

## INDEX

- acid rain, 55–6  
 Adams, John, 138  
 addictive consumer behaviors  
   cigarette smoking, 183–4  
   gambling, 183  
   spending too much money, 184  
 Advanced Research Projects  
   Agency – Energy, 88  
 Affordable Care Act (US), 35, 98,  
   145, 227  
 agency inefficiency (governmental),  
   79–80, 135  
 Akerlof, George, 252  
 allocation (governmental economic  
   function)  
   economic efficiency, 69–70  
   efficiency comparisons with private  
   sector, 77–8  
   flexible prices, 70–2  
   free markets, 70–2  
   government failure, 74–7  
   market failure, 73–4  
   monetary waste, 80–2  
   national industrial policy, 82–91  
   overview of, 67–8  
   privatization movement, 78–9  
   systemic agency inefficiency, 79–80  
   welfare economics, 68  
 Amacher, Ryan, 239  
 Amazon, 103–4, 162  
*American Dream Is Not Dead, The*,  
   249, 253  
*Anarchy, State, and Utopia*, 210  
 Aristotle, 201, 212  
 Arthur, W. B., 190  
 Asbell, Bernard, 237  
 Badziag, Rafael, 140  
 ballot initiatives  
   complexity of, 234–5  
   not consensus building, 235  
   voter wisdom and, 234  
 behavioral economics, 69, 171–3, 188  
 Bessette, Joseph, 238  
 Biden, Joe  
   industrial policy, 249  
   reliance on economist viewpoints,  
     251  
   research and development policy, 250  
*Billion Dollar Secret, The*, 140  
 Blinder, Alan, 110, 145  
 Bloom, Allan, 209  
 Boehm, Christopher, 133  
 Boulding, Kenneth, 244  
 Boyes, William, 239  
 Breyer, Stephen, 251

## 305 / Index

- bridge infrastructure projects
  - functional obsolescence and, 16
  - politics of, 16
- Bronfenbrenner, Martin, 215
- Brooks, Arthur, 208, 218, 254
- Buchanan, James, 42, 186, 214, 238
- Burford, Anne Gorsuch, 154
- Bush, George H. W.
  - industrial policy of, 85–6
  - volunteerism, 207
- Bush, George W.
  - Amtrak railroad subsidy, 157
  - “Cadillac tax,” 144
  - voluntary environmental policies of, 164
- Buttigieg, Pete, 53
- “Cadillac tax,” 144–5
- CAFE standards, 54–5
- cap-and-trade licenses, 46, 55–6
- Caplan, Bryan, 76, 223, 238
- Captured Economy, The*, 129
- carbon tax feasibility, 51–6
- Carlyle, Thomas, 9
- Carter, Jimmy
  - Godkin Lectures, 43
  - middlemen and, 95
  - policy changes of, 38–9
  - Synthetic Fuels Corporation (SFC), 83
  - voter wisdom, 226
- Chinese market economy, 113
- Chrysler Motors, 45
- clean energy industrial policy, 84–5
- climate change and opportunity cost, 25
- Clinton, Bill
  - industrial policy of, 83–4
  - regulatory impact analysis (RIA), 171
- Complacent Class, The*, 123
- consumer information
  - advertising, 179–80, 196–7
  - consumption technology, 182
  - governmental information guiding, 178–80, 252
  - public sources of, 177–8
  - risky products, 181
- consumer sovereignty
  - economists and, 214
  - economists defensive about, 197–8
- consumer tastes and preferences
  - addictive behaviors, 183–4
  - advertising and, 217–18
  - behavioral economics, 188
  - consumption technology, 182
  - culture and, 200
  - education and knowledge and, 199–200
  - evolutionary psychology, 185, 186–7
  - happiness and, 202–13
  - higher tastes, 195–9
  - libertarian paternalism, 187
  - nonmaterial goals, 185
  - reason and, 201–2
  - revealed preferences, 182–3
  - selfishness assumptions, 188–95
- Cook, Wesley, 17
- Cooper, Michael, 33
- cost–benefit analysis
  - air pollution, 168
  - behavioral economics and, 171–3
  - bipartisan support for, 169
  - controversies in, 171–4
  - energy-efficient appliances, 174
  - Federal Aviation Administration (FAA), 37–8
  - priority setting and marginalism, 36
  - regulatory impact analysis (RIA), 171
  - risk of job death, 168–9
  - steps of, 167
  - sunk costs under Trump, 170
  - Supreme Court opinions, 169–70
- Cost–Benefit Revolution, The*, 170–1
- Costs of Economic Growth, The*, 196
- Covid-19, 254
- Cowen, Tyler, 104, 122–3
- Cropsey, Joseph, 200–1
- Crouch, Edmund, 20
- Darwin, Charles, 203
- Davis, Beryl, 133

## 306 / Index

- deliberation
  - congressional committee assignments, 237, 238
  - economists on, 222–3
  - history of, 226, 229–31
  - merits of, 232
  - modern views on, 231
- Democratic administration externalities, 165–6
- deregulation, 99
- distribution (governmental economic function), 67–8
- Dodd–Frank financial reform, 98, 118
- Dorfman, Robert, 24–5
- Douglas, Stephen, 23–4
- Dream Hoarders*, 253
  
- Earned Income Tax Credit (EITC), 121–2, 135
- Economic Development Administration, 90
- economic efficiency, 69–70
- economic incentives and policy goals
  - changes over time, 218–20
  - command-and-control methods, 43
  - environmental regulations, 44–56
  - flood control, 56–61
  - Godkin Lectures, 43
  - traffic congestion, 61–2
- Economics of Welfare*, 217
- Economist, The* (journal), 117
- economists' lessons
  - cost–benefit analysis, 246–7
  - Joe Biden and, 251
  - respect for free markets, 245
  - robust economy affects other sectors, 246
  - role of government, 245–6
- economists' policy concerns. *See also*
  - industrial policy
  - airline regulations, 99–102
  - antitrust policies, 102–4
  - business–labor relations, 104–9
  - deregulation, 99
  - growth rate reduction, 93
  - market characteristics criticism, 93–6
  - real wages, 92
  - statistics making it seem worse than it is, 91–3
  - worth of free goods, 92
- education
  - and consumer tastes, 199–200
  - happiness and, 208–11
  - illiteracy and, 211
  - lack of voters, 227, 233–4
- Endangered Species Act, 22
- engineering megaprojects
  - bridge infrastructure projects, 16
  - Concorde, 12
  - economists and, 15
  - high-speed rail infrastructure projects, 13–14
  - lack of cost considerations in, 12–13
  - opportunity cost economic conflicts, 12
  - politics of, 14
  - versus private sector, 14
- environmental preservation and
  - opportunity costs
  - Endangered Species Act, 22
  - Mount Graham red squirrel, 22–3
  - Potomac River cleanup, 20–1
- Environmental Protection Agency (EPA)
  - command-and-control methods, 44
  - green energy incentives, 163–4
  - incentive-based programs, 46
  - knowledge disadvantage of, 45
  - pollution tax litigation, 47
  - Procter and Gamble, 49
  - subcategorization of laws in, 44–5
  - voluntary pollution compliance, 154
- environmental regulations and economic
  - incentives. *See also* pollution cap-and-trade licenses, 46
  - carbon tax feasibility, 51–6
  - costs of, 47–9
  - litigation, 47
  - opportunity cost, 52
  - pollution stigma and, 51–3

## 307 / Index

- pollution tax, 45–6, 51, 55
- power of, 45–50
- slow adoption of, 50–1
- technology and, 49–50
- weaknesses in, 44–5
- equity, economic
  - CEO pay, 118, 129
  - Dodd–Frank financial reform, 118
  - gainers gain more than losers lose
    - standard, 114–15
  - hedge funds, 119
  - income distribution, 115–16, 117–19
  - minimum wage hike, 147–9
  - Pareto-optimal redistribution, 116–17
  - poverty and, 119–24
  - redistribution, 124–7
  - rent control, 146–7
  - tax cuts for business, 130
  - wealth versus income, 119
- essential needs (health), 32
- evolutionary psychology, 185, 186–7
- Examined Life, The*, 210
- expressivism, 170
- externalities (market failure)
  - Amtrak railroad subsidy, 157–9
  - automobile emissions control devices, 155–6
  - aviation industry subsidy, 157
  - defined, 74, 151
  - desirable scope of government, 153–60
  - federalism and, 160–6
  - global warming, 167
  - government intervention justification, 151–3
  - occupational safety programs, 160
  - voluntary pollution compliance, 154–5
- Federal Aviation Administration (FAA), 37–8, 99–102
- Federal Emergency Management Agency (FEMA), 59, 60
- Federal Energy Regulatory Commission (FERC), 81
- Feinstein, Diane, 113
- Feldstein, Martin, 51, 145
- Fickek, Ken, 153–4
- Field, Marvin, 234
- flood control policy and economic incentives, 56–61
- Flyvbjerg, Bent, 14
- food stamps (SNAP program)
  - deliberation, 238
  - fraud in, 134–5
  - work requirements for, 122
- foot voting, 224
- fracking, 90
- France, model economy of, 129–30
- Frank, Robert, 203, 218
- free markets
  - economists' belief in, 70–2, 245
  - higher wants in, 217–18
  - imperfections in, 252–3
  - per capita income and, 253
- Fried, Charles, 32
- gainers gain more than losers lose
  - standard, 114–15
- Gates, Bill, 108
- Gates Foundation, 111
- General Accounting Office, 20–1, 133–4
- General Motors, 18–19
- Glaeser, Edward, 121–2
- global warming, 167
- Godkin Lectures, 43
- government failure
  - free markets, 252
  - public choice, 75
  - public preferences, 76
  - rational ignorance of consequences, 75, 76–7, 223
- governmental economic functions
  - allocation, 67–8
  - distribution, 67–8
  - stabilization, 67–8
- green spaces and upward mobility, 123–4
- green energy incentives, 174
- gross domestic product (GDP)
  - decline in, 125–6
  - trickle-down economics, 126–7

## 308 / Index

- Haidt, Jonathan, 131–3, 135, 211–12
- Hamilton, Alexander, 225–6
- happiness, consumer. *See also* well-being  
 income and, 202–3, 204  
 income inequality and, 254  
 jobs and, 208  
 learning and, 208–11  
 psychology on, 205–6, 211–13  
 socially responsible investment (SRI), 205  
 sustained economic growth and, 204–5  
 volunteerism, 206–7
- Hawley, Josh, 249
- health needs and marginalism  
 Affordable Care Act (US), 35  
 demands by unwell, 33–4  
 essential needs, 32  
 insurance policy changes and, 32  
 Medicaid winners and losers, 34–5  
 relations between health and  
 medicine, 34  
 surgery scheduling, 33  
 waste in medicine, 34
- Health Services Act (UK, 1946), 33
- higher tastes  
 consumer preferences, 195–9  
 economists ignoring, 242, 243
- high-speed rail infrastructure projects  
 car ridership and, 15  
 economists and, 15  
 politics of, 13–14
- highway safety  
 cellphone usage and, 19  
 costs versus saving lives, 18  
 funding decisions for, 19  
 General Motors punitive court  
 decision, 18–19  
 political support for, 17–18  
 risky driving behavior and, 19
- housing vouchers, 108–9
- human needs and marginalism,  
 30–1
- incentive-based government programs,  
 161–2
- income  
 economic equity and, 115–16, 117–19  
 happiness and, 202–3, 204, 254  
 minimum wage hike, 147–9  
 rent control and, 146–7  
 wealth versus, 119
- industrial policy. *See also* economists'  
 policy concerns  
 Barack Obama's, 84  
 Bill Clinton's, 83–4  
 capitalism and, 82–3  
 Chinese growth in, 86–7  
 clean energy, 84–5  
 Democratic administrations, 87  
 Donald Trump's, 86  
 economists' concerns over, 91–6  
 failure of, 250  
 free trade and, 86  
 George H. W. Bush's, 85–6  
 inventions and, 88–91  
 Joe Biden's, 249  
 Republican, 249  
 Republican administrations,  
 87–8  
 Synthetic Fuels Corporation  
 (SFC), 83
- infrastructure projects  
 economists and, 15  
 high-speed rail, 13–14  
 political conflict with, 16  
 politics of, 16  
 Tocks Island dam, 24–5
- inheritance tax, 141–2
- Internal Revenue Service (IRS), 135–6
- irrationality  
 of federal regulations, 172–3  
 foot voting to combat, 223  
 of philanthropy, 242  
 rational, 223
- Jefferson, Thomas  
 on equality of rights, 137  
 representative democracy and, 225  
 slave trade ban, 136  
 state governments, 239

## 309 / Index

- on unemployment, 137–8
  - just deserts tax philosophy, 131–6
- Kahn, Alfred, 87, 95, 126, 144, 209
- Kelman, Steven, 51–2, 181
- Kennedy, John F., 231
- Key, V. O., Jr., 231, 238–9
- Kickstarter, 110
- KMart, 111–12
- Kneese, Allen, 27, 42, 47
- Knight, Frank, 217–18
- Kreider, Kalee, 54
- Krugman, Paul, 112
- labor
  - in France, 105
  - housing vouchers, 108–9
  - nonprofit, 107
  - public-sector inefficiency, 108
  - saving jobs, 107
  - unions and US government, 106
- Lancaster, Kelvin, 81–2
- LePatner, Barry, 16
- Lewis, W. Arthur, 231
- libertarian paternalism, 187
- lifesaving decisions
  - economists and, 19–20
  - opportunity cost, 17–20
- Lincoln, Abraham
  - on deliberation, 230–1
  - dignity of human life, 23–4
  - on reason, 201
  - representative democracy and, 225
  - respect for founders, 136
- Lindsey, Brink, 82, 98
- Lippmann, Walter, 238–9
- Lipsey, Richard, 192
- liquid democracy, 223
- McCloskey, Deirdre, 79, 204, 215, 218, 252–4
- McKenzie, Richard, 30–1
- Madison, James
  - on deliberation, 229, 241
  - economic inequality, 137
  - primogeniture, 138
  - representative democracy, 225–6, 239
- Malthus, Thomas, 9
- Mankiw, N. Gregory, 51, 86, 131–2, 235
- marginal benefit, 29
- marginal cost, 31, 39–41
- marginalism
  - complexity of, 41–2
  - health needs and, 31–6
  - human needs and, 30–1
  - marginal benefit, 29
  - Maslow's theory and, 30–1
  - Medicaid and, 34–5
  - opportunity cost and, 29
  - priority setting in, 36–9
  - value-in-use versus value-in-exchange paradox, 28
- market failure, 73–4
- Marshall, Alfred, 216
- Maslow's theory and marginalism, 30–1
- Mead, Lawrence, 122
- Medicaid and marginalism, 34–5
- microeconomic policies needing review
  - occupation licensing, 96–102
  - overregulation of commercial enterprise, 96–102
- “middle out” economics, 126–7
- middlemen, 95
- Mill, John Stuart, 202, 215, 239, 240
- minimum wage hike
  - employer responses to, 148–9
  - jobs lost in, 147–8
  - suicides and, 148
- Mishan, 195–6, 221–2, 232
- Mitchell, George, 90
- Model Cities program, 90
- Morrall, John, 191
- Muskie, Edmund, 45, 51
- Myers, Michael J., 81–2
- Myth of the Rational Voter, The*, 76
- National Directory of New Hires (NDNH), 134
- National Flood Insurance Program (US), 56–7, 58

## 310 / Index

- Nature and Causes of the Wealth of Nations, The*, 68
- Nelson, Richard, 88–9, 181, 195–6
- New Starts program, 15
- Nozick, Robert, 210–11
- Nudge: Improving Decisions about Health, Wealth, and Happiness*, 187, 214
- Obama, Barack  
 Affordable Care Act (US), 35  
 bridge infrastructure projects, 16  
 “Cadillac tax,” 144–5  
 carbon tax, 51  
 industrial policy of, 84  
 licensing regulations, 98  
 market speculation and, 95–6  
 Orion Energy Systems, 91  
 poverty and upward mobility, 120  
 progressive tax policy of, 132
- Obamacare. *See* Affordable Care Act
- occupation licensing, 96–102
- Okun, Arthur, 124–5, 138–9
- opportunity cost  
 climate change, 25  
 cost–benefit analysis, 11–12  
 Covid-19, 10  
 defined, 10  
 engineering megaprojects, 12–17  
 environmental preservation, 20–5  
 environmental regulations and economic incentives, 52  
 labor and capital, 11  
 lack of understanding of, 12  
 marginalism and, 29, 39–41  
 politicians versus economists, 26–7  
 saving lives and, 17–20  
 textile industry, 10–11
- Orion Energy Systems, 91
- overregulation of commercial enterprise, 96–102
- Pareto-optimal redistribution, 116–17
- Pew Foundation, 92
- philanthropy  
 irrationality of, 242  
 selfishness and, 189
- Phillips, Angus, 21
- Pigou, Arthur, 217
- Plattner, Marc, 137, 139
- Points of Light program, 207
- political leadership  
 congressional committee assignments, 236–7  
 economists on, 222  
 ideology, 236  
 independence of, 231  
 lifesaving policies, 231–2  
 opinion polling influences, 240  
 public tempering of, 231  
 special interest legislation, 235–6
- polling and marginalism, 36–7
- pollution. *See also* environmental regulations and economic incentives  
 automobile emissions control devices, 155–6  
 chemical company volunteerism, 153–5  
 cost–benefit analysis, 168  
 tax on, 45–6
- positive psychology, 211–13, 248, 254.  
*See also* well-being
- poverty and upward mobility  
 Earned Income Tax Credit (EITC), 121–2  
 European, 120  
 importance of green spaces, 123–4  
 lack of mobility among poor, 122–3  
 in United States, 119–21
- power of markets, 111–13
- price controls, 149–50
- price flexibility, 70–2
- price gouging, 96
- primogeniture, 137–8
- Principles of Political Economy*, 215
- priority setting and marginalism  
 cost considerations, 36

## 311 / Index

- Federal Aviation Administration  
 (FAA), 37–8  
 program change with  
 circumstances, 38–9  
 proportion over rank in, 36  
 public polling, 36–7  
 privatization movement, 78–9  
 Procter and Gamble, 49  
 Pruitt, Scott, 163–4  
*Public Opinion and American  
 Democracy*, 231  
*Public Use of Private Interest, The*, 43,  
 Pyle, Thomas, 53–4
- Ramazani, David, 40  
 Reagan, Ronald  
 Amtrak railroad subsidy, 157  
 “Cadillac tax,” 144  
 unemployment tax, 145  
 redistribution  
 “Cadillac tax,” 144–5  
 constitutional founders on, 136–42  
 decline in gross domestic product  
 (GDP), 125–6  
 downside to taxation, 124–5  
 energy price controls, 149–50  
 free college tuition, 142–3  
 improper federal payment fraud and  
 waste, 133–5  
 inheritance tax, 141–2  
 minimum wage hike, 147–9  
 rent control, 146–7  
 slavery compensation, 139–40  
 student debt forgiveness, 143–4  
 tax cuts for rich, 126–7  
 tax rate of wealthy, 131–6  
 versus taxation, 128–30  
 trickle-down economics, 126–7  
 unemployment tax, 145  
 utilitarianism and, 124  
 wealth tax, 140  
 Reeves, Richard, 253  
 regulatory impact analysis (RIA), 171  
 relocation policy (flood), 60–1  
 rent control  
 administrative costs of, 147  
 housing discrimination in, 147  
 landlord burden, 147  
 low-income families and, 146–7  
 representative democracy  
 complexity of, 234–5  
 economists on, 222, 223, 238–9  
 history of, 225–6, 227–9  
 lack of progress in, 240  
 voter wisdom, 224–8  
 Republican administration  
 externalities, 165  
 revealed consumer preferences,  
 182–3  
 Ribicoff, Abraham, 63  
*Righteous Mind, The*, 132  
*Risk-Benefit Analysis*, 20  
 Roberts, Russ, 218  
 Rose, Stephen, 117–18  
 Rothwell, Jonathan, 123  
 Ruckelshaus, William, 154  
 Ryan, Paul, 237–8
- Samuelson, Robert, 95–6  
 Sanders, Bernie, 140  
 Sarin, Natasha, 135–6  
 Sawhill, Isabel, 119–20  
 Schultze, Charles, 27, 43, 47, 170–1,  
 174, 198  
 scientific neutrality (economist), 191–5  
 Sedgwick, Jeffrey, 194  
 selfishness assumption  
 altruistic behavior and, 189  
 conscience costs, 194–5  
 crimes and, 189–90  
 criminal justice programs, 193–4, 195  
 economists and, 188, 191  
 federal programs and, 190–1  
 monetary gain importance, 189  
 philanthropy and, 189  
 scientific neutrality, 191–5  
 Sen, Amartya, 192, 218  
 Sharp, Ronald, 198–9  
 Smith, Adam, 29, 30, 68, 93–4, 203,  
 212–16, 218–19, 245, 248, 252



## 312 / Index

- socially responsible investment  
 (SRI), 205
- Solyndra, 84, 250
- Somin, Ilya, 224
- Sowell, Thomas, 125–6
- stabilization (governmental economic  
 function), 67–8
- Steed, Thomas, 12
- Steiner, Philippe, 192
- Stiglitz, Joseph, 112
- stock buybacks, 96
- Stone, Lawrence, 209–10
- Strain, Michael, 249–50, 253, 254
- Summers, Lawrence, 107–8, 120, 135–6,  
 140, 253
- sunk costs, 11
- Sunstein, Cass, 169, 170–1, 185
- supersonic transport plane (SST)  
 Concorde, 12  
 cost–benefit analysis, 12
- Synthetic Fuels Corporation (SFC), 83
- tax cuts for rich, 126–7
- Taylor, Timothy, 108
- technology  
 consumer preferences, 182  
 environmental regulations and, 49–50  
 skepticism of, 224
- Teles, Steven, 129
- Temporary Assistance for Needy  
 Families (TANF), 134
- Thaler, Richard, 185
- Theory of Moral Sentiments*, 212, 215
- Thiel, Peter, 84
- Tocks Island dam, 24–5
- Tocqueville, Alexis de, 40–1, 227–8, 232
- Too Big to Fall*, 16
- traffic congestion and economic policy  
 incentives, 61–2
- Tribe, Laurence, 24–5
- trickle-down economics, 126–7
- Trump, Donald  
 bridge infrastructure projects, 16  
 CAFE standards rollback, 54–5  
 carbon tax, 51  
 cost–benefit analysis, 170  
 disrespect for federal system, 136–7  
 industrial policy of, 86  
 job growth concerns, 91–2  
 lack of support for mainstream  
 economics, 251  
 licensing regulations, 98  
 railroad budget, 157  
 representative democracy and, 226  
 tax cut proposals, 130  
 Tullock, Gordon, 30–1, 42, 189–90,  
 194, 223, 225, 233
- United States  
 failure of industrial policy, 250  
 growth of market economy in, 113  
 poverty and upward mobility, 119–21  
 utilitarianism, 124
- value judgments, 192
- value-in-use versus value-in-exchange  
 paradox, 28
- Vickrey, William, 197
- virtue ethics, 212, 248, 249
- volunteerism  
 government and, 207  
 happiness and, 206  
 human contact and, 207
- voter irrationality  
 bias of, 223  
 foot voting, 224
- voter political functions, 224–8
- voter wisdom  
 ballot initiatives, 234  
 lack of confidence in, 226–7  
 lack of education and knowledge, 227,  
 233–4
- Warren, Elizabeth, 140
- Washington, George, 138
- Wealth of Nations, The*, 215, 219
- wealth tax, 140
- welfare economics  
 basic assumptions of, 68–9  
 defined, 68

## 313 / Index

- food stamps (SNAP program), 122, 134–5, 238
- Medicaid, 34–5
- preferences of individuals
  - in, 69
- well-being. *See also* happiness, consumer;
  - positive psychology
  - and higher tastes, 195–202
  - health and, 123–4
  - housing and, 123
  - and need for compassion, 198–9
  - relocation for, 122–3
  - the route to happiness, 202–13
- What Price Incentives?*, 51–2
- White, Lawrence, 155
- Wicksteed, Philip, 216–17
- Will, George, 226–7
- Wilson, Richard, 20
- Wilson, Woodrow, 229–30
- Winston, Clifford, 15
- Wolfinger, Raymond, 234
- X Prize Foundation, 111
- Yang, Andrew, 53