a tax that transferred money to union members from consumers. He also recognized that union contracts and work rules were a significant hindrance to productivity improvements and to the creative destruction necessary for innovation. In the decade before Reagan took office, the U.S. averaged close to 300 major strikes per year involving 1,000 or more workers per strike -- a rate on par with the preceding decades. In the 30 years since Reagan, the U.S. has averaged fewer than 50 significant strikes per year, and only 20 per year in the last decade. Private-sector union membership peaked the year before Reagan was elected and has declined steadily since. In 1979, before he took office, there were 15 million union members in the private sector -- more than 20 percent of the workforce. By 2007, there were only 9 million members, despite a 40 percent increase in the workforce -- a representation of only 8 percent of the workforce. The defeat of private-sector unions reduced their clout within the Democratic Party. The success of the U.S. economy prior to the financial crisis further reduced employment concerns among voters. The Democratic Party shifted its focus to growing public-sector unions that were less concerned about open trade borders and government-mandated private-sector work rules and cared more about growing government employment. Democratic lawmakers and their public-union supporters recognize that consumers (voters) ultimately bear the increased cost of private-sector unions, closed trade borders, and the restriction on trade necessary to maintain them. They result in higher prices, slower growth, and less employment. Why would public-sector unions bite the hand that feeds them? Unlike private-sector unions, they have not pushed for these inefficiencies. (Edward Conard was a partner at Bain Capital LLC from 1993 to 2007. This is the second of two excerpts from his new book, "Unintended Consequences: Why Everything You've Been Told About the Economy Is Wrong," available now as an e-book to be published in hardcover on June 7 from Portfolio, a member of Penguin Group (USA) Inc. The opinions expressed are his own. Read Part 1.) http://www.bloomberg.com/news/2012-05-14/how-roe-v-wade-empowered-u-s-investors.html

Topics: Blog,Bloomberg,Europe,OpEds,Politics,Print,Productivity,Roe v Wade

Permalink: https://www.edwardconard.com/2012/05/15/how-roe-v-wade-empowered-u-s-investors

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/12/url-4-e1439857435361.jpeg

Article 596

Title: Romney’s Former Partner: Mitt Has 'Deep Understanding' of Economy

Author(s)	Ed Conard
Publish Date	2012-05-15
Publish Time	13:23:23

Content: Newsmax Sunday, 13 May 2012 10:15 PM By Andra Varin and John Bachman Mitt Romney understands how the economy works and he is ready to focus on long-term growth by encouraging private investment in innovation, author Ed Conard told Newsmax TV. Conard, a former partner in Romney’s Bain Capital, is the author of “Unintended Consequences: Why Everything You’ve Been Told About the Economy Is Wrong.” In the book, he argues that the Obama administration has discouraged risk-taking, with the result that the economic recovery is stuck at a snail’s pace. He told Newsmax TV the Obama administration has discouraged investment by trying to penalize the wealthy and successful. “They threatened all the successful risk-takers with much higher taxes,” he said. Romney, on the other hand, is an experienced businessman who knows how to look at the big picture, said Conard. He praised Romney’s leadership skills at Bain. “He made tough decisions when he had to make tough decisions. And he always made them with the highest level of integrity, which was aiming at what is the most valuable in the long run,” Conard said. He said liberals still see the economy as it was back in the 1950s, not as it is now. And the current reality, he says, is that people with big ideas need investors with deep pockets. “The people who need to take risks are the most talented people in the economy,” he said. “People who have a lot of equity have to start underwriting risk with that equity.” He said conservatives, unlike liberals, understand the importance of equity. “We don’t want to take that equity, redistribute and consume it.” Conard said he believes Romney, the presumptive Republican presidential nominee, is the most qualified candidate to fix the economy for the long term. “At the broadest level, Mitt recognizes that risk taking, innovation and the equity that underwrites it are critical to the long-term growth and success of our country,” he told Newmax TV. “He would do everything he could to get the economy to grow at the fastest rate in the long run.” Conrad said he had witnessed Romney’s skills in action at Bain. “He is an extraordinary executive. He has a deep understanding of business. He has a deep understanding of the economy,” Conard said. “He had one objective, and that was to dig down and find the truth.” He added that the former Massachusetts governor has a proven track record of getting the best people to work for him. “He surrounded himself with the most capable people. He challenged us to challenge him and to challenge each other,” Conard said. http://www.newsmax.com/Politics/Conrad-Bain-Capital-Romney/2012/05/11/id/438838

Topics: Andra Varin,Bain Capital,Blog,economy,John Bachman,Newsmax,Romney,Unintended Consequences,Videos

Permalink: https://www.edwardconard.com/2012/05/15/romneys-former-partner-mitt-has-deep-understanding-of-economy

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/11/EdConard9.png

Article 597

Title: Edward Conard on "Big Think"

Author(s)	Ed Conard
Publish Date	2012-05-15
Publish Time	12:37:05

Content: Ed Conard: The Man Behind the 'Most Hated Book in America' Jonathan Fowler and Elizabeth Rodd | May 21, 2012 Due to his argument that income inequalty is a sign that the economy is working, The New York Times called former Bain Capital Managing Director Ed Conard's book, Unintended Consequences: Why Everything You've Been Told About The Economy Is Wrong the "most hated book in America." In this far-ranging interview with Big Think's CEO Victoria Brown, Conard discusses why he chose to speak out at the risk of embarrassing Romney, and how he responds to the attacks that have been leveled against Bain Capital. Among the highlights: Conard said that if Mitt Romney can't survive scrutiny of Bain Capital "he won't be elected President." As for The New York Times: "they misunderstood my book." What about the criticism of Bain Capital's acquisition of a steel company? "We killed ourselves at Bain trying to make the company work." Watch the video here: http://bigthink.com/big-think-tv/ed-conard-the-man-behind-the-most-hated-book-in-america-video

Topics: Big Think,Blog,Elizabeth Rodd,Inequality,Johnathan Fowler,Romney,Videos

Permalink: https://www.edwardconard.com/2012/05/15/edward-conard-on-big-think-2

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/07/EdConardBigThink.jpg

Article 598

Title: The Peter Schiff Show

Author(s)	Ed Conard
Publish Date	2012-05-15
Publish Time	3:53:40

Content:

Topics: Blog,Peter Schiff,Radio

Permalink: https://www.edwardconard.com/2012/05/15/edward-conard-on-the-peter-schiff-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/PeterSchiff.jpg

Article 599

Title: McIntyre in the Morning

Author(s)	Ed Conard
Publish Date	2012-05-15
Publish Time	3:37:44

Content:

Topics: Blog,McIntyre,Radio

Permalink: https://www.edwardconard.com/2012/05/15/edward-conard-on-mcintyre-in-the-morning

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/09/903946-e1439863637302.jpeg

Article 600

Title: The Brian Lehrer Show

Author(s)	Ed Conard
Publish Date	2012-05-14
Publish Time	15:58:28

Content:

Topics: Blog,Brian Lehrer,Radio

Permalink: https://www.edwardconard.com/2012/05/14/edward-conard-on-the-brian-lehrer-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/brianlehrer.jpeg

Article 601

Title: Ed Conard in Bloomberg: Investment, the Engine of U.S. Prosperity, Is Underrated

Author(s)	Ed Conard
Publish Date	2012-05-14
Publish Time	15:54:13

Content: By Edward Conard May 13, 2012 6:00 PM ET Proponents and opponents of income redistribution differ greatly in their explanations for the success of the U.S. Opponents argue that the discovery and commercialization of innovation are no different than any other investment. Investors must risk capital to fund failures. The potential payoffs provide the incentive to suffer the losses. Those who favor income redistribution point to the steadiness of long-term economic growth as evidence that innovation bubbles up randomly in the normal course of business. They emphasize culture, claiming that Americans are eager to take risks regardless of the incentives, while Europeans and the Japanese are reluctant. Economists with these views see minimal costs from redistributing income from wealthy investors to poorer consumers. Opponents of income redistribution worry that higher taxes water down incentives and that redistribution slows the accumulation of capital, especially risk-bearing equity. -- Investment produces innovation: The more time and resources investors and entrepreneurs devote to searching randomly for innovation, the more likely they will be to find it. This requires time that the economy could devote to other endeavors. An increase in investment by one economy relative to another will likely affect their relative rates of discovery and implementation. When successful, risky investments in innovation will grow the economy faster than less risky investments that enlarge existing capacities. Successfully commercializing good ideas is as important as discovering them and requires similarly risky investments. Even if Facebook Inc. (FB) and Google Inc. (GOOG) had randomly stumbled upon great ideas, they still had to invest inordinate amounts of money and overcome high levels of risk to commercialize them. In “The Age of Turbulence,” former Federal Reserve Board Chairman Alan Greenspan reminds us that the U.S. economy has grown sevenfold in real terms since World War II, while physical inputs, such as steel and oil, have risen only twofold. Most of the growth came from intellectual capital. Cutting-edge economies like that of the U.S. invest largely by paying the salaries of talented thinkers who invent and design new products and processes. -- Innovation expands the economy: Innovation benefits consumers through lower prices. Yet these can be hard to quantify, particularly when they show up in the form of higher- quality goods, which may sell at the same price but offer greater benefits than the products they replaced. Because of the difficulties of measuring such “quality-adjusted” prices, economists generally disregard the ebb and flow in the rate of these improvements. Sometimes, workers capture the value of innovation and productivity gains through higher wages. Ultimately, higher wages and lower prices are the same because workers are both wage earners and consumers. With increased productivity, prices fall and real wages rise. As tangible or intangible investment per worker increases, one might expect capital to capture an increasingly greater share of the output. But that hasn’t happened. Figure 1, attached, shows that as the U.S. economy has grown more capital- intensive, labor has continued to capture about 70 percent of gross domestic product as wages. Consumers also capture the value of products over and above their cost. A car, for example, is worth much more than its price. Economists call this “buyers’ surplus.” GDP measures the value of goods at their prices, not at their value to purchasers. If consumers capture 70 percent of GDP as wages and 100 percent of the buyers’ surplus, they are capturing a very large share of the value created by investment -- perhaps 90 percent or more. We see these dynamics in agriculture. As agricultural productivity has doubled since the 1940s, expenditures on food as a percent of GDP have fallen proportionately from more than 20 percent of disposable income to less than 10 percent today, see Figure 2, attached. In the U.S., these savings provided much of the resources needed to increase demand for manufactured goods. Today, similar productivity gains in manufacturing are driving growth in services. The reduction in food expenditures displayed in Figure 2, attached, allows us to approximate the magnitude of the value captured by consumers relative to producers. Consumers captured the difference between 24 percent and 10 percent of disposable income -- income that is approximately seven times larger today than it was in 1950. Producers, on the other hand, benefited less. Their profits, after depreciation and before interest and taxes, remained stable at about 10 percent of revenues, or 10 percent of what consumers spent. The split of value (before corporate taxes) between consumers and producers created by agricultural innovation and investment is in the range of 20-to- 1 in favor of consumers. This one-sided split of the returns from capital between investors and labor is the reason radical proponents of income redistribution, such as Paul Krugman, seek to regulate the allocation of capital through the political process rather than through free markets. They argue that many investments may be valuable to society but not to investors, so why let the small returns to private investors determine the allocation of capital critical to the welfare of mankind? Proponents of free markets are concerned that regulations will reduce profitability and return on investment. Small reductions in profits and subsequent investment can have a big impact on wages, employment and the price of goods. This can unwittingly destroy more value than well-intended regulations create. -- What is too much?: A broad range of investment continues to drive productivity because investment and risk taking, as a whole, are far below the optimal level. The work of Nobel Prize- winning economist Edmund Phelps presents empirical evidence that under optimal conditions capital would earn a real return equal to the growth rate of the workforce -- in highly developed economies, 1 percent to 2 percent per year. Today, the U.S. has a surplus of debt. We are flooded with risk-averse savings. We face a shortage of risk-bearing equity to underwrite risk, rather than a shortage of capital more broadly. Equity in the U.S. and worldwide earns about 7.5 percent per year, indicating that equity and the risk taking it underwrites are well below the optimal level. Investors can make poor choices and take imprudent risks in one sector -- housing and mortgage risks, for example -- without the economy as a whole extending beyond the point of optimality. Government subsidies can also drive risk taking beyond the point of optimality by over-allocating investment to one sector -- subprime housing, for example -- at the cost of underinvestment in other sectors. -- Monetary policy: Printing money doesn't magically stimulate the economy. Instead, monetary policy allows risk taking to grow when it is hampered by a lack of credit, and the economy has excess capacity available to produce the increased growth. An owner of future cash flows (assets) may seek to increase the amount of risk he is taking by splitting his future cash flows into tranches so that he can exchange the low-risk first-to-be-repaid tranche (debt) for a risk-averse saver's income. Putting that hoarded capital to use expands the economy. If credit is restricted, risk takers may be unable to tap those savings. Constraints on credit may occur if banks have already loaned all the available deposits, or if they have used all their equity to meet capital-adequacy requirements for existing loans. Lower short-term interest rates increase the spread that banks earn by borrowing short-term savings and making long-term loans. This increases bank profits and grows their equity, which reduces constraints. Relieving credit constraints will grow the economy, but only if the economy has the capacity to produce the increase in demand and an appetite for risk. Increases or decreases in optimism tend to create self-reinforcing feedback loops that monetary policy can either allow or restrict. As risk takers grow increasingly optimistic, asset values rise. This makes investors and consumers grow increasingly willing to take risks. As risk taking grows, the economy expands, increasing the amount of investment and the value of assets relative to the economy. -- Investment is understated: Our antiquated 1940s manufacturing-based accounting rules expense the salaries of creative thinkers and leaders as intermediate costs of production, rather than capitalizing them as investments. Only recently have accounting rules allowed the capitalization of software-development costs, for example. Accounting rules demand highly restrictive measures of investment to ensure comparability between results. A fast-growing company with higher profit margins that is pouring more money into investment than its competitors looks more attractive to investors and garners a higher stock price. Accounting rules prevent this lack of comparability by erring on the side of expensing rather than capitalizing costs, especially employee-related costs. Survivor bias exacerbates this masking effect and further obscures the link between investment in risky innovation and its return. One breakthrough may require hundreds of failures. Failed investments in intellectual capital are expensed and forgotten, decoupled from the cost of the resulting success. Without clear linkages between the value of success and the hidden cost of failure, investment appears dramatically understated. Conservative measurements such as those employed in a 2006 Federal Reserve study, "Intangible Capital and Economic Growth," show significant increases in intangible investments. According to the Fed, intangible investments rose from about 7 percent of non-farm business output in the late 1970s to 10 percent in the early 1990s to about 14 percent today, see Figure 3, attached. These investments rose dramatically in the 1990s when productivity accelerated. Over the same period, traditional business investments in factories and machinery grew from about 5.5 percent of GDP after World War II to about 8 percent today. Adding both tangible and intangible investments shows that business investment grew from 15 percent of GDP after the war to a level approaching 25 percent today. It is likely that these simple estimates understate investment, and that the expenditures that increase the productivity of the most talented employees are much broader. Almost everyone engaged in finance, for example, thinks about the value of future cash flows and how to maximize them. They make decisions about the allocation of assets that set the prices for various risks. These prices influence the allocation of investment. Again, economic statistics expense all these costs. There are other forms of overlooked investment. The most talented U.S. workers now spend more time working while the hours of their European peers have declined. The productivity of the most talented workers is also growing faster than the U.S. economy as a whole. With 5 percent of the workforce producing more than a third of the output, increases in this group's productivity have a big impact on the economy overall. Pundits often wonder why median wages have failed to rise in proportion to increased levels of productivity, as they have in the past. The answer is obvious: The median wage is the highest wage of the lowest 50 percent of workers, and productivity growth has occurred predominantly at the top of the wage scale. Above the median, the wage premium for the most talented workers grew, despite a surge in the productivity- enhanced supply of knowledge workers, see Figure 4, attached. An increase in supply should drive down wages, but pay rose because the value from deploying this talent was greater than their pay. We can also see the increase in intangible investment in the changing composition of U.S. jobs since the mid-1980s. Again, half of all the new jobs created over the last 25 years have been in thought-oriented professions. Such jobs made up only a quarter of total employment in the 1980s. It's also clear why the income of the top 1 percent is growing faster in the U.S. than in Europe and Japan. U.S. innovators produced Intel Corp. (INTC), Microsoft Corp. (MSFT), Google and Facebook. The rest of the world contributed next to nothing. (Edward Conard was a partner at Bain Capital LLC from 1993 to 2007. This is the second of two excerpts from his new book, "Unintended Consequences: Why Everything You've Been Told About the Economy Is Wrong," available now as an e-book to be published in hardcover on June 7 from Portfolio, a member of Penguin Group (USA) Inc. The opinions expressed are his own.) http://www.bloomberg.com/news/2012-05-13/investment-the-engine-of-u-s-prosperity-is-underrated.html

Topics: Blog,Bloomberg,investment,Monetary Policy,OpEds,Print,Productivity

Permalink: https://www.edwardconard.com/2012/05/14/edward-conard-in-bloomberg-investment-the-engine-of-u-s-prosperity-is-underrated

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/12/url-4-e1439857435361.jpeg

Article 602

Title: The Mark Skoda Show

Author(s)	Ed Conard
Publish Date	2012-05-14
Publish Time	3:24:17

Content:

Topics: Blog,Mark Skoda,Radio

Permalink: https://www.edwardconard.com/2012/05/14/edward-conard-on-mark-skodas-radio-show

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/markskoda.jpg

Article 603

Title: Ed Conard on CNBC's Kudlow Report

Author(s)	Ed Conard
Publish Date	2012-05-14
Publish Time	0:19:01

Content: http://www.youtube.com/watch?v=pFSaP0y7Nns

Topics: Blog,CNBC,Kudlow Report,Videos

Permalink: https://www.edwardconard.com/2012/05/14/edward-conard-on-cnbcs-kudlow-report

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/kudlowreport.jpg

Article 604

Title: Ed Conard on Yahoo Finance

Author(s)	Ed Conard
Publish Date	2012-05-11
Publish Time	23:17:04

Content: Yahoo Finance By Aaron Task http://finance.yahoo.com/blogs/daily-ticker/unintended-consequences-former-bain-exec-sparks-controversy-over-132549284.html

Topics: Aaron Task,Blog,Videos,Yahoo Finance

Permalink: https://www.edwardconard.com/2012/05/11/unintended-consequences-former-bain-exec-sparks-controversy-over-income-inequality

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/08/Screen-Shot-2012-08-27-at-12.21.38-PM-e1439864080406.png

Article 605

Title: Ed Conard on Varney & Co. on Fox Business

Author(s)	Ed Conard
Publish Date	2012-05-11
Publish Time	20:07:34

Content: http://www.youtube.com/watch?v=k8567y-V7Lc

Topics: Blog,Fox Business,Videos

Permalink: https://www.edwardconard.com/2012/05/11/edward-conard-on-fox-business-channel

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/foxbusiness.jpg

Article 606

Title: Ed Conard on Fox Business Channel's Varney & Co.

Author(s)	Ed Conard
Publish Date	2012-05-11
Publish Time	15:11:43

Content: http://www.youtube.com/watch?v=PgR6uiFcg3Q

Topics: Blog,Fox Business,Varney & Co.,Videos

Permalink: https://www.edwardconard.com/2012/05/11/edward-conard-on-fox-business-channels-varney-co-may-22nd-2012

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/08/varney1-e1363004823588.jpeg

Article 607

Title: Kilmeade and Friends

Author(s)	Ed Conard
Publish Date	2012-05-10
Publish Time	21:46:49

Content:

Topics: Blog,Kilmeade and Friends,Radio

Permalink: https://www.edwardconard.com/2012/05/10/edward-conard-on-kilmeade-and-friends-radio

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/kilmeadeandfriends.jpg

Article 608

Title: Ed Conard talks with Lou Dobbs on Fox Business

Author(s)	Ed Conard
Publish Date	2012-05-10
Publish Time	15:11:17

Content: http://www.youtube.com/watch?v=UK1GrE-LzfY

Topics: Blog,Fox Business,Lou Dobbs,Videos

Permalink: https://www.edwardconard.com/2012/05/10/edward-conard-talks-with-lou-dobbs

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/alg-dobbs-jpg-e1439864370750.jpg

Article 609

Title: NPR's The Takeaway

Author(s)	Ed Conard
Publish Date	2012-05-10
Publish Time	13:49:39

Content: NPR's The Takeaway Thursday, May 10, 2012

Topics: Blog,NPR,Radio

Permalink: https://www.edwardconard.com/2012/05/10/edward-conard-argues-for-income-inequality-in-unintended-consequences

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/01/TheTakeAway.jpg

Article 610

Title: Ed Conard on Newsmax TV

Author(s)	Ed Conard
Publish Date	2012-05-09
Publish Time	20:51:37

Content:

Topics: Blog,Newsmax,Videos

Permalink: https://www.edwardconard.com/2012/05/09/ed-discusses-why-penalizing-the-successful-discourages-investment-on-current-tv

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-newsmax-tv.png

Article 611

Title: Ed Conard debates Governor Ed Rendell on MSNBC's Morning Joe

Author(s)	Ed Conard
Publish Date	2012-05-09
Publish Time	13:36:03

Content:

Topics: Blog,Ed Rendell,Morning Joe,MSNBC,Videos

Permalink: https://www.edwardconard.com/2012/05/09/edward-conard-on-msnbcs-morning-joe

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-debates-governor-ed-rendell-on-msnbcs-morning-joe.png

Article 612

Title: Ed Conard on CNBC's Squawk Box hosted by Andrew Ross Sorkin

Author(s)	Ed Conard
Publish Date	2012-05-08
Publish Time	13:32:23

Content:

Topics: Andrew Ross Sorkin,Blog,CNBC,Videos

Permalink: https://www.edwardconard.com/2012/05/08/edward-conard-on-cnbcs-squawk-box

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/07/ed-conard-on-cnbcs-squawk-box-hosted-by-andrew-ross-sorkin.png

Article 613

Title: NPR's "The Takeaway"

Author(s)	Ed Conard
Publish Date	2012-05-04
Publish Time	13:32:38

Content: NPR The Takeaway Thursday, May 03, 2012 Guests: Pippa Malmgren Produced by: Ben Gottlieb Over the past year, "We are the 99 percent" has become a near-ubiquitous expression of solidarity against income inequality. It's growing and many cite it as a fundamental problem with our economy. But not Edward Conard, the former managing director of Bain Capital. In a new book called "Unintended Consequences: Why Everything You've Been Told About the Economy Is Wrong," Conard outlines why he believes those who occupy the wealthiest percentile in this country are also contributing the most to the economy. After being highlighted in an article by Adam Davidson in the New York Times, his argument has become the topic of much conversation. We're taking a closer look at it with one of its supporters, Pippa Malmgren, president and founder of Principalis Asset Management. "When I look around, I see a...shortage of people and investors willing to take those risks. That doesn't indicate to me that risk takers, as a whole, are overpaid. Quite the opposite." — Edward Conard

Topics: Blog,NPR,Pippa Malmgren,Productivity,Radio

Permalink: https://www.edwardconard.com/2012/05/04/the-new-trickle-down-economics

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2013/01/TheTakeAway.jpg

Article 614

Title: MSNBC discusses Edward Conard May 5, 2012

Author(s)	Ed Conard
Publish Date	2012-05-02
Publish Time	22:33:39

Content: MSNBC's "NOW with Alex Wagner" discusses Ed Conard's new book, Unintended Consequences which is featured on the cover of the New York Times Sunday Magazine. . http://www.youtube.com/watch?v=EdexE3HIoRk

Topics: Blog,MSNBC

Permalink: https://www.edwardconard.com/2012/05/02/msnbc-discusses-edward-conard-may-5-2012

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/msnbc.jpg

Article 615

Title: Ed Conard Responds to a New York Times Magazine Article

Author(s)	Ed Conard
Publish Date	2012-05-02
Publish Time	20:26:20

Content: It's unfortunate, in this highly politicized climate, that we can't have a serious discussion about what's best for the middle class and the working poor: innovation, prudent risk taking and the payoffs that motivate it or higher taxes on lucky risk-taking and less equity to underwrite it. Nevertheless, an author can't turn down the cover of The NY Times Sunday Magazine, no matter the perils of distortion... and there were! My book isn't about defending the one percent or the virtues of inequality as the NYT would breathlessly lead its readers to believe. It’s about how Americans would be better off if we oriented the economy and our financial system around risk-taking and innovation. Why shouldn't we have a country with twice as many young Steve Jobs creating the next Apple? Why shouldn't we have a financial system that puts capital to work investing in innovation rather than sitting on the sidelines? Do I feel misrepresented? You bet. Is 20:1 (the value of investment to non-investing Americans) “crucial” to my argument? Hardly; I used 5.7:1, no different than liberal economist Dean Baker’s 5:1. The benefit of investment to the middle class at 5:1? Not even a close call—there's no question investment helps the middle class. Am I mad at Buffett for his efforts to help others? Hardly; I expressed frustration that the sacrifice the middle class makes on behalf of Buffett’s donation goes unrecognized. Do I defend “dodgy” financial products? Absolutely not; I don’t even defend financial speculation. Even if the writer doesn’t understand the difference between investment and financial speculation, I do. Is “the world Conard describes” one without “art, romance and the nonrenumerative satisfactions of a simpler life?” No. I describe a world in which talented people feel a moral obligation to help those less fortunate by taking responsibility and prudent risks that make the world better. I have tried to outline a different economic approach and to offer a different analysis of the Financial Crisis. Leading economists have taken note. What did liberal Roubini really say to the writer? “I have great intellectual respect for [Ed’s] sharp mind. I enjoyed a read with as intelligent, provocative, and well-argued views as this [book has], even if [Ed’s] views don’t match my own economic policies. He makes you think whether you agree with him or not. Very few these days come with original and contrarian views about the economy.” What did Scheifer really say (taken from the back of the book)? “Ed Conard’s book presents the most cogent and persuasive analysis of the Financial Crisis to date.” Sadly, The NY Times takes a very serious argument about what is beneficial for the middle class and the working poor—investment and risk taking—and sensationalizes it for the benefit of promoting their Sunday Magazine. I guess you can't blame them for that. Edward Conard

Topics: Blog,Financial Crisis,Inequality,New York Times

Permalink: https://www.edwardconard.com/2012/05/02/edward-conard-responds-to-new-york-times-magazine-article

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2012/05/the-new-york-times-magazine-banner.png

Article 616

Title: The Purpose of Spectacular Wealth, According to a Spectacularly Wealthy Guy

Author(s)	Ed Conard
Publish Date	2012-05-01
Publish Time	20:10:18

Content: By Adam Davidson New York Times Magazine Published: May 1, 2012 To read Ed's reply to this article, click here. Ever since the financial crisis started, we’ve heard plenty from the 1 percent. We’ve heard them giving defensive testimony in Congressional hearings or issuing anodyne statements flanked by lawyers and image consultants. They typically repeat platitudes about investment, risk-taking and job creation with the veiled contempt that the nation doesn’t understand their contribution. You get the sense that they’re afraid to say what they really believe. What do the superrich say when the cameras aren’t there? With that in mind, I recently met Edward Conard on 57th Street and Madison Avenue, just outside his office at Bain Capital, the private-equity firm he helped build into a multibillion-dollar business by buying, fixing up and selling off companies at a profit. Conard, who retired a few years ago at 51, is not merely a member of the 1 percent. He’s a member of the 0.1 percent. His wealth is most likely in the hundreds of millions; he lives in an Upper East Side town house just off Fifth Avenue; and he is one of the largest donors to his old boss and friend, Mitt Romney. Unlike his former colleagues, Conard wants to have an open conversation about wealth. He has spent the last four years writing a book that he hopes will forever change the way we view the superrich’s role in our society. “Unintended Consequences: Why Everything You’ve Been Told About the Economy Is Wrong,” to be published in hardcover next month by Portfolio, aggressively argues that the enormous and growing income inequality in the United States is not a sign that the system is rigged. On the contrary, Conard writes, it is a sign that our economy is working. And if we had a little more of it, then everyone, particularly the 99 percent, would be better off. This could be the most hated book of the year. Conard understands that many believe that the U.S. economy currently serves the rich at the expense of everyone else. He contends that this is largely because most Americans don’t know how the economy really works — that the superrich spend only a small portion of their wealth on personal comforts; most of their money is invested in productive businesses that make life better for everyone. “Most citizens are consumers, not investors,” he told me during one of our long, occasionally contentious conversations. “They don’t recognize the benefits to consumers that come from investment.” This is the usual defense of the 1 percent. Conard, however, has laid out a tightly argued case for just how much consumers actually benefit from the wealthy. Take computers, for example. A small number of innovators and investors may have earned disproportionate billions as the I.T. industry grew, but they got that money by competing to constantly improve their products and simultaneously lower prices. Their work has helped everyone get a lot more value. Cheap, improved computing helps us do our jobs more effectively and, often, earn more money. Countless other industries (travel, telecom, entertainment) use that computing power to lower their prices and enhance their products. This generally makes life more efficient and helps the economy grow. The idea that society benefits when investors compete successfully is pretty widely accepted. Dean Baker, a prominent progressive economist with the Center for Economic and Policy Research, says that most economists believe society often benefits from investments by the wealthy. Baker estimates the ratio is 5 to 1, meaning that for every dollar an investor earns, the public receives the equivalent of $5 of value. The Google founder Sergey Brin might be very rich, but the world is far richer than he is because of Google. Conard said Baker was undercounting the social benefits of investment. He looks, in particular, at agriculture, where, since the 1940s, the cost of food has steadily fallen because of a constant stream of innovations. While the businesses that profit from that innovation — like seed companies and fast-food restaurants — have made their owners rich, the average U.S. consumer has benefited far more. Conard concludes that for every dollar an investor gets, the public reaps up to $20 in value. This is crucial to his argument: he thinks it proves that we should all appreciate the vast wealth of others more, because we're benefiting, proportionally, from it. Google's contribution is obvious. What about investment banks, with their complicated financial derivatives and overleveraged balance sheets? Conard argues that they make the economy more efficient, too. The financial crisis, he writes, was not the result of corrupt bankers selling dodgy financial products. It was a simple, old-fashioned run on the banks, which, he says, were just doing their job. There are a huge number of people in our economy who want ready access to their savings — pension-fund managers, insurance companies and you and me with our bank accounts. And because economic growth comes from long-term investments in things like housing, factories and research, the central role of banks, Conard says, is to turn the short-term assets of nervous savers into risky long-term loans that help the economy grow. Every once in a while, this system breaks down. For one reason or another, the savers panic and demand all their money back. This causes a massive problem because the money isn't sitting at the bank; it's out in the world in the form of long-term loans. "A lot of people don't realize that what happened in 2008 was nearly identical to what happened in 1929," he says. "Depositors ran to the bank to withdraw their money only to discover, like the citizens of Bedford Falls" — referring to the movie "It's a Wonderful Life" — "that there was no money in the vault. All that money had been lent." In 2008 it was large pension funds, insurance companies and other huge institutional investors that withdrew in panic. Conard argues in retrospect that it was these withdrawals that led to the crisis — not, as so many others have argued, an orgy of irresponsible lending. He points to the fact that, according to the Financial Crisis Inquiry Commission, banks lost $320 billion through mortgage-backed securities, but withdrawals disproportionately amounted to five times that. This stance, which largely absolves the banks, is not shared by many analysts. Regardless, Conard told me: "The banks did what we wanted them to do. They put short-term money back into the economy. What they didn't expect is that depositors would withdraw their money, because they hadn't withdrawn their money en masse since 1929." Conard concedes that the banks made some mistakes, but the important thing now, he says, is to provide them even stronger government support. He advocates creating a new government program that guarantees to bail out the banks if they ever face another run. As for exotic derivatives, Conard doesn't see a problem. He argues that collateralized-debt obligations, credit-default swaps, mortgage-backed securities and other (now deemed toxic) financial products were fundamentally sound. They were new tools that served a market need for the world's most sophisticated investors, who bought them in droves. And they didn't cause the panic anyway, he says; the withdrawals did. Even though these big conclusions are at odds with most other accounts, several economists said that they see Conard's description of the crisis as more than just an apologia for the banking class (though it certainly is that, too). Andrei Shleifer, an influential Harvard economist, told me that he thought Conard was "genuinely fantastic on finance." "Unintended Consequences" only mentions Romney by name once (and in the acknowledgments, at that), but Conard hopes that the arguments detailed in his book will help readers understand why it's so crucial that his former boss — who believes the government should help the investor class — win this November. As I read "Unintended Consequences," though, I wondered if the book would have the opposite effect. Even staunch Republicans and many members of the Tea Party might bristle at a worldview that celebrates the coastal elite and says many talented people in the middle class aren't pulling their weight. Was Conard saddling his old boss with another example of how out of touch those with car elevators and multiple Cadillacs can be? In this time of overheated arguments between opponents who rarely listen to one another, here was a rare member of the 1 percent openly trying to make his case. How convincing is it? Conard and I eventually sat down at a cafe off Madison. His book is filled with a lot of abstraction, so I asked him to show me how his ideas play out in the real world. Conard picked up a soda can and pointed to the way the can's side bent inward at the top. "I worked with the company that makes the machine that tapers that can," he told me. That little taper allows manufacturers to make the same size can with a tiny bit less aluminum. "It saves a fraction of a penny on every can," he said. "There are a lot of soda cans in the world. That means the economy can produce more cans with the same amount of resources. It makes every American who buys a soda can a little bit richer because their paycheck buys more." It might be hard to get excited about milligrams of aluminum, but Conard says that we live longer, healthier and richer lives because of countless microimprovements like that one. The people looking for them, Conard likes to point out, are not only computer programmers, engineers and scientists. They are also wealthy investors like him, who are willing to risk their own money to finance improvements that may or may not work. There is a huge mechanism constantly trying to seek out and support these new ideas — entrepreneurs, multinationals and, crucially for Conard, investment firms and hedge funds and everyone down to individual bond traders. As Conard told me, one of the crucial lessons he learned at Bain is that it makes no sense to look for easy solutions. In a competitive market, all that's left are the truly hard puzzles. And they require extraordinary resources. While we often hear about the greatest successes — penicillin, the iPhone — we rarely hear about the countless failures and the people and companies who financed them. A central problem with the U.S. economy, he told me, is finding a way to get more people to look for solutions despite these terrible odds of success. Conard's solution is simple. Society benefits if the successful risk takers get a lot of money. For proof, he looks to the market. At a nearby table we saw three young people with plaid shirts and floppy hair. For all we know, they may have been plotting the next generation's Twitter, but Conard felt sure they were merely lounging on the sidelines. "What are they doing, sitting here, having a coffee at 2:30?" he asked. "I'm sure those guys are college-educated." Conard, who occasionally flashed a mean streak during our talks, started calling the group "art-history majors," his derisive term for pretty much anyone who was lucky enough to be born with the talent and opportunity to join the risk-taking, innovation-hunting mechanism but who chose instead a less competitive life. In Conard's mind, this includes, surprisingly, people like lawyers, who opt for stable professions that don't maximize their wealth-creating potential. He said the only way to persuade these "art-history majors" to join the fiercely competitive economic mechanism is to tempt them with extraordinary payoffs. "It's not like the current payoff is motivating everybody to take risks," he said. "We need twice as many people. When I look around, I see a world of unrealized opportunities for improvements, an abundance of talented people able to take the risks necessary to make improvements but a shortage of people and investors willing to take those risks. That doesn't indicate to me that risk takers, as a whole, are overpaid. Quite the opposite." The wealth concentrated at the top should be twice as large, he said. That way, the art-history majors would feel compelled to try to join them. I first met Conard last fall, around the same period in which I was spending a lot of time in Zuccotti Park, interviewing anti-Wall Street protesters who argued that people like him were destroying our democracy. Most Wall Street leaders ignored the Occupy movement or evaded it, and I was sure Conard would be among the most silent. He had recently been stung by a 1 percent scandal of his own: setting up a company whose sole purpose was to donate $1 million to a political-action committee that supported Romney. He was being cast as the embodiment of the secretive and growing influence that the hyperrich have in our political system. If anybody was going to be shy with a reporter, I figured, it was him. Over lunch with editors from The Times Magazine, Conard proved the exact opposite. He looks like a benign middle-aged guy until he starts making an argument. At which point, Conard stares into your eyes and talks with intense force, punctuated by the occasional profanity, in full paragraphs. He delighted in arguing over corporate-bond rates and Chinese central-bank policy, among other arcane minutiae. It also became clear that he had exhaustively thought through the role of the superrich in our economy, and he wasn't afraid to share those opinions. Conard's life serves as the perfect model for his economic philosophy. Born in 1956, he grew up in a middle-class suburb of Detroit, the son of a kindergarten teacher and a Ford engineer. His childhood ambition was to be able to afford his own house in a Detroit suburb, but, he likes to say, he took a series of risks (like forgoing the more secure path of law school) that eventually led him to Harvard Business School. When Conard graduated, in 1982, he entered the burgeoning field of management consulting. He joined the prestigious Boston-based firm Bain & Company, which nine years earlier was founded with a radically different approach from the more traditional New York-based consulting firms. Those firms positioned themselves as grand thinkers, far above the fray of daily business struggles. Bain's approach was to join its clients in the trenches, providing analysis and working with senior management to beat the competition. In 1990, Conard decided to pursue even greater wealth by quitting Bain to become a manager at the investment bank Wasserstein Perella, in New York. He disliked the job, though, and when his old colleague Mitt Romney took him to lunch in 1992, Conard offered his services to Bain Capital, a division that Romney helped start in order to acquire companies with the goal of improving them itself. When Romney said he couldn't afford to match his Wall Street pay, Conard offered to work for less until Romney decided he had added enough value to deserve a bonus and stock options. His first year did not go terribly well, though Conard eventually identified an ideal takeover target, a company that made pharmaceutical-test instruments. Bain paid less than a half billion for the company. Its value has since risen to more than $7 billion. In 2000, he became the head of the New York office. Which leads us to what Conard said was his next big risk — leaving the business world to make his case for a new, decidedly pro-investor way to think about the economy. He seems genuinely certain that his arguments in "Unintended Consequences" will persuade a fair number of economists, politicians and thought leaders. I suggested during many of our conversations that being a public intellectual might be tricky when you freely say the sorts of things that Conard often does. During one conversation, he expressed anger over the praise that Warren Buffett has received for pledging billions of his fortune to charity. It was no sacrifice, Conard argued; Buffett still has plenty left over to lead his normal quality of life. By taking billions out of productive investment, he was depriving the middle class of the potential of its 20-to-1 benefits. If anyone was sacrificing, it was those people. “Quit taking a victory lap,” he said, referring to Buffett. “That money was for the middle class.” There’s also the fact that Conard applies a relentless, mathematical logic to nearly everything, even finding a good spouse. He advocates, in utter seriousness, using demographic data to calculate the number of potential mates in your geographic area. Then, he says, you should set aside a bit of time for “calibration” — dating as many people as you can so that you have a sense of what the marriage marketplace is like. Then you enter the selection phase, this time with the goal of picking a permanent mate. The first woman you date who is a better match than the best woman you met during the calibration phase is, therefore, the person you should marry. By statistical probability, she is as good a match as you’re going to get. (Conard used this system himself.) This constant calculation — even of the incalculable — can be both fascinating and absurd. The world Conard describes too often feels grim and soulless, one in which art and romance and the nonremunerative satisfactions of a simpler life are invisible. And that, I realized, really is Conard’s world. “God didn’t create the universe so that talented people would be happy,” he said. “It’s not beautiful. It’s hard work. It’s responsibility and deadlines, working till 11 o’clock at night when you want to watch your baby and be with your wife. It’s not serenity and beauty.” Central to this investor’s work ethic is another pillar of his worldview. Unlike Romney, Conard rejects the notion that America has “some monopoly on hard work or entrepreneurship.” “I think it’s simple economics,” he said. “If the payoff for risk-taking is better, people will take more risks.” Conard sees the success of the U.S. economy as, in part, the result of a series of historic accidents. Most recently, the coincidence of Roe v. Wade and the late 1970s economic malaise allowed Ronald Reagan to unify social conservatives and free-market advocates and set the country on a pro-investment path for decades. Europeans, he says, made all the wrong decisions. Concern about promoting equality and protecting favored industries have led to onerous work rules, higher taxes and all sorts of social programs that keep them poorer than Americans. Now we’re at a particularly crucial moment, he writes. Technology and global competition have made it more important than ever that the United States remain the world’s most productive, risk-taking, success-rewarding society. Obama, Conard says, is “going to dampen the incentives.” Even worse, Conard says, “he’s slowing the accumulation of equity” by fighting income inequality. Only with a pro-investment president, he says, can the American economy reach its full potential. At its core, Conard’s book addresses what is perhaps the most important question in economics, the one Adam Smith set out to answer in “The Wealth of Nations”: Why do some countries grow so rich and others stay poor? Where you come down on the answer has as much to do with your politics as your economic worldview (two things that can often be the same). Glenn Hubbard, a prominent economist and one of Romney’s chief economic advisers, takes his ideas seriously. “He doesn’t have the blinders of a model-based view of the world, which is an advantage and a disadvantage,” Hubbard told me. Others, like the progressive economist Dean Baker, were less kind. “I can’t say there was much I found compelling,” he told me. The celebrated New York University economist Nouriel Roubini went out of his way to say that he had “great intellectual respect for his sharp mind,” even if he didn’t agree on numerous points, especially the benefits of inequality. Nearly every economist I spoke with said that Conard has too much faith in the market’s ability to reward only those who create real value. Conard, for instance, insists that even the dodgiest financial products must have been beneficial or else nobody would have bought them in the first place. If a Wall Street trader or a corporate chief executive is filthy rich, Conard says that the merciless process of economic selection has assured that they have somehow benefited society. Even pro-market Romney supporters take issue with this. “Ed ought to be more concerned about crony capitalism,” Hubbard told me. “Unintended Consequences” ignores some of the most important economic work of the past few decades, about how power and politics influence economic growth. In technical language, this field is the study of “rent seeking,” in which people or companies get rich because of their power, not because of their ideas. This is one of the few fields in economics in which left and right share many influences and ideas — namely that wealthy individuals and corporations are able to influence politicians and regulators to make seemingly insignificant changes to regulations that benefit themselves. In other words, to rig the game. One classic example is banking. Banks have enormous resources to constantly put explicit or subtle pressure on lawmakers and regulators so that regulation can eventually serve their interests. Conard’s version of the financial crisis ignores much reporting and analysis — including work I’ve done with NPR's "Planet Money" team — that shows that some of the nation's largest banks actively manipulated customers and regulators and, sometimes, their own stockholders to profit from dangerous risk. And for many economists, rising inequality can create exactly the wrong outcomes for society over all. Rather than simply serving as an invitation for everybody to engage in potentially beneficial risk-taking, inequality can allow those with wealth to crush new ideas. I kept raising these questions with Conard, but he repeatedly waved them off. "I don't want to talk about rent-seeking," he told me. "When you go off to a third-world country, there's a dictator who says, 'I'm giving the telephone franchise to my brother-in-law.' It's pretty hard to do that here." I countered that many economists see rent-seeking in the United States as a much more subtle but still destructive process. If some rich people are able to get and stay rich by messing around with the rules, then those art-history majors will feel as if they have no chance to break into a well-connected, well-protected elite. Perhaps concentrated wealth will inspire a nation of innovative problem-solvers. But if the view of many economists is right — that it sometimes discourages innovation — then we should worry. While Conard offers deep and well-argued analyses on almost every issue, on this one he resorted to anecdotes and gut feelings. During his work at Bain, he said, he saw that successful companies had to battle against one another. Nobody was just given a free ride because of their power. "Was a person, like me, excluded from opportunity?" he asked rhetorically. "If so, I wasn't aware!" I suggested that both could be true. The rich could earn a great deal of wealth through their own hard work, skill and luck. They could also use their subsequent influence to make themselves even richer. One of the great political and economic challenges of our time is figuring out the balance between wealth that benefits society and wealth that distorts. Of course we want to encourage people to take risks and find areas of productive innovation. It's just not in the interest of the United States to allow wealth to skew the political process so that good new ideas are barred. Are Conard's views the uncensored, impolitic version of the man he hopes will be president? The Romney campaign said they wouldn't comment in any way on "Unintended Consequences," and Conard wouldn't share with me anything about his private conversations with his old friend. Glenn Hubbard said only that at a broad level, Romney and Conard share "beliefs about innovation and growth and responsible risk-taking." Conard and Romney certainly share views on numerous policy matters. Like many Republicans, they promote lower taxes and less regulation for those who achieve financial success. Romney has also said that rising inequality is not a problem and that the attention paid to the issue is "about envy. I think it's about class warfare." The differences between these two men are also striking. Romney's economic platform and his record as the governor of Massachusetts suggest that he is more of a centrist than Conard. Romney wants to eliminate capital-gains taxes for people earning less than $200,000 a year but keep them in place for the 1 percent, which Conard says is a good start but doesn't go far enough. The biggest difference is that Romney is running for president and needs more people to like him. Conard doesn't have to worry about that. "People get very angry before they change their mind," he said. "Economics is counterintuitive. It just is." I told him that surely is true, but his ideas are counterintuitive even to people well versed in economics. After we spoke for one of the last times, he sent me an e-mail summing up his argument: At base, having a small elite with vast wealth is good for the poor and middle class. "From my perspective," he wrote, "it's not a close call." Adam Davidson writes the "It's the Economy" column for the magazine. He is a founder of NPR's Planet Money, a podcast and blog. Read the full article here

Topics: Adam Davidson,Blog,Blog Highlights,Financial Crisis,Monetary Policy,New York Times,Print,Productivity,Unintended Consequences

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Article 617

Title: Publishers Weekly Review

Author(s)	Ed Conard
Publish Date	2012-04-23
Publish Time	19:39:32

Content: Conard, a former partner at Bain Capital, the venture capital firm founded by Mitt Romney, and a Romney megadonor in the 2012 presidential campaign, expounds on U.S. economic policy and the future, defending private investment against government regulation and redistribution. The result will not please the Occupy Wall Street crowd. Conard lets banks off the hook for the subprime and mortgage-based bank debt debacles. Blaming government financial and housing policies, he claims “bankers, investors, and credit rating agencies and regulators all suffered from the same mistaken optimism.” Conard reminds readers of America’s past economic success and exceptional affluence, citing the cost of food, which has declined from 25% to 10% of household budgets since 1930. But he looks forward to a nation “exiting manufacturing” and continuing to innovate, sidestepping the problem of unskilled U.S. workers in a “world awash in unskilled labor.” Aging baby boomers and “changing U.S. demographics will make it harder and harder” to save and invest, he admits. A laissez-faire optimist, Conard sees venture capitalists and investors as the true American heroes, and lionizes these risk takers, insisting that entrepreneurial spirit and innovation will guide America’s economic future. His defense of private enterprise deserves the attention of policymakers in Washington. Agent: Cathy D. Hemming, Cathy D. Hemming Literary Agency. (June) http://www.publishersweekly.com/978-1-59184-550-8

Topics: Banking,Blog,Productivity,Publishers Weekly

Permalink: https://www.edwardconard.com/2012/04/23/publishers-weekly-review

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Article 618

Title: Please Don't Soak the Rich

Author(s)	Ed Conard
Publish Date	2012-04-01
Publish Time	0:02:40

Content: A successful economy requires outsize rewards for the able (and lucky) few who overcome very long odds to produce valuable innovations that others are willing to pay for. By Brian M. Carney In the wake of the 2008 financial panic, a narrative has developed around the American economy. Call it the Occupy Wall Street view of history. According to this view, America is dominated by a greedy kleptocracy—the 1%—that exploits everyone else, reaps most of the spoils for itself and manages to avoid paying its fair share of taxes on its ill-gotten gains. Edward Conard, a one-time partner of Mitt Romney's at Bain Capital, is having none of it. "Unintended Consequences" is a full-throated defense of economic dynamism, entrepreneurial risk-taking and the rewards of success—with due recognition of the long odds that face any business or investor. Mr. Conard embraces economic Darwinism as not just the best but the only route to prosperity and economic growth—to more jobs and higher standards of living. "Survival of the fittest," he writes, "pits new ideas against existing alternatives . . . [and] ruthlessly prunes away less capable alternatives, ensuring that only the most valuable and robust remain. "Mr. Conard subtitles his book "Why Everything You've Been Told About the Economy Is Wrong," and much of it is indeed dedicated to knocking down bogus clichés. Contrary to what the doomsayers contend, the trade deficit is good for growth, he argues: Borrowing from China to buy cheaply made Chinese goods frees up money to be invested more profitably at home; in the meantime, China buys our debt and keeps interest rates low. Our return on investments in innovation is greater than the cost of borrowing from abroad, so America comes out ahead. Punishing banks for the financial crisis, he argues, is counterproductive. Instead, we should find ways to charge banks for the guarantees against failure that they receive from the federal government and then encourage them to put idle capital to work by investing in the next generation of American businesses. In a similar spirit of contrarianism, Mr. Conard says that income redistribution through high marginal tax rates hurts the middle class and the poor more than it hurts the rich who pay the taxes. Through a series of calculations, he shows that money invested by the well-to-do throws off more wealth to society—what economists call the "consumer surplus," or the value to consumers of the new products produced by investment—than the same amount of money when it has been taxed and redistributed. Even charity is bad for the economy, Mr. Conard says, because it diverts potential risk capital to less productive uses. Unintended Consequences By Edward Conard (Portfolio, 310 pages, $27.95) At the heart of "Unintended Consequences" is Mr. Conard's contention that a successful economy requires outsize rewards for the able (and lucky) few who overcome very long odds to produce valuable innovations that others are willing to pay for. However rich these "lucky risk takers" get from starting Google or Apple, or Wal-Mart or FedEx—or for bringing innovation to tried-and-true goods and services—we as a society, Mr. Conard says, reap much more benefit from their inventions than the risk-takers themselves. Innovations in agriculture, for example, have allowed the percentage of our income that we spend on food to decline to about 10% today from 24% in 1950. In that time, producers' profits have remained steady at about 10% of revenues. If you do the math, which Mr. Conard himself does in a footnote, you find that the split of value, over time, favors consumers by a ratio of 20-to-1. A similar split, he argues, can be detected almost anywhere one looks in our economy. Far from mercilessly exploiting hoi polloi, even the risk takers who do spectacularly well—and Mr. Conard emphasizes that failure is "almost certain" when entering into this Darwinian competition—end up, in effect, giving away most of the value they have created. What is more, the competitive advantage that comes from innovation is fleeting. Consider MySpace, if you can remember it at all. But consumers benefit from invention no matter which competitor comes out on top, and the benefits we enjoy long outlast the profits reaped by the original inventors. Thus we should do everything we can to motivate people to put their capital at risk on behalf of new ventures, including lowering their tax rates. Mr. Conard does not like the vogue idea of taxing consumption rather than investment. Increased consumption, he says, "is the return for investment." Rewarding success with both wealth and status, according to Mr. Conard, is how America succeeded in the first place, and it is the only way to return to strong growth and full employment. As he puts it: "High payoffs for lucky innovators motivate others to duplicate their success and avoid loss of status from failing to do so. Rather than lamenting the disparity of U.S. wages, we should cherish our good fortune." More equal societies work less, invest less, grow more slowly and ultimately leave everyone less well-off. In recent years, the U.S. "ran the table on Internet innovations, creating companies like Google, Facebook, Microsoft, Intel, Apple, Cisco, Twitter, Amazon, eBay, YouTube and others," while "Europe and Japan," with higher marginal tax rates, lower work-force participation and fewer hours worked per employee, "scarcely contributed." It is refreshing, at a time when so many take the failure of capitalism for granted, to read a bravado defense of the greatest force for wealth creation that the world has ever known. Mr. Carney is editorial-page editor of The Wall Street Journal Europe and co-author of "Freedom, Inc." (Crown Business). http://online.wsj.com/article/SB10001424052702303901504577462621107941692.html

Topics: Blog,economy,Print,Unintended Consequences

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Article 619

Title: Tyler Cowen's Marginal Revolution Reviews Unintended Consequences

Author(s)	Ed Conard
Publish Date	2012-03-19
Publish Time	20:12:33

Content: Part 1 Edward Conard, author of Unintended Consequences: Why Everything You've Been Told About the Economy is Wrong, offers a hypothesis. He suggests the underlying cause is the (relatively recent) prevalence of risk-averse foreign capital: With an abundance of risk-averse offshore capital, the constraint to increase investment and risk taking has been the capacity of risk underwriters, not capital providers. Today, Wall Street uses financial innovation to decouple risk from investment capital and predominantly sells risk to risk underwriters, which is no different from an insurance broker or insurance company. Wall Street deconstructs, prices, underwrites, syndicates, trades, and makes markets for risk. Because Wall Street now performs the more abstract function of syndicating risk rather than merely raising capital, people — even people as well informed as former president Bill Clinton — have naively concluded that these transactions serve "no economic purpose." Risk underwriting is every bit as important as funding investment, perhaps even more so in today's economy where the trade deficit leaves us awash in risk-averse short-term debt to fund investment provided someone else underwrites the risk. So far I find parts of this book brilliant and other parts dead wrong. In any case it is full of substance, it is one of the must-read books of the year, and once I finish it I will be giving it a second read through right away. Part 2 Rather than demanding an end to default-prone subprime lending funded with hair-triggered short-term debt, bank critics have, ironically, demanded an end to proprietary trading, which they view as unnecessarily risky, but which was inconsequential to the cause of the Crisis. In a world where banks underwrite and trade risk, what constitutes proprietary trading? When a bank takes credit-default risk by making aloan, is it taking proprietary risk? It is, without a doubt. But loaning money is what banks do. When a bank like Goldman Sachs seeks to unwind that risk by shorting mortgages prior to the downturn, is that proprietary trading? Yes. So is borrowing short and lending long. With banks now primarily underwriting, pricing, and trading risk rather than merely funding loans, restrictions on proprietary trading unnecessarily imperil banks and distort capital markets to restrict banks to only the long side of the trade. restricting banks to long-only positions substantially increases withdrawals in the event of a panic. I would stress that the real problems come when the overwhelming majority of banks go heavily long on some fairly simple assets — usually real estate — in an overly optimistic way. Think Ireland, Iceland and the United States during the last crisis, among many other instances. Once the short-term debt behind those banks starts to unravel, all hell breaks loose and the central bank can at best limit but not stop the carnage. That is the main problem financial regulation should be trying to address and it isn't easy. I am much less worried about "rogue trades" or "rogue investments" at individual banks (or non-banks), even very large ones. Such trades surely exist: think LTCM or even Continental Illinois. Ex post, there is usually a way to plug the gap, if only by having the Fed backstop a deal. After all, the rest of the banking system is sound in these scenarios. Prop trading may increase the chance of this second problem, but arguably it decreases the chance of the first and larger problem. You can buy Conard's stimulating book, Unintended Consequences, here. Conard, by the way, does object to how the government implicitly subsidizes the short-term debt of the major U.S. banks and he views that as the root of the problem behind proprietary trading, not the trading itself. http://marginalrevolution.com/marginalrevolution/2012/05/more-from-edward-conard.html

Topics: Banking,Blog,Monetary Policy,Productivity,Tyler Cowen

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Article 620

Title: Ed Conard on Fareed Zakaria

Author(s)	Ed Conard
Publish Date	2012-03-01
Publish Time	19:51:34

Content: Ed Conard discusses how innovation and risk taking drive economic growth and benefit the middle class with Fareed Zakaria on CNN's "Global Public Square."

Topics: Blog,Fareed Zakaria,Videos

Permalink: https://www.edwardconard.com/2012/03/01/edward-conard-on-fareed-zakaria

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Article 621

Title: Ed Conard debates Alan Krueger on Obama's economic record and if he's to blame for slow growth on Bloomberg TV

Author(s)	Ed Conard
Publish Date	2012-02-28
Publish Time	10:05:31

Content: Ed Conard debates Alan Krueger on Obama's economic record and if he's to blame for slow growth on Bloomberg's "In the Loop with Betty Liu."

Topics: Alan Krueger,Blog,Blog Highlights,Bloomberg,growth,Obama,Videos

Permalink: https://www.edwardconard.com/2012/02/28/ed-conard-debates-alan-krueger-on-obamas-economic-record-and-if-hes-to-blame-for-slow-growth-on-bloomberg-tv

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Article 622

Title: No Role for Fed in Income Distribution

Author(s)	Ed Conard
Publish Date	2012-02-27
Publish Time	18:56:01

Content: NEW YORK TIMES by Ed Conard | October 27, 2014 The Federal Reserve has neither the mandate to redistribute wealth nor the tools to do it effectively. Should it try, it will likely fail. Were it to succeed, it would likely lower middle- and working-class incomes. Either way, it would violate one of America's founding principles — no taxation without representation — as well as its mandate to promote stable prices. A blatant political act like this would justify Congressional intervention and jeopardize the Fed's critically needed independence. A Federal Reserve that abides by its wisely chosen mandates is best for America. The Fed can do little more than allow price inflation after the economy recovers by refusing to rein in the monetary base at that time. Unexpected price inflation may transfer wealth from lenders to borrowers but it is unlikely to transfer wealth from higher- to lower-income workers. Wealthy Americans can afford to bear greater risks and earn higher returns from holding equities. Equity tends to hold its value in a bout of unexpected inflation. Even if the Fed could transfer wealth from higher- to lower-income Americans, this would probably decrease middle- and working-class incomes. Unlike the 1950s and '60s, when the supply of labor was more restricted, the Baby Boom increased workforce participation of women, immigration, and trade deficits greatly increased the supply of labor. Growth subsequently increased much needed employment rather than pushing up wages. Since 1980, U.S. employment has grown nearly 50 percent — twice as fast as Germany and France, and three times faster than Japan — at median after-tax disposable incomes that were 20 to 30 percent higher. Lowering the value of successful risk-taking by distributing incomes more equally may slow risk-taking, growth, employment and wages as appears to be the case elsewhere. Free markets logically bid up the value of what they need most and have least — properly trained talent willing to take risks that produce innovation and growth. Why should we think central planners know better? Read Joseph Stiglitz and others in the Room for Debate on New York Times.com

Topics: Blog,Inequality,OpEds,Print

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Article 623

Title: Ed Conard on ABC News

Author(s)	Ed Conard
Publish Date	2012-02-26
Publish Time	14:33:38

Content: Ed Conard explains how America's top earners impact the economy on ABC's "World News Tonight with David Muir."

Topics: ABC News,Blog,Videos

Permalink: https://www.edwardconard.com/2012/02/26/edward-conard-on-abc-news

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Article 624

Title: Rescuing Subprime Borrowers Won't Fix the Economy

Author(s)	Ed Conard
Publish Date	2012-02-25
Publish Time	15:53:43

Content: Fortune Magazine By Edward Conard | June 11, 2014 In their new book, House of Debt, Atif Mian and Amir Sufi make a persuasive argument that a decline in consumption caused by a drop in home prices slowed the economic recovery more than a weakened banking system. Even if banks were strong, they argue, the demand for loans would still be weak. Mian and Amir Sufi blame a sharp increase in savings by highly levered homeowners for the fall off in consumption and borrowing; as a result, the authors urge taxpayers to cover homeowner losses, including unrealized losses, to stimulate demand and help grow the economy. Going forward,
they also recommend that the government should require borrowers to purchase insurance
to guard against declining home values. Even if Mian and Sufi are right that a falloff in subprime consumption is chiefly responsible for the slow recovery, they never convincingly show that highly levered homeowners saved sharply more when home prices fell. To make their case, the authors present evidence that low-income households borrowed against the rising value of their homes and spent the proceeds. They assume these same homeowners saved at a similar rate when home prices declined. This assumption need not be true, and without further evidence, it does not seem likely. Low-income households tend to consume all of their income and save little for retirement. When home prices rose prior to the recession, low-income homeowners borrowed against their unrealized real estate gains and consumed much of that additional wealth. When home prices fell, these homeowners had no need to lower their consumption beyond the level required to pay back the loan. In fact, many defaulted on their agreement to repay, rented a comparable but now-cheaper home, and increased their consumption. To bolster their claim, Mian and Sufi show that consumption—namely, automobile purchases—fell in zip codes with highly levered homeowners as housing prices declined. Yet, the authors overlook a more likely explanation for this decline in spending. When households borrow and spend, their spending temporarily rises above their income. Once households consume the proceeds, spending must fall back to the households' income. A given zip code can only continue to spend more than its income if additional households within the zip code start to borrow and spend. Overall, spending can only exceed income for as long as accumulated debt continues to rise relative to the zip code's income, which cannot continue forever. If real estate prices fall and less levered households no longer have excess collateral against which to borrow, spending must fall sharply back to income, even if levered households continue to spend all of their income. If highly levered homeowners did cut consumption following the housing market crash, they probably did so because of uncertain employment prospects. Under this alternative scenario, employment dropped because of a decline in borrowing by less levered households and not by an increase in saving by more levered households. The difference is hardly inconsequential. In Mian and Sufi's scenario, the zip code's spending temporarily fell below its sustainable level. In this case, short-term fiscal stimulus, as prescribed by Mian and Sufi, might boost spending in order to prevent a temporary lull in demand from unnecessarily damaging the economy permanently. In the alternative scenario, the zip code's spending fell back to its permanently sustainable level. In that case, damage caused by the need to reallocate production is ultimately unavoidable. The authors overlook this alternative explanation. Their recommendation does little more than continue to heap money on the very households that consumed more than they earned. Worse, it assumes income redistribution has no cost, when even the International Monetary Fund has concluded that Europe's higher level of transfer payments have slowed its long-term growth relative to the U.S. To revive subprime lending and associated consumption, but mitigate the risk of recession, Mian and Sufi recommend that the government require mortgage holders to buy insurance that protect them against a decline in home prices. The authors believe insurers will agree to bear 80% of the loss for 5% of gain. But why would insurers do this when they

can buy and rent out a comparable house to capture 100% of the gain for bearing 100% of the loss (i.e., a 1:1 loss-to-gain ratio vs. 16:1), since the lenders would require insurers to post collateral on par with a 20% down payment anyway? No surprise, this is precisely what investors did—they bought large portfolios of homes to rent. At a deeper level, Mian and Sufi call for funding private investment with more equity and less debt. There are two problems with this recommendation: First, growth of the trade deficit from 1.5% of GDP in the late 1990s to 5% of GDP by the mid-2000s flooded the U.S. with risk-averse savings, not risk-bearing equity. If those savings sit idle, growth will slow, unemployment will rise, or wages will be lower. Without offering specifics, the authors call for the government alone to employ risk-averse savings, but how might the government do that other than to run even larger fiscal deficits or guarantee even more private-sector debt than they already do? Even after publically held federal debt doubled from about 35% of GDP prior to the crisis to over 70% today, and federal guarantees expanded from 45% to over 50% of financial firm debt, the supply of risk-averse savings still exceeds the supply of government-guaranteed debt. Second, the capacity of equity to produce growth by underwriting risk is finite. Had we used more equity to absorb the risk of investing in real estate, there would have been that much less equity available to underwrite risk elsewhere. Slower growth in sectors with less equity would offset gains in sectors with more equity, especially if we reallocated equity to sectors where the growth is unsustainable. The key to accelerating the recovery is not to generate unsustainable consumption, as Mian and Sufi propose. Rather, we must find sustainable uses for risk-averse savings—to fund productivity-enhancing infrastructure, for example, if that were possible in more than just theory. Alternatively, we could accumulate more equity by lowering marginal taxes on successful innovators and use that equity to underwrite the risk of consuming or investing risk-averse savings. In practice, this would mean using the equity to fund larger down payment on homes or to capitalize banks with more equity, for instance, without merely reallocating equity from other sectors of the economy. We could also reduce the supply of risk-averse savings by discouraging these savings with negative interest rates or by restricting trade deficits, for example, if that were possible without offsetting repercussions. As a last resort, we could let risk-averse savings sit idle and consequently accept permanently lower growth, higher unemployment, or lower wages. Without a full accounting of the costs, Mian and Sufi's calls for more equity and less debt to mitigate recessions, low-cost insurance to cover housing losses, and fiscal stimulus to prop up what they hope is a temporary lull in demand, are little more than wishful thinking. Insight must show us how to choose between real alternatives that, unfortunately, have costly tradeoffs. House of Debt does not do this. Edward Conard is the author of Unintended Consequences: Why Everything You've Been Told About The Economy Is Wrong. He's also a visiting scholar at the American Enterprise Institute, and a former Managing Director at Bain Capital.

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