

3 PM - 1930s On economics and citizenship

“What do you do with people who say, ‘If you don’t give in, I’m going to hold my breath until I turn blue in the face?’”

“It would be unkind to laugh. They hold themselves hostage and hope you’re gullible enough to fall for it.”

“National advertising agencies threaten to withhold advertising if we don’t give them a rate that would force other local advertisers to subsidize them.”

“You don’t give in?”

“Hell, no. Other newspapers do, underwriting unfair competition for a few extra pennies of revenue from outside advertisers. Experimental philosopher Joshua Knobe proposed a problem where one company CEO had the option of producing a product that would be profitable but harm the environment, and another company CEO had the option of producing a product that would be profitable and help the environment. In a survey some 82 percent believed the first CEO intentionally damaged the environment but only 23 percent believed the second CEO intentionally helped the environment.

“Is that the same problem?”

“Suppose a national advertiser wants advertising delivered with a newspaper but does not wish to pay for the newspaper’s newsgathering that is essential to the community. They want rates so cheap that competing local advertisers would have to shoulder the extra costs. To parallel the experimental philosophy, the national advertiser would damage the environment to further its own profit. It does not have to live in this environment. In fact, this advertiser would siphon its profits out of the area to spend millions each year to buy naming rights for a huge sports arena near its headquarters.”

“They don’t care. They don’t have to.”

“A newspaper prepared to live within its means can gamble in a face-off against national advertising agencies and stand up to such poor behavior. A national advertising agency serves the ad agency first, then the advertiser, and newspapers last of all.”

“I thought an agency ought to serve the advertiser.”

“Not at all. If an advertiser’s business is to sell product or service to the community, and a newspaper’s business is to provide as much news to the community as ads and subscriptions support, an agency can insinuate itself between the advertiser and the newspaper with the promise to hold down costs. But it’s too easy for the agency to attempt to maximize its own profit at the expense of both the advertiser and newspaper. Agencies often are not about a creative response to win market share, and often do not have the advertiser’s best interest at heart.”

“What do you do about it.”

“We won’t be bullied. We don’t have a rubber rate card. We can’t depend on the whims of national advertisers who are not invested in our community for revenue to support the newspaper. Either support the community like every other retailer or take your business elsewhere. We’ll size the newspaper to fit the revenue from those willing to support it.”

“The economy really is putting pressure on newspapers now, isn’t it.”

“Yes. Advertising is both a leading and a lagging indicator of recession. Today is like the 1930s in more ways than one.

“The economics of the 1930s forced people out of their comfort zone. In 1935, the Harlem riots brought to an end the Harlem Renaissance. Rising unemployment led to disaffection and they abandoned Adam Smith economics they never really understood. Wanting quick solutions, they followed charlatans who claimed to know a better way—socialism, communism, the occult. People escaped into motion pictures and magazines. Father Coughlin drew 40 million people to his radio shows using as a slogan a contrived claim of social justice. Faced with similar economic crisis today, many are as gullible as radio listeners were

back then, as gullible as the Marxist socialists popular at the time, or as gullible as those who followed Adolph Hitler.

“The times were tuned for Karl Marx, whose 1840s world was rocked by industrialization and urbanization, and well documented by Charles Dickens. How silly to presume the world Marx analyzed is like the world of today. We can check his computations with an additional a hundred years of experience and, for the most part, find the answers wanting.”

“In what way?”

“Take competition, for instance. Marx suggested that competition was destined to undermine workers wages and the political system should remove it from play. All practical attempts to remove competition from play have simply changed the venue for it. Competition occurs within the party, ostensibly hidden from view but obvious nonetheless. Power and privilege are still exercised, so Marx was wrong.”

“If competition cannot be removed, what can challenge competitive abuse?”

“The remedy for competitive abuse, as Adam Smith understood, is transparency and increased competition. During political silly seasons, candidates decry the failure of competition and propose more regulation. Then they decry the failure of that regulation and propose further regulation. Such calls for order are either hubris, a subterfuge to gather power, or both. Practical Marxists understand from experience that imposed order is almost always abused.

“Regulatory practice today tolerates collusion between legislators, bureaucracy, and private organizations to pass laws that set favorable rules to game the system to ‘legally’ loot it, returning a fraction of the ‘donations’ they have milked to the very politicians that posture they had set regulations to help the little guy. Isn’t America great? Excessive regulatory intervention—all in the name of cleaning up government and business—does more damage than transparency and competition. At least with competition, people who mistrust can vote with their

pocketbook. When government takes you to the cleaners, you have no choice but they milk you.

“If capitalists can misuse labor, Marx believed that labor should control the means of production. But Alexis De Tocqueville observed the American republic will endure ‘until the day Congress discovers that it can bribe the public with the public’s money.’ Democracy in industry is as susceptible to abuse as democracy in a nation-state.”

“For example . . .?”

“In the 1930s, Hitler was democratically elected. Hitler played on what people longed to hear. Hitler did not care whether what he said was true or false, and neither did the polity. His book, *Mein Kampf* (*My Struggle*) and his speeches, cast as a struggle against lies, were themselves lies used in his struggle to overpower others. His lies were as readily accepted then by those who wanted to believe as the gullible today accept the current political drivel.

“In occupied Germany after WWII, conversation with those who survived gave a different perspective to the enticements of Hitler in the 1930s. Post-WWI reparations touched Germans in the pocketbook, but not as keenly as its defeat held a mirror to a national identity Germans did not want to face. Europe was caught up in the popularity of Darwinism and Hitler told Germans what they wanted to believe—that they had special national character: native intelligence, physical beauty, and traits of loyalty and service. Hitler told them to ignore the mirror of defeat and regain their personal image. People believe in nationalism, regardless of its truth, as much as sports fans believe their support wins games.

“In the 1930s, as in 2008, as trust declined, the velocity of money slowed to a standstill. Velocity is a measure of wealth transactions in a given time. One dollar that changes hands six times has the same velocity as a single exchange of six dollars whether one buys something, invests in a business, or puts in a bank the dollar someone else then borrows. To destroy wealth, destroy velocity. Wealth destroyed, reduces resilience and limits the ability to adapt.

“Wealth isn’t the problem. Wealth isn’t evil. Creating wealth increases options. How wealth is used determines whether it is good or bad. Wealth that creates enterprise is useful. Wealth used to consolidate power warps the world. A union PAC might misuse wealth to consolidate influence. One foundation might launder and misuse wealth to undermine society’s institutions while a different foundation might usefully fund science or health.

“I worry that today, like the 1930s, opportunistic economic infections can occur. To appreciate how quickly things can change, consider how much the world, advertising, and the game of *Go* have in common. Ever hear of the game of *Go*?”

“No.”

“Often described as Chinese chess, *Go* is a simple game to learn, simpler than all the subjects thrown at us in school, but infinitely complex in strategy and strikingly beautiful to watch. In 1951, Yasunari Kawabata won a Nobel Prize for Literature for his work that included *The Master of Go*.

“People interact in life like the stones played in *Go*. We empower a person or a *Go* stone to contribute to the best of his or her ability. Advertising is like a game of *Go* where the goal is to move a limited army to command territory while conserving your own resources. Each move from one side is matched by a move on the other. Competitive like war, the framework for survival in *Go*, as in life and civility, is tissue thin. *Go* stones and advertising representatives are uniform in function. One stone—one piece, one move with timing, leverage, position, shape, and luck makes the difference between life and death for an entire army of stones. Ever hear of Joshua Chamberlain?”

“Civil War general?”

“That’s the one. Chamberlain was a grammar teacher from Maine, by chance the guardian of Little Round Top during crucial hours at Gettysburg, the major battle of the American Civil War. Chamberlain understood what was at risk—what was important and why. His mastery of what mattered—his understanding of his circumstance—meant Chamberlain didn’t

so much have courage as courage had him. One stone played in *Go* can turn a game. Chamberlain was one stone in the history of a single nation that made a difference in the history of the world. Throughout history—and still today—one stone can make a difference for that instant, or for the unimaginably distant future.

“Confucius was a failed bureaucrat, examining what was his nurtured nature to think, who explained those thoughts to others. Some who heard him fixed those thoughts in ivory. That engraved wisdom survived in books projected into the future so unimaginably distant to Confucius. Many still don’t see his value, but he touched at least one contemporary mind. Mine. Continuing the real-life game of *Go*, I’ll set down useful patterns I have come to appreciate for others—and if it’s not accessible in this generation, it can be telescoped ahead for a mind of someone else in the next unimaginably distant future. Who knows what it will stimulate.

“That’s a nice board. I like the sound each stone makes.”

“When played, each stone resonates with a satisfying baritone ‘tock!’ Each play creates a new opportunity to project into the future and prune unreasonable options. *Go* is a useful metaphor for the dynamic nature of the game, its sense of time, and its pivot points.

“Ever use regular old lye soap of the kind great-grandma used to make?”

“No.”

“To sell their replacement for soap, some advertisers used to claim their products left no soapy residue, complete with graphic illustrations, promoting a perceived advantage. But suppose that residue—the protective film—helped keep skin moisturized after a shower. Wooing the audience, the competitor would promote the advantage of soap as a disadvantage. Advertisers often prey on ignorance. Isn’t that uncivil? A thoughtful person seldom resorts to reason to parse an advertisement’s words to decide whether to purchase this or that aftershave.”

“Isn’t the purpose of advertising to sell?”

“The purpose of advertising is to inform. The current use of advertising is to sell by any means, even if it doesn’t inform. No one takes offence at the ad that succeeds at selling while it fails to convey useful information. Imagine what would happen to our economy if aftershaves or hot combs stopped selling because buyers, aware of what society needs, started demanding precision in what advertisements said. Imagine holding advertisers accountable for advertising and politicians responsible for their Astroturf and political blather.”

“Are we talking advertising or politics?”

“We’re talking hermeneutics, which is the attempt to establish meaning, and contemporary politics which tries to obscure meaning. Astroturf—or Axelturf—is the willful clogging of the arteries of communications. A lie is antithetical to society. Politics, through lies, does incredible violence to society, and it occurs unremarked by journalists and academics.

“Right now, the difference between Democrats and Republicans is that the Democrats believe in compulsion while the Republicans believe in compulsion—they just disagree about what you should be made to do.”

“Each party is afraid of the other and, as a result, unreasonable. Their advertisements appeal to fear, not reason. Democrats would put you under the control of the state, because they are the state. Republicans would put you under control of the state, because they don’t like what the state allows. ‘Give your property to people who do nothing to deserve it!’ ‘Stop killing the unborn!’ ‘Reduce your carbon footprint!’ It’s the same only different.”

“But times are different than in the 1930s. There is a greater disparity of income now than in the 1930s.”

“You seem bothered by that but fail to put the information in context to make it news. Compared to the poor of the 1930s, the poor today are decidedly middle class. Technology has advanced; reaching into every household so that even the poorest of the poor have electricity they did not have in 1900. They have access to urgently needed medicine, even when the delivery system is

inefficient. Instead of insurance, those without coverage show up at the hospital emergency room for expensive care, but they are treated. The less fortunate are more connected through cell phones, television, and Internet. Economist Mark J. Perry notes that virtually all households have electricity, refrigerators, stoves, and radios. More than 95% have color TV. More than 90% have telephones, microwaves, and automobiles. Almost as many have cell phones, air conditioning, and washers and dryers. Almost 75% have computers and better than 60% had Internet, and that was in 2005 according to the Census Bureau. Consumption spreads faster today, and our economy makes it possible.

“Like much political science, your comparison may be true but not useful. If an inventor creates something that makes him wealthy, income disparity may increase but everyone benefits because the whole pie is bigger.

“Too often those who challenge income disparity are simply envious and want a cut of the wealth to control.”

“No, the little people deserve more.”

“That’s your feeling. Because it is only a feeling, not a principle, you have to resolve the issue using principles forged from experience or risk that you make things worse when you create unintended consequences. If the little people deserve more, train them to earn more in an economy that works. We’ve declared war on work. We don’t prepare people to do work. We pay them not to work. There is a sense of complacency. We need a public relations campaign to promote work. If you post a chart on income disparity, let’s also post a chart representing the ‘Power Index.’”

“What’s the Power Index?”

That’s the amount of liberty people have to cede to you so you, the presumed expert on social justice, can set everything right. It charts the amount of control you get to exert on people’s lives. We’ll mix in Tax Freedom Day, the day you stop working for the government, which has crept from January 2nd in ancient Rome to mid-April or May last year, depending on the state, and

is getting worse by the day. Then we'll measure the control you exert doling tax money out to special friends. And we'll factor in mandates where no money changes hands. We'll add in Pigouvian taxes, named after economist Arthur Cecil Pigou, that assume the market is not efficient at pricing and calculate non-market social costs into a fee to assess over and above the price of a good or service. Pigouvian taxes are suspect when easily prejudiced political hands, for the so-called good of the people, identify a supposed abuse and set the penalty.

"You know, it used to be that fascism represented the right side of the political spectrum, but now those on the left have created 'Compassionate Fascism' and are proud of it. Their slogan might as well be 'Your work are mine' for its toleration of abusive control."

"How did we get that way?"

"Ask yourself what is the *quid pro quo* for your citizenship."

I haven't thought about it."

"Consider how we prepare people to make civil decisions. Athenian democracy was utilitarian—the greatest good for the greatest number, but they lost it all for mistaking democracy to be a principle. Even today we promote 'One person-one vote' and 'majority rules' and miss entirely its virtue that it codifies the humility that one just might be wrong, and that the smallest voice might be the one who can point out a better way."

"You doubt the value of democracy?"

"If voters elect stupidly, should I not point it out? Members of the early Roman republic taught citizens citizenship. What is citizenship?"

"Citizenship is belonging to a group, accepting certain responsibilities in return for being granted certain rights."

"Aristotle felt members of the *polis* had obligations toward that community. Romans treated citizenship as essential individual military and thinking skills that could serve the greater community. In 1962, Britain's Bernard Crick advocated citizenship politics where one learned to play by the rules as a

path to avoid war. Politics was to be a way to establish understanding between competing parties.

"Citizenship education, to the English parliamentary Select Committee on Education and Skills, consisted of knowledge and understanding about becoming informed citizens, skills of enquiry, communication, participation and responsible action. Ironically, officials doubt the courses have the desired impact.

"So they are convinced of the general goals, the aptitudes needed to reach them, and the value of teaching citizenship but they are not certain what to teach."

"That is scary."

"It should be. Society fosters exchange, whether in goods or ideas. Here they don't know what to teach, but try to teach it anyway."