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The Minnesota Free Market Institute Weekly Update
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An "Exit Strategy" for Big Government?



If you believe in freedom and free markets like I do, you will no doubt be appalled, on this 4th of July holiday, to reflect on how much of our economy is now owned or partially owned and directly controlled by the Federal government as a result of the Obama administrations' policies to combat the financial crisis and the recession. The government has a direct ownership stake in failing auto companies, GM, Chrysler, Insurer AIG and nearly 500 other companies. Two different presidential

administrations have told us that all of the dramatic measures that have been taken are "temporary" and that they will be reversed as soon as the economic storm is over. When asked to define what "temporary" means, there has been an unwillingness on the part of officials and the President himself to set a deadline or an expiration date for when failing private companies might return to private ownership.

A new effort by Sen. John Thune, (R-South Dakota) fixes a end point for government ownership--July, 1, 2010. The bill, recently introduced in the Senate, mandates that the Federal government must divest itself of private company ownership. It also must not acquire any new private assets. To those concerned that the government may then be forced to dump assets in a fire sale potentially costing taxpayers millions, Thune has a out. If Treasury Secretary Geithner can show that the assets are undervalued and likely to regain their value, a yearlong extension may be granted. While it is true that congress could modify the deadline prior to its expiration, this new initiative by Thune at least sets a clock ticking and puts the end of federal government ownership on the table, not as some vaguely held goal in the far off and indistinct future but as a reality at some relatively near point in time.

Thune's bill also covers the present "conservatorship" of Mortgage guarantors, Fannie Mae and Freddie Mac and demands that

In This Issue

- [An "Exit Strategy" for Big Government?](#)
- [America's Shredded Wheat Future](#)
- [Culture and the Rise--and Decline--of Free Markets](#)
- [Must Read](#)
- [In Case You Missed it from the Minnesota Free Market Institute](#)

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Treasury find a way to end that temporary status to return the entities to a stable and sustainable course.

Although support for the bill is slow in coming from Congress, public opinion on it is fairly clear: [Rasmussen polling shows 80% of Americans want the Federal Government to divest itself of GM and Chrysler ownership right now.](#)

It would be great to think of celebrating next Independence day with an end to government ownership in our economy and a return its rightful role, enforcing laws and contracts.

Pat Anderson is President of the Minnesota Free Market Institute

America's Shredded Wheat Future



One of the first things one learns about the art of salesmanship is conditioning the customer to say "yes." Small talk isn't small talk. That offhand comment about the weather, "Sure is a nice day, isn't it?" has a purpose as surely as the less subtle, "So, would you like to save some money today?"

Given that putting a potential customer in a buying frame of mind is sound sales technique, one must wonder what a new advertising campaign for Post Shredded Wheat says about the times in which we live. The campaign, created by Ogilvy and Mather, promotes the product proposition that for over 100 years shredded wheat has been made with "one simple, honest ingredient" - natural whole grain wheat.

"There's been a marked change in American values," Kelly Peters, director of integrated insights and strategy for Post Foods told the industry publication Marketing Daily, "with a greater desire for honesty, trustworthiness and security during a time of economic and social uncertainty."

It's that context for the ad that is especially interesting. In one spot, pitchman Frank Druffle plays (tongue in cheek) the fictitious company CEO. Sitting in warehouse loft-like retro office, Druffle asks, "Has progress taken us to a better place?"

"I'd say it's taken us for a ride," he answers his own question. "Honestly, what thanks do we owe progress? We're up to our necks in landfills, down to the wire in resources, and climate change ... (here he goes to the window; outside the trees are banging against the building, and the wind is howling) ... it's out to get us (he closes the blinds)."

"That's why progress plays no role inside Post Shredded Wheat,"

Druffle adds. "Here, we put the 'no' in 'innovation.'" He then goes on to make a virtue out of shredded wheat's unchanging nature.

To the degree the lead-in satire of the piece works -- the reason any good satire works -- is that it contains an element of truth. The Post campaign counts on the fact that the audience shares at least some empathy with the idea that progress isn't all it's cracked up to be. The commercial's humor requires that people look askew at progress and innovation as worthy goals. The pitch depends on peoples' willingness to trade off the potentially uncertain future for the stability of a perpetual present.

Is it any wonder then that we have a Congress and administration selling a plethora of policies that put the 'no' in 'innovation' and promise us the bland security of a shredded wheat future? Is it a surprise that we so easily accept a Cap & Trade program that effectively caps innovation and trades away progress? That we accept with nary a nod that reducing the nation's wealth and productive capacity can be called 'progress'? That it is somehow 'progressive' to preserve the status quo?

It is ironic that progressive policy produces the opposite of its root. Instead of 'progress' we are sold the equality of progressive health care that curtails cost by saying 'no' to unproven innovation. We are pushed to progressive public education that eschews the innovation spurred by private competition. And most ironic of all, we are pitched progressive taxation that reverts to the age-old barbarism of the politically powerful looting the nation's wealth, shredding the rule of law in the process.

Have we become a country where GM stands for 'Government Motors,' and the new moniker of our modern economy is 'What's good for Post Shredded Wheat is good for the USA'?

That question is not just small talk.

Craig Westover is a Senior Policy Fellow at the Minnesota Free Market Institute

Culture and the Rise--and Decline--of Free Markets



Many years ago, Daniel Bell wrote "The cultural contradictions of capitalism." It's been a long time since I've read anything from it, but ever since the start of the financial meltdown last year, it's popped into my head from time to time.

If I correctly recall the comic-book version of Bell's work--and face it, isn't that the form that most of our memories of great books take?--Bell argued that economic prosperity

leads to changes in habits and expectations that lead to economic stagnation. Well, if Bell didn't say that, I'm going to.

As Americans, we are filthy rich when compared with the history of human population and people living across the world today. By some measures, we live much better than people in western Europe, the people whose political and economic systems resemble ours the most. Our greatest nutritional problem is not starvation but obesity. And homeless people have more access to information, thanks to wi-fi hot spots and public libraries, than the great scholars of centuries past.

And yet too many citizens are willing to throw this wealth away by choosing order, predictability, and certainty over chaos, unpredictability, and the possibility of failure. They don't do this directly, of course, but that's what we all get when government protects us from the unpredictable misfortunes of life, whether it's an illness, a down economy, poor personal planning, and just plain bad luck. So we have product-safety regulations, financial services regulations, regulations on health insurance, government welfare and health care programs, and laws and programs meant to eliminate or at least mitigate every miscalculation, every wrongdoing, every bad bet. The bailout culture is simply the latest manifestation of this trend.

Increasingly, we are giving up the risk-acceptance that is necessary for a dynamic, growing economy, preferring the certainty of laws and programs. But that certainty has costs. Sometimes the costs are obvious (as on April 15). Other times they are not so obvious, as when, say, new banking regulations shut down alternatives to the 30-year mortgage. And sometimes we push the cost far off into the future, as is the case with the \$75 trillion worth of unfunded liabilities that we have shifted onto our grandchildren through the Medicare program.

More laws won't guarantee us that certainty. People will continue to break laws, sometimes to an outrageous extent before they are caught and punished, as we have seen with Bernie Madoff's ponzi scheme. Madoff broke existing laws but somehow evaded scrutiny due to a combination of lax enforcement and the same

skills that every confidence trickster has used from time immemorial.

We've become, as a nation, so wealthy that we're unaware that prosperity (and its companion, opportunity) is fragile. Government regulations and taxes take away money that would be used to invent new goods and services, make it more difficult for new businesses to start, and squelch the opportunity to fail--or succeed.

In short, the success of free people and free markets have led to undermining both.

John LaPlante is a Policy Fellow at the Minnesota Free Market Institute

Must Read

[Better Health Care?](#) John Stossel *Real Clear Politics*

Stossel summarizes the benefits of "free" care vs. the costs of rationing and how they are born by Canadians. The sickest people pay the highest price. Also: caught on tape, a "lottery" to see the doctor in one town.

In Case You Missed It from the Minnesota Free Market Institute

King Banaian *SCSU Scholars*

- [The Canadian job?](#)
- [Suppose you wanted to spend more?](#)
- [Come home, little donut](#)
- [May you be blessed to be born into the right institutions](#)
- [New Quarterly Business Report out](#)
- [The government that can give you everything you want...](#)
- [How big a tax?](#)
- [In but not of finance](#)

John LaPlante *State House Call*

- [Give that Man an "A" in Constitutional History.](#)
- [What's Elective about Life Saving Surgery?](#)
- [Sam's Rolling in His Grave](#)
- [Embrace Rationing--by Price, Not Politics](#)
- [Restraining Health Care Spending Will Happen--But Who Will](#)

[Do It?](#)

- [The Implications of Government Care](#)
- [The Trojan Horse--from Its Supporters](#)

Craig Westover

- [Single-Payer Model Actually Inhibits Improved Health Care](#)

The Minnesota Free Market Institute Weekly Update is edited by
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