



Letters to the Editor

January 26, 2010

The following letters are in response to our [interview](#) with Paul Krugman:

To the Editor:

I am appalled that the [letter](#) you published about Paul Krugman's interview is typical of the response you received.

Paul Krugman is the most respected, insightful and intelligent economist writing on public policy today. He is most certainly not a socialist; he is well within the mainstream of modern free market economists. Regarding public policy, he consistently points out, like all good economists, that there is "no free lunch" in this world. Because he does this to conservative tenets held near and dear to many who have been misled by their leaders, he is called a "socialist" when frankly he should be called a hero for pointing out the emperor wears no clothes.

In particular, to criticize Krugman for pointing out that Social Security privatization is not a "free lunch" displays either a basic ignorance of how Social Security works or a willful reluctance to acknowledge arithmetic. Social Security is primarily a "pay-as-you-go" system, whereby current benefits of retirees are paid by current taxes on workers. If you redirect those taxes into "private accounts," there will be no money to pay to the beneficiaries. George W. Bush's plan would have funded these benefits with a massive increase in the federal debt (on top of his other budget-busting plans). Krugman and other economists should be praised for pointing this out at the time.

I shudder to think where we'd be today if privatization had gone through under Bush.

Basically much of what Krugman does is point out that we need taxes to pay for current government expenditures. He also points out that the free market enterprise system is not perfect and that the hand of government, sometimes with taxes, can be used to correct imperfect incentive structures. This is simple common sense. That anyone would call him a socialist for these views testifies to how misguided a sector of our electorate is today.

The problem in my mind is that a substantial part of the public has been raised believing the myth of the free lunch. We have been told by conservative leaders that the key to our prosperity is lower taxes in any way we can get them. Of course they say that government spending should be lower too, but they never



get specific. If lower taxes were the key to prosperity, then the Bush era should have been our economic golden age rather than the most dismal economic time in recent history. How anyone can still believe in the conservative leadership's economic dogma, after it has been revealed to be so false and dangerous in the past 10 years, is incredible to me.

Do these people approach economics like religion? Do they not learn from experience?

How can they be financial advisors directing other people's money if they close their eyes to new information that might change their views?

Krugman has taken on the slaying of the false conservative myths. Krugman (and many others) have pointed out that "supply-side economics" – the idea that lower taxes can pay for themselves with higher economic activity – does not work at our current levels of low taxation. The other myth is that government should "get out of the way of business," which is all fine and good as a slogan but masks the reality that, as implemented by conservatives, it means special treatment for certain businesses, sweetheart deals with government contractors, exemptions from long-established regulations, and frankly a plundering of the public purse by friends of the regime.

That your writer and his like-minded correspondents still think that anyone who proposes higher taxes to fix our budgetary problem and more regulation to address the clear failures of private enterprise is a socialist frankly means that they are not really thinking but reacting. What Krugman proposes is common sense if you ask me. The inability of supposedly sophisticated financial advisers to see this is probably one of the key reasons we are in the mess we are.

Eddie Allen
Eagle Global Advisors, LLC
Houston, TX

Dear Editor,

I find it hard to believe that all of the letters you received in response your Krugman interview expressed the same sentiment as the [letter](#) you published.

Did every letter really say, in one way or another, that this highly respected economist is "a rabid socialist"? That he has "no credibility"?

What has happened to our industry? Is logic in such short supply that you expect



us to believe such a ridiculous claim? And if by some sad chance you are telling the truth about your readers, America's decline is set in cement.

Ken Weber
President
Weber Asset Management

Editor's note: At the time we published that letter, all other letters expressed the same sentiment. Some readers referred to Krugman as a communist and others used inappropriate language. Since then, we have published a [letter](#) in support of Krugman, as well as the one above.

The following is in response to our article [The True Cost of Insuring the Uninsured](#), which appeared January 12.

Dear Editor,

This article is enlightening while omitting one very major factor. While I completely agree with Mr. Huebscher, he neglects the costly impact of the Obama administration's bargaining away of some of the so called "Cadillac revenues" in exchange for union support.

Secondly, Mr. Huebscher appears to accept what I believe is a faulty premise that the tax revenue on "Cadillac plans" will grow over time. I would suggest that they would not.

Companies will substitute higher wages or other benefits that have less burden than the highly taxed health benefit. This could easily be done by cutting health plans back and giving people a raise to put into their Health Savings Account to pay for the lost benefit. This eliminates the benefits of the Cadillac tax.

Any revenue from this source would be vaporous.

We need three changes to healthcare:

1. Allow people to buy healthcare plans across state lines, and purchase the plans and the benefits they need. This increases competition.
2. Allow any group of people to become part of a larger "group." Churches, associations, small businesses, plumbers, independent contractors, etc. should be able to form groups.
3. Disallow denial for pre-existing conditions - especially congenital diseases. Allow insurance companies to deny all claims for the first six months after



joining a plan. Allow new members in only one or two times per year, or establish some other small barrier if a person has not been covered previously. Eliminating coverage for certain medical emergencies or splitting of costs for folks who buy in only when they get sick could be devised.

We should now be extremely thankful to the people of Massachusetts for saving the nation from this ill-conceived scam of income redistribution and government overreaching.

The shot was heard once again coming from Massachusetts.

Thanks!

Caroline B. Austin
Caroline B. Austin Consulting
Dallas, Texas

The following is in response to Dan Richards' [interview](#) with John Cochrane, which appeared last week:

Dear Editor,

John Cochrane said something extraordinary in his interview with Dan Richards, something that I think may escape most readers. In his answer to the second question, he said that there is a silver lining to the financial crisis, and "In fact, one outcome of the financial crisis is that if you are 25, you get to buy stocks a lot cheaper than I bought them."

This would be unremarkable coming from Warren Buffett, but it's the last thing I'd expect Cochrane to say, because he is an exponent of market efficiency. On the one hand, it makes perfect sense for him to say, "A sharp decline in real estate prices is a godsend if you are 25 and have a job." Even if houses are always priced efficiently, they can be less easy or more easy to buy for their usefulness as shelter. But on the other hand, stocks have no usefulness apart from their ability to generate returns. So Cochrane is implying that stocks will generate greater returns in the future because they are priced lower with respect to their intrinsic values now than they were before the crisis.

I'm not taking issue with Cochrane's statement. There's much else in the interview with which I would take issue, and I'm sure that others will write letters making the other points that I would make. I want only to point out that even the



most fervid believer in market efficiency cannot escape the thought that market may sometimes price securities incorrectly.

Adam Jared Apt, CFA
Peabody River Asset Management, LLC
Cambridge, Massachusetts

The following is in response to Mariko Gordon's article last week, [To Trust or Not To Trust, That is the Question](#):

Dear Editor,

Great article! There is a measure of trust and distrust that must be taken and constantly recalibrated to achieve anything of significance in life. I try to help my clients with this by giving them the tools to verify that I am who I say I am, I am doing what I said was going to do, and I'm performing on a level worthy of their continued employment of my services. As Reagan said, "Trust, but verify."

Maurice Wilson
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