

If the Only Way You Can Get Your Great Idea Implemented...

Economics textbooks are full of clever-and-appealing policy proposals. Proposals like: “Let’s redistribute money to the desperately poor” and “Let’s tax goods with negative externalities.” They’re so clever and so appealing that it’s hard to understand how any smart, well-meaning person could demur. When critics appeal to “public choice problems,” it’s tempting to tell the critics that *they’re* the problem. The political system isn’t *that* dysfunctional, is it? In any case, reflexively whining, “The political system will muck up your clever, appealing policy proposal,” hardly makes that system work better. The naysayers should become part of the solution: Endorse the clever-and-appealing policy proposals – and strive to bring them to life.

When you look at the real world, though, you see something strange: Almost *no one* actually pushes for the textbooks’ clever-and-appealing policy proposals. Instead, the people inspired by the textbooks routinely attach themselves to trendy-but-awful policy proposals. If you point out the discrepancy, they’re often too annoyed to respond. When they do, reformers shrug and say: “The clever-and-appealing policy never has – and probably never will – have much political support. So we have to do this instead.”

Examples? You start off by advocating high-impact redistribution to help poor children and the severely disabled... and end defending the ludicrously expensive and wasteful Social Security program. “Unfortunately, the only politically viable way to help the poor is to help everyone.” Or you start off advocating Pigovian taxes to clean the air, and end up defending phone books of picayune environmental regulations. “Unfortunately, this is the way pollution policy actual works.”

Don’t believe me? Here’s a brand-new example courtesy of Paul Krugman:

But if a nation in flames isn’t enough to produce a consensus for action — if it isn’t even enough to produce some moderation in the anti-environmentalist position — what will? The Australia experience suggests that climate denial will persist come hell or high water — that is, through devastating heat waves and catastrophic storm surges alike...

[...]

But if climate denial and opposition to action are immovable even in

the face of obvious catastrophe, what hope is there for avoiding the apocalypse? Let's be honest with ourselves: Things are looking pretty grim. However, giving up is not an option. What's the path forward?

The answer, pretty clearly, is that scientific persuasion is running into sharply diminishing returns. Very few of the people still denying the reality of climate change or at least opposing doing anything about it will be moved by further accumulation of evidence, or even by a proliferation of new disasters. Any action that does take place will have to do so in the face of intractable right-wing opposition.

This means, in turn, that climate action will have to offer immediate benefits to large numbers of voters, because policies that seem to require widespread sacrifice — such as policies that rely mainly on carbon taxes — would be viable only with the kind of political consensus we clearly aren't going to get.

What might an effective political strategy look like? ... [O]ne way to get past the political impasse on climate might be via “an emphasis on huge infrastructural projects that created jobs” — in other words, a Green New Deal. Such a strategy could give birth to a “large climate-industrial complex,” which would actually be a good thing in terms of political sustainability.

Notice the pattern.

Step 1: Economics textbooks offer a clever-and-appealing policy proposal: Let's tax carbon emissions to curtail the serious negative externalities of fossil fuels. It's cheap, it's effective, it provides great static *and* dynamic incentives. Public choice problems? Don't listen to those naysayers.

Step 2: Argh, Pigovian taxes are going nowhere.

Step 3: Let's have a trendy-but-awful populist infrastructure program to get the masses on board.

So what? For starters, any smart activist who reaches Step 3 tacitly concedes that public choice problems are *dire*. You offer the public a clever-and-appealing remedy for a serious social ill, and democracy yawns. To get action, you have to forget about cost or cost-effectiveness – and just try to drug the public with demagoguery.

Note: I'm *not* attacking Krugman for having little faith in democracy. His underlying lack of faith in democracy is fully justified. I only wish that Krugman would loudly embrace the public choice framework that intellectually justifies his lack of faith. (Or better yet, Krugman could loudly embraced my psychologically-enriched public choice expansion pack).

Once you pay proper respect to public choice theory, however, you cannot simply continue on your merry way. You have to ponder its central normative lesson: Don't advocate government action merely because a clever-and-appealing policy proposal passes a cost-benefit test. Instead, look at the trendy-but-awful policies that will actually be adopted – and see if *they* pass a cost-benefit test. If they don't, you should advocate laissez-faire despite all those shiny ideas in the textbook.

Krugman could naturally reply, "I've done the math. Global warming is so terrible that trendy-but-awful policies are our least-bad bet." To the best of my knowledge, though, this contradicts mainstream estimates of the costs of warming. That aside, why back a Green New Deal instead of deregulation of nuclear power or geoengineering? If recalcitrant public opinion thwarts your clever-and-appealing remedy, maybe you started out on the wrong path in the first place.

Unfair? Well, this is hardly the first time that Krugman has rationalized destructive populism when he really should have reconsidered. Krugman knows that immigration is the world's fastest way to escape absolute poverty. He knows that standard complaints about immigration are, at best, exaggerated. But he's still an immigration skeptic, because:

The New Deal made America a vastly better place, yet it probably wouldn't have been possible without the immigration restrictions that went into effect after World War I. For one thing, absent those restrictions, there would have been many claims, justified or not, about people flocking to America to take advantage of welfare programs.

Notice the pattern.

Step 1: You start with the textbook case for a welfare state to alleviate domestic poverty. Public choice problems? Bah.

Step 2: Next, you decide that you can't get that welfare state without horrible collateral damage.

Step 3: So you casually embrace the status quo, without seriously engaging obvious questions, like: "Given political constraints, perhaps its actually better not to have the New Deal?" or even "How *close* can we get to the New Deal *without* limiting immigration?"

The moral: If the only way you can get your great idea implemented is to mutilate it and/or package it with a pile of expensive junk, you really should wonder, "Is it still worth it?"

Well, is it?