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on the Obama Economy

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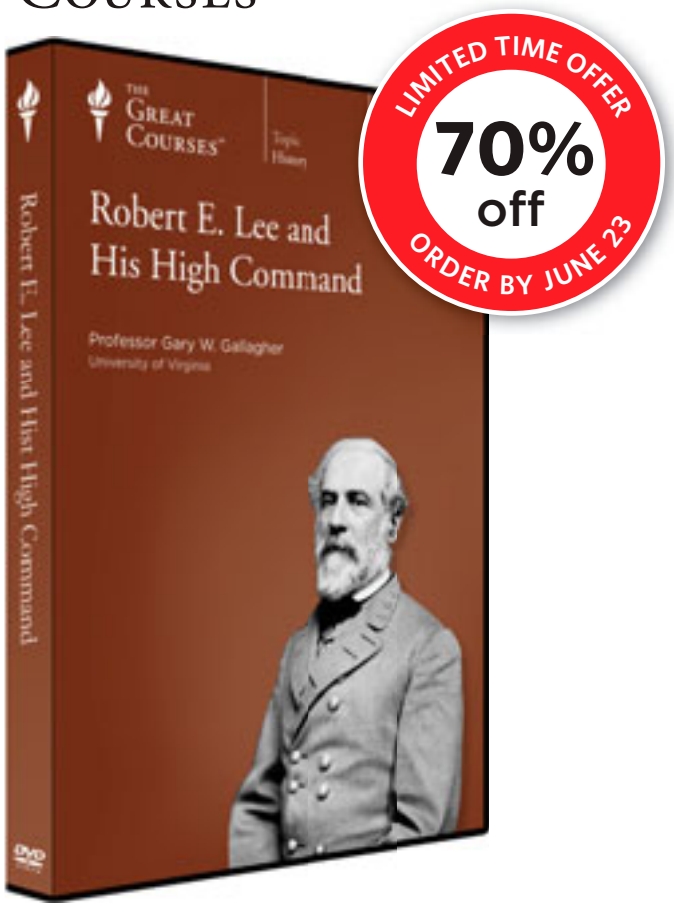

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COVER BY THOMAS FLUHARTY

John Edwards on Trial

Late last week former North Carolina senator and 2004 Democratic vice presidential nominee John Edwards was indicted on charges that he violated campaign finance laws during his 2008 presidential campaign.

While many readers might be familiar with the broad outlines of the Edwards scandal, The Scrapbook feels obligated to recap the sordid saga, and to spell out some of the new details revealed in *USA* v. *Johnny Reid Edwards*—just for the sake of posterity.

As you may recall, during the 2008 campaign, while Edwards's much-beloved wife Elizabeth was suffering from breast cancer (which would claim her life two years later), Edwards was having an affair with one Rielle Hunter, born Lisa Jo Druck and also known as Lisa Hunter, Lisa Jo Hunter, and Rielle Jaya James Druck.

As a teenager, Druck/Hunter was an accomplished equestrian until her father—like Edwards, a wealthy attorney—was implicated in an insurance fraud scandal. Convicted horse killer Tommy "The Sandman" Burns told the FBI he was hired by Druck to electrocute his daughter's prize show jumper Henry the Hawk in order to collect a large settlement.

Rielle later dropped out of college to go to Hollywood, a career that peaked with a bit part as a reporter in the forgettable Denzel Washington and John Lithgow thriller *Ricochet*. She later had a relationship with "brat pack" novelist Jay McInerney. The author's 1988 roman à clef, *Story of My Life*, features a character based on Rielle who is portrayed as an emotionally disturbed "postmodern Holly Golightly."

Two failed marriages and an appearance on the Game Show Network series *Lingo* later, Hunter met Edwards at a bar in New York in 2006. Shortly afterwards, she formed a video production company. Five days after Hunter's Midline Groove Productions was incorporated, Edwards's campaign committee paid her $100,000 and she was brought on board Edwards's campaign to film the candidate's every move.

In October 2007, the *National Enquirer* reported that Edwards was having an affair with a former campaign staffer, later identified as Hunter. The mainstream media were dismissive of the report, to put it mildly. In July 2008, the *Enquirer* reported that Edwards was the father of Hunter's newborn child. Hunter's attorney later stated that she was refusing a paternity test.

CHRIS PAYNE

In August 2008, Edwards admitted to the extramarital affair but denied paternity. In January 2010, longtime Edwards aide Andrew Young, who had moved Hunter in with his family while she was pregnant, published a book, *The Politician*, saying that Edwards was the father. Later that month, Edwards went on ABC's *Nightline* and admitted paternity.

Enter longtime Edwards fundraiser and one of the nation's most famous trial lawyers, Fred "The King of Torts" Baron, whose firm is notorious for its shady legal tactics and outsize political influence. According to the grand jury indictment, Baron gave Andrew Young at least one envelope containing $1,000 in cash ostensibly to help care for Hunter while Edwards was still denying the relationship. The envelope also contained a note, "Old Chinese saying: use cash, not credit cards!" Baron died of cancer in 2008.

Just prior to the indictment, Edwards also met with one of his other major campaign donors, Rachel "Bunny" Lowe Lambert Lloyd Mellon—the 100-year-old billionaire widow of banking heir Paul Mellon. Bunny Mellon is now alleged to have written several checks to help cover up the Hunter affair. In a move intended to fool authorities, she wrote things such as "chairs," "antique Charleston table," and "book case" in the memo section of the checks. Ahead of the trial, Mellon has retained as counsel William Taylor III, best known for representing former IMF head and accused hotel maid rapist Dominique Strauss-Kahn.

More details are sure to be revealed if the Edwards case goes to trial. In a related matter, Hunter has an ongoing lawsuit to reclaim from Andrew Young a sex tape she made with Edwards.

The moral depravity of John Edwards is seemingly boundless, so expect a few more surprises as the trial gets underway.

It's worth remembering that Edwards came close to being a heartbeat away from the presidency. But voters in both 2004 and 2008 wisely refused his troth—no thanks to the mainstream media, which erected a *cordon sanitaire* around the Edwards rumors while the *National Enquirer* did the job they had no stomach for. ♦

Worshiping the *New York Times*

The big media news this week was that Bill Keller, executive editor of the *New York Times*, is stepping down after eight years of running the Grey Lady. He is being replaced by Jill Abramson, a former Washington correspondent and longtime *Times* employee.

On Thursday, June 2, the *Times*'s Media and Advertising section ran the obligatory "Abramson Named Executive Editor at The Times" story, which probably would have been largely ignored if it weren't for one laughably revealing quotation.

"In my house growing up, the *Times* substituted for religion," Abramson said. "If the *Times* said it, it was the absolute truth." Later in the article, Abramson further describes her new position as "ascending to Valhalla."

Suffice it to say, Abramson's statement about worshiping at the altar of the *Times* was immediately and widely mocked by everyone from bloggers to the *Wall Street Journal*. They must have been embarrassed on Eighth Avenue, because the next day, the quote disappeared from the *Times* article online, with no mention of the fact that the article had been edited.

Curiously enough, prior to her assuming the helm of the *Times*, Abramson was notable for her defense of the paper against accusations of bias after it was heavily criticized for not reporting on the scandal involving the Obama White House's "Green Jobs Czar" Van Jones. The *Times* didn't breathe a word about the matter until after Jones had been ousted from the White House following revelations that he had signed a "truther" petition alleging that the U.S. government was behind the attacks on 9/11.

Abramson observed that the paper didn't cover the scandal because "Mr. Jones was not a high-ranking official." Jones was responsible for overseeing $80 billion in federal contracts, and the *Times* had previously described Jones as "one of Mr. Obama's top advisers."

Abramson may think she's ascending to Valhalla, but for those of us who think a "paper of record" shouldn't be creating its own reality, it looks more like *Götterdämmerung*. ♦

Old-Times Stuff

And while we're on the subject of the *New York Times*: The Scrapbook would urge readers to make sure they've taken their blood pressure medication before turning to the Arts & Leisure section in the Sunday, May 29, edition. There you will find a front page story by Neil Genzlinger, "Old-Time Stuff Is Not Forgotten."

About 24 column inches into this essay on Civil War memorabilia, Genzlinger makes one of those little offhand statements that reveals how deeply internalized is the malady of *New-York-Times*-Think: "The mindsets and divisions of the 1860s, of course, are still evident today, in the red state-blue state split, the veiled racism of some political discourse and yes, even the relatively benign world of artifact buying and selling."

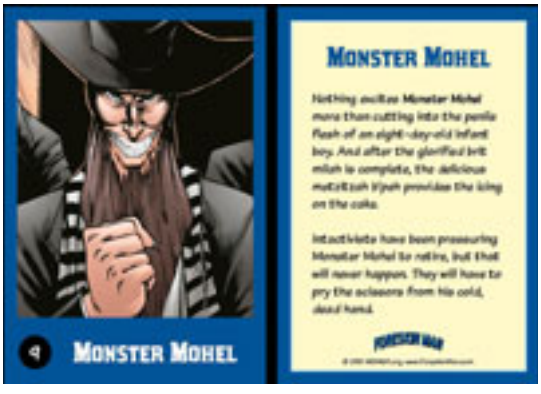
Genzlinger seems to know something we don't about which side Republicans were on in the War Between the States. Maybe the history books are all wrong. ♦

Left Coast News

Perhaps you've heard about the ballot measure they'll be voting on in San Francisco this November? As our occasional contributor Debra J. Saunders of the *San Francisco Chronicle* reports, "Sadly, because a fringe group garnered the necessary 7,168 signatures," voters will be asked to outlaw circumcision in the city.

In her aptly named (and terrific!) blog for the paper, "Token Conservative," Saunders wonders "if the folks behind the circumcision ballot measure . . . are anti-Semites." They deny it, of course—claiming to be defenders of the human rights of infant boys. But they seem to have no trouble consorting with flat out anti-Semites.

The website promoting the ballot measure links to a site running a comic-book series that propagandizes for the ban. The ballot campaign and the comic books are creatures of the same activist, Matthew Hess. Depicted here is one of the characters on Hess's site. Charming. ♦



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Bring It On, Fyodor Mikhailovich

At English department parties of many moons past, or so I have been told, once all had become properly snockered, a popular game commenced in which everyone confessed to what he or she hadn't read. The game had a crescendo quality as the intellectual stakes rose. "I've never read Christopher Marlowe," a Renaissance English specialist might admit at the outset. "That's nothing," a Romantic poetry man might add, "I've never read, and won't allow in the house, Wordsworth's *Prelude*." "*Paradise Lost*—forget about it!" Finally, as things continued, escalating nicely, someone would admit to never having read Homer or *Hamlet* and everyone could go home.

What I thought interesting about the game is that everyone, no matter how well read, is certain not to have read something he or she ought to have read. As for that phrase "well read," I long ago decided that no one is genuinely well read; there are merely some people who have read more than others. I am probably one of the latter, or at least I am taken for one of them. Which is why, without the aid of alcohol or a boring English department party, I wish to confess that I have never read—wait for it, wait for it—*The Brothers Karamazov*.

I am about to remedy that deficiency. A few days ago, at a library book sale, I acquired, for two dollars, a clean Penguin edition, translated by a Scotsman named David McDuff and running, with notes, to a mere 920 pages. I am off presently on a three-day trip and plan to take the novel along. (I hope American Airlines hasn't begun to charge extra for thick Russian classics in one's carry-on bag.) Not that I shall come near finishing it in three days, for I am a slow reader, always, like all writers, on the lookout for something I can steal from better writers. I shall be further slowed by the fact that I find it uncongenial to read dark works late at night, lest they disturb my already fragile sleep. I could well be a month or more reading *The Brothers Karamazov*, which I have promised myself never to call *The Brothers K*.

DARREN GYGI

I write about a great deal of what I read, but I shan't be writing about *The Brothers Karamazov*. "Joseph," my friend Edward Shils once said to me, "we have each read a fair number of books. We are also reasonably civilized fellows, civilized enough, at any rate, to know that there is no point in our ever getting into a discussion about Shakespeare." And we never did. Edward's point, or so I took it to be, is what is there left to say about genius? The same applies to Dostoyevsky, or at least to this greatest of his novels, if its vast advance press is any guide.

For decades people have made a great fuss about the translations of Russian novels. One of the victims of this fuss has been Constance Garnett, who, as a one-woman translation factory, single-handedly imported Russian literature into the Anglophone world. The gravamen of the criticism against this amazing woman was that she "englished" the novels by including too many English idioms and thereby made all 73 of her translations of various Russian writers sound alike. I must say that, as a young student, so blown away was I by the sheer power of the storytelling in these novels and stories, I never noticed, and didn't much care, if two Russians met on the Nevsky Prospekt and greeted each other as "old chap."

George Steiner wrote a book called *Tolstoy or Dostoyevsky: An Essay in Contrast* (1960), but I see no "or" about it. Why not both? Forced to choose, I would take Tolstoy, if only because even when he is writing about dark things the light flows through his work, whereas with Dostoyevsky's fiction it really is lights out. Not that Dostoyevsky can't do amusing bits: His novel *The Idiot* is replete with them, and his parody portrait of Turgenev as "the great novelist" Karmazinov in *The Devils* is a wickedly funny take down of the type of the older liberal sucking up to the young.

In one of his letters to Harold Laski, Justice Holmes remarks that conscience drove him to finish every book he ever started until the age of 75, when he could finally quit an inferior book without finishing it. He claimed to fear St. Peter would test him on all he had read, and he was fearful of being caught unprepared. My simpler fear in failing till now to read *The Brothers Karamazov* is of missing out on something magnificent. I have now reached the age to read the novel with the tranquility and, I hope, the thoughtfulness it requires. So bring it on, Fyodor Mikhailovich; give me the best you've got.

Joseph Epstein

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The Obama Economy

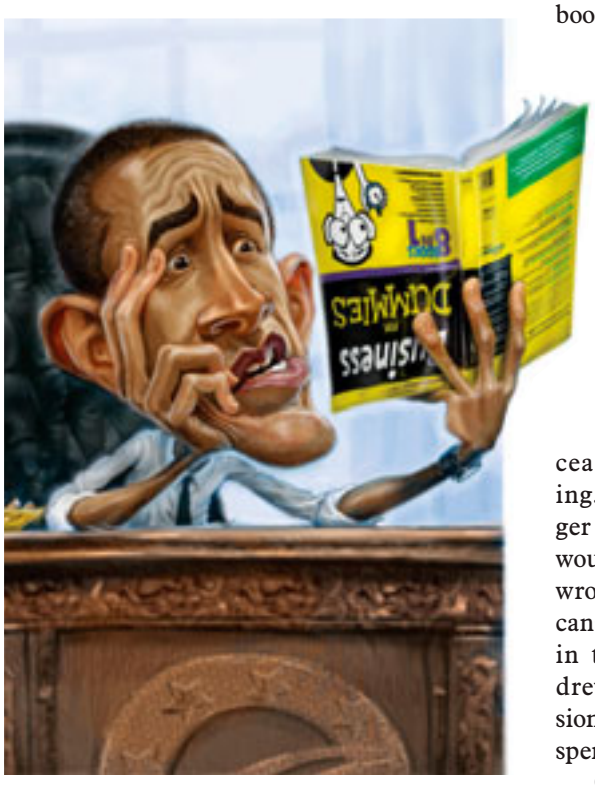
The Obama administration is 0-for-3 in meeting economic expectations. In 2009, President Obama and his advisers believed the bountiful stimulus package would give the economy a strong jolt. It didn't, and still hasn't. In 2010, Obama declared Recovery Summer and predicted a surge in employment. The economy lost 283,000 jobs over the summer. This year, Obama expected a significant ratcheting up of jobs and growth. There's been a ratcheting down.

The White House always has an excuse. Obama's economic policies are never at fault. The problem in 2009, according to Obama? The economy was in worse shape than he'd feared when he took office. In 2010, economic adviser Christina Romer said the dip in jobs was unexpected. No doubt it was, but that's a lame explanation. And Obama stubbornly refused to express regret for having proclaimed Recovery Summer in the first place.

Now, two years after the recession officially ended, the excuses for economic stagnation and puny job growth are stale and implausible. Obama didn't offer any in an economic speech in Toledo a few hours after bad job numbers for May were released last week. Romer's replacement, Austan Goolsbee, dismissed the 9.1 percent jobless rate as a bump "along the road to recovery." House Democratic whip Steny Hoyer blamed the Bush administration—really, he did.

Yet Obama labors on as if his policies are working, only a bit more slowly than he'd anticipated. In two and a half years in the White House, he appears to have learned nothing about what stirs the economy and produces jobs and growth. Evidence of failure, like 1.8 percent growth in the first quarter of 2011, matters little. Rather than a midterm course correction, Obama wants more of the same, lots more.

And he's not reticent about saying so. Obama's desire to raise taxes is undiminished. He's obsessed with the notion that more tax revenues can be wrung from rich people with money to spare. In Obamacare, he's already got a hike in the Medicare tax. Last week he told House Democrats he won't tolerate another extension of the current tax rates for high earners (more than $250,000 a year). If he had his way, the top rate on individual income would be 45 percent. Oblivious to economic history, he doesn't see a rising tax burden as a disincentive to entrepreneurship, investment in job-creating enterprises, and a booming economy.



GARY LOCKE

It's not just Obama. Treasury Secretary Tim Geithner spoke last week to Republican House freshmen. One Republican summarized his message as "revenues, revenues, revenues." Obama, by the way, told Democrats he'll insist on a tax increase as part of any deal on raising the debt limit.

Obama's economic panacea is government spending. If you thought the meager results from the stimulus would change his mind, you're wrong. He told House Republicans that he favors "investing" in the economy. Republicans drew the reasonable conclusion he was talking about more spending by Washington.

Obama was clear about this in his April budget speech. "I will not sacrifice the core investments we need to grow and create jobs," he said. "We'll invest in medical research. We will invest in clean energy technology. We'll invest in new roads and airports and broadband access. We'll invest in education. We will invest in job training. We will do what we need to do to compete, and we will win the future."

The president wasn't referring to the private sector. He once told a group of money managers that incentives for private investment were old hat. His administration's massive spending on clean energy, environmental technology, and green jobs, he said, would attract a wave of private

investment sufficient to spur growth. So relax, prosperity is on the way.

Whether by design or happenstance, President Obama is the greatest proponent of crony capitalism since FDR proposed cartels under the National Recovery Act. He does big favors for corporate supplicants and recipients of government subsidies while largely ignoring small business. His pet in the business community is Jeff Immelt of General Electric, which relies heavily on federal contracts and paid no taxes in 2010. His nominee for commerce secretary is John Bryson, whose company, BrightSource, is propped up by government subsidies. Obama's aides are now touting the bailout of General Motors as one of his greatest achievements. Chrysler, not so much.

Obama is a regulatory zealot, even as the administration is supposedly weeding out damaging regulations. (As you might expect, they've found few.) At his meeting with Repu blicans last week, Obama was informed of a statement by Lisa Jackson, the head of the Environmental Protection Agency, that EPA adopts policies without taking their economic impact into account—and does so on purpose.

The Republican who brought up the issue, Shelley Capito of West Virginia, got nowhere. Obama seemed dubious Jackson had really said this. Capito said Jackson had told her so, face to face. Obama's response was vague, but he gave no ground.

Even where Obama seemed to agree with Republicans, he didn't really. The president is a master of lip service. When Republicans mentioned free trade agreements, medical liability reform, and cutting the corporate tax rate, the president said amen. He's with them. But there's always some reason he can't act. On trade, for instance, Obama is waiting for Congress to pass assistance to alleged victims of foreign competition before pushing to ratify deals with Panama, Colombia, and South Korea. It's a sop to unions, nothing more.

There's a lesson here for Republicans, and a huge opportunity. That Obama's policies are in large part responsible for the weak recovery and high unemployment is beyond dispute. Yet Republicans haven't made the case effectively enough that Obama's decisions are directly to blame.

They need to. The economy is languishing, joblessness is stuck at an abnormally high rate, the housing market remains in decline, the deficit will exceed $1 trillion for every year of Obama's term, the national debt is north of $14 trillion, and markets are anxious. There's a connection between our troubled economy and Barack Obama. If Republicans drive home the link, they'll oust him and win big in 2012. It's as simple as that.

—Fred Barnes

Regulation Review Makes Progress, but Falls Way Short

By Thomas J. Donohue
President and CEO
U.S. Chamber of Commerce

The results are in on the Obama administration's four-month review designed to identify existing regulations "that are out-of-date, unnecessary, excessively burdensome, or in conflict with other rules."

The administration certainly had a lot to choose from. There are about 180,000 regulations on the books costing Americans $1.7 trillion a year in compliance costs. Many are necessary; some are not. Although we have yet to review all the details, it appears the administration is making some commonsense recommendations that will save businesses time, money, headaches, and resources. This is progress, but it is not nearly enough.

While federal agencies complied with the provisions of President Obama's executive order requiring a review of existing regulations, they exempted the huge flow of regulations in the pipeline generated by the health care and financial reform laws, as well as the large number of major rules generated by the Environmental Protection Agency over the past two years. This enormous onslaught of new regulations will cost hundreds of billions of dollars, hamper our recovery, undermine our competitiveness, and cost jobs. The regulations are being promulgated under the same system that generated the ones the administration just found necessary to review. And the "look back" plans do not appear to fix this problem.

When Neil Armstrong landed on the moon nearly 42 years ago, he said, "That's one small step for man, one giant leap for mankind." This review process represents the "one small step." The "giant leap" that will fundamentally reform our deeply flawed regulatory system, pull it into the 21st century, and fashion it into an effective tool to ensure public health and safety and advance America's economy and competitiveness has yet to come. And it better come soon.

What we need is a plan to make our flawed regulatory system smarter, less intrusive, and more accountable. Any such plan must require greater congressional oversight of rules that have a major economic impact; cost-benefit analyses and science reviews conducted entirely by independent third parties to ensure quality data and to remove politics from the equation; and greater judicial access for stakeholders so that they can enforce transparency, check bureaucratic power, and hold governmental decision makers accountable.

This isn't about partisan politics—it is about good government. A commonsense regulatory system that protects our citizens from health and safety threats while spurring economic growth, jobs, and competitiveness is the "giant leap" we must take for American success in the 21st century.

U.S. Chamber of Commerce Comment at www.chamberpost.com.

Auf Wiedersehen to Atomkraft

The issue of nuclear power will be front and center when German chancellor Angela Merkel visits Washington this week. Consider the front-page story in the May 31 *Washington Post*: "Germany to shut down nuclear plants by 2022: Decision in aftermath of crisis in Japan is a turnaround for Merkel." The headline was striking. It also didn't make any sense.

In March, an earthquake that registered 9.0 on the Richter scale—the worst in Japan's history—set off a tsunami with waves cresting almost 80 feet high. It overwhelmed the sea walls protecting the Fukushima nuclear plant, causing a partial meltdown. Are Germans actually afraid the same thing could happen in their country? That a tsunami could slam them from the North Sea? Do they also fear a giant asteroid will soon hit the planet? And what about acid-blooded parasitic aliens who use humans as hosts?

AP PHOTO / MICHAEL SOHN

German Chancellor Angela Merkel

In her government's announcement, Chancellor Merkel noted her administration had already made plans to close down all nuclear facilities by 2036. But, after witnessing "the unimaginable accident in Fukushima," Merkel said, "we had to reconsider the role of atomic energy and therefore decided we needed to design and proceed on a more determined path." As Steve Mufson explained in the *Post*, the move "will require advances in power storage and management because nuclear power runs constantly; wind and solar run intermittently. The German government also said it would try to cut energy use by 10 percent."

American opponents of nuclear energy can now look to Germany as a beacon of hope. If Europe's most powerful economy—run by a conservative coalition, no less—can be so environmentally bold, why can't the United States under Barack Obama aim for a similar goal? In fact, though, the president should be wary of following the chancellor's lead. Her decision was complicated. And, as we all know, Germany is a complicated country.

The choice to be nuclear-free is deeply rooted in the political psychology of Germany. So no, the Germans are not fearing a tsunami rising from the Swedish coast. What they do fear, though, are nuclear reactors. According to a recent ZDF poll, 50 percent of Germans favor an immediate withdrawal from atomic energy. And in a list of everyday concerns, nuclear power comes in second, only behind unemployment. These antinuclear sentiments have been growing not since the Japanese earthquake, but since the late 1970s and the birth of the Green movement.

"The modern Green party is rooted in the nuclear question," says Thomas Kleine-Brockhoff, a senior director at the German Marshall Fund of the United States. "It's their founding rationale." And because the Greens are now polling at approximately 25 percent, practically tied with the Social Democrats and trailing only Merkel's Christian Democrats (33 percent), their influence over the nuclear debate is profound. Kleine-Brockhoff and others note another turning point in mainstream Germany's attitude toward atomic energy—the 1986 meltdown at Chernobyl and the fallout over Europe.

On a more immediate level, Merkel's decision to accelerate the closure of the 17 remaining atomic power plants comes after her party suffered consecutive blows in state elections, beginning with North Rhine-Westphalia in May 2010, later in Rhineland-Palatinate, and most devastatingly in Baden-Württemberg (home to Mercedes-Benz and Porsche) where conservatives had ruled for nearly 60 years. "Merkel wants to take the issue away from the Greens," says one longtime member of the Free Democratic party, the government's junior coalition partner.

Nor should one forget the practical concerns that raise questions about the plan's feasibility. As Steve LeVine recently pointed out in *Foreign Policy*, "Germany—already reliant on Russia's Gazprom for 30 percent of its natural gas—will be buying much more gas in order to compensate for the loss of nuclear power, which provides 28 percent of Germany's electricity." Of course, maybe the Germans will rely more on coal or hydraulic fracturing instead—surely the Greens would have no objection, right?

Meanwhile, Merkel's conservative critics—those in the media and in the business sector—are already scoffing. They talk of impending blackouts. Some nuclear energy companies are threatening to sue for damages in the billions. According to *Die Welt* (translation by *Der Spiegel*), "The nuclear phaseout marks a creeping rejection of the economic model which has transformed Germany into one of the richest countries in the world in recent decades. . . . What will the new energy age cost us Germans in terms of money and jobs?"

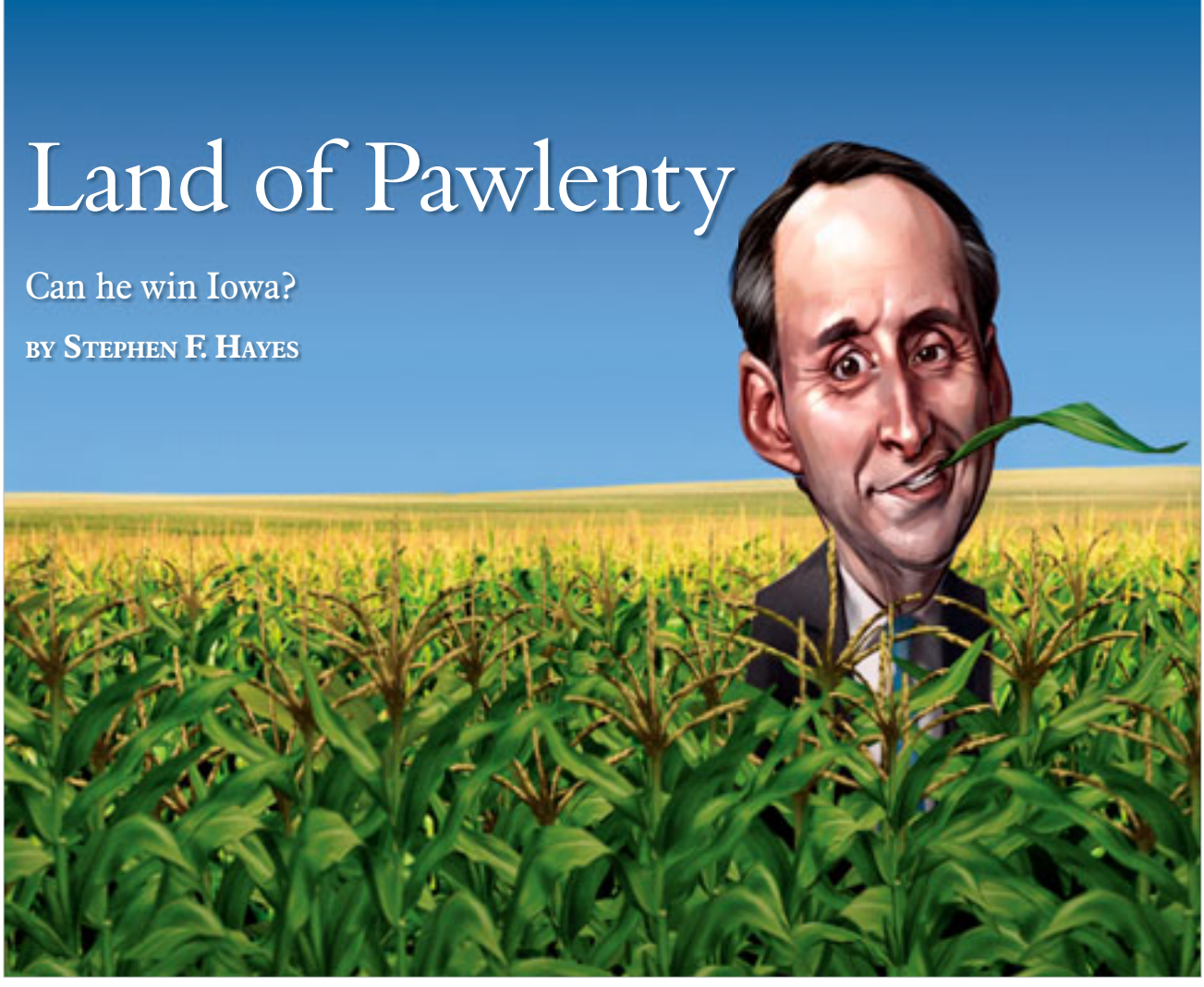
Seems to us like a pretty good question—one the Obama administration should keep in mind when the antinuclear lobby demands the United States follow Germany off the grid.

—Victorino Matus

Land of Pawlenty

Can he win Iowa?

BY STEPHEN F. HAYES



Council Bluffs

Standing with his back to a mirror that spans the width of a private dining room at Tish's Restaurant in this western Iowa town, Tim Pawlenty sought the support of the locals who had come to hear him by making a peculiar pitch: I'm less objectionable than my likely Republican primary opponents.

"Everybody's got a few clunkers in their record," Pawlenty says. "I think mine are fewer and less severe than most."

The argument sounds like a setup to drive a contrast with the other candidates, but Pawlenty consistently resists that temptation. In an hour-long town hall here on the morning of June 1, Pawlenty shared his thoughts on the debt ceiling, spending, illegal immigration, abortion, health care, jobs, the economy, and several other issues. He holds the views of a mainstream conservative, and he speaks without notes or soaring rhetoric. He is plainspoken and even—not boring exactly, but not exciting, either.

Later, during the question-and-answer session after his opening remarks, Pawlenty once again passes on an opportunity to contrast his positions with his likely competitors'. Instead, he seeks to steer the audience away from policy as a means of evaluating the candidates and toward character and, most important, electability.

"Let me be real blunt with you," he says. "Every Republican candidate is going to come through a room like this and talk to a group like this and they're basically going to say the same thing. Every one of them is going to say, 'I'm for cutting taxes; I'm for reducing spending; I'm for school choice and school accountability and school reform; I'm for market-based, not government-based health care reform; I'm for being tough on terrorism and standing with friends around the world including Israel; I'm for public-employee pension reform.'"

With that, Pawlenty launches into his personal story—and spends seven minutes telling it. He's the son of a truck driver, a boy who lost his mother as a teenager, a scrappy hockey player who worked in the produce section of a grocery store, an ambitious student who worked his way through college, and a public servant who rose through local politics to become governor and now a serious presidential candidate.

And then Pawlenty returns to his electoral appeal. Unlike the other candidates, he ran, governed, and won reelection in a blue state. His blue-collar background would allow him to compete for votes that Republicans don't usually win.

"The question for you is who can

DAVE MALAN

Stephen F. Hayes is a senior writer at THE WEEKLY STANDARD.

do it, who has the fortitude to do it, and who will sell in blue places and purple places. Everybody's going to say, 'I'm the one who can get the independents in the end. I'm the one who can get the conservative Democrats.' But," he said, "I'm the one who actually did it."

It's an unconventional argument, striking in its emphasis on the personal and political over the philosophical and ideological. At times, Pawlenty sounds more like a strategist than a candidate. Some politicians avoid policy to keep from exposing their lack of depth on the issues. That's not Pawlenty. He understands policy and can talk about it in great detail.

Does this approach work? For voters who want a contrast to Barack Obama, Pawlenty provides it. For voters who want to beat Obama at his own game, maybe not.

After the town hall, I chatted with Dennis and Sheryl Koch, retired schoolteachers from Council Bluffs. They had seen a notice in the paper that Pawlenty would be speaking and decided to give him a listen. "One of the things I liked was his personal story," said Dennis, who hadn't known about Pawlenty's upbringing before hearing from the candidate.

The Kochs had been leaning towards supporting Mitt Romney, but seeing Pawlenty gave them second thoughts. "I like Romney," said Sheryl. "He has experience in business, he has conservative values, he has a great family. I just don't know if he can be successful a second time around. I was pretty impressed with Pawlenty."

As we were speaking, a middle-aged woman spied my notebook and interrupted us on her way out. "Un-in-spiring!" she said, rolling her eyes as she headed to the door.

Pawlenty was the only candidate in the state late last week. The day after his two-day swing through western Iowa, however, the local news focused on another governor—one who has said repeatedly that he doesn't want to be a candidate. A group of heavyweight Iowa Republican fundraisers had flown to New Jersey to urge Chris Christie to run for president. Their takeaway from the meeting: Christie didn't say he'd run, but didn't rule it out as emphatically as he had before. This news won coverage on the local TV morning talk shows and appeared on the front page of the "Metro & Iowa" section of the *Des Moines Register*. A shorter Pawlenty story ran on page 8B.

There isn't much credible polling in Iowa yet, but what polling there is suggests Pawlenty has a lot of work ahead of him. The day of his town hall in Council Bluffs, Public Policy Polling released a survey of past Iowa primary voters that put Pawlenty in sixth place—behind Mitt Romney (21 percent), Sarah Palin and Herman Cain (15 percent each), Newt Gingrich (12 percent), and Michele Bachmann (11 percent). And yet in a head-to-head match-up with Romney, the presumptive frontrunner, Pawlenty polls better than any other Republican in the field—tied at 41 percent each. (Romney beats Palin 48-41 percent, Cain 48-34 percent, Bachmann 46-38 percent.)

Tim Pawlenty's pitch to Iowa voters is an unconventional one, striking in its emphasis on the personal and political over the philosophical and ideological. At times, he sounds more like a strategist than a candidate. Leaving the event, a woman spies my notebook and interrupts: 'Un-in-spiring,' she says, rolling her eyes.

Those numbers, and interviews with Iowa Republicans over the past week, suggest Pawlenty may be well positioned as the most electable non-Romney candidate in Iowa. Virtually everyone I spoke to assumes a surge from the right—maybe for Herman Cain, maybe Michele Bachmann, maybe both. But however appealing these two might be ideologically, will ever-pragmatic Iowa caucus-goers finally support them given the questions about whether they can win the Republican nomination? Mike Huckabee surged from the right to win Iowa in 2008, but he was a former governor and a far more plausible national candidate. And he lost the nomination.

Given this, we might expect to hear Pawlenty begin to take some shots at Mitt Romney or at least start to highlight their policy differences. When Pawlenty announced, a headline in *Time* magazine asked: "Is He Too Nice for His Own Good?" And so far, the answer is yes.

In an interview over pineapple and omelets last week, Pawlenty steadfastly—even stubbornly—refused to offer criticism of the frontrunner.

After a 30-minute discussion of policy, I asked Pawlenty: "Do you trust Mitt Romney?"

"Can I jump back to China for a second?"

We laughed, I accused him of stalling, and he talked for two minutes about the need to get tough with China on trade. "I'm for free trade, but I'm not for being a chump."

After Pawlenty got a five-minute warning on time from press secretary Alex Conant, he returned to the question.

"Mitt Romney? Well, I know Mitt somewhat, and I worked with him when he was a governor and I was a governor. And I get along with him, we've socialized a bit together, and I like him. So yeah, I do trust him. I have no reason not to."

I asked whether he understands the skepticism about Romney voiced by some conservatives and many in the Tea Party. "I've read the criticism. So I understand their arguments," he said, taking a big

bite of his omelet and offering nothing further.

Pawlenty wasn't any more forthcoming when I pointed out that both men had been presumed presidential candidates since 2009 and asked what makes them different.

"Everybody brings something different to the table. Each candidate has a different life story—who they are, what they believe, why they believe it. Where they came from, what roots they have in life in terms of their value systems, beliefs. Everyone is going to be different. Mine is different than Mitt's and all the other candidates, too. Two, everybody's going to have a record. They're going to be different—different emphasis, different success, different frustrations. And three, everybody will have some different vision and different leadership capacity for the country. And each candidate is going to be different—not limited to Mitt but for each candidate." So 11 "differents" but no real difference.

"When you look at his record," I asked, "what do you see that makes you say, 'I need to be president and not that guy?'"

"I've said I'm going to abide by Reagan's 11th commandment and not whack other Republicans or at least not be the first one to whack them. I do remind people I'm an old hockey player, and if elbows start getting thrown, I'm not averse to getting in the corner and start throwing some myself. But we're not going to start that process."

He added: "We're going to try our best not to be critical of other Republicans and just to be positive and tell people what I bring to the table and let people make their own conclusions about whether it's better or worse than the other candidates."

Jeff Jorgensen, chairman of the local Pottawattamie County GOP, says Pawlenty's visit got mostly good reviews, adding, "He may well be on his way to establishing himself as a first-tier candidate, but his star is going to have to shine brighter than it is right now." ♦

Houses of Pain

The crumbling real estate market.

BY CHRISTOPHER CALDWELL

There was supposed to be some good news amidst the dismal report card the U.S. real estate market got last week. On average, houses have lost a third of their value since their peak in 2006. Blighted Detroit has seen home prices fall to half their old level, and overbuilt Las Vegas is off by 60 percent. Standard & Poor's Case-Shiller index showed that home prices are falling again, at their fastest rate since the days of the financial crash. Minneapolis real estate has lost 10 percent of its value over the past year.

Presidents don't think in crises—they reach for solutions that are already on the shelf. The Bush First Time Homebuyer Tax Credit became the Obama law and has since added about $20 billion to the deficit.

The good news is that these declines were "widely anticipated." But all this means is that there is a two-month lag between most housing statistics and those of Case-Shiller, whose latest numbers date only from March. It decidedly does not mean that anyone in the government has a clear idea of how the real estate market works or a sense of what it will do next.

We can tell this by looking at the First Time Homebuyer Tax Credit, which stabilized the market for a while between 2008 and 2010. Its withdrawal is being blamed for the new softening of home prices. The tax credit was launched in 2008 as part of the Housing and Economic Recovery Act that President Bush signed a little more than a month before the collapse of Lehman Brothers. HERA offered a $7,500 tax credit that took the form of an interest-free loan, to be paid back in 15 installments of $500 each, after a two-year grace period.

The Obama administration saw much to like in this Bush administration plan. In January 2009, a new version of it, expanded to $8,000 and turned into a government gift rather than a loan, became part of the stimulus bill. We know, in retrospect, that the basic pre-crash mistake of the Clinton and Bush administrations was to use financial incentives to drive the rate of homeownership far above its natural level. Responsible plans for righting the country's fiscal ship should probably start with removing those incentives, wherever they may be found.

But presidents don't *think* in crises—they reach for solutions that are already on the shelf. The Bush tax credit became the Obama law and has since added about $20 billion to the budget deficit. But it has cost homeowners a good deal more than that. Consider Minneapolis, with its 10 percent fall in home prices. Anyone who used the tax credit to buy a house worth $80,000 will have lost the full $8,000 of the tax credit, assuming the 10 percent decline is valid across all house valuations.

And unfortunately, it is not. Look at the invaluable housing-market website Zillow, run by the economist Stan Humphries, and you will see that the situation is considerably worse than the Minneapolis example would imply. Zillow differentiates between upmarket and downmarket

Christopher Caldwell is a senior editor at THE WEEKLY STANDARD.

housing. Nationwide, Zillow estimated this spring, there was an 8.2 percent drop in home valuations. But the top tier of houses lost only 4 percent of their value, the middle tier lost 9 percent, and the least desirable part of the housing stock lost 14 percent. Had you bought an $80,000 house in Minneapolis, your house would likely have lost not $8,000 but at least $11,200, and probably more. That is, you would have lost the whole value of the federal tax credit, and thousands more besides.

You can see why the market for poor people's homes might be weaker than the market for rich people's. The less well-off get punished on both the supply side and the demand side. On the supply side there is an overhang of about 4 million homes that have either been foreclosed on or are severely delinquent. Of these about 2 million are foreclosed properties, according to Zillow. (A Wells Fargo expert quoted in the *Washington Post* puts the figure somewhat higher, at 2.2 million.) On the demand side, almost every month sees a retreat in the percentage of homes that are owner-occupied. It reached close to 70 percent in the middle years of the Bush administration. It now stands at 66.2 percent, roughly where it was midway through the Clinton administration. One can assume that poorer buyers are leaving the market disproportionately.

This is how we know that this recent collapse in house prices was not anticipated, at least not by anyone in a position of authority. Right now, the real estate market is a mighty engine of regressivity. The government, following its familiar model, has used an $8,000 tax credit to lure the poor into the market and saddle them with an asset that is rapidly losing value.

This is a model that goes beyond real estate. It was also the philosophy of the cash-for-clunkers program. At vast expense, the government creates a tiny bit of consumer demand that fizzes and sparkles for a few months and then disappears without leaving a trace—except in the federal deficit. ♦

Leave No Limo Behind

Washington luxuriates in a crisis.

BY GEOFFREY NORMAN

They are buying limousines in Washington. Lots of them. The number of government limousines increased by 73 percent during the first two years of the Obama administration. The official justification for the acquisition (with borrowed Chinese money) of all this rolling stock is "security." Our bureaucrats, it seems, are not safe riding around in ordinary vehicles or, perish the thought, driving themselves to work. This, it seems, is especially true of those brave souls who toil at the State Department, which is where most of the limos have been put into service.

When is the last time you heard of an attempt on the undersecretary for economic, energy, and agricultural affairs? Or the special envoy for climate change? Is there a cabal somewhere secretly plotting to knock off the coordinator of reconstruction and stabilization?

One suspects not. Suspects, in fact, that the fancy wheels are just one more manifestation of a truth that is becoming more and more apparent every day. Namely, that for the political class—especially in Washington—these are the best of times.

For the rest of us, not so good. We wake up mornings to new lows in housing prices and highs for gasoline. Bleak unemployment numbers and scarce job prospects for both the 50-year-old exec who was downsized in the crash and fears he may never work again and the 22-year-old recent college grad who wonders how to pay back all those student loans on what she makes in tips at her waitressing gig.

Geoffrey Norman, a widely published author, edits the website VermontTiger.com.

But not to worry, those State Department studs are secure and, by the way, riding in style.

Actually, as viewed from afar, life in Washington seems good. And not only in the material sense. (Government is still hiring and real estate is on the rise there, if nowhere else.) You sense that where the rest of the nation is demoralized and even fearful, there is a touch of

excitement in the Washington air. That things are bustling on the Potomac. Lives there have purpose.

Our crisis is their opportunity.

Everyone remembers the line from one of President Obama's many advisers about how you never want to let a crisis go to waste. Washington took the advice to heart, only it was thinking of a wasted opportunity to have a damned fine time.

The fact that the nation is running huge budget deficits and also running up against a statutory debt limit might be troubling out in the provinces, but in Washington these things make for a kind of confluent crisis that requires extraordinary managerial exertions. So many people, so hard at work. The Gang of Six. The Biden Group. Simpson/Bowles. Paul and His Plan. The President and His Budget.

Imagine the number of meetings. The number of *emergency* meetings. The text messages. The PowerPoints.

The huddled conferences. The interim reports. Final reports. Amendments to the final reports.

And then, there are the press releases. The backgrounders. The talking points. The leaks. The appearances on the Sunday shows and nightly news panels.

And one notices, when watching these television performances, that there is something in the timbre of the Washington insider's voice. A confidence. An eagerness to do battle. This is what he or she came to Washington to do—deal with big things.

To watch these people at work, one would imagine that there is some solution that they—and only they—will arrive at through hard work, special competence, and icy resolve. But, in truth, it comes down to this: Spend less, tax more, or some blend of the two. All of this exuberant activity will not reveal some third alternative. This cake is pretty much baked, and all this activity in Washington is, essentially, done because . . . well, because those busy people can't think of anything else to do and because it is so much fun.

Much more fun than sitting around working out how much to pay in crop support for cotton farmers and the other kinds of business that people in Washington attend to when there isn't a major crisis to make it bliss to be alive.

Not so much fun, though, for those on the outside who would happily trade what we have now for a little taste of Washington in the '20s, when Calvin Coolidge was making life there so unbearably dull.

Coolidge knew a thing or two, and one suspects that he would have seen a crisis such as the one Washington is so enjoyably attempting to deal with not as an opportunity but as an indictment.

Who, after all, *made* the crisis? If there were justice in the world, the same people who made the mess would not be given the fun job of fixing things. And they would certainly not be given limos to ride to their next emergency meeting.

Let 'em walk. Or drive their own cars and pay for the $4 gas. ♦

From Slow Growth to No Growth

The perils of living beyond our means.

BY DALIBOR ROHAC

The U.S. economy might be on the verge of a double-dip recession, while Europe is paralyzed by a massive debt crisis afflicting the governments on the periphery of the eurozone. Alarming as they are, both of these stories are just part of an even gloomier overall economic picture of the West.

Austerity in Athens: 'I cut smoking, I cut drinks, what else shall I cut?'

The latest data on manufacturing and job creation in the United States indicate that the recovery is faltering. In May, the number of jobs added by companies rose by 38,000, down from 179,000 in April. Overall, the U.S. economy is now expected to grow at only 2 to 3 percent this year—in sharp contrast with the initial forecasts of solid 4 percent growth.

The news from Europe is not encouraging, either. The debt crisis in Portugal, Italy, Ireland, Greece, and Spain—known collectively as the PIIGS—might be entering its terminal stages, as Greece's debt is downgraded deeper into junk status. Unless Greece receives another installment of roughly $17.3 billion from the EU and the IMF by the end of this month, it will face a default within a matter of weeks.

Since the mid-1970s, productivity growth of Western economies has slowed dramatically. The U.S. economy grew at an average rate of 3.8 percent in the period of 1946-1973, yet growth rates since then have averaged 2.7 percent, causing median incomes effectively to stagnate.

The economist Tyler Cowen has made the case in *The Great Stagnation* that this slowdown is a result of America's running out of its "low-hanging fruit": free land, technological breakthroughs, and a smart yet uneducated labor force. Western Europe has endured a similar experience whereby it has never regained the growth rates it enjoyed during the three postwar decades, known in France as the "*trente glorieuses*."

Living in what is at least for now a lower growth world requires an adjustment of spending habits. However, both American and European fiscal institutions have behaved as if the economic slowdown never occurred and that regaining the pre-1970s growth rates was only a question of time. Unsurprisingly, this set the West on an unsustainable fiscal path.

In the past decades, the two fastest growing sectors of the American

Dalibor Rohac is a research fellow at the Legatum Institute in London.

NEWSCOM

THE FDIC'S JOB POLICY

The Federal Deposit Insurance Company (FDIC) has trashed countless good-paying jobs, making hedge fund managers richer at the expense of America's economic recovery.

WASTE:

Taxpayer bailout money for failing banks was supposed to be used for loans to businesses, families and construction projects in local communities across America. Instead, much of that taxpayer money — millions of dollars a month — is being paid as "management fees" to hedge funds.

FOUL:

There's something rotten with the FDIC's accounting. In the case of one seized bank, hedge funds said the government would gain more than $1 billion from the sale of assets. Just one month later, the FDIC said it would have to take a loss of more than $1 billion on those same assets. That's a difference of $2 billion in taxpayer money— in just one deal!

GARBAGE:

The FDIC has created a perverse incentive for hedge funds tasked with managing the assets of failed banks. The more seized assets a hedge fund keeps on its books, the more taxpayer dollars the hedge funds receive in "management fees." While hedge funds profit, assets stay locked up, hurting local communities and shortchanging taxpayers.

If the FDIC keeps paying hedge funds NOT to make loans, construction projects will stay idle, workers will remain unemployed, and families will continue to struggle.

Call the **FDIC** at **877-275-3342** and tell them to

STOP TRASHING JOBS
STOP THE SLIMY HEDGE FUND DEALS

Astani Enterprises

economy, for instance, have been health care and education. While neither of them is run solely by the government, their growth was made possible by government spending and entitlement programs. This would not have been a problem if the growth in those sectors had resulted in a healthier and better-skilled labor force. Unfortunately, that has not been the case. If anything, the quality of an average college graduate's education is worse today than 30 years ago. Furthermore, any link between the increase in health care spending and Americans' enjoying longer, healthier lives is extremely tenuous to say the least.

Many of our predicaments result from the simple fact that politicians have refused to face reality. They pretended that Western societies were wealthier than they actually were.

While not necessarily fueling the growth of their health care or education systems, the Europeans have devised elaborate ways of harming their economies. The euro has been a political project from the start. It has never been justified in economic terms, and the early warnings from the likes of Milton Friedman and Martin Feldstein were ignored. Since its inception in 1999, this monetary arrangement has created a real-estate bubble in Ireland and great fiscal and external imbalances in the Mediterranean countries, which would almost certainly have benefited from looser monetary policy.

Today, countries like Greece or Portugal are asked to go through a very painful process of rapid fiscal tightening and internal devaluation only to avoid their default and exit from the eurozone. The reason for this policy is that a wave of sovereign defaults by the PIIGS would trigger a banking crisis in France and in Germany, which hold most of the debt. Such a crisis could have an impact on the global economy beyond the scope of the recession we saw in the aftermath of the failure of Lehman Brothers.

The efforts to consolidate public finance in Greece and elsewhere are likely to come to nothing. In modern history, countries that have been able to deal successfully with imbalances of the size that are plaguing the Mediterranean have done so through a combination of debt restructuring and currency devaluation. To pretend, as European leaders do, that this time is different is both naïve and harmful for the future of European economies.

So what's the best way forward? Besides tackling the threat of a double-dip recession and a potentially devastating banking crisis in Europe, the West needs to learn how to live within its means in a modest-growth world. By the standards of the past 200 years, the growth rates enjoyed in the 30-year period following World War II may turn out to have been an anomaly.

If normal growth is the likely state of affairs in the decades to come, politicians on both sides of the Atlantic need to take it into account when devising their spending plans. In the United States as in Europe, that means curbing the growth of entitlement programs and rethinking what role government-provided welfare can be reasonably expected to play. Politicians will need to become prudent, modest, and more frank about what governments are able to do, and at what cost.

Many of our current predicaments result from the simple fact that politicians have refused to face reality. They either pretended that Western societies were becoming wealthier than they actually were, or thought that grand political schemes—such as a common European currency—were going to boost growth miraculously.

Both of those approaches—denial and hubris—have failed spectacularly and led to costs that are much greater than the direct effects of the underlying productivity slowdown. The prospects of living in a world of only modest economic growth are not exciting. But as our current economic woes suggest, there is an almost limitless potential for ill-advised policies to make things worse. ♦

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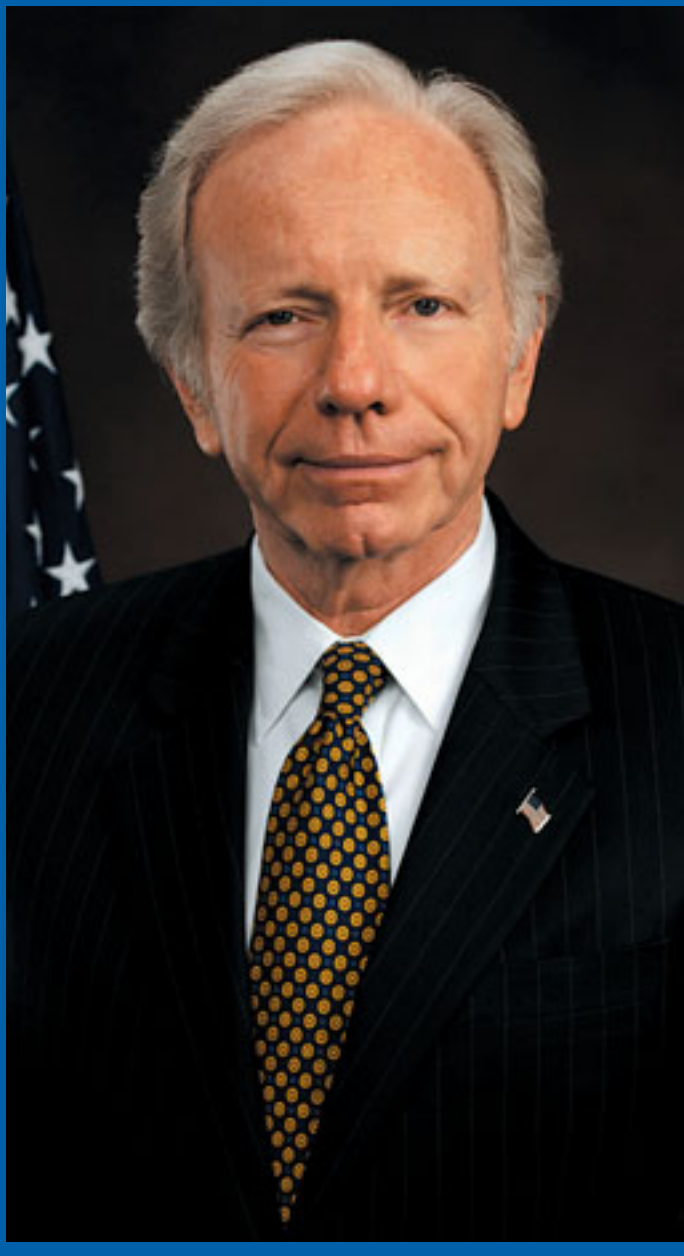

This year, Hudson Institute celebrates a half century of forging ideas that promote security, prosperity, and freedom.

On Monday, June 20, in New York City, Hudson Institute will honor Sen. Joseph I. Lieberman (I-Conn.) with the James H. Doolittle Award for his extraordinary contributions to the defense and security of the United States.

Special Honoree: Walter P. Stern, Hudson Institute Chairman Emeritus

A limited number of tickets and tables are still available. For more information about the dinner, please contact Molly Harsh at (949) 509-9197 or send an email to NYCevent@hudson.org.

www.hudson.org/Doolittle

Elites Gone Bad

What America needs is a better class of left-winger.

BY DAVID GELERNTER

Although it's gauche to ask, one can't help wondering: Do the Obamacrats love America? If so, how come? Would they please be specific?

If the answer is no, the scandal is not quite their lack of patriotism; nations have been governed decently, in ordinary times, by the lights of pure reason. If the answer *is* no, the scandal is mere cynical insincerity. Obama and his followers should level with the nation and themselves.

There's nothing wrong with loving your country just because it's yours. Perhaps Obamacrats are patriotic in this sense. But patriotic Americans on the left and right used to be proud of particulars: the principles on which the nation was founded, the heroes who created and protected it, its world-shaping achievements and relentless struggle to master its worst urges and put its best into practice. And these patriots embraced America's traditional mission: to be the American Zion, the promised land, the leader of free nations; the city upon a hill, watched by all the world—as John Winthrop wrote, quoting the Bible, as his ship hauled towards Boston in 1630.

But today's left finds little to admire in American history. The new Philadelphia museum built around George Washington's partially reconstructed home is typical in its view of Washington as, first and foremost, a slave owner. Neither of the two extraordinary accomplishments of modern America, victory in the Cold War and the all-but-eradication of race prejudice in a single generation, inspires modern Obamacrats. They rarely mention the Cold War, and they evidently regard the country as still in the grip of prejudice. In fact Rahm Emanuel, former Obama chief of staff and mayor-elect of Chicago, has endorsed the idea of compensation payments to the descendants of former slaves. Thus, America the Inexcusable—unless Emanuel's idea of fairness is that nonperpetrators must compensate nonvictims for crimes they never suffered but would have if they had been born 200 years ago. (Probably.) No clearer evidence exists that the left, and Rahm Emanuel, are out of ideas.

Most disturbing of all, there are signs that the Obamacrats' respect for at least one element of the American creed of liberty, equality, and democracy is slipping. The Obama administration, the Democrats in Congress, and left-leaning local players have all shown their growing dislike of democracy. And if you reject history and democracy, you leave yourself precious little to admire (much less love) in the U.S.A.

The passage of Obamacare, in the teeth of repeated public attempts (in statewide elections) to say "stop," was a classic study in contempt for the public will. It was made complete by Speaker Pelosi's now-famous dictum that there would be plenty of time to read the bill after it had been passed (and you had nothing else to do as you whiled away the hours waiting endlessly for the services of federalized doctors).

The EPA's plans to override Congress's refusal to regulate carbon emissions, the investing of HHS Pontifex Maximus Sebelius with the power to set America's health care course under Obamacare, the Justice Department's plan to try Khalid Sheikh Mohammed in federal court—grudgingly abandoned after more than a year of sullen official stonewalling—the president's breezy encouragement of Brazil to drill for oil offshore while stifling America's own deep water drilling and dismissing hard-pressed American drivers with "let them eat cake, or drive hybrids"—these all show the characteristic contempt of a would-be intellectual elite for the public. Commentators explain that the president is only playing to his left-wing base, as if that cleared him of responsibility; as if he hadn't chosen them every bit as much as they chose him.

Sometimes Obamacrats argue that the labor costs of complying with the lava-flow of new regulations disgorged by his volcanically statist administration are merely an economic benefit in deep disguise—because they will offer American workers new jobs (as ballast to sink the economy). When they make that argument they emphasize their view of the public as not just irrelevant but stupid.

Mayor Bloomberg's government by fiat in New York City shows the same contempt for the public will. Who but convinced supporters of boss rule could have supported the infamous card check bill that Obamacrats pushed during the early months of the administration? (It would have abolished an employer's right to demand a secret-ballot vote of employees being forced to recognize a union.) In Wisconsin, minority senate Democrats literally walked out on democracy. Their gesture (and that of their Indiana House members) resonates with the patronizing smugness of Obama

David Gelernter is a contributing editor to The Weekly Standard. *His most recent book is* Judaism: A Way of Being *(2009).*

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and Reid and Holder and Pelosi and Bloomberg and NPR and Obamacrat reporters and regulators everywhere.

Democracy-fatigue on the left works beautifully with the Obamacrat philosophy of government by professional elite. We know all about the lack of business experience among the president's cabinet members and close advisers; we know that Obama himself has exactly (and only) the right training and experience to be a philosopher king. The post-patriotic Obamacrat professional ruler substitutes, naturally, adult analysis and sheer intelligence for the mere duty and devotion of political hacks and drooling amateurs whose exhibitions of unglobal, particularist patriotism inspire Ph.D.s everywhere with disgust.

And isn't it natural for the growing cadre of government workers to include themselves in the ruling class, peers of the American realm, alongside the Ivy League law-school alums?

To understand where the Obamacrats are headed, we need to look at Europe. Given their admiration for Europe, it's not surprising that so many Obamacrats got over patriotism and are tired of democracy. Europe has shrunk patriotism to the size of a soccer ball; and Europe has only a shallow and fragile tradition of democracy.

Britain comes closest. But despite the reform act of 1832 (almost half a century after the U.S. Constitution), "democracy" remained a dirty word (as bad as "republicanism") in Conservative and Liberal circles through much of the 19th century. As late as 1889, Henry James wrote in *The Tragic Muse* about an aspirant to parliament who is sure of winning: "It's her place," says the candidate, referring to the widow of the great local landowner, who owns most of the town; "she'll put me in." And she does. Time out of mind English politics had worked like that. Only in the early 20th century was the House of Lords (for that matter) effectively excluded from the political process.

France, Germany, and Italy acquired stable democracies after World War II. (France is, of course, on her Fifth Republic, which dates from 1958, following the collapse of the Fourth over war in Algeria.) Eastern Europe, aside from the former Czechoslovakia, has no real democratic traditions older than the dissolution of the Soviet empire.

And the European Union is an insulating blanket designed to smother any escaping democratic sparks. EU laws—like America's Electoral College and the choice of senators by state legislatures under the Constitution—interpose a protective layer between the public and its rulers. We moved to popular election of senators and a rubber-stamp Electoral College long ago; Europe is moving the other way.

In November 2009, the first president and foreign minister of the full-blown European Union were selected—not by the people of Europe but by the 27 EU heads of state or government through negotiation and discussion. The EU bureaucracy is famously remote from mere public opinion. The EU itself was created by the Lisbon Treaty of 2007—which was ratified not by the people but by their national legislatures; the EU was born in a sort of bloodless coup.

In the ostensibly pro-democracy United Kingdom, the Labour Parliament refused to hold a referendum on the Lisbon Treaty; the Conservatives promised one, then changed their minds. (Today pro-referendum agitation is boiling up yet again in Britain.) Only Ireland did hold a referendum on Lisbon and embarrassed itself by voting no. But responsible Irishmen understood that this was only a mistake on the electorate's part, so the referendum was thrown out and a second one was held, and this time the Irish behaved as they were supposed to—like dutiful children of a better tomorrow. So now the Finns are making trouble. Children are like that.

But the EU is European Obamacare: Eurocrats and Obamacrats both speciously insist on "moving forward" and not rearguing (or in the Obamacrats' grating term, "relitigating") old disputes. Naturally they don't want those disputes reargued; they have already lost the argument once, and if they lose again, things might turn unpleasant.

Where are Europe and the EU headed? Unless democratic forces do better than history gives us any right to expect, both are headed towards consensual autocracy.

One set of EU rulers will choose the next (and be rewarded in turn with many honors and comfortable retirements), the EU bureaucracy will grow in wealth and power; but the rights of individuals will be respected (so long as they attract no undue attention from their Muslim betters), and the whole thing will look and feel and taste like—in a sense will even *be*—democracy, because nearly all Europeans will agree on nearly everything anyway. They have already made a promising start by achieving continent-wide agreement (more or less) on such topics as global warming, Israel-hating, and spending a bare minimum on their armies while permitting the clownish Americans to take care of the messy and expensive military details.

America to Europe: Excuse us for saving your life, repeatedly. Can you ever forgive us?

Europe to America: Alas, that kind of sin never can be forgiven.

Can consensual autocracy happen here? Today's Obamacrats seem to want it and believe in it. But let's hope it's a passing fad on the left; in any case, if the public pays attention, it won't ever happen in America. Obamacrats can push us far towards Eurodementia, but not that far.

We have a much more robust conservative movement than Europe does, thanks (on the intellectual side) to William F. Buckley, Irving Kristol, and Norman Podhoretz and (on the political side) to Barry Goldwater and especially Ronald Reagan. But even had none of these heroes ever lived, Americans would still believe in democracy in a way that only a Judeo-Christian, biblical republic ever can.

Back in the U.S.A., a political culture in which patriotism has been superseded by globalism—love of country replaced by love of nothing

(no one even claims to love the "global community")—is a cauldron for the politics of contempt that has been simmering for years on the left; that boils over in so many presidential statements; that helps explain the "climate of hate" (to coin a phrase) that typifies the modern American left.

Of course Obamacrats see themselves as reasonable, sympathetic, responsible, *adult*. In their reading, the "climate of hate" is a malady of the right. How often do we fail to know ourselves, fail to recognize our most obvious characteristic—which in the Obamacrats' case is hatred of the right. That's how people are.

The Obamacrats' hatred is too well known to need cataloguing. We know that NPR's top people see Tea Party supporters as "seriously racist, racist people." We know the views of such old reliables as former DNC chairman Howard Dean ("I hate the Republicans and everything they stand for") and Nina Totenberg of NPR (who once said that Jesse Helms "ought to be worried about what's going on in the Good Lord's mind, because if there is retributive justice, he'll get AIDS from a transfusion, or one of his grandchildren will get it"). We know former congressman Alan Grayson's ideas about his Republican colleagues: "If you get sick in America, the Republican health care plan is this: Die quickly." We know the disgusting things that have been said about Sarah Palin going back to the first days of her vice presidential candidacy. Most important, we remember the indescribably low and dirty attacks made repeatedly on President Bush and Vice President Cheney.

(Not long ago a thoughtful Obamacrat was attacking Cheney, and I asked him whether Cheney and Obama weren't, in personal terms, much alike. He thought it over and said yes; they were both highly intelligent, low-key, thoughtful, well-read, unemotional but strongly committed to their own worldviews. Then why did the left find Cheney *personally* so objectionable? And wasn't it striking that the right never talks about Obama the way the left did about Cheney? To his credit, he had no answer.)

Obviously America needs a left and a right; any spectrum has two ends, and anyway there will always be people whose political instincts are dominated by outrage and a drive to make civilization better and others whose ideas are dominated by duty and devotion. The two fundamental parties have equal moral standing and equal importance to national life: We need the Prophets and the Psalms. The duty and devotion of conservatives can turn bad and become complacency; nowadays conservatives are not complacent—but they should never become complacent about complacency. The outrage of the left can turn into nihilism, meanness, hatred; and has. We know all about what Obamacrats don't like. It's time for them to ask themselves (and then say concretely) what they *do* like; what they are for; what, if anything, they love. ♦

Our Savior, the Democrats

What would Jesus do about the deficit?

BY MARK TOOLEY

Right after Easter, the irrepressible evangelical-left activist Jim Wallis of *Sojourners* magazine announced a new "spiritual battle" against cuts to sacred federal programs in the 2012 budget. Enlisting the U.S. Conference of Catholic Bishops, the National Association of Evangelicals, and the Salvation Army, Wallis proclaimed their "Circle of Protection" around federal poverty programs. Wallis himself had just completed a very public Lenten fast against any cuts in the 2011 budget, joined by two dozen Democratic congressmen. The theme for Wallis's 2011 and 2012 budget campaigns has been "What Would Jesus Cut?" The answer is that Jesus is aligned with liberal Democrats, opposing cuts to the welfare state, while desiring higher taxes and cuts in the military.

Jim Wallis

How does Wallis—the old Students for a Democratic Society agitator who touted the Vietcong in the 1970s and the Sandinistas in the 1980s, who denounced welfare reform in the 1990s as a betrayal of the poor, and whose funding by George Soros was exposed last year—enlist Catholic bishops and mainstream evangelicals in his endless political campaigns? "We're frankly challenging leadership on both sides of the aisle on this one," he recently told reporters. "If you're going to come after the poor, you have to go through us first." Famously a name dropper, Wallis mentioned his impending White House visit. He'd urged evangelicals to support Obama in 2008 and has carefully not burned bridges, despite passage of the ultimately bipartisan 2011 budget cuts against which he fasted.

Fifteen years ago, a more incendiary Jim Wallis furiously condemned as a "great national sin" President Clinton's 1996 welfare reform agreement with Republicans. "By sacrificing hundreds of thousands of poor children to his bid for reelection, Bill Clinton failed the most serious test of his presidency," Wallis warned. He prophesied: "We're now about to experience a hurricane of human suffering."

In the 1990s, Wallis began convening "Call to Renewal" events in Washington, D.C., that claimed "third-way" politics but bashed capitalism and religious conservatives. The Call originally featured old fixtures of the religious left like the Episcopal church's top prelate. In one early stunt, Wallis and Call activists sought arrest in the Capitol Rotunda to protest Republicans' Contract with America. Soon Wallis realized the old street theater wasn't working and that appealing to evangelicals concerned about poverty and the environment was more politically viable. "God doesn't mind prosperity as long as prosperity is shared," he conceded in the late 1990s.

Initially Wallis was friendly to President George W. Bush, especially his faith-based initiatives. "My hope is that we will have a partnership," said Wallis, who met with Bush before the Inauguration. In a flurry of op-eds in prominent newspapers, he allowed that his friends on the left were dubious about the new administration, but he had high hopes.

Wallis contrasted Bush with the Clinton administration, which had been "very solicitous" of *Sojourners* and the Call but didn't offer "much content." Both Clintons flattered Wallis with attention, he recalled, but he wanted more than photo-ops. Bill Clinton had "no moral compass," Wallis complained, saying the administration dropped him after he denounced welfare reform.

Tired of the "same old people and the same old solutions," Wallis reported traditional allies were concerned about his outreach to evangelicals. "The cold war among religious groups over the poor is over," declared Richard Cizik of the National Association of Evangelicals at a Call rally shortly before Bush's election. Cizik moved left during the Bush years, losing his job after endorsing same-sex civil unions and finding refuge with George Soros's Open Society Institute.

Last year, *World* magazine reported that Soros's philanthropy had funded Wallis with $325,000 during 2004-2007. It may be unfair to credit Soros, but Wallis, too, cooled towards Bush. He implored white evangelicals, who backed Bush by nearly 80 percent in 2004, to vote for Democrats because of their stands on poverty, the environment, and peace. In 2008, white evangelicals overall still sided overwhelmingly with McCain, but a larger slice of young evangelicals voted Democratic. Wallis's activities generally echoed the growing evangelical-left elite on evangelical campuses.

Wallis featured Senator Obama at a Call rally and in 2008 effusively supported him for president, earning White House access. In 2009 Wallis hosted a conference call to energize religious support for Obamacare. "I'm going to need you to spread the facts and speak the truth," Obama told listeners, complaining that "our

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Mark Tooley is president of the Institute on Religion & Democracy.

religious faith" is inconsistent with America's current health care system. He also insisted his plan would not fund abortions or facilitate "death panels." Wallis interjected: "We are in danger of losing the moral core of the health care debate," even as "many people are hurting from our broken health care system."

Despite his embrace of Obama, Wallis has continued to insist he's nonpartisan, and this has opened doors. In 2010, he addressed the annual evangelical "Lifest" in Wisconsin, which typically attracts 70,000 to its open-air concerts. One Christian radio station withdrew its support, protesting Wallis's "unholy alliance between the church and government." But the event's organizer still introduced Wallis warmly as his "brother in Christ," saying, "I believe he has a message from God for the church today."

Wallis responded with humor, saying he'd heard some people around there thought he was "an avowed Marxist." Well, as a student he'd read a lot of things, including Jesus' command to care for the "least of these," which was "more radical than Karl Marx and Che Guevara and Ho Chi Minh." And he'd "signed up to be a follower of Jesus." The young audience, no doubt ignorant of the Marxist groups that once inspired Wallis, gave him enthusiastic applause.

To his credit, Wallis has been debating conservatives. Last year at Wheaton College with Arthur Brooks, president of the American Enterprise Institute, Wallis reasoned that a "new generation is tired" of the "argument between big government and small government." More important is "what is smart and effective government." Having been arrested 22 times, Wallis insisted he is a "movement person" akin to Martin Luther King, rather than a promoter of either government or the free market.

This year at Grove City College in Pennsylvania, Wallis debated King's College president Dinesh D'Souza over American "exceptionalism." Wallis extolled "God bless the world" over "God bless America," warning against a "kind of exceptionalism" that creates "self-delusion." He professed love for America's "values" but lamented, "I don't love when we violate those values, . . . acting like an empire." D'Souza countered that "American foreign policy has made the world much better." Wallis pointedly mentioned his ongoing Lenten fast against budget cuts several times.

These days the angry rhetoric is mostly gone. White-haired and often sporting a black turtleneck, Wallis has become an elder statesman among religious activists. His Circle of Protection coalition with Catholic bishops and evangelicals testifies to his successful political transition into the religious mainstream, at least in terms of image. His essential message, however—that God favors big government and opposes American "empire"—remains virtually unchanged across 40 years. ♦

The Sharp Pencil Test

Time for a real growth agenda

By Lawrence B. Lindsey

It's easy to get caught up in the details of the political battle of the day over the nation's economic and fiscal health—after all, that's what we do in Washington. Unfortunately, many of our decision-makers and opinion leaders possess the skills required for political infighting in greater abundance than the capacity for thoughtful analysis. Their focus on the fight and on winning the 24-hour news cycle has produced a country that designs policy for tactical political advantage and not for the efficient use of scarce resources. As a consequence we have dug a deep hole that will be difficult to escape from. As bad as things may seem, our country's actual long-term economic and fiscal situation is even worse than Washington's political class recognizes.

Start with economic growth. The president's budget assumed 3.1 percent growth this year and 4 percent next year. It now looks like the first half of this year will produce a number just over 2 percent, and there is no evidence that growth is going to accelerate. Since the recession formally ended in the second quarter of 2009, growth has averaged just 2.8 percent, a little over half the average of 4.6 percent in the two years following the typical recession since World War II. The reasons are partly structural, but many government policies aggravate the economy's structural weaknesses. The effect on the budget can be profound. Each percentage point of slower real growth increases the cumulative budget deficit by $3.2 trillion over ten years. Even if growth meets current projections, federal debt per capita will rise from $19,000 in 2008 to $68,000 in 2020.

Then there is the problem of interest rates. Right now, thanks in large part to Federal Reserve policy, Uncle Sam can borrow at an average cost of just 2.5 percent. The average borrowing cost over the last three decades was 5.7 percent. Our debt is now $14 trillion and scheduled to grow to $25 trillion by the end of the decade. If interest rates normalize over that period, the added interest costs in 2021 alone will be $800 billion—more than 20 times the mere $37 billion in budget cuts that tore up Congress in March. It would take virtually all of the cuts in the Ryan budget just to cover that added interest, much less to start bringing down the national debt. Unfortunately, the Fed is now in a fiscal box. A normalization of interest rates would break the Treasury. Hence, a normalization of rates really can't happen—we are stuck in a world in which the Fed must keep rates artificially low in order to prevent a budget disaster.

Government policies to "stimulate" growth have not done so. Everyone except flacks for the White House knows that the 2009 stimulus package failed miserably to produce the promised results. But even if you buy the White House's argument that the $800 billion package created 3 million jobs, that works out to $266,000 per job. Taxing or borrowing $266,000 from the private sector to create a single job is simply not a cost effective way of putting America back to work. The long-term debt burden of that $266,000 swamps any benefit that the single job created might provide.

This is an example of a program failing the Sharp Pencil Test. If you sit down and do a back of the envelope calculation of the program's costs and benefits, there is no way to conjure up numbers that allow it to make sense. But the stimulus bill is hardly alone. What we need to do is take a sharp pencil to all of our programs—and to our tax code—and redesign them in a way that brings maximum benefit at minimum cost.

For a case study in the failure of political program design, consider Obamacare. It is widely, if privately, acknowledged across the political spectrum that Obamacare will have to be reformed before it takes effect in 2014. Recall how it became law. On the day before Congress's Christmas break in 2009, Senate majority leader Harry Reid called a bill to the floor that had been cobbled together behind closed doors with last-minute agreements penciled in the margins. Several Democratic senators stood and said they thought the bill wouldn't work, but they were going to vote for it in order to allow it to move to a conference committee with the House, where the inconsistencies of complex

Lawrence B. Lindsey served in the Reagan, George H.W. Bush, and George W. Bush White Houses and at the Federal Reserve during the Clinton administration. His most recent book is What a President Should Know . . . but Most Learn Too Late.

bills are typically ironed out. But before the conference committee could do its work, Scott Brown won the Massachusetts Senate election, and there were no longer the 60 votes the Senate would need to pass the conference bill. So the House had to accept the Senate bill virtually unchanged. To get over thorny issues like abortion funding, Obama had to sign an executive order since the bill couldn't be reopened.

Ideally Congress would have started over and designed a workable program, but it did not. Secretary of Health and Human Services Kathleen Sebelius has been trying to stitch the unworkable result together by granting waivers—1,400 of them already—to such Mom and Pop businesses as McDonald's to stop them from dropping their health benefits. A joint study by the departments of Labor, Treasury, and Health and Human Services found that a majority of private sector health plans would not comply with the rules HHS was drafting. When firms face a choice between complying with these regulations and putting their workers on the public plan at a fraction of the cost, the whole budgetary house of cards will collapse.

Secretary of HHS Kathleen Sebelius has been trying to stitch the unworkable result together by granting waivers—1,400 of them already—to such Mom and Pop businesses as McDonald's.

But there is no room for partisan smugness. A number of Bush administration ideas also fail the Sharp Pencil Test. Ethanol subsidies cost far more than any rational computation would justify. There is no evidence that No Child Left Behind has significantly improved test scores, though it has prompted the dumbing-down of tests. And the bipartisan establishment's immigration reform developed under Bush—making 11 million people citizens—is so obviously beyond the capacity of the already clogged Immigration and Naturalization Service as to fail the laugh test. (See my "Can Immigration Reform Work?" in the May 22, 2006, issue.)

But probably the hardest thing for Republicans to admit is that the nation-building part of the liberation of Iraq and Afghanistan has not been cost effective. One can easily make a case that deposing Saddam and the Taliban was a cost effective use of the nation's resources. One cannot make the case that being there eight years later is. While nation-building is a nice idea, the trillion-dollar price tag for Iraq and Afghanistan is too high. President Obama's decision to do regime change on the cheap in Libya is unlikely to prove any more successful than Secretary Rumsfeld's effort to topple Saddam on a budget of $54 billion in 2003.

Each of the major components of federal spending requires a structural repair, and so does our tax policy. Currently the focus is on discretionary spending—which is scheduled to total about $16 trillion over the decade, about evenly divided between defense and nondefense. Obviously government wastes a lot of money in this category. We need to be candid about the fact that there are some things we simply cannot afford to do. These uneconomic programs range from dozens of low cost initiatives to some fairly grand ones. No, we do not need to subsidize National Public Radio, with its upscale audience and clear political bias. We may also have to take cost into consideration in deciding issues of grand strategy, such as our position in the Western Pacific and in the Arabian Gulf. But these discretionary items are only part of the problem, and they are growing slowly, roughly in line with the economy.

The real long-term budgetary problem is in the area of entitlements, especially programs that are scheduled to grow much faster than the economy—a mathematical impossibility in the long term. Each requires sharp pencil reforms that are structural in nature.

Start with Medicaid, our health care program for the poor. It will consume roughly $4.2 trillion over the decade but will more than double in cost over that time, setting us up for real problems in the 2020s. Here the structural problem is the "matching grant" approach, in which the federal government sets minimum, but highly complex, standards and then pays half the cost. States must meet the federal standards, but may exceed them. The result of that latter provision is that state politicians may raise spending but have to raise state taxes by only 50 cents on the dollar to pay for them.

New York, which epitomizes what is wrong with Medicaid, has clever state politicians who go one better. They pass half of their share on to the counties, which must raise money from property taxes to cover it. This allows the politicians in Albany to claim credit for spending dollars of which they have to raise only 25 cents, while the Feds pick up 50 cents and the counties the other 25 cents. Guess what happened in New York? With just 6.2 percent of the nation's population, and incomes somewhat above the national average, the state has 8.5 percent of Medicaid beneficiaries and consumes over 13 percent of all Medicaid spending. At one point a decade ago the governor's mother was on Medicaid, along with one-fifth of New Yorkers. Is it safe to say that any program for the poor with the governor's mother on its rolls has serious design flaws?

The problem should be fixed at the federal level: Rather

than pay half the cost of whatever states decide to cover, give the states a fixed allowance called a block grant. Couple that with a sharp reduction in federal regulations so that states can design and administer programs as they see fit. This rewards innovation and thrift. It is a major principle of the Ryan budget. One can debate the amount of the block grant, but to pass any Sharp Pencil Test, block-granting Medicaid is the only way to go.

President Obama and the Democrats oppose this. One reason is that some of their special interest groups like the service-employees union are major beneficiaries of the current system. But the main reason is that Obamacare needs the matching-grant system to depress its apparent price tag. It dumps millions of people onto the Medicaid rolls, forcing states to pick up half the cost. This is a central objection of the 26 states that have sued to have Obamacare declared unconstitutional. And it is one of the gimmicks that allows Obamacare to appear relatively "low cost" at the federal level: Half the costs of an expanded Medicaid are shifted to the states.

Medicare has its own structural problem. The federal government pays 80 percent of whatever seniors spend. That includes needless tests to protect doctors from malpractice suits, end-of-life care that often goes well beyond keeping patients comfortable, and unnecessary use of scarce medical resources by beneficiaries without any incentive to economize. The Obama administration intends to curb costs by rationing care. A federal panel will prioritize procedures and deny funds for any medical procedure that doesn't make the cut. That arrangement might work at the budgetary level, and it is used to ration care in a number of countries with socialized medicine. But the one-size-fits-all approach is crude and unappealing and brings to mind the unfortunate phrase "death panel."

A better approach, contained in the Ryan budget and advocated by some thoughtful Democrats like Alice Rivlin, who served as director of the Office of Management and Budget and was vice chair of the Fed in the Clinton administration, is the "premium support" concept. This would provide seniors with a program similar to the prescription drug part of Medicare, and similar to the arrangement now enjoyed by members of Congress, who choose among competing health care plans that are subsidized up to a fixed amount. The plans would vary in their coverage; they might be more or less generous in their coverage of, say, end-of-life care. But the key is that the patient would choose, not a panel of federal bureaucrats. As with Medicaid, it is fair to debate the precise level of assistance, and the Rivlin and Ryan plans differ on this. But at the structural level, premium support is by far the best sharp pencil reform we can make.

Social Security, with nearly $10 trillion in spending over the next decade, is also a program that needs to be addressed. Changing benefits for those now receiving them or expecting to receive them soon is unnecessary. Drastic changes in the rules, moreover, are not needed if change is enacted now. One very progressive plan to save Social Security was put together by the Bowles-Simpson commission. Other plans, including some developed by President Bush's Social Security Commission, would also solve the problem. What is essential is to act now, while reforms that would save the system can be introduced gradually.

Finally, taxes must be part of any broad-based solution. But the evidence is overwhelming that to continue our current highly inefficient and distorted tax system is antithetical to growth, and simply to raise rates under that system would make matters worse. Because taxes distort people's decisions, taxpayers are worse off by $1.70 for every extra dollar of government revenue. At modestly higher tax rates than we have now, this effect would become even more severe. Taxpayers in high-tax states could be up to $4 worse off on every extra dollar the government collects.

One approach, used by both the Bowles-Simpson commission and the Ryan budget, is to broaden the base and lower the rates. Bowles-Simpson does this with rates that would raise substantial revenue, Ryan does it on a break-even basis. But the structure of both plans is the same. Broadening the base with a top rate of 25 to 27 percent would both enhance revenue and enhance the country's growth prospects, a quintessential sharp pencil approach.

Even more dramatic would be to replace our income tax system with a system based on cash-flow. Administratively it would be far simpler to collect a single tax on business. It would also minimize avoidance based on the definition of income. As we learned in the financial crisis, "Cash is a fact, income is an opinion."

What all of these structural changes have in common is efficiency. Ultimately that is what generates economic growth and balanced budgets. If a program that produces just a 1 percent return for the economy is funded from tax dollars taken from individuals and businesses that may get a 6 percent return on their investment, then the economy is poorer by 5 cents for each dollar spent. And if $100 million is spent on a program whose objectives could be met with an outlay of $70 million, the nation is poorer by $30 million. That is true no matter how well-intentioned the program may be, how neatly it fits into a political speech, or how much it may appease a special interest group. We must stop equating the spending of dollars with "stimulus." Wasted dollars make us poorer, not richer. Taking a sharp pencil to the federal budget is the way both to restore growth and to lessen the burden of government debt we are leaving to our children. ♦

The Crash of 1993

As the great comic-book bubble showed, sometimes there's no recovery from a speculative boom

By Jonathan V. Last

What Tolstoy wrote about families is true of economics: Boom times are all alike, but every crash is disastrous in its own way. That's why stories about bursting bubbles are always instructive. There are lessons in the smallest of them, even the bubble that led to the comic book crash of 1993.

Once upon a time comic books were ubiquitous and worthless. Sold in drugstores for a dime during the 1930s and '40s, they were fun, pulpy reading for kids and youths. Issues were printed by the hundreds of thousands—even a million for the top titles—and then read, passed around in classrooms, locker rooms, and barracks, and eventually thrown away. A few odd ducks collected the things for pleasure, but this barely amounted to so much as a hobby.

Over the years the appeal of comics narrowed somewhat, but the audience grew more intense as it shrank. Specialty shops appeared that sold nothing but comic books. By the mid-1980s, a brisk collectors' market existed.

In 1974 you could buy an average copy of *Action Comics* #1—the first appearance of Superman—for about $400. By 1984, that comic cost about $5,000. This was real money, and by the end of the decade, comics sales at auction houses such as Christie's or Sotheby's were so impressive that the *New York Times* would take note when, for instance, *Detective Comics* #27—the first appearance of Batman—sold for a record-breaking $55,000 in December 1991. The *Times* was there again a few months later, when a copy of *Action Comics* #1 shattered that record, selling for $82,500. Comic books were as hot as a market could be. At the investment level, high-value comics were appreciating at a fantastic rate. At the retail level, comic-book stores were popping up all across the country to meet a burgeoning demand. As a result, even comics of recent vintage saw giant price gains. A comic that sold initially for 60 cents could often fetch a 1,000 percent return on the investment just a few months later.

But 1992 was the height of the comic-book bubble. Within two years, the entire industry was in danger of going belly up. The business's biggest player, Marvel, faced bankruptcy. Even the value of blue chips, like *Action Comics* #1 and *Detective Comics* #27, plunged. The resulting carnage devastated the lives of thousands of adolescent boys. I know. As a 12-year-old I had a collection worth around $5,000. By the time I was ready to sell my comic books to buy a car—such are the long-term financial plans of teenagers—they were worthless.

The comic-book bubble was the result not of a single mania, but of a confluence of events. Speculation was part of the story. Price gains for the high-value comics throughout the 1980s attracted speculators, who pushed the prices up further. At the retail level,

Jonathan V. Last is a senior writer at The Weekly Standard.

the possibility that each new issue might someday sell for thousands of dollars drove both the sale of new comics and the market for back-issue comics. It was not uncommon for a comic book to sell at its cover price (generally 60 cents or $1) the month it was released and then appreciate to $10 or $15 a few months later.

But the principal cause of the bubble was the industry's distribution system. Comic books are created and released by publishing houses. There are two giants (Marvel and DC) and then a raft of much smaller independents, which come and go with great frequency. All of the publishing houses left the task of physically getting comics from the printing presses to the retailers to a group of middlemen—the distribution companies.

These distribution companies determined who could and couldn't sell comic books. They imposed requirements on retailers, demanding that they demonstrate financial reserves and guarantee certain numbers of orders each month. The reason comics were so slow to migrate from newsstands and five-and-dimes to dedicated comic book shops (a process that took nearly 50 years) is that it was hard for these small start-ups to muster the resources needed to secure distribution. These hurdles are why, in 1979, there were only about 800 comic-book shops in the entire world.

In the 1980s, two of the larger distribution companies—Diamond and Capital City—began an aggressive course of expansion. They wanted to nationalize their businesses and eliminate smaller, regional competitors. Their strategy was to lower the barrier to entry for prospective retailers.

Diamond and Capital City were happy to sign distribution agreements with just about anyone. As Chuck Rozanski, the owner of the country's largest comic-book retailer, Mile High Comics, explained a few years back in a brilliant series of essays about the comic-book bubble, Diamond and Capital City were ready to set up an account for anyone with an initial order check of $300. This aggressive stance had the practical effect of turning many collectors into dealers. Comic book shops proliferated, growing from 800 in 1979 to 10,000 by 1993. Diamond and Capital City were so successful that they drove every other distributor in America out of business.

With all of these comics shops sprouting across suburban America, the two remaining distributors took in record numbers of orders every month. Seeing these orders, the publishers thought they were presiding over a massive boom. So they upped their prices and began publishing more titles, adjusting the supply to meet what they thought was demand. In 1985 Marvel published 40 titles a month, and each book cost 60 cents. By 1988 they were putting out 50 titles for $1 apiece. By 1993, they were offering 140 books a month, selling for $1.25 and up.

All the while, the distributors kept standing up new retailers, who kept putting in orders, enticing the publishers to produce ever more books. It was an unsustainable loop, but what made the situation particularly perilous was that in the comic-book business, orders are placed months in advance and unsold inventory cannot be returned. Retailers eat unsold books as overstock. (Rozanski estimates that at the bubble's peak, 30 percent of all comics being published wound up as overstock.) In other words, the loop was structured so the publishers would get negative feedback only after the industry had gone over the cliff and the retailers started going belly up.

Which is precisely what happened in 1993. By expanding their output to hundreds of titles, the publishers had diluted the quality of their product to embarrassing levels. That, combined with the higher retail prices, drove away customers.

Many of the new comic-book stores were undercapitalized and poorly run. The weakest of them folded first, and their demise began a cascade: Publishers saw a rapid and dramatic decline in orders, so they moved to reduce costs by cutting back the number of titles they shipped. Which led to less product for the remaining retailers to sell. Which pushed the stores on the margins of survival out of business. The death spiral was on.

By the time the bubble's soapy residue washed away, nine out of ten comic book shops in America had closed their doors. Publisher sales of new comics dropped by 70 percent. On December 27, 1996, Marvel, the General Motors of comics, filed for bankruptcy. The market for used comics was flooded with the cadaverous inventories of out-of-business stores. The prices of high-value comics dipped or plateaued. Many lower-value comics (books under $100) saw significant declines. Comics printed during the run-up to the bubble became virtually worthless, as the speculator-driven sales combined with the unsold issues to create a massive oversupply.

Since the comics apocalypse, some parts of the market have recovered and even thrived. Over the last ten years, the Golden Age glamour books (such as the early *Action* and *Detective Comics*) crept into the six-figure range, and a whole host of books, ranging from *Amazing Fantasy* #15 (the first appearance of Spider-Man) to *Donald Duck Four Color* #29, began fetching five-figure sums. As the Great Recession dawned in the fall of 2008, the comics market remained reasonably intact. New issue sales dropped precipitously, but then rebounded. The prices of high-value older issues continued to rise. In one three-day span last year, two comics (an *Action* #1 and a *Detective* #27) broke records, selling for $1 million, and

then $1.075 million. A month later, an *Action* #1 went for $1.5 million.

But the contours of the industry have changed almost beyond recognition. In 1950, Marvel and DC together sold roughly 13 million comic books a month. In 1968, they put out 16 million a month. Since 1993 the overall sales trend has been inexorably downward. For January 2010, all American publishers combined sold a total of 5.63 million comics.

This might sound like an industry marching toward oblivion, yet in 2009, Disney paid $4 billion to acquire Marvel (DC was already owned by Time-Warner). The reason for this gaudy valuation is that the comic books themselves are no longer important to the comic-book industry. They're loss leaders. The real money is in the comic-book properties, which power toy and merchandise sales, theme parks, and above all else movie franchises. Since 1997, 26 comic book adaptations have gone on to gross more than $100 million at the box office. Twelve of these grossed more than $200 million. More—many more—are coming soon to a theater near you.

As a financial concern, comic book publishers are no longer in the publishing business: They're curators of, and incubators for, extremely valuable intellectual property. To comic-book collectors, that's very good news.

Or rather, it's very good news for *some* comic-book collectors. As a boy I had the misfortune to be buying comics in the run-up to the bubble. Almost none of my books ever recovered their value. Sure, *Action Comics* #1 will fetch you a million plus, but look around on auction websites and you can find sellers offering lots of a thousand Bronze- and Modern-Age comics—the books I was collecting—for $10. They're worth just a little less than firewood.

As painful as it was for some of us, the comic-book bubble teaches two important lessons. First, bubblemania is not always the fault of buyers and sellers. Sometimes it's caused by intermediaries. Second, sometimes markets don't "come back." People who owned blue-chip comics took a hit in 1993. People who owned modern-era comics were wiped out, the value of their collections never to return.

The comic-book market resembles today's housing market in unsettling ways. The substantive differences between houses and comic books are as obvious as they are enormous. Yet in both cases the speculatory bubble was helped along by irresponsible middlemen—the distribution companies in one case and the credit-ratings agencies and mortgage appraisers in the other.

And it's unclear to what extent the housing sector is going to rebound. We are now officially in a housing double-dip, with prices in most parts of the country below what they were in 2000—and still falling. Discussing the topic several weeks ago, Moody's economist Celia Chen told reporters that, nationally, house prices might regain their 2006 levels by 2021. In some large states—such as Florida and California—Chen placed the recovery in 2030. What's terrifying about such predictions isn't the specific date. It's that either way, the return of prosperity is so far in the future as to indicate that no one really has any idea when recovery will come. Or if.

Lots of houses are the functional equivalent of blue-chip comic books. Like a copy of *Action Comics* #1, a co-op in Manhattan, a townhouse in Georgetown, or a bungalow in Santa Monica will eventually regain its previous value and will prove to be an excellent investment in the long run. And the same can probably be said for the majority of suburban homes in established metro areas from Seattle to Atlanta.

The comic-book bubble teaches important lessons. Sometimes markets don't 'come back.' People who owned blue-chip comics took a hit in 1993. People who owned modern-era comics were wiped out, the value of their collections never to return.

But during the run-up to the housing crash, a crush of construction appeared in places like the Carolina coasts, the southwestern desert, and pockets of Florida. In the summer of 2009, the Associated Press ran a story on Victor Vangelakos, who bought a condominium unit in a new 32-story waterfront building in Fort Myers. He's the only person in the building—every other unit was either foreclosed on or never sold. That's not quite as bad as things are in Spain, where entire towns sit vacant. In Yebes, an hour from Madrid, hundreds of rowhouses sit empty on brand new streets. Almost none of them was ever sold. Yebes is a ghost town now, unlikely ever to "come back."

I have a comic book like that. In 1984, DC launched what became an immensely popular series, *The New Teen Titans*. The first issue carried a premium cover price of $1.25, the result of the series being printed not on the usual newsprint but on higher quality "Baxter" paper. I missed the first issue when it debuted, and the back-issue price quickly climbed. In a few months I saved up the scratch to buy a copy.

I paid $25, a not-inconsiderable sum for a 10-year-old. It was the jewel of my collection. Today you can buy a copy in near-mint condition for $1.50. ♦

Henry Kissinger, Zhou Enlai, Mao Zedong, ca. 1972

Message from Dr. K

Anything new from the old China hand?

BY ARTHUR WALDRON

Properly understood, this is not a book about what Henry Kissinger accomplished in the realm of U.S.-China relations, but rather a book about China herself: an attempt to answer the questions, what sort of civilization and country is China? And what sort of international behavior can we expect from China in the years ahead? Taken as such, it is, to be frank, disappointing.

For 40 years, Kissinger has enjoyed unmatched access to China at the highest level. He has made dozens of trips there. In government he was instrumental in the establishment of relations between Beijing and Washington. Since leaving government, who can doubt that his lobbying firm, Kissinger Associates (not mentioned in the book), has done much business with China, or that the services of a former secretary of state do not come cheap? He has probably conversed—through an interpreter, of course, always—with more members of China's ruling elite, and at greater length—than any other living American.

On China
by Henry Kissinger
Penguin, 608 pp., $36

Yet as will be seen, his account of China is so flawed that it probably would not pass muster in a good university master's degree program. It combines the worst of the romanticism and mythmaking about China that have characterized writing on that subject for at least a hundred years with a clear deference to the account of China's history that is today official in China. It ignores or sidesteps most that is not officially admired, whether the accomplishments of pre-Communist China or the tensions and contradictions of the present, including even the only recent event considered by the Chinese so important

Arthur Waldron, Lauder professor of international relations at the University of Pennsylvania, is the author of the forthcoming The Chinese *(Wiley-Blackwell).*

KPA / ZUMA PRESS / NEWSCOM

that it is designated simply by date—*liu si* (six four), June 4, 1989: "This is not the place to examine the events that led to the tragedy of Tiananmen Square . . ."

But Kissinger does get one big thing right, something that is widely missed or glossed over, both in academic and governmental circles: He understands that today's U.S.-Chinese relationship lacks a firm foundation in shared interests of the sort that made possible its initiation. When rapprochement began—in the late 1960s and early '70s—the split between China and her former patron the Soviet Union had escalated to military confrontation. The Chinese initiated fighting on the disputed Zhenbaodao (or Damansky) Island in the Ussuri River, which at that point marks the international boundary, part of a crisis that eventually saw a million Soviet troops deployed to Chinese border regions. Beijing had firmly rebuffed attempts to establish contact by earlier American administrations—that of John F. Kennedy most notably—but with the Soviet bear at the door she realized her security demanded a heavyweight ally, which could only be the United States. This geopolitical fact opened the trail that Richard Nixon and Kissinger followed and that led eventually, in 1979, to the breaking of all diplomatic relations with Taipei, which we had hitherto recognized as representing China, and the exchange of ambassadors with Beijing.

That era, however, and the geopolitical situation that it presented have now vanished. The result is that, as Kissinger recognizes, we currently have a major and multifaceted relationship with China that lacks any fundamental rationale persuasive enough to see it through hard times.

One of the facets of that relationship is a newly articulated ambition for world power on the part of some (not all) in China. Kissinger quotes Senior Colonel Liu Mingfu, who has written that "if China in the 21st century cannot become world number one, cannot become the top power, then inevitably it will become a straggler that is cast aside." In the last decade, China has taken some steps seemingly directed to that goal—able, as Kissinger notes, "to go it alone because the fear of the Soviet Union, which had brought China and the United States together" has receded.

To the consternation of other states touching it, she has proclaimed her sovereignty over the entire South China Sea, hitherto international waters. She has turned up the heat in her dispute with Japan over the Senkaku Islands (called, in Chinese, Diaoyutai) to the extent that a recent confrontation saw two Japanese coast guard vessels rammed by a Chinese fishing ship. Her pressure on Arunachal Pradesh in India is unrelenting. Nor have the Americans been spared. In 2001 a U.S. reconnaissance aircraft was forced to make an emergency landing in China after a daredevil Chinese fighter pilot managed to collide with it, crashing his plane and losing his own life. In 2007 the U.S. carrier *Kitty Hawk* was turned away at the last moment from a long-planned Thanksgiving visit to Hong Kong, for which family members had already arrived. None of these incidents is fully understood. Clearly, enough people in China favor them that they happen; but evidence suggests that others, more aware of the international damage they do, presumably oppose them. For by such militancy, China simply elicits the result she most fears: encirclement by hostile states.

"China has a host of neighbors," Kissinger sums up, "with significant military and economic capacities of their own. . . . China's relations with almost all of them have deteriorated over the past one to two years."

As Kissinger notes, if some sort of amity is to be maintained between the United States and China, and the real possibility of armed conflict avoided, some new framework is required to hold them together, some new common interest to replace the "defining shared purpose such as had united Beijing and Washington in resistance to Soviet 'hegemonism.'" The possibility of finding such an interest, in turn, will depend not on geopolitics, as 40 years ago, but on the nature of China and the way her future unfolds. Now the question is what logical fit (if any) exists between the United States and China sufficient to justify major U.S. investment in the relationship. Answering this, in turn, means understanding China: her history, culture, diplomacy, present situation, and prospects—and this is what *On China* is really about.

Disappointingly, Kissinger's outline and analysis of Chinese history follows very much what is official and prevailing in China today. It is a story of greatness embodied by the ancient and, as Kissinger puts it, "singular" civilization of China, encountering humiliation at the hands of foreigners, in the form of the British in the Opium Wars of the 1800s, followed by a period of decay, onto which scene, in 1949, breaks Mao Zedong—"a colossus" who reunites China, sets it on course

HK, Deng Xiaoping, 1974

BETTMANN / CORBIS

to modernity and new greatness, and rules over it like an emperor. With the advent of communism, "China's period of weakness and underachievement—one might call it China's 'long nineteenth century'—was officially drawn to a close." Kissinger mentions some of Mao's excesses—20 million dead in the great famine of the late 1950s and early 1960s (a very low estimate)—but tactfully does not dwell on them.

For Kissinger, as for the official historians of today, China is a single organism. A "special feature of Chinese civilization is that it seems to have no beginning. It appears in history less as a conventional nation-state than a permanent natural phenomenon." Such is the continuity of Chinese civilization that "Chinese today can understand inscriptions written in the age of Confucius." It has no foundation myth: The Yellow Emperor appears not when civilization begins but when it has fallen into chaos. Since then, "Chinese history featured many periods of civil war, interregnum, and chaos. After each collapse, the Chinese state reconstituted itself as if by some immutable law of nature."

This section is difficult to review because it is so burdened with errors. Thus, one could point out that China, in fact, possesses several creation myths; the idea that it lacks one is a long-persisting error. So, too, is the idea that Kissinger later stresses of China's self-conception as "the Middle Kingdom." In fact, the characters comprising this term, *zhongguo*, antedate the creation of the first unified state on the great eastern plain of Eurasia, the Qin in 221 B.C., and are best understood as originally a plural: "the central states" or the "states around the center."

To turn to more contemporary issues, Kissinger is not even clear about the administrative status of Taiwan within the Chinese system, despite what must amount to hundreds of hours discussing the island and its future. He explains, in connection with a meeting held in the Fujian Room of the Great Hall of the People, that the island "belonged" to Fujian province—which it did from its conquest by the Qing, in 1683, until 1895—but does not mention that it then became a province according to the dynasty. Perhaps Kissinger phrases things this way because the United States takes no position on the international status of Taiwan. But assuming that degree of knowledge, how could the Americans have missed the significance of the choice of venue, as he says they did? (Taiwan is described as a province in the constitution of the People's Republic, while many Taiwanese consider it an independent state.)

Kissinger is fascinated by what he sees as the subtlety and indirection of Chinese diplomacy, and he is, to some extent, correct about this. Unlike their American counterparts, Chinese diplomats are usually fluent in their counterpart's language and thoroughly on top of their brief. They may use allusions to Western literature to convey messages. In one case, a Chinese reference to Dickens—"Barkis is willin'" from *David Copperfield*—was nearly missed because of ignorance on the American side. No one who has experienced Chinese hospitality (and who has experienced more than Henry Kissinger?) can fail to be impressed by it, and its ability to win over those to whom it is applied. We should not forget, however, that subtlety and indirection are simply one side of the hand: The other is the use of force. Thus, Kissinger mentions "one of the subtle gestures at which [the Chinese] are so adept." The following two pages then chronicle the missile firings into waters near Taiwan during 1995-96, the second of which, when the Chinese bracketed the island by hitting very near its two most important ports, led to the dispatch of two U.S. aircraft carriers. How subtle were these gestures? Or for that matter, how subtle were the various incidents already catalogued here?

Kissinger effectively skips over the sensitive period of the Republic of China (1911-1949, thereafter an exile government in Taiwan), not even using the words in the text, in keeping with the Communist idea that the first few decades of the 20th century were not really a republic or a state at all but, rather, a period of chaos that the true republic, the People's Republic (1949-), brought to an end. Yet nothing could be further from the truth. From its birth in 1911 until the Japanese invasion of the 1930s, the Republic of China was a dynamic and creative society, far freer in every respect than its successor. Initially, the Republic had an elected parliament—its building, the last time I looked, could still be seen in the precincts of the New China News Agency in Beijing—though military rule soon suppressed it. But even when the military was in power, it (like the Communists today) paid tribute to the Chinese aspiration for free and democratic rule by writing such structures into their constitutions, only to ignore them.

It was in Republican times that the great universities of China were founded, when the arts flourished, when writers such as Lu Xun and Mao Dun produced their greatest work, when modern medicine was introduced, and the still-leading Xiehe Hospital in the capital built. This was a time when political parties could be formed, when the press was relatively free and full of criticism. It was the time when the great issues of China's future, still relevant, were spelled out and openly debated. This period also saw dramatic economic growth and was the time when Shanghai became the greatest city of Asia. Most important for Kissinger's purposes, this was the seedtime of modern Chinese diplomacy. He spends some time, near the beginning of the book, discussing the concepts of Sun Zi and the game of Chinese chess; but if he really wants to understand how China interacts with the world today, he would do better to study the diplomacy of the Washington Conference (1921-22) and, in particular, the career of V.K. Wellington Koo, the brilliant, Columbia-educated foreign minister for several regimes, whose strategies of negotiation and international law are the foundation of nearly all Chinese practice, whether in Beijing or Taipei.

The one place where Kissinger's interpretation of Chinese history departs slightly from today's Chinese narrative—and, perhaps, dips into the way things were taught at Harvard in the 1960s—is his persistent interpretation of the state as a continuous Confucian bureaucratic structure, which the

Communists have now taken over and imbued with Communist, rather than Confucian, values. He tells us that he discussed this interpretation with Zhou Enlai, who vigorously dissented: "Zhou exploded, the only time I saw him lose his temper. Confucianism, he said, was a doctrine of class oppression, while Communism represented a philosophy of liberation." In vindication of his interpretation, Kissinger tells us twice that China has recently marked Confucius' rehabilitation by the installation, on January 11, of a statue of The Sage, massive and in bronze, in Tiananmen Square, "within sight of Mao's mausoleum—the only other personality so honored." Unfortunately, Kissinger's manuscript seems to have gone to press in time for him to know that the statue had been installed, but before it was removed in April and consigned to the courtyard of a museum.

Yet the appearance and disappearance of the statue suggest the beginning of an answer to the question that has impelled Kissinger to write his book. For what the saga tells us is that, initially, there *were* in the leadership enough powerful people to push through a decision to commission the statue, cast it, and place it in the square. (If it was destined for the museum, it could have gone there directly.) It is hard to see how even the top leader, Hu Jintao, could not have been aware of this decision, which is a remarkable one, given that the entire history of Communist thought could, with only slight oversimplification, be summed up as an attack on Confucius and his legacy. So the disappearance of the statue tells us that, just as there was a group powerful enough to cause its initial installation, by the same token, once it was installed, a group formed that was powerful enough to force its removal. The Chinese leadership, in other words, is deeply divided about what it wants the future China to be. Is it to be a red Confucian dynasty, as Kissinger suggests? Or is it somehow to keep faith with its originally proclaimed values of egalitarianism, freedom, and revolution?

A struggle for the future is underway. We know this, moreover, not simply by the example of the statue (which Kissinger may use because it implies official approval) but also because of the tension and turmoil in Chinese society today. If peace in the world depends, to a considerable extent, on order in China—as Kissinger maintains Deng Xiaoping believed—then future peace will depend on how the current struggle for the soul of China comes out. If, somehow, stability is maintained even as political reforms are carried out, then we can hope for a relatively tranquil relationship. But make no mistake: These reforms will mean transforming China into a modern, law-abiding, and democratic state, like India or Japan, featuring individual rights, fair laws and equal justice, elections, and the like. This is a tall order. But just as some in Beijing favored erecting the statue of Confucius in Tiananmen Square, some even in authority privately understand the imperative.

HK, Wen Jiabao, 2009

YAO DAWEI / XINHUA / PHOTOSHOT / NEWSCOM

This is not to mention the powerful dissatisfaction of large portions of the Chinese population with things as they are. Confrontations with the police and attacks on officials are now commonplace, as is written dissent and ridicule of the regime. Kissinger does not mention any of this, nor does he note that Beijing now spends more on internal security than on its military establishment. The name of the Nobel peace laureate Liu Xiaobo does not appear in the index—not to mention other dissenters, such as the Falun Gong, or Christians, or human rights activists. These do not figure in the official narrative and, I fear for this reason, they are missing from Kissinger's as well.

Toward the end, Kissinger fishes for some sort of means to ensure that America and China continue to share goals strongly enough to avoid conflict. Since he does not permit himself to talk about the real key, which is the future of the Chinese regime, he comes up with the somewhat doubtful concept of a "Pacific Community" as the answer. One can only imagine the scorn that the *realpolitiker* Kissinger would have poured on this idea had someone else proposed it.

For make no mistake: If 40 years ago it was the alignment of great powers that determined the future of Chinese-American relations, today it is the state of power within the People's Republic that will determine the future. With a free and reformed China, the possibilities for cooperation are limitless; after all, U.S.-China relations were cordial from the turn of the last century until the advent of the Communists. But if the Chinese government continues with its current policies, under which the preservation of dictatorial one-party rule is the supreme goal, and if that is enforced violently at home, with perhaps a little stoking of nationalism by foreign adventures, the future is potentially as bleak as Kissinger understands it may be. ♦

B&A

Up in the Air

They have seen the future, and it whirls and tilts.

BY RICHARD STRINER

Autogyro in action, 1925

Aerotropolis is a new example of a very old genre, the would-be prophetic book. John D. Kasarda and Greg Lindsay offer up a vision of "the way we'll live next," as they put it, a vision of the world that blends globalization, urbanism, and aviation. Their thesis: The city of tomorrow, and the rising city of today, is an aviation hub in which every other aspect of urban life revolves around an airport.

By the way, this is actually a book that Lindsay wrote. The supposed senior author, Kasarda, is spoken of throughout the book in the third person. Who is John D. Kasarda? A business professor and consultant who travels all over the world to promote and guide his all-consuming vision of our "aerotropolis" future. Lindsay, a writer, has followed him (or retraced his steps) to see the "way we'll live next" at first hand while researching every possible theme that could bear upon the vision of Kasarda. This lengthy volume is crammed with historical ruminations, stories of airport locales, tales of business ventures (both successful and unsuccessful), and, most unfortunately, hype.

Aerotropolis
The Way We'll Live Next
by John D. Kasarda & Greg Lindsay
Farrar, Straus and Giroux, 466 pp., $30

There is surely much truth in the proposition that airports have played a key role in the development of modern cities and that international air traffic is, and will continue to be, a great determinant of where—and how—new cities will be built throughout the world. It would surely be possible for Farrar, Straus and Giroux to market a responsible and exciting new book that would present this theme for mass readership.

But that is not the kind of book this is. Both Lindsay's text and Kasarda's quoted statements bespeak the kind of temperament that leads to hyperbole. There are doubtless many readers who will snap up the volume and devour at least some of its contents: business executives, planners, architects, people in the aviation world. But beyond these fields—and within them as well—any reader with a penchant for critical analysis will gag (or giggle) at the following sorts of formulations: "The 20th-century city is over. It has nothing new to teach us anymore. . . . Los Angeles, Washington, and Chicago are the sum of their airports. . . . It no longer matters where your business is based, so long as it's a few minutes from a major airport. . . . The city is the airport," etc., etc.

Why do otherwise intelligent authors (and editors) produce such simple-minded gush? Because hypesters get ahead: Think of people like Le Corbusier and Marshall McLuhan, whose outrageous and attention-grabbing slogans led to fame. But fame can lead to infamy when slogans are untenable. And it isn't just the childishness of the sound bites; the lengthy ruminations that are scattered throughout are often worse than the fast-paced sayings.

After telling some tales about the controversies surrounding proposals to expand Heathrow Airport, for instance, Lindsay offers up the following all-or-nothing choice that he believes is becoming unavoidable: "Do we retrofit our cities to become aerotropoli in the future, or save people's homes? The consequences of each choice are equally stark: Either we risk weaving a competitive disadvantage into the very fabric of our cities, or we begin unwinding the fabric itself." Surely, dozens of cities in every major nation can be viable without such a choice.

Good editors can sometimes find diplomatic ways to get an author to confront (and if possible modify) an over-simplified conception. Alas, the very best editors are fighting a rear-guard action when the author has an attitude problem. And like many of the would-be prophetic books, *Aerotropolis*—

Richard Striner, professor of history at Washington College, is the author, most recently, of Supernatural Romance in Film: Tales of Love, Death and the Afterlife.

for all of its hip New Journalistic tone—is based upon a child-like compulsion to believe in utopian premises. Let Greg Lindsay speak for himself as he presents (apparently without irony) the vision of John D. Kasarda:

> The future he envisions is one of nearly limitless choices—where to live, whom to love, what to eat, how to act—even if the total effect of those choices is to erase our differences. It's a world in which all of our leaders' promises have been kept, in which we are fitter, happier, more productive. Everyone will be connected—by plane, by WiFi, by high-speed rail. Everyone will visit Disneyland and the Louvre. Everyone will roam farther, work harder, go faster. No one will be shackled by the circumstances of birth or upbringing. And the common denominator is aviation. ♦

B&A

Pant by Numbers

101 reasons to get excited over nothing.

BY JOE QUEENAN

Like most Americans, I have constructed my personality and lifestyle almost entirely by consulting magazines. I have purchased the "10 Stocks You Need to Own Today!" and long ago mastered the "7 Ways to Drive a Woman Wild!" I have also benefited from such superb articles as "Six Weeks to Tighter Abs!" and "Five Can't-Miss Techniques for Lowering Blood Pressure!" Needless to say, I have also sampled several of the "10 Stay-Cations That Won't Bust Your Family Budget!" Without these helpful articles, I would not be able to function.

Lately, however, I have noticed that magazines are suffering from an odd strain of numerological serendipity, with preposterously large and increasingly weird numbers turning up on the covers. "131 Great Recipes" is the come-on plastered across the cover of *Food Network*. "57 Best Beers" is what *Maxim* pushed in February. "25 Fun Ways to Go Nude (Without Freezing Your Butt Off)" teases *Cosmopolitan*.

Wait a minute! Don't I do that every morning when I take a nice hot shower? For this I need *Cosmo*?

These are not isolated examples. "141 Super-Fun Recipes and Simple Ideas" is the headline beckoning from the cover of *Cuisine Tonight: Quick and Easy Menus*. "30 Spring Essentials to Revive Your Skin, Hair and Wardrobe" promises *Woman's Day*. Slightly upping the ante, *ReadyMade* offers "35 Projects to Make Every Day An Adventure." Getting completely out of control is *Glamour*, whose cover pitches "700 Instant Outfits and Ideas."

These numbers worry me. They suggest that editors have forgotten the virtues of simplicity, that they have succumbed to some madcap Obama-era penchant for huge, unwieldy figures. Why, on earth, would anyone want to learn "65 Ways to Relieve Stress"? Wouldn't it be less stressful to simply cancel your subscription to such an indecisive, undiscriminating magazine? Moreover, the numbers are meaningless: Numbers like 65 and 35 and 700 are too big and clumsy to be of much help to readers, and the number 14—as in "14 Cards, Treats and Surprises" (Disney's *FamilyFun*)—is just plain stupid. Sixty-five and 35 and 14 and 700 are not cardinal numbers. They are not ordinal numbers. They are not sexy numbers. Like 173 and 4,123,076, they lack the archetypal, evocative power of 1, 3, 5, 7, and 10. They also lack the cultural resonance associated with 666 or 1776. There are not 35 Deadly Sins. There are not 65 Commandments. It's *The Magnificent Seven*, not *The Magnificent 57*. The magnificent 57 is the 57 flavors of Heinz.

Is this proliferation of cryptic numbers something to be concerned about? If you, like me, are completely dependent upon the wisdom supplied by magazines to make your life work, the answer is yes. When I see an article about seven ways to lower your blood pressure, or five things every parent should know about teen drinking, I feel a sense of relief because I am dealing with plausible, realistic numbers that enable me to tackle manageable problems and craft realistic goals. Larger numbers only lead to heartbreak. I am willing to try seven things to lower my blood pressure; I am not willing to try 35. I think that there probably are five things every parent should know about teen drinking, but I seriously doubt that there are 131. If men needed to master 35 techniques to drive women wild, women would never be driven wild. Most men have trouble mastering one.

In reading these articles, I get the sense that the numbers are pulled out of thin air by editors who just don't care. Why would you propose 141 Super-Fun Recipes and Simple Ideas, and not 142? What—did you run out of recipes? Worse, the ideas on these lists increasingly seem like a bit of a stretch: In its March issue, *Parents* enumerates "25 Manners Every Kid Should Know." One is, "Don't call people mean names." Another is, "As you walk through a door, look to see if you can hold it open for someone else." I don't think the person who compiled this list has any kids. If you were making a list of manners every kid should know, and were designing it for real parents, you'd start with things such as "Don't drool on strangers" and "Stop hiding Grandma's walker" and work your way up.

Cosmo's "25 Fun Ways to Go Nude (Without Freezing Your Butt Off)" has a similarly phoned-in, unscientific quality. Suggestion number nine is, "Snuggle up in a sleeping bag and watch summer movies." No, *you* snuggle up in a sleeping bag and watch some summer movies. I'm going to prepare 141 fun recipes nude. ♦

Joe Queenan is the author, most recently, of Closing Time: A Memoir.

B&A

Cities of Dreams

The urban/e vision of Canaletto and his rivals.

BY JAMES GARDNER

'The Grand Canal and the Church of the Salute" (1730) by Antonio Canaletto

Most sophisticated museumgoers would think it ineffably crass to complain about Cezanne's unending sequence of apples and peaches, or the relentless quadrilaterals of Piet Mondrian. But it appears that certain of these people are no proof against the *ennui* that sets in when they encounter yet another Venetian scene by Giovanni Antonio Canal, better known as Canaletto. And yet the recent exhibition at Washington's National Gallery of Art, "Canaletto and his Rivals," represents, for attentive viewers, the definitive refutation of the view that Venetian cityscapes are slavish imitations of reality, that they are entirely lacking in any higher sense of art.

The focus of the show is the 18th-century Venetian *vedute*, or cityscapes, that were painted not only by Canaletto but by Bernardo Bellotto and Francesco Guardi as well. It also includes less well known painters of considerable merit like Luca Carlevarijs, Michele Marieschi, and Antonio Joli. In short, no important proponent of the genre has been left out.

These *vedute* stand in the same relation to the places they depict, whether Saint Mark's Square, the Grand Canal, or San Giorgio Maggiore, as a portrait stands to a specific human being. Whereas a map gives you the pure, hard specificity of the place, the *vedute* endows those cold data with a certain vital warmth, just as a portrait not only delineates the individual markings of a man but also captures the generalized essence of his humanity. Crucial to this achievement is the insistent presence of people, often of crowds, in 18th-century Venetian *vedute*. Venice is viewed not as pure architectural presence but as a lived-in space where humans move about incessantly and anonymously. We see the city in action, in its awakened state.

The cityscapes of Canaletto and his contemporaries are symptoms of the great fracturing and diversification of Old Master painting that occurred toward the end of the 16th century, when still lifes, genre scenes, and landscapes achieved a stature almost, but not quite, equal to narrative and devotional works. But if the immediate inspiration for these *vedute* comes out of Holland (the earliest work in the show, from 1697, is by the Dutch artist Gaspar van Wittel), it is also true that the Venetians had been depicting their city, although in a very sporadic way, since the end of the 15th century.

Such masterpieces as Gentile Bellini's *Procession of the True Cross in Piazza San Marco* and Vittore Carpaccio's *Miracles of the True Cross* series, both from the 1490s, portray Venice with a loving accuracy that is without parallel in European painting at this date. Perhaps it was the man-madeness of Venice, its triumphant victory over the ever-threatening sea, that impressed upon the Venetians, earlier than the Florentines or Romans, the urgent need to record the beauty that they themselves had fashioned. Even when they are not supposed to be painting Venice, Titian, Veronese, and Tintoretto eagerly import the latest Palladian façades into the backgrounds of Christ's passion or the legend of Saint Mark.

Alone among European capitals, Venice is virtually unchanged in the three centuries since these works were made. With a few minor adjustments, their draughtsmanship is so clear and precise that anyone familiar with the city will have little trouble recognizing the scenes depicted. Though a brittle, wintry light occasionally filters into Canaletto's paintings, the poetic moodiness of the Venetian scenes of Whistler and Monet is never to be found in his art. In its place is an eternity of fair weather, whose dazzling noontide sun may stand as the pictorial embodiment of the Enlightenment itself.

James Gardner recently translated Vida's Christiad *(I Tatti Renaissance Library).*

'Procession of the True Cross' (1496) by Gentile Bellini

In seeking to defend Canaletto against the charge that he lacked imagination, certain sympathetic critics point to liberties he took, here an artful adjustment in the placement of a palazzo, there the rearrangement of a point of perspective. All of that is true enough, but it misses the essence of his excellence. At his best, Canaletto is a pure painter who can tease formal integrity out of his seemingly photographic depictions, much as his contemporary Alexander Pope was able, against all odds, to wring poetry out of the sere soil of Augustan literary traditions. To appreciate Canaletto according to his merits, one has to be able to savor the reticent painterliness of the waters in his depiction of *The Grand Canal, Looking South-East along the Fondamenta di Santa Chiara* and his unsurpassed capacity to understand in visual terms the agile stiffness of the gondolas, with their gleaming black prows, in *A Regatta on the Grand Canal*, and the near-expressionistic verve of the figures who populate his *vedute*, entire crowds summoned into vivid existence with a few well-placed arabesques of paint.

In respect of these excellences, Canaletto is without equal. But he had two rivals, each excellent in his own way, who had certain virtues to which Canaletto could not lay claim. His nephew, Bernardo Bellotto, often copied him and came very close indeed. But at his best, especially when he was depicting the kingdoms and duchies of Central Europe, Bellotto was able to convey both the form and texture of reality with such force that his proto-realism becomes a powerful, defiant act of imagination.

And then there is Francesco Guardi, who began painting his Venetian scenes about a generation after Canaletto. It is fashionable to see Guardi as an impressionist *avant la lettre*: That is not strictly accurate, but it will do in describing the feathery lightness of his touch. Sometimes, it is true, his subjects slip away from him. But at his best, as in such paintings as *The Molo and the Riva degli Schiavoni from the Bacino di San Marco*, he can marshal a command of composition and a choiceness of detail that rival Canaletto's. ♦

'Piazza San Marco in Venice' (1760-1770) by Francesco Guardi

B&A

Men Overboard

Big notions of adultery in the smallest state.

BY DIANE SCHARPER

A woman living in an insular New England town conceives a child out of wedlock. Knowing that the townspeople would disapprove of her circumstances, she goes into hiding and gives birth to a daughter. To protect those involved, she keeps the father's identity secret. But the town suspects the truth. What happens next?

Compass Rose
by John Casey
Knopf, 368 pp., $27.95

That's the province of *The Scarlet Letter*, Nathaniel Hawthorne's classic story about adultery. Who can forget its iconic characters? Hester Prynne, Hawthorne's heroine, agonizes over her guilt; Arthur Dimmesdale is her valiant but weak lover; Roger Chillingworth is the archetypal villain. The book fairly pulses with love and lust even though the sexual feelings are understated. One cannot say the same about this novel, John Casey's fifth, another story about adultery.

This is not to say that Casey doesn't provide passages that seem like poetry, or moments that exude powerful emotions, where the interconnectedness that exists among people feels almost palpable. But those moments tend to get lost amid the overheated prose. *Compass Rose* is a follow up to *Spartina*, winner of the 1989 National Book Award and the first of a projected trilogy. One doesn't have to read *Spartina* to understand *Compass*, but it helps. The first novel establishes the setting, a small Rhode Island town, the cast of characters, the adulterous affair which leads to the birth of Rose-—the so-to-speak compass of the title.

Diane Scharper, editor of Reading Lips, *a collection of memoirs, teaches at Towson University.*

Told from the vantage point of Dick Pierce, *Spartina* plumbs Pierce's anxiety as he is torn between his loyalty to his wife and family and his lust for Elsie Buttrick. Dick, a deep-sea fisherman, is seduced by Elsie, who, at story's end, has conceived their child. Nearly overcome with guilt, Dick is forced to live a lie: He deceives his wife, May, their two sons, his coworkers, and friends, but most of all he deceives himself and, in some of the most evocative scenes in the novel, comes to regret it. The plot is fairly simple. Seeing into Dick's psyche, readers can sympathize with him.

In *Compass*, Dick plays a minor role, even though Casey seems to have an astute understanding of his character and of the male psyche. (The same can't be said of his understanding of the female psyche.) Dick spends most of this second novel at work in the boatyard. When he's not working, he tries to avoid conflict. *Compass* has multiple subplots: There's Rose, her difficult relationship with her mother, and her almost nonrelationship with her father. With whom should she live? Where should she go to school?

There are money problems. An accident at sea puts Dick in the hospital and almost kills another man. His boat is damaged beyond repair. Dick and May worry they may lose their home to an unscrupulous developer, Elsie's brother-in-law. And hovering over all, there's Elsie, who lives in a neighboring house, raising her daughter while eyeing any attractive males who come her way. Will she seduce Dick again? How long will he be able to resist?

These are just some of the questions that arise. The events unfold chaotically. Things seem to happen around the characters—not within them. The story covers Rose's growing-up from six months to 16 years and is told from the perspectives of three women: Elsie Buttrick, who much more closely resembles Scarlett O'Hara than she does Hester Prynne; her friend Mary Scanlon, who babysits Rose; and May Pierce, who dotes on Rose as if she were her own. May, insisting that Dick act responsibly toward his illegitimate child, also helps Elsie with child-rearing. As Rose spends time with her various mothers, she gives the plot what direction it has. She's also one of the few believable characters.

May seems too good to be true. Perhaps she loves Rose as her daughter, despite the circumstances of her birth and conception. But her attitude seems superhuman, and Casey offers little insight into how May acquired such strong maternal feelings for the offspring of her husband's paramour. Elsie works as a forest ranger, a school board administrator, and caretaker for her ailing mentor (her only redeeming characteristic) when she's not scheming about bedding Dick and several other men in the story. Even Rose complains about Elsie, who, when she's well into middle age, has sex in parked cars!

By novel's end, Elsie has become involved with, seduced, and dropped several men. She's also befriended May while she's still in love with Dick, or at least desires him. The final pages have a faint Molly Bloom aroma as Casey slows the pace to show Elsie fantasizing about Dick. She's swimming naked (of course) in her pool at night, which just happens to be in her front yard and the very spot where she saw Dick while she was nursing Rose when the narrative began. She hears a sound. Is that his truck? No, it's Walt, another male friend who, she observes "had had her, had pulled orgasms out of her like fish on a trotline." Walt has chosen this very moment to return a book that Elsie left at a party. As he leaves, Elsie finds tendrils across her shoulder. She feels wet and checks to see whether she's menstruating. No, she's in the pool. Perhaps she's pregnant again? Who knows? The answer will have to wait for volume three of the saga. ♦

B&A

The Next Big Thing

It's not 3-D, and here are the reasons why.

BY JOHN PODHORETZ

From roughly 1982 to 2007, the motion-picture industry was transformed financially by the advent of the VCR and the DVD—new technologies that created gigantic new markets for renting and owning Hollywood's wares. Previously, Hollywood could only make its money on theater tickets and sales to television (and later, cable). The new machines gave the movie industry two more opportunities to sell the same product. Revenues nearly doubled.

And then the cash machine broke. The VCR died out. The gimmick of repackaging desirable older movies for purchase on DVD for a second or third time—by offering supposedly never-before-seen material and special features and new boxes and various bells and whistles—ran out of steam with consumers, who began to feel like they were being had, which they were. In any case, there wasn't much left in the Hollywood library to reissue and exploit, and that left only new stuff for sale. And Hollywood's theatrical fare also stalled out: Ticket sales have been basically flat for a decade, even as the population has grown substantially.

Desperate and fearful, Hollywood seized on a new technology that would change everything: 3-D. The vast improvements in special effects, optics, and computerized techniques had, we were told, made this once-risible process something transformative. Jeffrey Katzenberg, the man who had single-handedly saved animation in the 1980s while working at Disney, described 3-D in 2007 as "the single most revolutionary change since color pictures."

Theater owners began to find they could charge a premium for tickets to 3-D, since they had to supply glasses and pay for new equipment. When Disney released a horribly mediocre animated picture called *Meet the Robinsons* in 3-D at about a sixth of the theaters showing the film, *Business Week* noted at the time, "It generated nearly three times as much business on the 3D screens." And so it went for a few years. Movies that would have done well without 3-D, like Pixar's *Up*, did well with it, too, and audiences seemed willing to pay the extra few bucks for the gimmick.

'Avatar'

It was not until the release of James Cameron's *Avatar* in 2009 that the supposed 3-D revolution was really put to the test. This was the first film conceived from its first frame to its last in three dimensions, and its creation was not only an astounding technological feat, but—at a cost of something like $400 million—one of the most expensive experiments in the history of capitalism. And it paid off in spades. *Avatar* is by leagues the most financially successful movie ever made, with $2.78 billion at the global box office. A few months later, Tim Burton's dark version of *Alice in Wonderland* was released in 3-D, although it was not designed as a 3-D picture the way *Avatar* was, and it became only the sixth movie in history to make more than $1 billion worldwide.

These two films seemed to justify Katzenberg's promise beyond anyone's wildest expectations. But now we read that, only a year later, 3-D has become a grave financial disappointment. Two major releases in May, the fourth *Pirates of the Caribbean* movie and the second *Kung Fu Panda*, made only about 45 percent of their money in their opening weekend in 3-D screenings. The studios that made them expected 60 percent or more.

The failure of 3-D to perform at the box office has been consistent since the *Avatar*/*Alice* twofer. Advocates for the form, like Cameron and Katzenberg, fear that the poorly handled 3-D on films like *Clash of the Titans* or Nicolas Cage's *Drive Angry* is what has soured some audiences, and they hope and expect that when Steven Spielberg's 3-D version of the Belgian comic book *Tintin* arrives at Christmas, it will spark enthusiasm anew. According to Brooks Barnes and Michael Cieply of the *New York Times*, "3-D has provided an enormous boost to the strongest films, including *Avatar* and *Alice in Wonderland*, but has actually undercut middling movies that are trying to milk the format for extra dollars."

But I wonder. What if, in fact, *Avatar* is the reason that 3-D is failing? What if, over time, this giant advertisement for the virtues of 3-D simply hasn't worn all that well on the audiences that flocked to it? What if the miserable experience of seeing *Alice in Wonderland*, which is spectacularly lousy, delivered the *coup de grâce* rather than opened people's eyes to the glory of the new form?

The truth is that 3-D can't save Hollywood, because the technique doesn't add anything to the moviegoing experience. All movies are 3-D in the sense that we already perceive what we are watching in three dimensions. The rules of perspective, and its effect on our cognitive faculties, have long seen to that. So 3-D doesn't add; it bashes you over the head. That is the message audiences are delivering. Hollywood, like everyone else, will have to live with shrinking profit margins. ◆

WETA / TWENTIETH CENTURY FOX

John Podhoretz, editor of Commentary, *is* The Weekly Standard*'s movie critic.*

"Google Inc. said Chinese hackers targeted the email accounts of senior U.S. officials and hundreds of other prominent people in a fresh computer attack certain to intensify growing concern about the security of the Internet." **—Wall Street Journal, *June 2, 2011***

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Congressman 'Hopeful' That Chinese Hackers Targeted Him

'Please, dear God, let me be a cybervictim'

By **Devlin Barrett**

Newscom

Rep. Weiner can say with "almost fairly certain certitude" that he was hacked.

Rep. Anthony Weiner held a press conference yesterday, hoping to bring an end to a scandal that has engulfed him over the past week. Standing on the steps outside the House, the Democratic congressman from New York said he had "major news" regarding a photo supposedly of his midsection clad in underwear that briefly appeared on his Twitter account.

"As all of us have recently learned," said Weiner, "computer hackers from China were able to penetrate the email accounts of many prominent U.S. leaders and celebrities. And since I qualify as both, I am here to tell you that this distracting little hoax was in all likelihood perpetrated by these Chinese cybercriminals. So now we can move on, and I can get back to the business of the American people, making sure the Republicans don't succeed in their plan to end Medicare, literally removing the wheels from wheelchairs and filling oxygen tanks with mustard gas."

But reporters continued to pepper Rep. Weiner with questions. When the congressman was asked if he can now say conclusively it was not his groin in the photo, Weiner grew testy. "What I'm saying is, these hackers could have easily doctored that photo. They have pirated copies of Photoshop software in China. Those cotton briefs are light-slate gray. The ones I often wear are more of a taupe gray."

According to Google, victims of this latest attack were targeted through their Gmail accounts. When asked if he used Gmail, Weiner replied, "That will definitely be something my investigators will look into." Another member of the press then wondered how it was possible that the congressman simply didn't know whether or not he was on Gmail, to which Weiner shot back, "I told you already this is a matter for the cyberexperts. And I am a cybervictim. At least I hope I am," adding, "I can't keep track of all my social media outlets like Facebook, Twitter, Myspace, JDate, OkCupid, Lavalife, Craigslist. I am trying to do the work of the American people. So stop being a jack-

Please turn to the next page