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DISPELLING ECONOMIC MYTHS

Harwood Economic Review

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A Letter from the Managing Editor

Peter C. Earle, Ph.D

One needn't look far today—whether in personal experiences or the media—to find economic misconceptions promoted unhesitatingly.

Nearly 175 years after Bastiat wrote *That Which Is Seen, and That Which Is Not Seen*, we regularly hear politicians abdicate the entire notion of opportunity costs; most frequently, by failing to point out the tradeoffs of policies. It's not a trivial oversight. We cannot pursue every possible use of limited resources, including time, simultaneously. Foregone activity has a real cost.

So, too, persists the *lump of labor* myth, emanating not only from workers and labor activists but well-positioned demagogues as well. There is no fixed and inviolable amount of work in a given economy. The idea that new workers or other substantive changes in the workforce permanently reduce the capacity of an economy to employ labor is untenable. Limitations to the growth of the labor force are more closely linked to minimum wage laws, occupational licensing restrictions, collective bargaining, and a vast web of workplace regulations.

Protectionist instincts are similarly based upon fables. Imposing tariffs and trade barriers may bring short-term relief for some industries, but retaliation is inevitable. Consumer prices often rise, with consumption declining and economic growth contracting. Industries artificially shielded from competition have fewer incentives to innovate or operate efficiently. The US steel industry provides a prime example: tariffs, subsidies, and quotas created a moat around a handful of American steelmakers. Rent-seeking consumed more energy than innovating or streamlining manufacturing processes, and leadership shifted to China, India, and South Korea.

Why do ideas so easily refuted endure? First, what feels like *common sense* often leads people astray because complex, unseen factors contradict simple intuition, as David Hume and John Locke noted about human reasoning. Second, Americans often prioritize moral principles over actual outcomes, clinging to what they believe is *right* even if results are poor. Many US citizens also live in epistemic bubbles, surrounding themselves with corroborating information, comfortably ignoring contradictory evidence.
A recent explosion in political tribalism likewise encourages individuals to stick to commonly held beliefs, even when shown sounder economic reasoning. Indeed, even when they are ridiculous—as they so frequently are.

For all these reasons, economists must constantly work to correct these errors—even those promoted by other economists. E.C. Harwood founded AIER on this very principle, and your support equips us to continuously fight against these—and many other—economic myths.

Peter C. Earle, Ph.D
Managing Editor, *Harwood Economic Review*

Governments, Not Markets, Impel ESG

Allen Mendenhall and **Daniel Sutter**

From obscure academic topic to major campaign issue, ESG (Environmental, Social, and Governance) investing has erupted onto the political scene. Projections indicate ESG fund assets will balloon from around $20 trillion in 2022 to a staggering $40 trillion by 2030.

Our new paper in the *Santa Clara Journal of International Law* examines whether market forces or government interventions drive ESG's rise. We conclude that government policies, rather than investor preferences, primarily fuel ESG.

Governments worldwide have imposed numerous ESG-related regulations, with many more in progress or under consideration. In fact, governments activate the surge in ESG as forward-looking investors aim to divest from soon-to-be penalized sectors such as oil, natural gas, or firearms.

In a level playing field, ESG-weighted portfolios struggle against market-tracking index funds, which provide better diversification and risk reduction. Government regulations mandating climate-related disclosures benefit ESG funds by reducing investor options, making securities in ESG portfolios more attractive than they would be under (more) perfect competition.

Whether market pull or government push drives ESG also affects interpretation of the emergent *anti-ESG* movement. Are the several states limiting or banning investment of state dollars, including public pensions, in ESG restricting investor freedom, or protecting investors from predation by other governments?

We document the diverse government measures pushing ESG integration within financial markets. Governments are unleashing an entire policy arsenal, including mandates, regulations, taxes, and subsidies.

Government emissions reduction commitments under the Paris climate treaty drive the renewable energy transition in the European Union, Australia, and the United States. The European Union and the US offer various tax credits and grants for clean-energy projects and energy-efficient improvements.

The Biden Administration is subsidizing wind, solar, electric vehicles, and charging stations and imposing more stringent emissions standards for new vehicles and power plants. An executive order from President Biden led to ESG actions by the Financial Stability Oversight Council, the Securities and Exchange Commission, and the Department of Labor.

Additionally, most states have renewable portfolio standards requiring utilities to obtain a substantial portion of their electricity from renewable sources like wind and solar, with some states targeting 100 percent renewable generation.

Conversely, governments also impose disincentives, like taxes or bans on petroleum, plastic packaging, and fertilizers.

The European Union leads on ESG with its Green New Deal, Climate Law, and new reporting standards mandating emissions reductions. The European Sustainability Reporting Standards mandate ESG disclosures and audits. Similar mandates to disclose climate data, diversity metrics, and sustainability practices were implemented or proposed in the United Kingdom, France, Canada, and Australia.

Governments increasingly mandate disclosure of ESG data like carbon emissions or board diversity. While private organizations like the Climate Disclosure Standards Board aim to voluntarily standardize ESG ratings, governments force disclosures. Over 60 jurisdictions, including all G20 members, mandate ESG disclosure, mainly through financial regulations or stock-exchange listing rules.

Efforts like the Task Force on Climate-Related Financial Disclosures, supported by major financial institutions and institutional investors, demonstrate a global push for enhanced climate-related disclosures in the financial sector.

ESG requirements for corporations listed on stock exchanges have become commonplace. Both the NASDAQ and Dow Jones introduced board diversity rules and sustainability indices. Stock exchanges are technically private but heavily regulated, and governments have pushed these rules. European stock exchanges have imposed similar rules.

Financial markets were highly regulated long before ESG emerged. So, we investigated whether regulations merely granted regulatory permission for investors interested in socially responsible investing. The Department of Labor's permitting pension investments in ESG is one of the only accommodating measures, although it raises questions about fiduciary duty. Overwhelmingly, the regulations are like the SEC's climate reporting mandate.

In the past year, prominent financial institutions have backpedaled on ESG, with net outflows from ESG funds. This divestment suggests that financial institutions may have overestimated market demand for ESG. It also validates our assessment: **Governments have been driving ESG all along**.

https://www.aier.org/article/governments-not-markets-impel-esg/

Investors Make Houses More Affordable, **Not Less**

David Youngberg

Single-family home prices are up nearly 50 percent since the start of the pandemic, a massive increase in just four years. Even though institutional investors own less than 2 percent of the rented single-family homes, many Americans blame private equity firms for skyrocketing prices, prompting bills designed to ban Wall Street from owning single-family homes. It's an unfortunate reaction based in an erroneous understanding of this dysfunctional market.

The recent surge in private equity's interest in housing is a symptom of a market broken by Byzantine zoning, lot size, and parking laws. Housing is expensive because cities force developers to waste land. Housing is expensive because building affordable housing is illegal, and Wall Street investment is the natural result of these higher prices. Private equity firms not only wouldn't be involved if land-use restrictions weren't ratcheting up prices, they wouldn't be needed.

Middlemen Are Valuable

Private equity firms are middlemen—middlepeople if you prefer. They do not buy homes to leave them vacant as part of some mass conspiracy to drive up home prices. They are landlords, expanding the rental market with every home purchase. Blaming high housing prices on private equity because they *bought up all the available homes* is like blaming high food prices on grocery stores because they bought up all the available food.

Landlords, like all middlemen, are sellers as well as buyers. They provide valuable services in the form of lower transaction costs, or costs associated with search, coordination, and risk attached to a transaction.

As grocery stores connect farmers with customers, and banks connect savers with borrowers, landlords connect home sellers with people looking for a place to live. Yes, they are renting instead of buying, but some people prefer to rent because it gives them flexibility—selling a home comes with massive transaction costs. Others cannot marshal the down payment or the loan to purchase an increasingly expensive home, a long-standing problem that has been exacerbated by higher interest rates. Because of landlords, these individuals can live in places that would otherwise be beyond their reach.

Landlords see lower transaction costs with maintenance as well. Ten different homeowners with the same problem have to search ten different times for the right contractor and run the risk of a bad job in ten different instances. (My own home is peppered with small projects I haven't handled yet—or rather haven't found someone to handle yet—because the transaction costs are so high.) But one landlord owning ten properties needs to find a good contractor only once, and with the chance of nine more jobs, that contractor's going to work hard to avoid problems and delays.

Private equity firms, and other institutional investors, are just bigger landlords. Scarier-sounding, but with more potential to assuage the distortive effects of government meddling.

Private Equity Firms Amplify These Efficiency Gains

As home prices have skyrocketed, private equity firms and other institutional investors have stepped in to fill the growing gap. Not only are they investing in an asset that government regulation guarantees will appreciate, their resources enable them to bring transaction costs down even more.

When my wife and I were looking for a house nine years ago, our real estate agent made it clear that we were at a disadvantage. Other buyers had cash, she said (over and over again), and we, lacking a wealthy relative or the sale of a previous home, did not.

Sellers prefer cash buyers because mortgage buyers are risky. Banks must approve the buyer's loan, and that means appraisals and time. Interest rates could rise, or the buyer might have a change in fortune. The deal might fail for any number of reasons, forcing the buyer to relist the property, likely at a lower price. For an eager seller, the wait can be nerve-racking.

My real estate agent would've loved all these private equity firms—cash buyers suffer none of those risks. Avoiding those risks yields a significant discount: cash buyers pay about 10 percent less than mortgage buyers. Far from driving home prices up, private equity's all-cash transactions drive prices down.

Private equity firms save on transaction costs in another way: they tend to purchase fixer-uppers. While a landlord knows a good plumber, electrician, and handyman, private equity employs teams of appraisers and construction professionals, enabling them to repeatedly buy dilapidated houses that most consumers shun. These workers are more reliable and available as employees. In-house workers have much lower transaction costs.

Buying properties across the country enables private equity firms to diversify risk in a way conventional landlords can only dream of, further lowering transaction costs. Different areas have differing and dynamic housing markets, resulting in varying returns on investment for any one region. Overly strong tenants' rights laws (which make it hard to evict nonpayers) and squatters' right laws (which can result in people legally seizing property) further reward the risk-reducing effects of diversification.

Affordability Improves

It's hard to tell what private equity's net effect on the list price of housing is, but it is clear that these middlemen improve the market's efficiency—a critical service in a market with such a constrained supply. When you remember to include transaction costs in the price, the downward effect on affordability is unambiguous. As grocery stores are far more efficient than farmers markets—on hours, on selection, and even on some list prices—private equity firms improve the housing market.

Private equity investment in single-family homes is a symptom of sky-high prices, not a cause. Governments have made the housing market so dysfunctional, that Wall Street can't lower the cost of living nearly as much as needed. If policymakers were serious about making housing more affordable, they'd focus on getting out of the way, instead of demonizing middlemen responding to the problem.

https://www.aier.org/article/investors-make-houses-more-affordable-not-less/

Sense and Nonsense on Petrodollars

Peter C. Earle

Last week several reports suggested the termination of a US-Saudi petrodollar agreement, and speculated a Saudi Arabian move to sell oil on world markets in various currencies, including the Chinese yuan. The accounts were rife with inaccuracies: the Saudis have transacted in non-dollar currencies for decades, and there has never been a formal treaty, much less with a specified expiration date, governing the loose arrangement that has come to be called the 'petrodollar system.'

But even the fragments of broken mirrors reflect reality, and despite their fundamental errors a significant trend is in evidence: Saudi Arabia is progressively reducing its dependence on the United States. Quite possibly reflective of its recent admittance to the expanded BRICS block, it is exhibiting a greater inclination to settle oil transactions in currencies other than the US dollar. Owing to the US and Western Europe's increasingly entangled alliances, and its own efforts to diversify away from dependence upon energy exports, Saudi Arabia has been increasing its diplomatic and economic engagements with China, Iran, Russia, nations considered primary US foreign policy adversaries. Recent moves toward accepting non-dollar currencies reflects broader geopolitical shifts away from US currency hegemony.

The concept of the petrodollar, established in the 1970s, was an informal arrangement where Saudi Arabia agreed to sell oil exclusively in US dollars in exchange for US military protection and investment in US Treasury securities. In the immediate wake of the collapse of the Bretton Woods system in 1971, the arrangement bolstered the value of the US dollar and secured US military support for Saudi Arabia. It also ensured relatively consistent demand for US government debt, a windfall which five decades later has become a millstone of damning heft.

A handful of policy changes indicate departures from the heretofore entrenched framework. In January 2023, the Saudi finance minister announced the possibility of conducting trade in a broadening variety of currencies. This was followed by increasing oil imports from Russia and establishing a formal, fixed currency swap agreement with China. Best characterized as strategic realignments, Saudi Arabia has sought to forge flexible relationships with regional and rising global powers outside the sphere of American influence.

Myths and hyperbole aside, the weakening US-Saudi relationship is one instance amid a growing trend of diminishing US influence in global currency markets and international finance. It is a shift reflective of the weaponization of the dollar in early 2022 and a growing array of domestic policy choices which are rapidly destroying the dollar's attractiveness. Certainly, and as has been said many times: these effects of these changes will not be seen or felt overnight. But developments emerging with increasing rapidity evince an ongoing decline in control, and reduced role, in over global financial and geopolitical matters.

https://www.aier.org/article/sense-and-nonsense-on-petrodollars/

Boosters Beware Stadiums Aren't Magic

Art Carden

Another day, another push to give many millions to multimillionaires. The Jacksonville Jaguars are pushing hard for the city to renovate their stadium. Not far away, St. Petersburg, Florida is shoveling money at the Tampa Bay Rays. As economists never tire of pointing out, however, government funding for stadiums throws bad money after good. Instead of going after what C. Montgomery Burns called *the American dream: a billionaire using public funds to build a private playground for the rich and powerful,* cities would put the money to better use filling potholes, improving schools, or just cutting taxes.

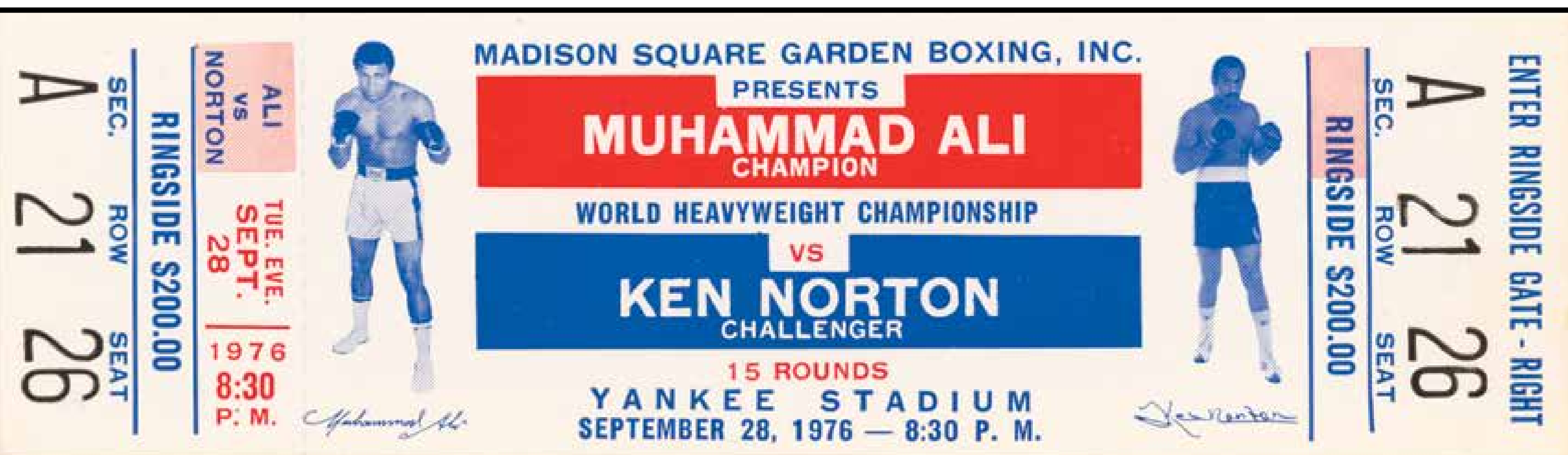
The *economic impact studies* on which stadium subsidies are based have another name: lies. In a recent volume honoring the economist Robert A. Baade, who from a relatively obscure academic position at Lake Forest College helped create modern sports economics and especially the well-developed literature on the effects of stadiums and mega-events, a group of distinguished economists have contributed a series of essays in his honor. *The Economic Impact of Sports Facilities, Franchises, and Events* is expensive, but it should be required reading before anyone talks about paying for a stadium.

Baade is responsible for the tongue-in-cheek *Baade Rule*: Any time you see an *economic impact* estimate, move the decimal point one space to the left.

Stadium subsidies are classic exercises in the broken window fallacy. Anyone who has ever had small children can think of a lot of things they have had to replace because one of the kids broke something. It's a mistake to infer from the spending you have to do that the economy is *stimulated* as a result. After all, you could have spent that money on something else, while also having the services of the window one of the kids broke.

Building a stadium with government money is a lot like paying to fix a broken window. The resources have to come from somewhere, and that *somewhere* is going to be taxpayers' pockets. Furthermore, it is easy to see all the hustle and bustle happening around the new stadium without appreciating the fact that the hustle and bustle is probably coming from somewhere else in the metro area. The money I spend near Progressive Stadium when I go there to watch Stallions or Legion games is money I'm not spending in my neighborhood of Avondale. As city spending goes, stadiums mostly redistribute economic activity within a metro area, much more than they increase it.

As the essays in the volume show, what cities pay for stadiums outstrips any measurable positive spillover effects. They redistribute and waste, but they do not create. It is not a new insight: Heywood Sanders's *Convention Center Follies*, which goes into detail about the logic as it applies to municipal civic centers, is a decade old. We have yet to learn the lesson.



Stadium boosters frequently come to the table armed with *economic impact studies* that, the contributors to the volume argue, are best thought of as *advocacy studies* and promotional materials more than serious analysis. They rely on unrealistic and implausible multiplier effects and other assumptions that do not withstand serious scrutiny. They are, however, attractively produced and presented by attractive and persuasive professional people, and they rely on a credulous public who gets wowed by phrases like *multiplier effect* and quantitative sophistry. Rarely, if ever, are there well-done follow-up studies. For economists, the professional rewards are usually scarce and the social penalties are severe.

One of the scholars doing the Lord's work on this issue, however, is Kennesaw State University economist JC Bradbury, referred to as *Professor Nutjob* by one online critic and regularly savaged on social media for having the courage to speak out and say what just about every economist knows: Publicly financed stadiums are boondoggles that, if anything, imperil cities' financial positions.

The book suggests a new direction for the ethics of sports journalism. It noted that one *news* story about the economic impact of a new stadium in Nashville was basically identical to the press release. It refers to the economic impact of stadiums as a perfect example of Zombie Economics: *bad ideas that just will not die*. Despite, for example, evidence that the tax revenue effect for Arlington of attracting the Cowboys were trivial, we still keep getting deals like the abominable Buffalo Bills stadium deal and the even more abominable Tennessee Titans stadium deal: . . . *when economists suggested it was hard to imagine a worse stadium deal than the one in Buffalo, Nashville said 'Hold my beer,' and proposed a $2.1 billion stadium with $1.26 billion in public money which was later approved.*

If your only metric for success is *be a big league city*, then of course a lavish stadium deal that attracts or retains a big league team will be a success. But that raises a lot of important questions. Are there substantial local benefits to being a big-league city that won't be reflected in ticket prices and TV deals?

So beware the special interest group bearing the economic impact study. It's poorly done and based on a lot of questionable assumptions, and it's being waved by someone looking to pick your pocket and expecting you to thank him for the honor.

https://www.aier.org/article/boosters-beware-stadiums-arent-magic/

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Protectionists Are Wrong
Free Trade is the Path to Prosperity

Vance Ginn

Both major presidential candidates, Joe Biden and Donald Trump, have leaned towards protectionism, a stance recently echoed by Terry Schilling in *The American Conservative*. Unfortunately, this perspective misses the mark.

Protectionism is not the solution to revitalize American manufacturing or the economy. The real culprits are flawed internal policies—excessive government spending, high taxes, and stringent regulations—that stifle growth and innovation.

Politicians from both sides of the aisle often scapegoat countries like China and Mexico for the decline in US manufacturing. This narrative overlooks reality.

Technological advancements and productivity gains are the primary drivers of change in manufacturing, and that's a good thing for the many beneficiaries at the expense of the few. Industrial production in manufacturing has remained relatively flat, indicating stable output despite economic fluctuations, while manufacturing employment has declined significantly, reflecting the sector's increased productivity and automation.

In short, we don't need as many hard jobs to provide the same output, and those displaced individuals can find better avenues to flourish, even with tough transitions. While it would be great if there were a way to protect everyone's job, this is a fool's errand resulting in control by politicians and bureaucrats in government at the expense of everyone else.

Free-market capitalism is needed now more than ever, not big-government socialism, which is already sending us down the road to serfdom. American manufacturing's decline is largely due to domestic policies that reject free-market capitalism, thereby hindering economic growth.

Progressive policies have led to excessive government spending, high taxes, and overregulation. The federal government is spending about 25 percent of GDP and running nearly $2 trillion deficits, including paying about $1 trillion in net interest payments annually, even with record-high tax collections. Add to this how the Competitive Enterprise Institute reports federal regulations cost the US economy $1.9 trillion annually, equivalent to 7 percent of GDP. Spending and regulations shackle about one-third of our economy, creating perverse incentives for businesses and workers to compete and innovate.

The Trump administration's efforts to boost manufacturing through tariffs led to trade wars that aimed to bring jobs back to the US. These measures backfired, however, increasing costs for American businesses and consumers, as tariffs are just taxes on Americans. Manufacturing output saw little sustained improvement, and employment gains were modest and short-lived.

Deficit spending, which contributed to an appreciated currency from foreigners' demand for the US dollar, made it cheaper to purchase foreign goods, exacerbating the trade deficit. The trade deficit expanded even after Trump imposed tariffs on Chinese goods. Similarly, the Biden administration's attempts to revitalize the sector through initiatives like the American Jobs Plan and the Inflation Reduction Act have yet to do more than drive up the deficit and prop up specific markets.

Despite potentially good intentions, these policies have yet to deliver the promised results, often perpetuating the same issues of overregulation and high spending.

The United States-Mexico-Canada Agreement (USMCA), which replaced NAFTA and mentioned in the piece, introduced more protectionist measures than its predecessor. The USMCA's stringent labor and content rules have complicated trade and increased production costs, undermining its effectiveness in promoting free trade. These provisions counter what should have been done to promote more trade and prosperity.

It is wise to remember that free trade has provided the best opportunities for people to prosper and has significantly reduced extreme poverty globally, including in China.

America should not isolate itself from other countries, as we benefit from a growing global demand for our products and the supply of goods we can purchase from abroad. Consumers and producers in America are better off with more domestic and international trade. As we don't want to produce everything we consume daily, trading with others is the most efficient way to meet our needs.

Our national debt, driven by excessive government spending, is a significant economic burden. This debt will continue to grow without the resolve to cut spending and implement a strong spending limit. The Federal Reserve's monetary policy, which has reduced purchasing power and higher inflation, also impacts manufacturing and should be regulated through a monetary rule.

The PROVE IT Act aims to ensure that carbon emissions from imports are accurately measured. Still, the underlying assumption of a need to tax carbon dioxide—a necessary component of life—is flawed. Pigouvian taxes are problematic because they often target the wrong factors at incorrect tax rates, essentially serving as tools for government overreach rather than effective economic policy.

The focus should be on minimizing government control over economic actions, which create more problems. A carbon tax or one of its spinoffs is a misguided attempt to control what the EPA doesn't consider a pollutant, leading to worse outcomes for everyone, especially the poor.

Another way to improve relationships with countries and put more collective pressure on China to liberalize while meeting the needs of consumers and producers in America would have been to approve a version of the Trans-Pacific Partnership (TPP).

This trade agreement negotiated by the Obama administration allowed expanded free trade with 11 other Asia-Pacific countries (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam). By partnering with multiple countries, America could have promoted free trade practices that fostered a more robust economic environment that competes with China, Russia, and other potential adversaries.

The TPP, as detailed by the Council on Foreign Relations, aims to enhance trade and economic integration across the Asia-Pacific region, providing significant benefits to all member nations. The TPP would reduce tariffs, establish common trade standards, and open new markets for American goods and services, ultimately leading to greater economic growth and job creation at home.

Unfortunately, Trump rejected the TPP when he took office in 2017 instead of trying to negotiate the TPP better. While America was left out, the other 11 countries joined trade agreements after TPP's demise, a major setback for Americans that could have been avoided.

Revitalizing American manufacturing requires addressing internal policy failures rather than blaming foreign competition. We can ensure long-term prosperity by reducing government interference, embracing free trade, and fostering a competitive environment. The better path forward with fewer trade-offs lies in free-market principles, which have the power to drive innovation, efficiency, and economic growth.

It's time to shift the focus from protectionism to fostering a robust, open market that benefits everyone.

https://www.aier.org/article/protectionists-are-wrong-free-trade-is-the-path-to-prosperity/

Overpopulation An Ancient Myth Refuted

Aidan Grogan

Prince Philip once said, *In the event that I am reincarnated, I would like to return as a deadly virus, to contribute something to solving overpopulation*. The late Duke of Edinburgh passed away in 2021, but the hysterical sentiment he expressed about overpopulation lives on.

A YouGov poll found that overpopulation concerns are widespread among adults across the planet, with nearly half of sampled Americans believing that the world's population is too high. This view is shared by 76 percent of Hungarians and 69 percent of Indians, according to the poll.

Overpopulation and ecological disasters have been the themes of numerous blockbuster movies, including *ZPD* (1972), *Soylent Green* (1973), *Idiocracy* (2006), and *Elysium* (2013). Mainstream news outlets have repeatedly promoted the apocalyptic idea to the public, with headlines such as *Science proves kids are bad for Earth. Morality suggests we stop having them* (NBC News). The progressive magazine *Fast Company* released a video titled *Why having kids is the worst thing you can do for the planet*.

The theory of overpopulation, and the collectivist idea that human reproduction must be limited, even by force, is nothing new. It first appeared in the ancient Mesopotamian *Atrahasis* epic, where the gods control the human population by infertility, infanticide, and appointing a priest class to limit childbirth.

Plato and Aristotle both endorsed a form of proto-eugenics and population control. In *The Republic*, Socrates and Glaucon conclude that an owner controlling the breeding of his dogs and birds to prevent their degeneration should also apply to the human species. The guardians would be tasked with deciding who is allowed to reproduce and who should be prohibited from having offspring. In *Politics*, Aristotle advocated for state-mandated abortions of children with deformities or in cases where couples are having too many children and contributing to overpopulation.

The decline of Greek civilization in the second century BCE was not a consequence of an excess number of births, but precisely the opposite. Polybius attributed the downfall of Greece in his time to a decay of population which emptied out the cities and resulted in a failure of productiveness. It was not warfare and pestilence which reduced the birth rate, but decadence. The idle men of Greece, according to Polybius, were more interested in money and pleasure than marriage and child-rearing.

Two millennia later, English economist Thomas Malthus resurrected the old Mesopotamian myth with his 1798 *An Essay on the Principle of Population*. Malthus claimed that population growth increases geometrically while food production increases only arithmetically, which he believed would lead to widespread famine if the rapid propagation of humanity were not obstructed.

He identified two checks, one natural and one human-induced, which could keep population growth limited: *preventive checks*, such as delayed marriage or sexual abstinence, that stabilize the birth rate and evade the natural calamities of *positive checks*—famines, pestilences, earthquakes, floods, etc.—which represent nature's striking back against the pressures of unhindered population growth.

Malthus preferred the former, but if unsuccessful, supported appalling and brutal depopulation measures. He suggested policies to *make the streets narrower, crowd more people into the houses, and court the return of the plague*. He also recommended banning *specific remedies for ravaging diseases*.

In 1859, Charles Darwin's *On the Origin of Species* argued that species evolved gradually from a common ancestor. His follow-up *The Descent of Man* posited that humans descended from their ape-like past through a process of sexual selection that favored the stronger, more intelligent genes. Darwin said that his evolutionary theory *is the doctrine of Malthus applied with manifold force to the whole animal and vegetable kingdoms*.

Darwin's cousin, Francis Galton, used Darwin's theory of evolution to develop eugenics—a pseudo-scientific theory that the human race could be improved through controlled breeding.

Subsidized by some of the largest philanthropic organizations in the United States, including the Rockefeller Foundation and the Carnegie Institution, eugenics was embraced by many leaders of the American progressive movement, who favored involuntary sterilization and immigration restriction.

Margaret Sanger, the founder of the American Birth Control League—later to be renamed Planned Parenthood—denigrated charity and referred to the poor as *human waste*. She and her companions considered several names for their movement, such as *neo-Malthusianism*, *population control*, and *race control,* before finally settling on *birth control*.

The eugenicists' fervent collectivism and disregard for America's founding principles affirming the inherent dignity and rights of every individual were best expressed through Madison Grant's *The Passing of the Great Race*, in which he wrote:

> *Mistaken regard for what are believed to be divine laws and a sentimental belief in the sanctity of human life tend to prevent both the elimination of defective infants and the sterilization of such adults as are themselves of no value to the community. The laws of nature require the obliteration of the unfit and human life is valuable only when it is of use to the community or race.*

Eugenics laws were implemented across the United States beginning with Indiana in 1907. By the Second World War, around 60,000 Americans had undergone sterilization.

In Britain, eugenics was enthusiastically championed by socialists such as John Maynard Keynes, George Bernard Shaw, and HG Wells. Keynes wrote an outline for a book called *Prolegomena to a New Socialism*, in which he listed *eugenics, population* as *chief preoccupations of the state*.

Eugenics—at least under that official title—began to fade after the harsh realities of the Holocaust were unveiled, but the Malthusian presuppositions which undergirded their movement never vanished.

Stanford biologist Paul R. Ehrlich's 1968 book *The Population Bomb* re-invigorated the Malthusian craze for a new generation, predicting imminent worldwide famines and other catastrophes due to overpopulation. In the prologue, he wrote: *We can no longer afford merely to treat the symptom of the cancer of population growth; the cancer itself must be cut out. Population control is the only answer*.

That same year, a group of European scientists concerned about the future of the planet founded an NGO called the Club of Rome. Their first major publication, *Limits to Growth* (1972), attacked the pursuit of material gain and continuous economic expansion. Two of the Club of Rome's most prominent members openly declared in their 1991 book *The First Global Revolution* that humanity is the real enemy:

> *In searching for a common enemy against whom we can unite, we came up with the idea that pollution, the threat of global warming, water shortages, famine and the like, would fit the bill. . . All these dangers are caused by human intervention in natural processes, and it is only through changed attitudes and behaviour that they can be overcome. The real enemy then is humanity itself.*

At the time of the publication of Ehrlich's doomsday book and the Club of Rome's founding, the world's population stood at 3.6 billion, and nearly half of people worldwide were living in poverty. Over the next five decades, the global population more than doubled to 7.7 billion, yet fewer than 9 percent of people remain in poverty today, and famines have virtually disappeared.

Ehrlich's hypothesis was rejected by economist Julian Simon in his 1981 book *The Ultimate Resource*, in which he argued that a rising number of *skilled, spirited, and hopeful people* results in more ingenuity, less scarcity, and lower costs in the long run. In other words, the larger the human population, the greater the collective brain power our species may wield to innovate, overcome problems, and benefit everyone through increased abundance. The ultimate resource, according to Simon, is people.

Recent research from Gale L. Pooley and Marian L. Tupy has vindicated Simon's optimistic view. For every one-percent increase in population, commodity prices tend to fall by around one percent. In the years 1980–2017, the planet's resources became 380 percent more abundant.

These findings decimate the Malthusian outlook and render advocacy of population control not only ill-informed and inexcusable, but frankly anti-human. The ecological cataclysms predicted by Ehrlich and the Club of Rome haven't come true. Nature hasn't struck back against a rapidly increasing population in any manner anticipated by Malthus.

As former US Department of Energy Undersecretary for Science Steven E. Koonin pointed out in his 2021 book *Unsettled*, UN and US government climate data show the following: 1) humans have had no detectable impact on hurricanes over the past century, 2) Greenland's ice sheet isn't shrinking any more rapidly today than it was eighty years ago, and 3) the net economic impact of human-induced climate change will be minimal through at least the end of this century.

Pooley and Tupy, however, caution that population growth alone is not enough to generate what they term *superabundance*, as they titled their recent book. The innovation required to sustain an ever-increasing world population demands economic and personal freedom. Collectivism

and central planning will only restrict the human ingenuity, ideas, and enterprises that will pave the way toward a brighter, more prosperous future.

It is certainly time to lay to rest Malthusian theory and the overpopulation hysteria it has aroused. We must avoid the cynical outlook on humanity which regards us as net destroyers, a viral pathogen ravaging the earth, and instead opt for the more positive—and true—vision of human beings and human destiny. We are net creators.

https://www.aier.org/article/overpopulation-an-ancient-myth-refuted/

Why You Should Include Charity In Your Will

Andrew Palmer

There is a common misconception that only the rich need to make a will. That is not true. A will eases the pain of your passing on those you leave behind, and without a will, regardless of your personal wishes, state laws will determine the transfer of your estate.

There is an even bigger misconception that only the super-rich leave money to charity when they die. That's also not true. The fact is that most gifts by will (bequests) are made by everyday people who want to have a lasting, positive impact on their community.

Without this type of generosity, many charitable institutions couldn't continue their missions into the future. Non-profits need our support to do their good work.

Here are four reasons why you should include a charity in your will:

A Gift By Will Is Easy To Make

A bequest is one of the easiest charitable gifts to make. It is simple to implement, and easy to change should you ever need to. You can give specific property, or designate a dollar amount, or a percentage of your estate. You can also designate a non-profit as a beneficiary of your retirement plan or life insurance policy.

A Gift By Will Does Not Alter Your Current Lifestyle

Making a bequest is a way of demonstrating your commitment to the future of the institution you love that doesn't affect your current asset balance or cash flow. There are no substantial costs, and the gift can easily be modified to address your changing needs.

A Gift By Will Can Change Lives

Non-profits improve our lives every day through their dedicated work, community, and stability. A bequest can help your best-loved charity further its mission and values. It can continue making a difference for generations to come.

A Gift By Will Creates A Lasting Legacy

Including a non-profit in your will is a great way to bring dignity, meaning, and purpose to a life well-lived. You can demonstrate your commitment to the future of the institution you love, and better yet, a bequest can allow you to give to an institution that you may have always wanted to support, but were unable to during your lifetime. Creating a legacy with your gift ensures that you, and your values, will live on.

You don't have to be wealthy to make a difference. Whoever you are, whatever your situation, you can help make a better world by including a charity in your will.

See page 19
to give to **AIER**

***Untap the Potential of Narratives: Succeed in Business, Entrepreneurship, and Life* with John Hagel**

October 17
San Francisco,CA

Author, researcher, and entrepreneur John Hagel will join AIER's Bastiat Society program in San Francisco as he teaches the secrets and wisdom of living, creating, and succeeding through the power of narratives and stories. Big brands, marketers, media companies, the military, and politicians all realize the power of stories and narratives. What are stories and narratives? How can you use these powerful catalysts for changing your life and the world? Whether you know it or not, you have a personal narrative that is shaping your life, career, mind, decisions, and your future.

***Freedom in the 50 States: Texas* with Dr. William Ruger and Dr. Jason Sorens**

October 29
Dallas, TX

Freedom has long been a cornerstone of America, but what does it truly mean, and how should government uphold it? AIER's Bastiat Society program in Dallas will host AIER President, Dr. William Ruger, and Senior Research Faculty, Dr. Jason Sorens, as they explore the role of freedom in solving societal challenges, the values that sustain it, and how state-level policies impact prosperity. You'll also learn where Texas stands on key issues like taxes, guns, housing, and health, with reform recommendations and victories to celebrate.

***Creative Destruction, Entrepreneurship, & Discovery* with Dr. Russell S. Sobel**

November 19
Charleston, SC

AIER's Bastiat Society program in Charleston will host an event with Dr. Russell S. Sobel. *Creative Destruction* is the term given by noted Austrian Economist Joseph Schumpeter to the process by which new firms replace old firms. Entrepreneurship is therefore both creative by bringing about new things for the future and destructive by destroying old ways in the process. A strong case can be made that technology is accelerating the pace of it. Sobel's talk will explore this process, why it is important, how economies can best cope with it, and the political battlegrounds it creates.

Planned Giving

Each one of us already has a default estate plan—one dictated to us by the government. The government doesn't know who we are; it cares nothing for our achievements, our principles and beliefs, our ethics, or our commitment to our families. In this plan, hard-earned assets can be unnecessarily taxed and heirs can be left with little or nothing.

The only way to make sure that your estate plan reflects your wishes is to design it yourself with competent counsel. Will your legacy be subsumed by faceless bureaucrats as a windfall profit for government programs that you may believe are antithetical to prosperity and justice? Or will it be a responsible transfer of values held dear by the one who earned the money? Make sure that you are the author of your own personal estate plan.

By making a planned gift to AIER—whether it be through your will, charitable trust, or another giving vehicle—you are making an incredible commitment to true freedom, sound money, and private governance. You not only secure your legacy as a champion of free markets, but you ensure that AIER will continue to fight for the principles you hold dear for generations to come.

We are forever grateful for AIER's planned giving supporters who help to ensure that people around the world will always have access to sound economic research, robust education in free market concepts, and practical training from AIER.

Here are some ideas on how to include AIER in your estate plans:

Your Will

If you already have a will, you can generally amend it to create a bequest for AIER and other charities. If you have elected a living trust rather than a will, you can also include AIER and other charities as trust beneficiaries, similar to creating bequests under a will.

Your Retirement Accounts

Retirement accounts—such as an IRA, 401(k), and others—that are left to heirs are double-taxed because (often but not always) they are subject to the estate tax and heirs are also subject to ordinary income tax on what's left. Retirement accounts left to a non-profit like AIER are not taxed at all.

Your Life Insurance

One of the easiest ways to leave AIER in your estate plans is to simply name AIER as a beneficiary of a life insurance plan. Life insurance proceeds, other than when given to a spouse or to a tax-exempt entity like AIER, are generally subject to the estate tax. Therefore, life insurance policies that are no longer needed for financial security are a good choice for enhancing your philanthropic legacy.

Other Giving Vehicles

Several less-common giving vehicles are typically used in complex estates, but might be worthy of consideration. We recommend you speak with your attorney or financial advisor regarding: Charitable Gift Annuities, Charitable Remainder Trusts, and Charitable Lead Trusts.

To get started

please contact us at 888-528-1216

SUPPORT AIER

Researching, articulating, and advancing the importance of markets

I followed Colonel Harwood for many years and one thing that came through in all of his writing was that he was a great patriot and a strong believer in an honest currency. Having been in the investment business for 48 years, I think Colonel Harwood's teaching is needed even more now than it has ever been. He had a great impact on my thinking.

—**Arnold Van Den Berg**, Longtime AIER Donor

AIER donors understand the importance of AIER's mission and want others to understand too.

For nearly a century, the American Institute for Economic Research has educated Americans on the value of personal freedom, free enterprise, property rights, and sound money. Eschewing dogmatic assertions and party politics alike, AIER seeks to scientifically understand and demonstrate the importance of these principles to advance peace, prosperity, and human progress. We support the research of numerous leading economists and share their findings with policymakers, professionals, educators, and the general public through publications, in-person programs, and online outreach that are each tailored to the needs of these audiences. By strategically articulating and promoting the principles of pure freedom, AIER helps to build the intellectual basis for, and popular consensus around, the expansion of individual rights and market freedom, and against the increasing demands for government intervention, central planning, and collectivist policies.

To donate, call AIER at 888-528-1216 or visit **www.aier.org/donate**.

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[P]rofessional economists, as a group, richly deserve the silent contempt which at present seems to be their reward. This is not to suggest that they are, one and all, a poor lot. . . [but] here is a temptation, in an investigation of this character, to risk boring the reader by a too voluminous array of evidence. There is such a wealth of fallacies, unsound definitions, and absurdities in the two-volume 'Principles of Economics' that one could go on almost indefinitely. As a matter of fact, the gathering together of such a vast aggregate of misinformation and the burying of all fallacies at depths beyond the reach of college sophomores' intellects is, in its way, a rather remarkable achievement.

—E.C. Harwood
False Gods and Faltering Oracles
November 1931