## Glen Beck's – Arguing with Idiots

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**Glenn Beck**, author of the #1 New York Times bestsellers An Inconvenient Book and Glenn Beck's Common Sense, has stumbled upon the secret formula to winning arguments against people with big mouths but small minds: knowing the facts. And this book is full of them.

The next time your Idiot Friends tell you how gun control prevents gun violence, you'll tell them all about England's handgun ban (see page 53). When they tell you that we should copy the UK's health-care system, you'll recount the horrifying facts you read on page 244. And the next time an idiot tells you that vegetable prices will skyrocket without illegal workers, you'll stop saying "no, they won't" and you'll start saying, "actually, eliminating all illegal labor will cause us to spend just $8 a year more on produce." (See page 139.) Idiots can't be identified through voting records, they can be found only by looking for people who hide behind stereotypes, embrace partisanship, and believe that bumper sticker slogans are a substitute for common sense. If you know someone who fits the bill, then Arguing with Idiots will help you silence them once and for all with the ultimate weapon: the truth.

Excerpt from the Book:

"WE NEED A NEW KIND OF CAPITALISM, ONE WHERE THE GOVERNMENT HAS MORE CONTROL." Thanks for buying the book, Stalin. Actually, if you agree with that statement, your views are closer to those of French President Nicolas Sarkozy than those of Stalin. In January 2009, while hosting a two-day economic conference titled "New World, New Capitalism," Sarkozy said that "in capitalism of the 21st century, there is room for the state."

Now, I'm not exactly sure when America started taking advice on capitalism from socialist France -- but plenty of people seem to be listening anyway. From German Chancellor Angela Merkel (If governments "are not in a position to show that we can create a social order for the world in which such crises do not take place then we'll face stronger questions as to whether this is really the right economic system"), to Alan Greenspan ("It may be necessary to temporarily nationalize some banks in order to facilitate a swift and orderly restructuring"), to Newsweek magazine's cover ("We Are All Socialists Now"), there seems to be no shortage of voices begging the government to take more control over private markets.

And that's exactly why we should ignore them all. It's easy to get caught up in the headlines and make decisions based on emotion, but it's much harder to objectively look at the decades of evidence that conclusively prove that the state runs things only one way: right into the ground.

The reason why combining the government with private industry always fails is simple: their motives are completely different. Private companies exist to create wealth, the government exists (at least in theory) to provide protections critical to life, liberty, and the pursuit of happiness. Private companies closely manage expenses and ensure every dollar has a return; the government attempts to spend every dollar it's given and measures returns in campaign donations and polling data.

Their constituencies are also different: Corporations serve shareholders and customers; the government (again, at least in theory) serves taxpayers, which means they have to serve politicians, special-interest groups, and the established bureaucracy first
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The incentive to earn a profit goes hand in hand with the ability to operate efficiently and effectively. Take one away and the other will vanish faster than the taxpayer dollars that are continually wasted trying to overcome the simple rules of economics.
Here are four examples of how a few high-profile public/private partnerships have played out in real life:

**1 FANNIE MAE & FREDDIE MAC**

Fannie Mae was started by FDR in 1938 with a billion dollars and a mission: to buy up mortgages from private lenders so that those banks would have more capital to lend. It worked. By 1968 Fannie's loan portfolio had grown so large that it was weighing down the federal budget. So, our politicians did what they always do when faced with something they don't like: They hid it.
President Johnson turned Fannie into a quasi-governmental corporation that would be publicly traded. That allowed him to take Fannie's debt off the government's books, an idea that worked so well they used it to form Freddie Mac two years later.

Unfortunately, there was one big problem: Given their history, size, and importance in the mortgage market, virtually everyone knew the government wouldn't let them fail. That not only gave Fannie and Freddie an unfair advantage over their competition, it also gave them access to things like guaranteed lines of credit and exemption from state and local taxes. We all know how this story ends. The so-called implicit government guarantee turned into a very explicit one that resulted in the government seizing control of the two companies in September 2008. It also resulted in the $5 trillion in mortgage liabilities they'd racked up moving right back onto the very same books politicians removed them from in the first place.

**2 AMTRAK**

Congress created Amtrak in 1970 (are you starting to detect a trend here?) as a for-profit corporation. They've lost money every single year since. Despite receiving over $30 billion in federal subsidies (not including another $1.3 billion that they picked up as part of the 2009 stimulus bill), Amtrak has never quite figured out how to fulfill their politically mandated mission and make a profit. So they've done neither.

I realize that I'm no choo-choo-train expert, but I am a thinker, so let me take a stab at fixing Amtrak's problems: First, some of their lines require massive government subsidies because the costs simply don't justify the ridership. For example, the Sunset Limited, which runs from Los Angeles to New Orleans, requires somewhere in the area of $466 in government subsidies for every paying customer. Now, again, I'm a self-educated guy...but if that were my business and my money on the line (oh, wait, it IS) then I might take one look at the old annual report and think to myself, Huh, I bet if we stopped operating that line and instead moved the trains to a line with, you know, ACTUAL PASSENGERS, we could make a little more money.

But that kind of common sense doesn't go over well at Amtrak. Their former chief executive, David Gunn, actually warned Congress that they shouldn't be fooled into thinking that the decisions were so black and white. "Do not be misled," Gunn said, "by those who quote huge per-passenger losses on certain routes. Most would conclude that by simply cutting the [Sunset Limited] train you would save tens of millions of dollars." But the actual savings, according to Gunn? "Less than $15 million." Oh my gosh, only $15 million a year -- what was I thinking? Why would we even bother closing a route that costs taxpayers only $15 million every year? Of course, while that kind of logic may explain why Mr. Gunn was fired by Amtrak seven months later, it can't explain why I can still go onto the Amtrak.com website and book myself a seat on the Sunset Limited for $133
.
And that brings me to Amtrak's second big problem: Pricing is dictated by politics. The Sunset Limited takes 47.5 hours to make the trip from L.A. to The Big Easy. Does anyone else see a problem with charging $133 for 47.5 hours? Here's a hint: That's a rate of $2.80 per hour! The IRS figures the cost of driving one mile at fifty-five cents. So, figuring that you can drive 65 miles per hour in most places, the cost to drive for an hour is about $36 -- over twelve times more than the cost per mile that Amtrak is charging for this route.

The only reason the Sunset Limited route is still in existence is politics. Amtrak needs subsidies to stay in business, those subsidies have to be approved by Congress; therefore, Amtrak needs to keep certain politicians happy. They can't do that with heavy discounts on their delicious café-car microwave pizzas, so they do it with concessions and favors (like, for instance, keeping a money losing route open in exchange for votes from the politicians who represent the districts that the train runs through).

Some might argue that that's actually a good thing -- America needs intercity rail service (even the money-losing kind) and the government is the only entity that can provide it. Fine -- but then let's have that debate; let's talk about nationalizing Amtrak and changing its mission. Until then, we're just kidding ourselves that a company reliant on the government for survival can ever produce a profit.

**3 CITIGROUP**

In 2008, Citigroup, along with just about every other major bank in the country, opposed the idea of "cram downs" which would give bankruptcy judges the discretion to modify a borrower's loan. But, on January 7, 2009, news broke that Citigroup had changed their mind -- they would support cram-down legislation after all. Why the one-eighty? I can give you 40 billion good reasons. That, of course, is how much money Citi had taken in federal bailouts at the time they "changed their mind."

So why should you care about any of this? Because when private companies start making decisions based on what's best for their political relationships instead of what's best for their shareholders, we're in big, big

trouble. Cram downs are a terrible, awful thing for the banking industry. After all, if some judge can rewrite the terms of a contract, why would a bank ever want to give out another mortgage?
Citigroup's support of this idea means they are acknowledging that their relationship with politicians is more important than their profits. If you're a fan of capitalism, that's a very scary prospect.

**4 THE POSTAL SERVICE**

This might seem like an odd example, but it's actually a great study in how government meddling can prevent an organization from ever reaching its full potential.

In 1971, the "Post Office Department" was turned into a quasi-governmental corporation called the "U.S. Postal Service." The USPS is run by a board of eleven, with nine of those people appointed by the president (meaning they're not exactly independent of the political process). There are other oddities, too. The USPS receives no government appropriations (good), but they have to adhere to a set of complex regulations that mandate each class of mail pay for itself (bad). They can borrow money by issuing debt (good), but all increases in mailing rates are decided by an independent body called the "Postal Rate Commission" (bad). They don't have to adhere to federal standards on employee pay (good), but they have a federally mandated monopoly on regular mail delivery (bad).

Here's what all of that has added up to: After being semi privatized, the USPS recognized the need to update their antiquated systems. By issuing debt (and bypassing the ridiculous federal acquisitions process) they adopted bar-code readers and optical scanners that, by 1986, were responsible for processing 90 million pieces of mail each day. Think that would've happened if they were still a government agency?
But it wasn't all sunshine and lollipops. Remember those political appointees? Along with Congress, they wielded tremendous influence over the organization. By simply threatening to hold hearings on the Postal Reorganization Act (translation: "we'll make you a government agency again"), they could influence all major decisions made by the USPS.

In the mid-'70s, the USPS sought to take advantage of their "semi-autonomy" by closing underutilized post offices. Like a national retail chain with under performing stores, they realized that they could close some locations without impacting service. In fact, a GAO study calculated that they could save $100 million a year by closing 12,000 post offices, some of which served only a few people or were located absurdly close to other post offices. But politicians liked that idea about as much as they like the idea of closing down a money-losing Amtrak line that runs through their district. To stop it, they amended the Postal Reorganization Act to prohibit the closings, stating that "the rural post office has always been a uniquely American institution" and that "service" is more of a priority than "profit."

In 1977 the USPS, under pressure to keep postal rates low, decided to suspend Saturday mail delivery. They calculated that it would save them $400 million a year and wouldn't adversely impact many businesses. In fact, polling indicated that most people preferred the loss of Saturday delivery to higher stamp prices. But Congress did not. The House passed a resolution opposing the change and the USPS dropped the idea, even though they knew their budget would suffer. Being unable to execute either of those business strategies has cost the USPS at least $500 million a year (likely much more given inflation) for the last 30+ years. The result? The USPS lost $2.8 billion in fiscal year 2008 and expects to lose another $3 billion to $6 billion in 2009.

In early 2009, Postmaster General John Potter told Congress that the USPS is once again "facing losses of historic proportion. Our situation is critical." But their hands are tied. The Postal Accountability and Enhancement Act of 2006 mandated the USPS to fund its entire retiree health-benefit fund within ten years -- something, as postal officials point out, that no other government agency or private company is required to do. They tried to resurrect the idea of five-day delivery again, but leading politicians with oversight of the USPS, like Senator Susan Collins and Congressman Jose Serrano, have both said they would oppose it. The Postal Service brought back the idea of closing facilities, but politicians don't like that either. (You try winning the next election after losing a few post offices in your district.)

That leaves the USPS without very many options. They can't raise rates, close locations, cut employees, reform retirement benefits, or change their service. In fact, about the only thing they can do is continue to issue debt and accumulate losses -- all of which will have to eventually be paid back by the constituency they serve: the taxpayers.