

SOURCES

It is neither possible nor necessary to document the source of every statement made in this book. However, there are some key facts which some readers may want to check out or to explore further. Rather than clutter the text with footnotes, in a book intended for the general public, the citations are listed here in an informal way that should nevertheless make it possible to find the original sources.

The epigraph by Steven Landsburg at the beginning of the book is from page 197 of his book *The Armchair Economist*.

CHAPTER 1: WHAT IS ECONOMICS?

The epigraph is from page 61 of *The Economist as Preacher and Other Essays* by George J. Stigler. Data on the value of natural resources per capita in Japan, Switzerland, Uruguay and Venezuela are from page 27 of *Culture and Prosperity* by John Kay, and data on the incomes in these four countries are from pages 793, 837, 847, and 848 of *The World Almanac, 2006*. The article about middle-class Americans began on the front page of Section 3 of the *New York Times* of August 1, 1999 and was written by Louis Uchitelle. The fact that the Soviet Union produced more steel, but fewer steel products, than the United States is from page 128 of *The Turning Point: Revitalizing the Soviet Economy* by Nikolai Shmelev and Vladimir Popov. Differences between the efficiency of energy use in China and Japan were noted on page 50 of the April 11, 2005 issue of *BusinessWeek* magazine. The statement that Marxist economist Oskar Lange did not differ fundamentally from Milton Friedman on certain basic propositions and

procedures can be verified by reading Oskar Lange, “The Scope and Method of Economics,” in the *Review of Economic Studies* (1945–1946), pages 19 to 32, and comparing that with Milton Friedman’s essay “The Methodology of Positive Economics,” in his book *Essays in Positive Economics*. The estimate of millions of people rising out of poverty in India is from page B1 of the May 5, 2006 issue of the *Wall Street Journal*, in an article titled “Newspaper Nirvana?” The reduction in the number of people living in extreme poverty in China was reported on page 110 of the April 21, 2007 issue of *The Economist*, under the heading “Poverty.”

CHAPTER 2: THE ROLE OF PRICES

The epigraph is from page 168 of *The White Man’s Burden* by William Easterly. The quotation about China’s imports of food is from page 79 of the May 24, 2004 issue of *Forbes* magazine, in an article titled “Feed Me.” The fact that KFC has more sales in China than in the United States is from page 82 of the same article. The increase in per capita dairy consumption in China was reported on page B5 of the January 2, 2009 issue of the *New York Times*, in an article titled “Awash in Milk and Headaches,” which began on page B1. The rising rates of obesity in China were reported on page A18 of the July 8, 2008 issue of the *Wall Street Journal*, in an article titled “Obesity in China Becoming More Common.” British Prime Minister Margaret Thatcher’s comment about Soviet President Mikhail Gorbachev’s lack of knowledge of economics is from page 81 of *Statecraft: Strategies for a Changing World* by Margaret Thatcher. The various quoted statistics and analyses about the Soviet economy in various parts of the chapter are from *The Turning Point: Revitalizing the Soviet Economy* by Soviet economists Nikolai Shmelev and Vladimir Popov, especially pages 129, 130, 131, 141, 160, 170, 181, 213. Boris Yeltsin’s experience in an American supermarket was described on pages 317 and 318 of *Down with Big Brother* by Michael Dobbs; his reactions were described on page 291 of *The Ideas That Conquered the World* by Michael Mandelbaum and on page 329 of *Yeltsin* by Leon Aron. The quotations about home prices in Phoenix are from page A1

of the June 18, 2006 issue of *The Arizona Republic* in an article titled “How Low Will It Go?” Information on how long homes for sale remained on the market is from pages A1 and A20 of the same article. Information on similar trends nationwide is from an article beginning on the front page of the *Wall Street Journal* of August 23, 2006, titled “Housing Slump Proves Painful for Some Owners and Builders.” Information on Ghana and the Ivory Coast is from a book by Robin W. L. Alpine and James Pickett, *Agriculture, Liberalisation and Economic Growth in Ghana and Côte D’Ivoire: 1960–1990*, published in Paris by the Organisation for Economic Co-operation and Development. South Korea’s surpassing of India, after starting from a similar economic level, was mentioned on page 222 of *The Commanding Heights* by Daniel Yergin and Joseph Stanislaw. India’s relaxation of government controls over its economy was reported on page 13 of the June 2, 2001 issue of *The Economist*. India’s average growth rate of 2 percent from 1950 to 1990 was reported on page 279 of *Culture and Prosperity* by John Kay. The quote from Friedrich Engels is from page 19 of his preface to the first German edition of *The Poverty of Philosophy* by Karl Marx. The comment on the role of prices in connecting the far-flung activities in a market economy is from page 172 of *The Turning Point* by Shmelev and Popov. The use of food and electricity in an Israeli kibbutz, before and after prices were charged for them, was discussed on pages 332 and 333 of *Heaven on Earth: The Rise and Fall of Socialism* by Joshua Muravchik. The role of rising oil prices in bringing new oil reserves into production was explained on page A1 of the *Wall Street Journal* of March 27, 2006 in an article titled “As Prices Surge, Oil Giants Turn Sludge Into Gold.” Information about oil reserves in Canada is from page 72 of the May 26, 2007 issue of *The Economist*, under the headline “Building on Sand.” The decline in apartment rents across the United States was reported in a news story beginning on page A1 of the November 29, 2003 issue of the *New York Times* titled “Apartment Glut Forces Owners to Cut Rents in Much of U.S.” The decline in the price of insurance premiums charged to airlines was reported on page C1 of the February 14, 2007 issue of the *Wall Street Journal*, in an article titled “Fewer Crashes May Have Lulled Airline Insurers.” The relationship between housing prices and population changes

in upstate New York was described on page 70 of an article titled “Down-and-Out Upstate,” in the Autumn 1999 issue of *City Journal*. The quote from Will Rogers is from page 193 of *A Will Rogers Treasury*, edited by Bryan B. Sterling and Frances N. Sterling.

CHAPTER 3: PRICE CONTROLS

The epigraph is from page 329 of *The Wisdom of Henry Hazlitt*. The fact that the housing shortage in the United States occurred when there was no change in the ratio of housing to people is from a book titled *Roofs or Ceilings?* by Milton Friedman and George J. Stigler. The book itself has long been out of print, but excerpts from it were included in a collection of writings titled *Rent Control: Costs & Consequences*, edited by Robert Albon. This particular statement occurs on page 16. The fact that nearly half the rent-controlled apartments in San Francisco had only one tenant is from page 21 of *San Francisco Housing DataBook*, a 2001 study commissioned by the city and produced by consultants called Bay Area Economics. The fact that 48 percent of the households in Manhattan had just one occupant is from page A2 of the September 3, 2005 issue of the *San Francisco Chronicle* under the title “Census: More Americans Living Alone.” Many of the facts about rent control and homelessness in the United States are from *The Excluded Americans* by William Tucker (especially pages 162, 163, 275 and Chapter 19, which discusses various elite celebrities living in rent-controlled apartments). The comment from the *New York Times* is from page 40 of an article by John Tierney in their Sunday magazine section of May 4, 1997, titled “At the Intersection of Supply and Demand.” The lack of building in Melbourne under Australian rent control was mentioned on page 125 of *Rent Control: Costs & Consequences*, edited by Robert Albon. The effects of rent control in Egypt were discussed on page 43 of *Now They Call Me Infidel* by Nonie Darwish. The age of rent-controlled housing in San Francisco is from page 56 of *San Francisco Housing DataBook*, cited above. The high vacancy rate in commercial and industrial buildings was discussed on page B6 of the January 7, 2004 issue of the *Wall Street Journal* under the title

“Study Sees Record Industrial Space Vacancies.” Facts about the effects of rent control in England, Wales, and other European countries are from *Rent Control in North America and Four European Countries* by Joel F. Brenner and Herbert M. Franklin, pages 4 and 69. The decline of the housing stock under rent control in Washington was cited on pages 282 and 283 of an article by Thomas Hazlett in a book titled *Resolving the Housing Crisis*. The decline in London’s rental advertisements is from page 11 of the January 24, 1975 issue of *The Times* of London. The withdrawal of rental units after the imposition of rent control in Toronto was mentioned on page 21 of *Zoning, Rent Control and Affordable Housing* by William Tucker. Data on the number of buildings taken over by the city government in New York can be found on page 99 of *The Homeless* by Christopher Jencks. The fact that building resumed in various Massachusetts communities after the state banned local rent control laws can be found in a study by William Tucker, titled “How Rent Control Drives Out Affordable Housing,” *Policy Analysis*, number 274, published by the Cato Institute. The news story illustrating the non-comparability of rents under New York’s rent control laws appeared on the front page of the *Wall Street Journal* of March 21, 1994 under the title “Some Rich and Famous of New York City Bask in Shelter of Rent Law.” Information on the benefits of rent control being greater for tenants in luxury housing is from pages 62 and 64 of the Summer 2006 issue of *City Journal* in an article titled “Is There a New York Housing Crisis?” San Francisco’s experience under rent control is from a study whose results were reported on page 13 of the *San Francisco Weekly* of January 30, 2002 in an article titled “Legends in Our Own Minds.” The paradox of higher rents in rent-controlled cities is from William Tucker’s study, “How Rent Control Drives Out Affordable Housing,” *Policy Analysis*, number 274, cited above. The data on housing in San Francisco after the 1906 earthquake are on pages 5 and 6 of *Rent Control: Costs & Consequences*, edited by Robert Albon. Information on the amounts of gasoline sold during the 1970s gasoline shortages is from table 8a in Section VII of the September 1984 *Basic Petroleum Data Book*, published by the American Petroleum Institute. See also “Experts Offer a Host of Reasons for Gas Crisis in New York Area,” *New York Times*, July 29, 1979, pages 1 and 30 and “The Gas Lines

of ‘79,” *The Public Interest*, Summer 1980, page 47. Soviet economists’ comments on the gasoline shortage in the United States are from page 89 of *The Turning Point* by Nikolai Shmelev and Vladimir Popov. The fact that candy bars were smaller in size in 1943 than they had been previously as a result of government price controls is from page 15 of *The Top Ten Myths of American Health Care: A Citizen’s Guide* by Sally C. Pipes. The smuggling of food during the early years of the Soviet Union was mentioned on page 8 of *The Turning Point* by Shmelev and Popov and their discussion of widespread black markets in the later era is on pages 198 and 199. The postwar meat shortage in the United States under price controls was discussed on pages 58 and 59 of *Prices and Price Controls* published by the Foundation for Economic Education, Inc. The disastrous effects of price controls in Zimbabwe were described on pages A1 and A8 of an article titled “Caps on Prices Only Deepen Zimbabweans’ Misery” in the *New York Times* of August 2, 2007. The effects of price control on the use of medical care were discussed in detail in Chapter 3 of *Applied Economics* by Thomas Sowell. London’s newspaper *The Guardian* reported the story of the British girl who received a breast implant in its November 9, 1998 issue, page 6, under the title, “Girl, 12, to Get Breast Implant.” The 10,000 people in Britain who had waited 15 months or more for surgery were reported in *The Economist* magazine on page 55 of its April 13, 2002 issue. The British woman whose cancer surgery was postponed until it had to be cancelled because the cancer had become inoperable during the long delays was mentioned in *The Economist* of November 24, 2001, on page 52. Data on the relative waiting times for elective surgery in five English-speaking countries are from page 12 of a study titled *Tackling Excessive Waiting Times for Elective Surgery: A Comparison of Policies in Twelve OECD Countries* by Jeremy Hurst and Luigi Siciliani. The agricultural price support program in general is covered in Chapter 1 of *The Structure of American Industry*, ninth edition, by Walter Adams and James W. Brock. The decline in farm income from 1929 to 1932 was discussed on page 572 of the November/December 2008 issue of the *Federal Reserve Bank of St. Louis Review* in an article titled “Changing the Rules: State Mortgage Foreclosure Moratoria During the Great Depression.” The surpluses of wheat and rice created by India’s agricultural

price support program were reported on page 63 of the *Far Eastern Economic Review* of December 6, 2001, in an article titled “The Problems of Plenty.” The quotation about hunger in India, despite surplus food, is from page A3 of the *New York Times* of December 2, 2002 in a story titled “Poor in India Starve as Surplus Wheat Rots.” The purchase of nearly 112 million pounds of powdered milk by the Agriculture Department at a cost exceeding \$90 million was reported on page B5 of the January 2, 2009 issue of the *New York Times*, in an article titled “Awash in Milk and Headaches,” which began on page B1. Data on the costs of European Union agricultural subsidies in general in 2002 are from page 13 of *The Economist* of October 5, 2002, under the title “Scandalous.” Information on the effects of price supports in the sugar industry is from a front-page article in the *New York Times* of May 6, 2001 titled “Sugar Rules Defy Free-Trade Logic.” Sugar subsidies in the European Union were described on pages B1 and B4 of the October 27, 2009 issue of the *New York Times*, in an article titled “Subsidies Spur Fraud in European Sugar.” The costs of the 2002 American farm subsidy bill were estimated in the *National Review* online from August 29, 2002, in an article titled “Twisting ‘The Facts’.” Inflated prices of lamb, butter, and sugar in the European Union were reported on page 70 of the June 9, 2001 issue of *The Economist* in an article titled “Patches of Light.” The statement that every cow in the European Union gets more subsidies per day than most sub-Saharan Africans have to live on is from page A13 of the January 7, 2003 issue of the *Wall Street Journal* in a column titled “Fight Poverty, Not Patents.” The fact that 85 percent of Mexico’s agricultural subsidies go to the top 15 percent of farmers is from page A13 of the *Wall Street Journal* of March 5, 2003. The amount of farm subsidies in the United States, Japan, South Korea and Norway was reported on page 93 of the July 25, 2009 issue of *The Economist*, under the heading “Agricultural Subsidies.” Discussions of the effects of price controls in besieged sixteenth-century Antwerp, as well as the eighteenth-century and nineteenth-century local food shortages in India are from pages 33 and 34 of *Forty Centuries of Wage and Price Controls* by Robert L. Schuettinger and Eamonn F. Butler.

CHAPTER 4: AN OVERVIEW

The epigraph is from pages 292 and 293 of *Collected Legal Papers* by Oliver Wendell Holmes. The quotes from Frederick Engels and Adam Smith are from, respectively, page 476 of *Selected Correspondence* by Karl Marx and Frederick Engels and page 423 of the Modern Library edition of *The Wealth of Nations* by Adam Smith. The relative costs for security in inner city and suburban shopping malls were discussed on page 251 of *America in Black and White* by Stephan Thernstrom and Abigail Thernstrom. The fact that nearly 11 percent of American families do not have a checking account was reported on page A15 of the March 2006 *Federal Reserve Bulletin* in an article titled “Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances.” The quote from the Soviet manager about not wanting “to get eight years” is from page 134 of *The Red Executive* by David Granick. Comparisons of bombing and rent control as means of destroying housing appear on pages 422 and 425 of an article by Walter Block titled “Rent Control” in *The Fortune Encyclopedia of Economics*, edited by David Henderson. The claim that high-cost housing areas are crowded is from page A14 of the September 22, 2004 issue of the *Wall Street Journal*, in an article titled “After Big Run-Up in Real Estate, Some on Coasts Are Cashing Out,” which began on page A1. Former food-exporting countries which became unable to feed themselves have been mentioned in innumerable places, including *Modern Times* by Paul Johnson, pages 724 to 727 of the 1992 edition. The quote that “people brought provisions no more to markets” after the emperor Diocletian’s price controls is from page 24 of *Forty Centuries of Wage and Price Controls* by Robert L. Schuettinger and Eamonn F. Butler. The economic problems of the rich “Black Earth country” of Russia were discussed on page A1 of the October 19, 1998 issue of the *San Francisco Chronicle*, in an article titled “Russian Farmland Withers on the Vine” and in an article beginning on page A1 of the October 16, 1998 issue of the *Wall Street Journal* titled “Food Lines.” California’s subsidized water for farmers was discussed on pages A1 and A6 of the May 30, 1991 issue of the *Wall Street Journal* under the title “Big Farmers in West

Get Subsidized Water Despite Drought Crisis.” The effects of subsidized water to farmers in India were reported on page 14 of a special section on India’s economy in *The Economist* of June 2, 2001, under the title “Grim Reapers.” The fact that a portion of the taxes and fees paid by airline passengers subsidize smaller airports was reported on page B3 of the April 16, 2007 issue of the *Wall Street Journal*, under the headline “Some U.S. Passenger Taxes Subsidize Smaller Airports.”

CHAPTER 5: THE RISE AND FALL OF BUSINESSES

The epigraph is from page 52 of the May 27, 2002 issue of *Fortune* magazine. The high rate of failure for new businesses was discussed on page 72 of *The Rise of the Anti-Corporate Movement* by Evan Osborne. Information on the number of A & P stores in 1929 is from pages 89 and 90 of the April 14, 2003 issue of *Fortune*. The fact that 36 companies dropped off the list of the *Fortune* 500 in just one year is from page F–21 of the same issue. The decline of Japan’s Mizuho bank was reported on page C1 of the May 8, 2003 issue of the *Wall Street Journal* in a news story titled “Mizuho’s Fate May Rest on a Japan Bailout.” The fact that Sun Microsystems reported a profit at the same time that Advanced Micro Devices reported a loss was reported on page B3 of the January 24, 2007 issue of the *Wall Street Journal*, in an article titled “Sun, AMD Results Mark Diverging Paths.” The changing profitability of Japanese manufacturers of compact disc players was mentioned on page 45 of the *Far Eastern Economic Review* of November 28, 2002, in an article titled “Picturing the Future.” U.S. Steel’s fall from its long-held position of number one steel producer in the world, and its operating at a loss, were reported on page 42 of the July 21, 2003 issue of *BusinessWeek*, in an article titled “Up From the Scrap Heap.” Boeing’s similar fall from its number one position as the world’s leading commercial aircraft producer was reported on page 146 of the November 10, 2003 issue of *Fortune* magazine, in an article titled “Lord of the Air.” The problems of Airbus were discussed in two front-page articles in the *Wall Street Journal* of July 3, 2006 (“Airbus Problems Lead to Ouster

of Key Executives”) and July 14, 2006 (“Under Pressure, Airbus Redesigns A Troubled Plane”). The historical sketches of various businesses are based on information from a variety of sources, including innumerable newspaper and magazine articles, as well as books such as *New and Improved: The Story of Mass Marketing in America* written by Richard S. Tedlow, *Brand New: How Entrepreneurs Earned Consumers’ Trust from Wedgwood to Dell* by Nancy F. Koehn, *Forbes Greatest Business Stories of All Time* by Daniel Gross and the editors of *Forbes* magazine, *Masters of Enterprise* by H.W. Brands, *Empire Builders* by Burton W. Folsom, Jr., *The First Hundred Years are the Toughest: What We Can Learn from the Century of Competition Between Sears and Wards* by Cecil C. Hoge, Sr., *A & P* by M. A. Adelman, *The Rise and Decline of the Great Atlantic & Pacific Tea Company* by former A & P executive William I. Walsh and *Made in America* by Sam Walton. The declining circulation of New York City newspapers is from a story on page E5 of the *New York Times* of November 18, 1990 titled, “Suburban Sprawl Also Applies to the Circulation of Newspapers.” The decline in newspaper circulation nationwide from 1947 to 1998 is from pages 268 and 269 of *The First Measured Century: An Illustrated Guide to Trends in America, 1900–2000* by Theodore Caplow, Louis Hicks, and Ben J. Wattenberg. Data on newspapers with daily circulation of a million or more copies are from page ix of *Editor and Publisher Year Book, 2005*, Part I. The fact that newspaper circulation continued to decline by nearly 4 million from 2000 to 2006 was shown on the front page of the December 26, 2007 issue of the *Wall Street Journal*, in an article titled “Despite Woes, McClatchy Banks on Newspapers.” The steep declines in the stock market values of both the *New York Times* and the Gannett chain were shown on page A8 of the December 29–30, 2007 issue of the *Wall Street Journal*, in an article titled “Read All About It,” which began on page A1. The big New York department stores’ initial rejection of credit cards was mentioned on page 204 of *The New York Times Century of Business*, edited by Floyd Norris and Christine Bockelmann. The fact that credit card or debit purchases exceeded cash purchases for the first time in 2003 is from page 130 of an article titled “Just One Word: Plastic” in the February 23, 2004 issue of *Fortune* magazine. The fact that some companies made more profit from their own credit cards than

from the rest of their business is from page 38 of the March 17, 2003 issue of *Fortune*. The increased market share for both L.C.D. and plasma television sets in 2006 was reported on page C4 of the December 25, 2006 issue of the *New York Times*, in an article titled “Forget L.C.D.; Go for Plasma, Says Maker of Both.” The decline in sales of Bulova watches was discussed on page A4 of the July 7–8, 2007 issue of the *Wall Street Journal*, under the headline “Remembrances: Harry B. Henshel (1919–2007).” *Forbes* magazine’s report on Toyota’s costs and profits is from page 75 of an article that began on page 72 of the April 14, 2003 issue, under the title “The ‘Ooof’ Company.” The statement that Toyota’s profits were greater than those of Detroit’s Big Three is from page 10 of the January 29, 2005 issue of *The Economist* under the title “The Quick and the Dead.” Data on the hours spent producing a car and the rate of defects are from page 117 of the November 17, 2003 issue of *BusinessWeek*, in an article titled “Can Anything Stop Toyota?” The fact that Honda and Subaru surpassed Toyota in *Consumer Reports’* annual vehicle reliability rankings in 2007 was reported on page C11 of the October 17, 2007 issue of the *New York Times*, in an article titled “Toyota Falls to No. 3 in Reliability Rankings.” The improved quality of American-made cars brought about by the competition with Asian automakers was reported on page D8 of the October 17, 2007 issue of the *Wall Street Journal*, under the headline “Toyota Slips and Ford Improves in Consumer Reports Survey.” The recall of 8 million vehicles by Toyota due to dangerous acceleration problems was reported on page 76 of the April 19, 2010 issue of *BusinessWeek*, under the title “Toyota Was in Denial. How About You?” *BusinessWeek’s* comment on Wal-Mart is from page 102 of the cover story of its October 6, 2003 issue. The Danish study that tracked the changes in a company’s profitability after a death in the CEO’s family was discussed on pages A1 and A15 of the September 5, 2007 issue of the *Wall Street Journal*, in an article titled “Scholars Link Success of Firms to Lives of CEOs.” How much these findings in Denmark would apply to American corporations is a question raised by the *Wall Street Journal*: “It isn’t clear how applicable the study is to big public companies in the U.S. or elsewhere, the authors acknowledge. Most of those studied were small, family-controlled ones where a shock to the CEO might have more

impact, though Prof. Wolfenzon said the effects appeared similar across all sizes of Danish companies.” Lenin’s estimate of how easy it was to run an enterprise is from pages 41 and 92 of his book *The State and Revolution*, written on the eve of the Bolshevik revolution. His later change of mind is from “The Fight to Overcome the Fuel Crisis,” “The Role and Functions of the Trade Unions Under the New Economic Policy,” “Five Years of the Russian Revolution and the Prospects of the World Revolution,” and “Ninth Congress of the Russian Communist Party (Bolsheviks),” all quoted from Volume II, Part 2 of the 1952 edition of *Selected Works* by V. I. Lenin, published in Moscow by the Foreign Languages Publishing House. On the misallocation of gasoline, see “The Gas Lines of ‘79,” *The Public Interest*, Summer 1980, page 47; “Gas Crisis: Experts Find Mixture of Causes,” *New York Times*, June 24, 1979, pages 1 and 22; “U.S. to Allow Shift of Some Gas Stocks to Urban Sections,” *New York Times*, June 30, 1979, pages 1 and 16. On the lack of gasoline shortages in the United States during the 1967 Arab oil embargo, see Thomas W. Hazlett, *TV Coverage of the Oil Crises*, Volume III, pages 14 and 15. The dire predictions that ending price controls on oil would cause skyrocketing gasoline prices were quoted in “Snake Oil Salesmen,” *Policy Review*, Summer 1986, pages 74 to 77, *passim*. On gasoline prices reaching an all-time low, see “Gas is Cheap, But Taxes are Rising,” *Consumers’ Research*, August 1994, pages 28 and 29. The fact that average per-capita incomes in counties where Costco stores are located are higher than average per-capita incomes in counties where Wal-Mart stores are located is from page 119 of *The Wal-Mart Revolution: How Big-Box Stores Benefit Consumers, Workers, and the Economy* by Richard Vedder and Wendell Cox. The founding of the Bank of Italy was discussed on page 28 of *A.P. Giannini: Banker of America* by Felice A. Bonadio.

CHAPTER 6: THE ROLE OF PROFITS— AND LOSSES

The epigraph is from page 251 of *Give Me a Break* by John Stossel. The report on the competition between Wal-Mart and Kroger is from page B1 of the *Wall Street Journal* of May 27, 2003, under the title “Price War in

Aisle 3.” The fact that the price of groceries declines by 6 to 12 percent in communities where Wal-Mart sells groceries was reported on page 215 of *The Best-Laid Plans* by Randal O’Toole. John Dewey’s comment about profit is from page 555 of Volume 2 of his book *Characters and Events: Popular Essays in Social and Political Philosophy*. Soviet Premier Leonid Brezhnev’s comment that Soviet managers shied away from innovation “as the devil shies away from incense” was quoted on page 437 of a paper by Joseph S. Berliner titled “Prospects for Technological Progress” in a 1976 publication by the Joint Economic Committee of Congress titled *Soviet Economy in a New Perspective*. Information and comments on the Ambassador automobile in India are from *The Economist* of September 11, 1999, under the title “Free to Be Poor” and from page 14 of the December 30, 1997 issue of the London newspaper *The Independent*. The story of the microchip, including Intel’s risking its corporate survival for the sake of research, was discussed on pages 247, 248, 254, 259 to 262 of *Forbes Greatest Business Stories of All Time*, edited by Daniel Gross, et al. The competition between Intel and AMD was described on page 70 of the November 24, 2007 issue of *The Economist*, in an article titled “Oil Money and Hafnium.” Advanced Micro Device’s billion-dollar losses while trying to gain market share from Intel were reported on pages 66 and 67 of the March 10, 2003 issue of *BusinessWeek*. The decline in Intel’s stock in 2006 was shown on page A1 of the *Wall Street Journal* of April 28, 2006 in an article titled “Intel Promises Sweeping Overhaul Amid PC Slowdown, Rival’s Gains.” Announced layoffs of 1,000 Intel managers was reported on page C2 of the *New York Times* of July 14, 2006 in an item titled “Intel to Lay Off Managers.” The 57 percent decline in Intel’s profits while AMD’s profits rose 53 percent was reported on page A11 of the *Wall Street Journal* of July 21, 2006 under the title “Price War Weighs on AMD’s Results.” The quotation from the dean of the Yale School of Management is from page 26 of the April 11, 2005 issue of *BusinessWeek*. The fact that 120 out of the top 500 companies in America made losses in 2002 was reported on page 199 of the April 14, 2003 issue of *Fortune* magazine under the title “Honey, I Shrunk the Profits.” The increased competition in India’s automobile market in the late twentieth century was described on pages 5 and 6 of an

article titled “Make Us Competitive— But Not Yet,” in a special section on India in the February 22, 1997 issue of *The Economist*. Data on corporate profit rates are from page 7 of the May 2006 issue of the *Survey of Current Business*, in an article titled “Note on the Returns for Domestic Nonfinancial Corporations in 1960–2005.” The fact that Wal-Mart has a faster rate of inventory turn over than Target is from page 69 of *The Wal-Mart Revolution* by Richard Vedder and Wendell Cox. Information on the average time automobiles spent on dealer lots before being sold is from page B1 of the January 12, 2009 issue of the *Wall Street Journal*, in an article titled “Inventory Traffic Jam Hits Chrysler.” The fact that *Fortune* 500 companies averaged just pennies of profit on each dollar of revenue is from page 197 of the April 14, 2003 issue of *Fortune* under the title “Honey, I Shrunk the Profits.” Higher price markups and lower profit rates in ghetto businesses were discussed on page 31 of *The State Against Blacks* by Walter E. Williams. Data on the time required to manufacture a Model T Ford in the early twentieth century, and the fact that the price of this car was cut in half between 1910 and 1916 are from pages 62 and 161 of *Global Capitalism* by Jeffrey A. Frieden. Data on economies and diseconomies of scale in the automobile and beer industries are from pages 76, 77, 131 and 145 of *The Structure of American Industry*, ninth edition, by Walter Adams and James Brock. The statistic that the largest manufacturer of automobiles in the United States in the early twentieth century produced just six cars a day is from *The American Car Dealership* by Robert Genat, page 7. Diseconomies of scale in banking were discussed on page 4 of a special supplement section of the May 20, 2006 issue of *The Economist* titled “Thinking Big.” The risks that result when organizations become too large in scale and complexity were mentioned on page R3 of the October 26, 2009 issue of the *Wall Street Journal*, under the headline “Too Big to Manage?” The survey of airline quality was published in the May 14, 2001 issue of *BusinessWeek* on page 14. The statement that larger airlines are more likely to lose passenger luggage is from page D1 of the September 2, 2008 issue of the *Wall Street Journal*, in an article titled “Why Your Bags Aren’t Better Off on a Big Airline.” Specialty hospitals and large hospitals were discussed on pages 86 to 98 of the March 10, 2008 issue of *Forbes*, under the title “Bad Medicine.” The

quotation from the Indian entrepreneur is from page 266 of *India Unbound* by Gurcharan Das. The fact that Soviet farms were ten times the size of American farms and employed more than ten times as many people is from page 117 of *The Turning Point* by Nikolai Shmelev and Vladimir Popov. Other data and comments on the efficiency of Soviet enterprises are from pages 119 and 122 of the same book. The practices of Soviet tractor drivers were discussed on page 184 of *The Age of Delirium: The Decline and Fall of the Soviet Union* by David Satter. Howard Johnson's pioneering in restaurant franchising was discussed on page 51 of *Fast Food: Roadside Restaurants in the Automobile Age* by John A. Jakle and Keith A. Sculle. Discount prices by cruise lines with excess capacity were discussed on pages D1 and D2 of the October 29, 2003 issue of the *Wall Street Journal* under the title "Luxury Cruises at Discount Prices." A news story about fancy hotels renting rooms for less than the price at more modest hotels was in the *Wall Street Journal* of July 19, 2001, on page B1, under the title "Deluxe Travel at Discount Prices." A similar story appeared in the same newspaper on August 10, 2001, pages W1 and W9, under the title "Peak Season, Off-Peak Prices." The rebound of prices in 2004, when there were fewer empty hotel rooms, was discussed in a story beginning on page D1 of the July 6, 2004 issue of the *Wall Street Journal* under the title "Hotels Raise Prices As Travel Picks Up." The discussions and analysis of middlemen in West Africa are from pages 22 through 27 of *West African Trade* by P.T. Bauer. Soviet enterprises' tendency to make things for themselves, rather than get them from specialized producers, was discussed on page 135 of *The Red Executive* by David Granick. Chinese firms that supplied their own transportation services were discussed on pages 28 to 31 of the *Far Eastern Economic Review* of July 25, 2002 under the title "The Perils of Delivering the Goods." The huge inventories in the Soviet Union, compared to those in Japan or the United States, were discussed on pages 133 to 137 of *The Turning Point* by Shmelev and Popov. The high levels of inventory carried in some sub-Saharan African regions were discussed on page 14 of *West African Trade* by P.T. Bauer. The Soviet official who complained about a lack of tires for their motor vehicles was quoted on page 83 of *The Wisdom of Henry Hazlitt*.

CHAPTER 7: BIG BUSINESS AND GOVERNMENT

The epigraph is from page 171 of *Economic Sophisms* by Frédéric Bastiat. The fact that mutual funds opposed the efforts of shareholder activists to limit executive compensation was reported on page C5 of the June 12, 2007 issue of the *San Francisco Chronicle*, in an article titled “Yahoo May Not Be No. 1, But CEO’s Pay Package Is.” Information about the powers granted to corporate shareholders in the United Kingdom is from page A17 of the September 27, 2007 issue of the *Wall Street Journal*, under the headline “Corporations Shouldn’t Be Democracies.” Information on the world’s 30 largest corporations, including the fact that 13 of these corporations are American, can be found on the same page. The fact that the average compensation for America’s top CEOs rose to over \$8 million in 2006 was reported on page C5 of the June 12, 2007 issue of the *San Francisco Chronicle*, in an article titled “Yahoo May Not Be No. 1, But CEO’s Pay Package Is.” The fact that private equity firms offer higher compensation packages to their chief executives than public companies do is from pages A1 and A16 of the January 8, 2007 issue of the *New York Times*, in an article titled “Private Firms Lure C.E.O.’s with Top Pay.” Nineteenth-century cartels in the railroad industry were discussed on page 33 of the December 31, 2007 issue of *Barron’s*, in an article titled “Contrivances to Raise Prices.” The government of India’s restrictions on businesses’ output were discussed on pages 99, 174 and 175 of *India Unbound* by Gurcharan Das. The differing costs of producing electricity to run a dishwasher at different times were discussed on page 112 of the March 26, 2001 issue of *BusinessWeek*, in a column titled “How to Do Deregulation Right.” Riots in India over electricity rates were mentioned on page 46 of an article titled “Impossible India’s Improbable Chance” in the book *The World in 2001*, published by the British magazine, *The Economist*. Data on the trucking industry are from pages 435 and 436 of an article titled “Trucking Deregulation” in *The Fortune Encyclopedia of Economics*, edited by David Henderson. Data on airlines are from pages 379, 380 and 381 of an article in the same book by Alfred E. Kahn titled “Airline Deregulation.” The decline of air fares after European airlines were deregulated was discussed on pages 44 and 45 of the

May 8, 2006 issue of *BusinessWeek* in an article titled “A Closer Continent.” The statement that large retailers such as Wal-Mart and Target exert their “power” to “force” suppliers to sell to them at lower prices is from page F1 of the August 19, 2007 issue of the *San Francisco Chronicle*, in an article titled “Retail Starting to Turn Green.” The U.S. Supreme Court anti-trust cases referred to included, respectively, *Federal Trade Commission v. Morton Salt Co.* (1948), *Standard Oil Co. v. Federal Trade Commission* (1951), *United States v. Borden Co.* (1962), *Brown Shoe Co. v. United States* (1962), *United States v. Von’s Grocery Company* (1966). *United States v. Aluminum Co. of America* (1945) was decided by the 2nd Circuit Court of Appeals. The financial asset restrictions under India’s Monopolies and Restrictive Trade Practices Act were discussed on page 169 of *India Unbound* by Gurcharan Das. The division of air and rail traffic between Madrid and Seville was shown on page 267 of *Industries in Europe*, edited by Peter Johnson. Data on the division of Transatlantic passengers between ocean liners and airplanes is from page B4 of the October 2, 2003 issue of the *Wall Street Journal*, in an article beginning on page B1, under the title “Cunard’s Grand Gamble.” The city of Munich’s switching its computers from using Microsoft Windows to using Linux was reported in *The Times* of London (online edition) under the headline “Need to Know.” The *New York Times* editorial in defense of a European antitrust ruling against Microsoft can be found on page A18 of the September 21, 2007 issue under the title “Regulating Microsoft.” Details on the injunction sought by the FTC against Whole Foods Market’s acquisition of Wild Oats Markets in 2007 are from *Federal Trade Commission v. Whole Foods Market, Inc., and Wild Oats Markets, Inc.*, United States District Court for the District of Columbia, August 16, 2007, pages 1 to 4, 74, 81, 84, 85, 87, 88. The shift from petroleum oil to corn oil for making plastics was discussed on page B1 of the *Wall Street Journal* of October 12, 2004 under the title “One Word of Advice: Now It’s Corn.” The economic effects of India’s Monopolies and Restrictive Trade Practices Act and its repeal in 1991 were discussed in *India Unbound*, pages 159 to 170, 183 to 184, 220, 263 to 264. The discussion of the effect on India’s largest company, Tata Industries, is based on information from an article in the February 14, 2005 issue of *Forbes*

magazine titled “Tempest in a Teapot,” beginning on page 118. The fact that analysts confirmed in 2007 that India’s Tata Steel was the lowest-cost steel producer in the world was reported on page C5 of the May 17, 2007 issue of the *Wall Street Journal*, in an article titled “Indian Steelmakers Gain Strength.”

CHAPTER 8: AN OVERVIEW

The epigraph is from page 241 of *The Seven Fat Years* by Robert L. Bartley. The remark about capitalist business from Karl Marx and Friedrich Engels is from page 11 of their “Manifesto of the Communist Party,” published in *Basic Writings on Politics and Philosophy*, edited by Lewis S. Feuer. Marx’s comments about the role of systemic characteristics in capitalism are from page 15 of Volume I of *Capital*, in the edition published in 1919 by Charles H. Kerr & Co. Examples of the kinds of detailed information about hotel services and amenities provided by trade association data can be found in *2001 Lodging Survey: Lodging Services, Facilities, and Trends*, published by the American Hotel & Lodging Association in Washington, D.C. Data on American profits as a percentage of national output (Gross Domestic Product) are from page 65 of *The Economist* of December 8, 2001, under the title “What Doth It Profit?” Data on the height differential between North Koreans and South Koreans can be found on pages 51 to 55 of a study titled “Height and Weight Differences Between North and South Korea,” from the January 2009 issue of *Journal of Biosocial Science*. The effects of competition from private-sector couriers on the government-run postal service in India were described on page A1 of the October 3, 2006 issue of the *Wall Street Journal*, in an article titled “As Economy Zooms, India’s Postmen Struggle to Adapt.” The success of German firms in the international export market was reported on pages B1 and B2 of the February 27, 2010 issue of the *New York Times*, in an article titled “German Skill in Exporting Puts Pressure on Neighbors.” The quotation about service differences in India is from page 112 of *India Unbound* by Gurcharan Das and the comment on India’s bank tellers is from

page 6 of a supplement to *The Economist* of February 22, 1997, titled “A Survey of India: Time to Let Go.” The emergence of private banking in India was reported on page A12 of the October 3, 2006 issue of the *Wall Street Journal*, in an article titled “As Economy Zooms, India’s Postmen Struggle to Adapt,” which began on page A1. The McDonald’s practice of making unannounced inspections of the suppliers of its hamburger meat is from pages 130 and 131 of *McDonald’s: Behind the Arches*, 1995 revised edition, by John F. Love. Ray Kroc’s insistence on stringent cleanliness inside, outside and around each restaurant was detailed on pages 142 to 144, 147 and 184. Henry J. Heinz’s competitive advantages from selling unadulterated horseradish were discussed on pages 52 and 53 of *Brand New: How Entrepreneurs Earned Consumers’ Trust from Wedgwood to Dell* by Nancy F. Koehn. Efforts to protect the personal information of credit card users were reported on page B1 of the March 24–25, 2007 issue of the *Wall Street Journal*, in an article titled “Card Companies Crack Down on Restaurants.” The fact that many fast-food restaurants have higher quality and safety standards than the U.S. Department of Agriculture was reported on page 1A of the December 9, 2009 issue of *USA Today*, under the headline “Schools Don’t Meet Fast-Food Standards.” Woolworth’s early travails were recounted in the first three chapters of *Remembering Woolworth’s* by Karen Plunkett-Powell. The story of the executive who lost her job and subsequently had to sell some of her stock, but who still owned a seventeen-acre estate and had \$1 million in savings, is from pages 120 and 122 of the book *The Disposable American* by Louis Uchitelle.

CHAPTER 9: PRODUCTIVITY AND PAY

The epigraph is from page 149 of *The Wisdom of Henry Hazlitt*. Comparisons of labor productivity in Japanese-owned and Chinese-owned cotton mills in China are from page 47 of *The Rise of “The Rest”* by Alice Amsden. Comparisons of American-owned manufacturing firms in Britain and British-owned manufacturing firms were made on page 52 of the October 12, 2002 issue of *The Economist* under the title, “Blame the Bosses.”

Higher labor productivity in South African firms than in firms in some other countries was mentioned on page 51 of the January 14, 2006 issue of *The Economist* under the title “Spend More but Wisely.” Information about international productivity levels is from page 5 of the study *Key Indicators of the Labour Market*, fifth edition, published by the International Labour Office in Geneva. Data on Americans’ changing incomes between 1975 and 1991 are from page 8 of the 1995 *Annual Report* of the Federal Reserve Bank of Dallas. Earlier studies indicating similar patterns include *Years of Poverty, Years of Plenty* by Greg Duncan et al. The three-year Census study that found only 2.4 percent of the population living in poverty in all 36 months of the study was discussed on page 4 of “Income, Poverty, and Health Insurance Coverage in the United States: 2007,” *Current Population Reports*, P60–235. Similar changes in individual incomes in western European countries were reported on page 5 of *Poor Statistics: Getting the Facts Right About Poverty in Australia* by Peter Saunders, published in April 2002 by the Centre for Independent Studies in Sydney, Australia. Similar data on incomes in Britain and New Zealand were reported on pages 32 and 33 of *Poverty and Benefit Dependency* by David Green, published in 2001 by the New Zealand Business Roundtable, and similar data from Canada appeared in an article titled “Time Reveals the Truth about Low Income,” which appeared on pages 24 to 26 of the September 2001 issue of *Fraser Forum*, published by the Fraser Institute in Vancouver, Canada. Data on American household incomes in 2001 are from page 16 of Section 4 of the January 12, 2003 issue of the *New York Times* in an article titled “Defining the Rich in the World’s Wealthiest Nation,” beginning on page 1 of that section. Changes in the composition of the 400 richest Americans are from page 80 of the September 30, 2002 issue of *Forbes* magazine in an article titled “The March of the 400.” The fact that the share of the wealthiest 400 people on the *Forbes* list who inherited their wealth declined from 21 percent in 1982 to 2 percent in 2006 was reported on page 4 of the April 4, 2009 issue of *The Economist*, in a special section titled “Spare a Dime?” The data showing 64 million people in the top 20 percent of American households and 39 million in the bottom 20 percent are from page 11 of *Income Inequality: How Census Data Misrepresent Income Distribution* by

Robert Rector and Rea S. Hederman, published by the Heritage Foundation in Washington. The misleading claim that income quintiles divide the country into five equal parts was made on page 48 of *Economics Explained* by Robert Heilbroner and Lester Thurow. Data on numbers of heads of household working in high-income and low-income households in 2000 are from Table HINC-06 from the *Current Population Survey*, downloaded from the Bureau of the Census web site. The fact that the top 10 percent of American income earners worked less than the bottom 10 percent in the late nineteenth century, and just the reverse in the early twenty-first century is from page 92 of *Saving Capitalism from the Capitalists* by Raghuram Rajan and Luigi Zingales. The fact that a large share of high-income earners work in excess of 50 hours a week was reported on page 51 of “Extreme Jobs: The Dangerous Allure of the 70-Hour Workweek,” published in the December 2006 issue of the *Harvard Business Review*. The fact that from 1969 to 1996 median household income rose by only 6 percent while per capita income rose by 51 percent is from page 1 of “Changes in Median Household Income: 1969 to 1996,” *Current Population Reports*, P23-196. Data on the increase in median household income from 1967 to 2007 are from page 5 of “Income, Poverty, and Health Insurance Coverage in the United States: 2007,” *Current Population Reports*, P60-235, while data on the increase in per capita disposable income over that same span of time are from page 367 of *The Economic Report of the President*, 2010 edition. The rate of increase in household formation in the United States during the twentieth century was reported on page 7 of *Income Distribution in the United States* by Herman P. Miller. The misguided remark from the *Washington Post* is from page 34 of its September 7, 1998 national weekly edition, in an article titled “The Rich Get Richer, and So Do the Old.” The fact that 3.5 percent of American households have a net worth of one million dollars or more, and that 80 percent of American millionaires inherited nothing, is from page 3 of *The Millionaire Next Door* by Thomas J. Stanley and William D. Danko. The fact that the real income of those who had been in the bottom 20 percent in 1975 was by 1991 higher than the real income of the average American in 1975 is from page 14 of the 1995 *Annual Report* of the Federal Reserve Bank of Dallas. The falling income share and rising real income of

households in the bottom 20 percent was documented on page 19 of *Money Income in the United States: 2001*, which is one of the *Current Population Reports*, number P60–218, published by the Census. Data on the increase in income from 1975 to 1991 for those individuals in the bottom and top income quintiles was shown on page 8 of the 1995 *Annual Report* of the Federal Reserve Bank of Dallas. Data from the Internal Revenue Service showing a near 91 percent increase in income from 1996 to 2005 for those individuals in the lowest income quintile and a near 26 percent decrease for those in the top 1 percent during that same span of time can be found on page A24 of the November 13, 2007 issue of the *Wall Street Journal*, under the title “Movin’ On Up.” The fact that the top one percent of income earners in 2005 earned \$365,000 and up was reported in a press release issued by Congressman Jim Saxton on October 15, 2007 titled “Top One Percent of Tax Filers Pay Highest Share in Decades.” The fact that more than half of those in the top 1 percent of income in 1996 were no longer at that level in 2005, and that only 25 percent of those who began in the top 1/100 of one percent remained at that level during that span of time, is from pages 2 and 4 of “Income Mobility in the U.S. from 1996 to 2005,” published by the U.S. Department of the Treasury on November 13, 2007. The fact that hundreds of thousands of families with incomes lower than \$20,000 per year were living in homes costing \$300,000 and up is from page 16 of *Myths of Rich & Poor* by W. Michael Cox and Richard Alm. The upward shift in the peak earning years during the last half of the twentieth century was reported on page 16 of the 1995 *Annual Report* of the Federal Reserve Bank of Dallas. The number of Americans working in the Soviet Union is from page 11 of *The Turning Point* by Nikolai Shmelev and Vladimir Popov. The fact that single women who worked continuously earned slightly more than single men who did the same is from page 105 of “The Economic Role of Women,” *The Economic Report of the President, 1973*. The differences between the earnings of women with and without children are from page 15 of a valuable compendium of data on women in the economy titled *Women’s Figures*, 1999 edition, written by Diana Furchtgott-Roth and Christine Stolba and published by the American Enterprise Institute. Data on male predominance in work-related deaths are

from the same source, page 33. Comparison of the incomes of black, white, and Hispanic males of the same age and IQ are from page 323 of *The Bell Curve* by Richard Herrnstein and Charles Murray. The comparison of the incomes of Maoris with those of other New Zealanders of comparable age, skill, and literacy was discussed on pages 43 and 44 of *Poverty and Benefit Dependency* by David Green. Violations of apartheid laws by employers in South Africa were discussed on pages 152 and 153 of *Capitalism and Apartheid* by Merle Lipton. Violations of these laws by home builders in Johannesburg were discussed on page 164 of *Apartheid: A History* by Brian Lapping. Violations of the residential aspects of the apartheid laws were discussed on pages 112 and 113 of *South Africa's War Against Capitalism* by Walter E. Williams— a black American economist who himself violated these laws by living in an area set aside for whites. The round-the-clock use of trucks in mid-twentieth century West Africa was discussed on pages 14 and 15 of *West African Trade* by P.T. Bauer. The international sales of used cars from Japan was discussed in a front page story in the January 8, 2004 issue of the *Wall Street Journal*, under the title, “How Japan’s Second-Hand Cars Make Their Way to Third World.” Taxis in Cameroon were mentioned on page 179 of *The Undercover Economist* by Tim Harford. The 2.6 million tons of electronic waste discarded by Americans in 2005 was reported on page D2 of the November 1, 2007 issue of the *Wall Street Journal*, in an article titled “When to Fix— or Ditch— an iPod.” Data on the average life of capital equipment in the Soviet Union and in the United States are from pages 145 and 146 of *The Turning Point* by Nikolai Shmelev and Vladimir Popov.

CHAPTER 10: CONTROLLED LABOR MARKETS

The epigraph is from page 11 of *The Myth of the Rational Voter* by Bryan Caplan. Data on the unemployment rate in South Africa and the comments on it are from page 49 of the May 28, 2005 issue of *The Economist* under the title “Unions v Jobs” and on page 4 of a special section titled “Survey of South Africa” in an article titled “Chasing the Rainbow” in the April 8, 2006

issue of *The Economist*. The fact that the average American has nine jobs between the ages of 18 and 34 is from page 79 of *Saving Capitalism from the Capitalists* by Raghuram G. Rajan and Luigi Zingales. The European Union countries' lower rates of job creation and higher rates of unemployment than in the United States were documented on page 50 of the June–September 2005 issue of Italy's *Banca Nazionale del Lavoro Quarterly Review* in an article titled “The Economists' ‘Manifesto’ On Unemployment in the EU Seven Years Later: Which Suggestions Still Hold?” The rioting of French students over a weakening of job security laws was reported on page A18 of the March 14, 2006 issue of the *Wall Street Journal* under the title “Les Misérables.” The fact that only about two percent of American workers age 25 and over earn minimum wages is from a U.S. Department of Labor publication titled *Characteristics of Minimum Wage Workers: 2004*. The unemployment rate in Switzerland in February 2003 was reported on page 100 of the March 15, 2003 issue of *The Economist*. The data from the *Wall Street Journal* about the unemployment rate in Hong Kong in 1991 is from page C16 of the January 16, 1991 issue. New government-mandated benefits for workers in Hong Kong after China took control were mentioned on page 45 of *Country Commerce: Hong Kong*, a report released in December 2002 by The Economist Intelligence Unit, based in New York and affiliated with the London magazine, *The Economist*, while the higher unemployment rates that followed were mentioned on page 13 of the March 20, 2003 issue of the *Far Eastern Economic Review*, under the title “Hong Kong Solutions.” The record high unemployment rate for Hong Kong in 2003 was reported on page A14 of the *Wall Street Journal* of June 18, 2003. The effect of Europe's government-mandated worker benefits on unemployment was discussed on page 39 of *The Economics of Life* by Gary Becker and Guity Nashat Becker. The fact that the hourly compensation of manufacturing employees is higher in the European Union than in the United States and Japan is from page 41 of the November 2006 issue of the *Monthly Labor Review*, in an article titled “Labor Costs of Manufacturing Employees in China: An Update to 2003–04.” Comparisons of Canadian minimum wages and unemployment rates with those of the United States are from a monograph titled

Measuring Labour Markets in Canada and the United States: 2003 Edition by Jason Clemens et al., published by the Fraser Institute. Information about minimum wage earners, including their living arrangements and the fact that the average family income of minimum wage earners exceeded \$44,000 in 2008, is from page A14 of the July 25, 2008 issue of the *Wall Street Journal*, under the headline “Bad Law, Worse Timing.” The effects of “living wage” laws in various American cities were discussed in the July 2005 issue of *California Economic Policy*, in an article titled “A Decade of Living Wages: What Have We Learned?” Conflicting studies of the employment effects of minimum wages were discussed in an article titled “Employment and the 1990–1991 Minimum-Wage Hike,” in the May 1995 issue of the *American Economic Review*. The views of economists from various countries on the effects of minimum wage laws were mentioned on pages 32 to 34 of *What Future for New Zealand’s Minimum Wage Law?*, based on a study done by ACIL Economics and Policy, Pty. Ltd., and published by the New Zealand Business Roundtable. The conclusion that minimum wage laws reduce the employment opportunities of low-skilled workers was stated on page 123 of Working Paper 12663 titled “Minimum Wages and Employment: A Review of Evidence from the New Minimum Wage Research,” published by the National Bureau of Economic Research in November 2006. The denial by South African labor unions that high unemployment was due to South Africa’s labor laws is from page 49 of the May 28, 2005 issue of *The Economist* in a news item titled “Unions v Jobs.” The 17.3 percent unemployment rate for workers aged 18 to 24 in Britain in 2008 was reported on page 53 of the July 18, 2009 issue of *The Economist*, in an article titled “No Way to Start Out in Life.” A criticism of a study which claimed to “refute” the “myth” that minimum wages foster increased unemployment was published in the May 1995 issue of the *American Economic Review* under the title “Employment and the 1990–1991 Minimum-Wage Hike.” The fact that ACORN has sought exemptions from minimum wage laws for its employees was reported on page A20 of the January 16, 2007 issue of the *Wall Street Journal*, under the title “Pelosi’s Tuna Surprise.” The conclusion that minimum wages in Brazil did not provide economic gains to low-income families is from pages 157 and 158

of Volume 80 of the *Journal of Development Economics* (2006), in an article titled “The Effects of the Minimum Wage in Brazil on the Distribution of Family Incomes: 1996–2001.” Information about long-term unemployment in Germany and the United States is from page 105 of the June 23, 2007 issue of *The Economist*, under the heading “Long-Term Unemployment.” The effects of informal minimum wages in West Africa were discussed on pages 18 and 19 of *West African Trade*, by P. T. Bauer of the London School of Economics. A similar situation in South Africa was described on page A3 of the *New York Times* of March 13, 2004, under the title “Low Labor Standard Leads South Africans to Export Jobs.” The fact that South Africa’s minimum wage law has led employers to use more capital per worker is from page 51 of the January 14, 2006 issue of *The Economist* in an article titled “Spend More but Wisely.” The elimination of low-skill jobs such as parking attendant, bellhop and doorman from European hotels was reported on page 3 of Working Paper 12581 titled “Technology and Labor Regulations,” published by the National Bureau of Economic Research in October 2006. Additional information is from page 28. The effect of minimum wages in reducing the employment of workers in general in various countries, and the employment of younger and less skilled workers in particular, was discussed on pages xvi, xvii, 23, 24, 33 to 35, 45 of *What Future for New Zealand’s Minimum Wage Law?*, cited above. Conclusions for the United States are found in *Youth and Minority Unemployment*, written by Walter E. Williams and published by the Hoover Institution. The difference between total and youth unemployment in France was shown on a graph on page 11 of a special supplement on France in the November 16, 2002 issue of *The Economist* under the title “A Divided Self: A Survey of France.” The unemployment rates for young workers in Belgium and Italy are from page A13 of the January 19, 2005 issue of the *Wall Street Journal* in a column titled “Shall We Eat Our Young?” Unemployment rates for young workers in the European Union in 2009 are from page B4 of the *New York Times* of January 1, 2010, in an article beginning on page B1, under the title “Young, Down and Out in Europe.” The comparison of the youth unemployment rate in Australia over a twenty-year span with the unemployment rate for the population in general was reported on page 110 of *State of the Nation*,

edited by Jennifer Buckingham, and published in Australia by The Centre for Independent Studies. The fact that Australia's minimum wage level is nearly 60 percent of that country's median wage rate was reported on page 8 of the Spring 2007 issue of *Policy*, Vol. 23, No. 3, in an article titled "Who Is the Fairest of Them All?" The use of minimum wage laws to promote racial discrimination was discussed on page 14 of *Youth and Minority Unemployment* by Walter Williams, Hoover Institution edition, and on pages 49 and 50 of *The Japanese Canadians* by Charles H. Young and Helen R. Y. Reid. Data on the changing ratio of black unemployment to white unemployment in the wake of minimum wage laws are from page 103 of *Only One Place of Redress* by David E. Bernstein. The growing gap in unemployment levels between white and black teenagers beginning in the 1950s was shown on a graph on page 98 of the book *The Unheavenly City*, 1968 edition, by Edward C. Banfield. The effects of minimum wages on the employment of black teenagers were discussed extensively in *Youth and Minority Unemployment* by Walter E. Williams. The fact that the unemployment rate among black teenagers reached 40 percent in the wake of the downturn in the American economy was reported on page 26 of the August 22, 2009 issue of *The Economist*, in an article titled "Left Behind." The collapse of organized attempts of white employers and landowners to hold down the pay of black farmers in the American South after the Civil War, and of Japanese immigrant farmers and farm workers in California a generation later, were covered in *Competition and Coercion: Blacks in the American Economy 1865–1914* by Robert Higgs, especially on pages 47 to 49 and in Robert Higgs, "Landless by Law: Japanese Immigrants in California Agriculture to 1941," *Journal of Economic History*, March 1978, pages 207 to 209. Data on American automobile production and employment are from page 13 of *Motor Vehicle Facts & Figures: 1997*, published by the American Automobile Manufacturers Association, and from pages 19, 20 and 22 of an article titled "Auto Industry Jobs in the 1980s: A Decade of Transition," which appeared in the U. S. Department of Labor's *Monthly Labor Review* for February 1992. The growing share of Japanese-brand automobiles built in the United States was reported on page 9 of the report *Driving a New Generation of American Mobility*, a

publication of the Japan Automobile Manufacturers Association. The quotation from the *New York Times* about unions reining in their demands in the automobile industry is from a front-page article in the September 20, 2003 issue. Data on the decline of unionization is available from many sources, one being an article titled "Labor's Gains Undercut by Lingering Problems," which appeared in the *Detroit News* of July 26, 1999. The decline in private-sector union membership was shown on a graph on the front page of the August 1, 2008 issue of the *Wall Street Journal*, under the headline "Wal-Mart Warns of Democratic Win." The amount of hours of labor used per automobile produced by American and Japanese auto makers is from page 69 of the April 21, 2003 issue of *BusinessWeek* magazine in an article beginning on page 68 and titled, "Pick Me as Your Strike Target! No, Me!" The quotation about the effect of an economic slump in Europe in causing employee benefits to erode was quoted from page A8 of the July 24, 2006 issue of the *Wall Street Journal*, in a news story beginning on the front page, under the title "More Flexibility by Europe's Labor Stokes a Recovery." The additional \$250 expense per car that results from the Big Three Detroit auto makers' work rules was reported on the front page of the March 2, 2007 issue of the *Wall Street Journal*, in an article titled "Desperate to Cut Costs, Ford Gets Union's Help." The increase in overtime work by manufacturers in 2009 was reported on page A3 of the November 27, 2009 issue of the *Wall Street Journal*, under the title "Overtime Creeps Back Before Jobs." The benefits awarded to juvenile (under 18 years of age) workers in the Soviet economy were described on page 234 of *The Soviet Economy* by Alec Nove. The comment about child labor laws is from page 42 of *Give Me a Break* by John Stossel. Data on the annual hours worked in France, Japan, and the United States are from page 58 of the October 27, 2003 issue of *BusinessWeek* magazine under the title "Give This Policy the Guillotine." Information on laws mandating paid vacations and paid holidays in France is from an article titled "Working Hard or Hardly Working?" in the November 16, 2004 issue of the *Wall Street Journal* (online). The fact that in 2005 the average European worker took 11.3 days of sick leave from work, while the average American worker missed just 4.5 days was reported on page A6 of the January 9, 2009 issue of the *Wall Street*

Journal, in an article titled “Belgians Take Lots of Sick Leave,” which began on page A1. The *New York Times* report about working conditions in Cambodia is from page A19 of the January 14, 2004 issue of that newspaper in a column titled “Inviting All Democrats.” Rising wage rates and improving working conditions in China as a result of increasing competition for workers by multinational companies there are from pages 32 and 34 of the March 27, 2006 issue of *BusinessWeek* in an article titled “How Rising Wages are Changing the Game in China.” The higher rates of pay in China’s Guangdong province, driven by a five-year labor shortage, were reported on page 30 of the March 2008 issue of the *Far Eastern Economic Review*, under the headline “Bye Bye Cheap Labor.” The nearly 18 percent increase from 2002 to 2004 in total hourly compensation of manufacturing employees in China was reported on page 42 of the November 2006 issue of the *Monthly Labor Review*, in an article titled “Labor Costs of Manufacturing Employees in China: An Update to 2003–04.”

CHAPTER 11: AN OVERVIEW

The epigraph from Peter Bauer is from page 23 of his book *Equality, the Third World, and Economic Delusion*. The increased use of power looms in India’s silk weaving industry was reported on page 40 of the January 10, 2009 issue of *The Economist*, in an article titled “Looming Extinction.” International data on poverty and inequality are from pages 69 to 71 of the March 13, 2004 issue of *The Economist* in a feature article titled “More or Less Equal?” The decrease in the share of the world population living in extreme poverty from 1990 to 2005 was reported on page 101 of the April 25, 2009 issue of *The Economist*, under the heading “Poverty.” The decline in poverty in recent years in India and China, as measured by the fall in the share of population living on less than \$1 per day, was reported on page 36 of the August 11, 2007 issue of *The Economist*, in an article titled “For Whosoever Hath, to Him Shall Be Given, and He Shall Have More.” The higher rate of poverty in Italy and the Netherlands compared to the United States was shown on page 141 of *The Illustrated Guide to the American*

Economy, third edition, written by Herbert Stein and Murray Foss. The fact that most Americans living in official poverty have air conditioning, color television, a microwave oven, and a motor vehicle can be found on page 67 of *Income and Wealth* by Alan Reynolds. The lack of hostility toward the wealthy in Britain was mentioned on page 66 of the October 21, 2006 issue of *The Economist*, under the headline “Always with Us.” The fact that private equity firms offer higher compensation to the CEOs of the companies in which they are invested than CEOs of publicly owned companies is from pages A1 and A16 of the January 8, 2007 issue of the *New York Times*, in an article titled “Private Firms Lure C.E.O.’s with Top Pay.” Information on how hiring standards and promotions policies can lead to entry-level applicants for work becoming artificially “unemployable” is from pages 158 to 159 of *Negro Employment in Public Utilities* by Bernard E. Anderson. Information on China’s income inequalities is from pages 39 and 44 of the June 2, 2001 issue of *The Economist* in an article titled “Income Distribution in China: To Each According to His Abilities.” Data on regional differences in poverty rates in India are from page 7 of a special section on India in *The Economist* of June 2, 2001. The quotation about the consequences of the transition from communist economies to market economies in Europe is from page 58 of the August 27, 2005 issue of *The Economist* under the title “Change and Decay.” The fact that most Americans living below the official poverty line owned a microwave oven and a videocassette recorder in 1994 is from page 22 of the 1995 *Annual Report* of the Federal Reserve Bank of Dallas. The fact that poor New Zealanders own VCRs, freezers, washing machines, and a vehicle was reported on page 32 of *Poverty and Benefit Dependency* by David Green, published in 2001 by the New Zealand Business Roundtable. The estimate that a million Chinese per month were rising out of poverty is from page 3 of *The Undercover Economist* by Tim Harford. The fact that 70 percent of the one thousand largest fortunes in Britain were earned rather than inherited was reported on page 65 of the October 21, 2006 issue of *The Economist*, under the headline “Always with Us.” The rise of India’s Dalit caste during the country’s recent economic expansion was described on pages A1 and A12 of the June 23–24, 2007 issue of the *Wall Street Journal*, under the headline “Caste Away.” The stories of

the great American fortunes created by Carnegie, Ford, Vanderbilt, etc., are widely available in numerous books but the stories of similar individuals in India are from pages 187 to 195, 207 to 210, 246 to 248 of *India Unbound* by Gurcharan Das. Data on long-term unemployment in various countries are from page A8 of the December 30, 2004 issue of the *Wall Street Journal*, in an editorial titled “That ‘Sluggish’ Economy.” The decline in the proportion of the non-institutional adult population with jobs was reported on page A15 of the August 10, 2010 issue of the *Wall Street Journal*, under the title “Unemployment: What Would Reagan Do?” Data on rates of employment in Iceland and France are from international comparisons on page 74 of the September 20, 2003 issue of *The Economist*. Comparisons of labor force participation rates among 55 to 64 year olds in Switzerland and in France are from page 11 of a special supplement to the November 16, 2002 issue of *The Economist*, under the title “A Divided Self: A Survey of France.” The fact that unemployed workers in the United States receive lower benefits for less time than unemployed workers in other nations is from page 22 of the January 3, 2009 issue of *The Economist*, in an article titled “A Safety Net in Need of Repair.” The fact that unemployed workers in America spend more time per day looking for work than unemployed workers in Germany, Britain, or Sweden is from page 23 of the same article. The generous unemployment benefits granted to workers in Norway and other European nations were shown on page 114 of the September 26, 2009 issue of *The Economist*, under the heading “Unemployment Benefits.” The uproar caused by the sewing machine in early nineteenth century France was recounted on page 92 of *The Americans: The Democratic Experience* by Daniel J. Boorstin. The quote from Adam Smith is from page lvii of his *The Wealth of Nations*, Modern Library edition. Child labor in Niger was discussed on page 144 of the December 24, 2005 issue of *The Economist* under the title “Child Labour.” The fact that nearly half the billionaires in the world are in the United States is from page 132 of the March 17, 2003 issue of *Forbes* magazine. See also page 116 of the March 27, 2006 issue of *Forbes* in an article titled “Billionaire Bacchanalia,” which is also the source for the statement that vast regions of Africa are without a single billionaire. The fact that American corporations operated at a loss for two consecutive

years during the Great Depression is from page 59 of *Guide to Economic Indicators*, fourth edition, by Norman Frumkin. The financial losses sustained by Bill Gates, Warren Buffett and other billionaires as a result of the economic downturn in 2008 were reported on pages 84 to 87 of the March 30, 2009 issue of *Forbes*, in an article titled “Surveying the Damage.” The decrease in the number of millionaires worldwide, and the near 20 percent decline in their net worth in the wake of the 2008 economic downturn, was reported on page 89 of the July 4, 2009 issue of *The Economist*, under the heading “High-Net-Worth Individuals.” Greater wage inequality in the United States than in a number of other countries was shown on page 6 of a monograph titled *Wage Inequality* by Francine D. Blau and Lawrence M. Kahn.

CHAPTER 12: INVESTMENT AND SPECULATION

The Economist magazine’s definition of investment is from page 72 of the March 4, 2006 issue, in an article titled “Getting a Grip on Prosperity.” The experiences of the Tata and Birla enterprises in India are from page 93 of *India Unbound* by Gurcharan Das. The statement that businesses in India must break laws in order to operate is from page 143 of the same book. The numerous government regulations in India were discussed on page 94. India’s freeing up its economy was discussed on page 29, and the rising foreign investment that followed was discussed on page 220. The fact that different groups within a given society tend to have qualitatively different education can be seen by reading page 63 of *Competing Equalities* by Marc Galanter, page 80 of *The Soviet Middle East* by Alec Nove and J.A. Newth, page 173 of “The Dynamics of Ethnic Inequalities: The Case of Israel,” by Sammy Smooha and Yochanan Peres in Volume I of *Studies of Israeli Society*, edited by Ernest Krausz, pages 125 to 146 of *From Independence to Statehood*, edited by Robert B. Goldmann and A. Jeyaratnam Wilson, and Chapters 5, 6, and 7 of *No Excuses* by Abigail Thernstrom and Stephan Thernstrom. The fact that institutional investors worldwide owned \$26 trillion in investments at the end of the twentieth century is from page 149

of *Economics: Making Sense of the Modern Economy* edited by Simon Cox. Information on the growing share of Americans who owned stock in the late twentieth century is from pages 252 and 253 of *The First Measured Century* by Theodore Caplow, Louis Hicks, and Ben J. Wattenberg. The zero rate of savings by Canadians 30 years old and younger, and the negative rate of savings by Americans in the same age bracket, are from page 147 of the June–September 2005 issue of the Italian journal *Banca Nazionale del Lavoro Quarterly Review* in an article titled “Modigliani’s Life-Cycle Theory of Savings Fifty Years Later.” Information on Western-owned banks in Eastern Europe is from a front-page story in the *Wall Street Journal* of October 5, 2005, under the title “In Eastern Europe, Western Banks Fuel Growth, Fears.” The spread of international commodity market information in India was described in a story beginning on the front page of the *New York Times* of January 1, 2004 titled “India’s Soybean Farmers Join the Global Village.” The disastrous speculation in silver by the Hunt brothers was covered on pages 249 and 250 of *The New York Times Century of Business*, edited by Floyd Norris and Christine Bockelmann. The speculation of Henry Heinz that led to bankruptcy was discussed on page 321 of *Brand New* by Nancy F. Koehn. The prediction of *The Economist* magazine that the price of oil was heading downward appeared on page 23 of the March 6, 1999 issue under the title “The Next Shock?” The 2007 disruption to Japanese auto production caused by the unavailability of piston rings was reported on page B1 of the July 20, 2007 issue of the *Wall Street Journal*, under the headline “A Key Strategy of Japan’s Car Makers Backfires.” The fact that the ratio of inventory to sales hit a record low in the United States during the third quarter of 2003 was reported on page 42 of the October 27, 2003 issue of *BusinessWeek*, in an article beginning on page 40 with the title “Jobs: The Turning Point is Here.” The quotation from *The Economist* magazine about interest rates bringing savings and investment into balance is from page 8 of a supplement to its September 24, 2005 issue titled “The Great Thrift Shift.” The fact that the value of payday loans is usually between \$300 and \$400 was reported on page A3 of the August 9–10, 2008 issue of the *Wall Street Journal*, under the title “States Imposing Interest-Rate Caps to Rein In Payday Lenders.” This article is

also the source for the fact that three-quarters of Oregon's payday lenders closed down after the enactment of a 36 percent rate cap in that state. The statement that payday loans have charges and fees that can equal a 312 percent annualized interest rate is from page 41 of the November 9, 2008 issue of *New York Times Magazine*, in an article titled "Check Cashers, Redeemed," which began on page 36. The statement by a payday lender comparing the high annual percentage rates on these loans to the cost of a ton of salmon or the cost of renting a hotel room for a year is from page 59 of the May 24–30, 2010 issue of *Bloomberg Businessweek*, in an article titled "Payday Nation." This article also mentions the growing number of states that are imposing interest rate caps on such loans. The higher credit scores of Asian Americans compared to other minority groups, and even whites, were reported on page 80 of a report by the Board of Governors of the Federal Reserve System titled *Report to the Congress on Credit Scoring and Its Effects on the Availability and Affordability of Credit*, published in August 2007. The downgrading of California's state bonds in 2001 was covered in many places, including page A3 of the April 25, 2001 issue of the *Wall Street Journal*. The buying up of future payments due to accident victims in installments by paying a lump sum was discussed in an article beginning on the front page of the *Wall Street Journal* of February 25, 1998 titled "Thriving Industry Buys Insurance Settlements from Injured Plaintiffs." Statistics on the purchase of annuities are from page 65 of *U.S. News & World Report*, October 22, 2001, in an article titled "Betting on a Long Life." Statistics on the known reserves of petroleum in various years are from Section II, Table 1 of *Basic Petroleum Data Book*, Vol. XX, No. 2 (July 2000), published by the American Petroleum Institute. Twentieth century energy consumption and the growth of known reserves of various metals were discussed on pages 40 and 41 of an article titled "Natural Resources" in *The Fortune Encyclopedia of Economics*, edited by David Henderson. Information on the proportion of exploratory oil wells which turn out to produce oil and on the percentage of oil extracted from pools of oil are from pages 19 and 20 of a supplement titled "A Survey of Oil" in the April 30, 2005 issue of *The Economist*. Data on the reserves of copper are from pages 12 and 13 of *A Poverty of Reason* by Wilfred Beckerman, published by the Independent

Institute. The 35 percent increase in the known reserves of natural gas in the United States from 2006 to 2008 was reported on page B1 of the June 18, 2009 issue of the *New York Times*, in an article titled “Estimate Places Natural Gas Reserves 35% Higher.” Innovations leading to increased production in old oil fields were reported in a front-page story from the March 5, 2007 issue of the *New York Times*, under the headline “Oil Innovations Pump New Life into Old Wells.” The bet between Julian Simon and Paul Ehrlich was covered in the December 2, 1990 issue of *New York Times Magazine* in an article beginning on page 52 titled “Betting on the Planet.” The estimate in the 1970s that the United States had enough natural gas reserves to last for more than one thousand years was reported on page 26 of the April 27, 1977 issue of the *Wall Street Journal*, in an editorial titled “1,001 Years of Natural Gas.” Estimates of oil reserves in the Athabasca region of Canada are from page A5 of the October 8, 2005 issue of the *Wall Street Journal* in an article titled “Is the World Running Out of Oil?” The fact that the cost of finding oil had fallen by two-thirds between 1977 and 1998 is based on U. S. Department of Energy statistics quoted on page 42 of *Julian Simon and the Triumph of Energy Sustainability* by Robert L. Bradley, Jr., published in 2000 by the American Legislative Exchange Council. The financial turnaround of the Murrin Murrin nickel mining project in Australia was described on page C6 of the March 26, 2007 issue of the *Wall Street Journal*, in an article titled “Comeback in the Outback.”

CHAPTER 13: RISKS AND INSURANCE

The epigraph is from page A14 of the March 26, 2008 issue of the *Wall Street Journal*, under the title “Uncle Sam Stocks Up.” Comparisons of the interest rates in Mexico, Brazil, and the United States are based on data in a graph on page 68 of the June 29, 2002 issue of *The Economist* in an article titled “Spreading Risk.” Short-term interest rates in Hong Kong, Russia, and Turkey were reported on page 98 of the May 3, 2003 issue of *The Economist*. Rates of return on venture capital are from page C1 of the *Wall Street Journal* of April 29, 2002 in a story titled “Venture Firms Face

Backlash from Investors.” Investment in infrastructure by pension funds was discussed on pages C1 and C2 of the June 13, 2007 issue of the *Wall Street Journal*, in an article titled “Investing in the Fast Lane.” Information on the historic consecutive daily gains of the Dow Jones Industrial Average is from page C1 of the April 12, 2007 issue of the *Wall Street Journal*, under the headline “Dow Ends Run at History.” Information on the current value of a dollar invested in gold, stocks, and bonds in 1801 is from an article titled “Now What?” in the September 21, 1998 *Forbes Global Business & Finance*, pages 20 and 21. Data on real rates of return on stocks and bonds from the 1930s to the end of the twentieth century are from *The Economist*, May 5, 2001, page 7 of a special section titled “Global Equity Markets: The Rise and the Fall.” Information on the potential returns on the investment of \$100,000 through various investment strategies from 2000 to 2010 is from pages B1 and B4 of the January 2, 2010 issue of the *New York Times*, in an article titled “Steady Savers Still Came Out Ahead.” The fact that the 400 richest Americans lost \$283 billion in one year was reported on pages 80 and 81 of the September 30, 2002 issue of *Forbes* magazine, under the title “The March of the 400.” The fact that more than 50 mutual funds have assets exceeding \$10 billion was reported on page R1 of the May 1, 2006 issue of the *Wall Street Journal* in an article titled “When Mutual Funds Don’t Want Your Cash.” The fact that just over half of the actively managed mutual funds did better than the Standard & Poor’s Index in 2005 was reported on page 76 of the January 28, 2006 issue of *The Economist*. The discussion of mutual funds draws on two articles from page R1 of the April 9, 2001 issue of the *Wall Street Journal*: “Seven Reasons to Index— and to Avoid Playing Those Favorites” and “Index Funds: 25 Years in Pursuit of the Average.” The fact that a \$10,000 investment in mutual funds in 1998 was worth less than \$9,000 in 2003 was reported in an article titled “Five Years of Feast and Famine” in the *Wall Street Journal* of June 2, 2003, beginning on page R1. The fact that just one mutual fund made money in each year of the decade ended in 2003 was covered on the same page of the same issue under the title “Survivor: How One Fund Avoids Losses.” The information about Yale’s offer of student loans to be repaid according to the students’ future income is from page 70 of *The Economics of Life* by Gary S. Becker and

Guity Nashat Becker. Information on the number of insurance companies in the United States is from page 507 of the Bureau of the Census publication *Statistical Abstract of the United States: 2000*. Data on the percentage of current premium income that is paid out in current claims by Allstate and State Farm insurance companies is from page C10 of the January 2, 2003 issue of the *Wall Street Journal* in an article beginning on page C1 titled “Colossus’ at the Accident Scene.” The proportion of life insurance companies’ income from premiums and investments is from page 81 of *Life Insurers Fact Book: 2000*, published by the American Council of Life Insurers. The quotation from *The Economist* about premiums not covering the claims on insurance companies is from page 15 of the September 18, 2004 issue, under the title “The Storms Ahead.” The fact that automobile and property insurers in 2004 made their first overall profit from underwriting alone since 1978 was reported on page 46 of the August 29, 2005 issue of *U.S. News & World Report*, in an article titled “Auto Rates Shift into Lower Gear.” Data on the market share of property and casualty insurance companies in 2007 are from page 41 of *The Insurance Fact Book: 2009*, published by the Insurance Information Institute. The evolution of federal deposit insurance in the 1930s and the half-trillion-dollar bailout of the savings & loan industry in the 1980s were both discussed in Chapter 4 of *FDR’s Folly* by Jim Powell. The quotation from a City Attorney in Oakland who complained that it was unfair to charge people different automobile insurance premiums based on where they lived is from page B1 of the *San Francisco Chronicle* of May 30, 2003 under the title “Car Insurance Rates Hit.” Differences in prices for the same automobile insurance coverage in different cities were reported on page 47 of the August 29, 2005 issue of *U.S. News & World Report*. Data on differences in automobile insurance premiums between Manhattan and Brooklyn are from page D2 of the January 7, 2004 issue of the *Wall Street Journal*, in an article beginning on page D1 of that issue under the title “Car Premiums are Pushed Up by Rising Fraud.” The U.S. Senate’s 95–0 vote to forbid insurance companies from using information from genetic tests to determine coverage or premiums was reported on page D11 of the *Wall Street Journal* of October 15, 2003 under the title “In 95–0 Vote, Senate

Passes Bill Barring Genetic Discrimination.” The banning of different insurance charges for women and men in France, and attempts to extend the ban to the European Union as a whole, were mentioned on page 70 of the November 15, 2003 issue of *The Economist*, under the title “The Price of Equality.” The quote about the use of FEMA as insurance for an affluent beach community is from page 12 of the June 14–20, 2004 issue of *The Washington Post National Weekly Edition* in an article titled “Shoring Up Beach Towns.” John Stossel’s experience building and insuring an ocean-front house was discussed on pages 136 to 139 of his book *Give Me a Break*. Thousands of repeatedly damaged properties which received government insurance payments over the years that exceeded the total value of those properties were discussed on page A14 of the May 24, 2006 issue of the *Wall Street Journal* under the title “Taxpayers Get Soaked.” The statement that the government could pay \$800,000 to every family of four in New Orleans, rather than pay the costs of rebuilding the city after Hurricane Katrina, is from *Slate*, in an online article published on September 22, 2005, titled “Hurricane Relief? Or a \$200,000 Check?” The *New York Times* editorial calling for a federal fund to subsidize private insurers appeared on page A24 of the October 1, 2007 issue under the title “Insurance for the Next Big One.” The use of global positioning systems by insurance companies looking for their policy-holders in the wake of natural disaster is from a story beginning on the front page of Section C of the *New York Times* of September 18, 1999 titled “Headed for Trouble; Insurers Deploy Legions of Adjusters to Areas Hit by Storm.” The contrast between private sector responses and governmental responses to Hurricane Katrina was discussed in an editorial titled “Private FEMA” on page A18 of the September 8, 2005 issue of the *Wall Street Journal*. The fact that a privately-owned bridge in Mississippi was fixed six months after it had been destroyed by Hurricane Katrina, while a government-owned bridge was still wrecked nearly sixteen months later, was reported on the front page of the January 27, 2007 issue of the *Wall Street Journal*, in an article titled “In Katrina’s Wake: Where Is the Money?” The Indian government’s tardiness in responding to a cyclone was discussed on page 535 of Indian economist Barun S. Mitra’s article,

“Dealing with Natural Disaster: Role of the Market,” in the December 2000 issue of *Journal des Economistes et des Etudes Humaines*.

CHAPTER 14: AN OVERVIEW

The epigraph is from a column titled “Economic Profit vs. Accounting Profit” by Robert L. Bartley on page A17 of the *Wall Street Journal* of June 2, 2003. The additional \$81 million in costs resulting from construction delays caused by debates over the design of a new span of the Bay Bridge in San Francisco were reported on page B1 of the December 8, 2005 issue of the *San Francisco Chronicle*, under the headline “Bay Bridge Pause Cost \$81 Million.” Information on bankruptcy filings before and after a new law was passed in 2005 is from page D3 of the November 22, 2005 issue of the *Washington Post*, under the title “Personal Bankruptcy Filings Fall Sharply.” The comment on the negative effects of anticipations of land reform is from page 30 of *Development Without Aid* by Melvyn B. Krauss. The economic consequences of political threats to nationalize the tea plantations in Sri Lanka were discussed on page 832 of Volume II of *Asian Drama: An Inquiry into the Poverty of Nations* by Gunnar Myrdal, first printing published in 1968 by the Pantheon division of Random House. The declining Malaysian currency and stock market after irresponsible statements by its prime minister were mentioned on page 257 of *Thunder from the East* by Nicholas D. Kristof and Sheryl WuDunn. Hoarding by Russian consumers and business enterprises during the 1991 inflation was discussed on pages 7 and 10 to 11 of *Kapitalizm: Russia’s Struggle to Free Its Economy* by Rose Brady. The downgrading of California’s state government bonds by Standard & Poor’s was reported on the front page of the April 25, 2001 issue of the *San Francisco Chronicle*, under the headline “S&P Lowers California’s Bond Rating” and Moody’s downgrading was reported on page A3 in the *Sacramento Bee* of November 22, 2001, under the title “State’s Bond Rating Lowered Again.”

CHAPTER 15: NATIONAL OUTPUT

The epigraph is from page 191 of *Our Culture, What's Left of It* by Theodore Dalrymple. The fact that the money supply in the United States declined by more than one-third from 1929 to 1933 was noted on page 352 of *A Monetary History of the United States: 1867–1960* by Milton Friedman and Anna Jacobson Schwartz. The decline in real output from 1929 to 1933 was shown on page 157 of the February 2004 issue of *Survey of Current Business*. Data on unemployment in Germany and the United States during the Great Depression are from page 176 of *Global Capitalism* by Jeffrey A. Frieden and page 324 of the 2006 *Economic Report of the President*. The fears of a glutted market expressed by Seymour Harris and Vance Packard were quoted from the latter's book *The Waste Makers*, pages 7 and 19. President Franklin D. Roosevelt's remarks about the causes of the Great Depression are from page 113 of *FDR's Fireside Chats*, edited by Russell D. Buhite and David W. Levy. Data on national output during the years 1929, 1933, 1936, and 1941 are from pages 168 and 173 of the August 2007 issue of *Survey of Current Business*, under the title "GDP and Other Major NIPA Series, 1929–2007: II." Data showing the real value of consumer durables between 1945 and 1950 more than doubling are from page 9 of the May 2004 issue of *Survey of Current Business*. The rises and falls in the real prices of various American consumer goods between the years 1900 and 2000 were shown on page 91 of the December 23, 2000 issue of *The Economist*. Details on the surveys indicating the improved quality of vehicles in the late twentieth and early twenty first centuries can be found on page 32 of *Myths of Rich & Poor* by W. Michael Cox and Richard Alm, and page 52 of the September 2003 issue of *Consumer Reports*, under the title "Luxury Lineup." Data on the increased square footage of new houses between 1983 and 2000 are from page 29 of the November 2001 issue of *Housing Market Statistics*, published by the National Association of Home Builders. Overestimates of inflation by the consumer price index, and the resulting underestimates of the average American's real income were discussed on page 21 of *Myths of Rich & Poor* by W. Michael Cox and Richard Alm. The median ages of the populations of various countries are from page 20 of the 2010 edition of *Pocket World in*

Figures, published by *The Economist* magazine. Differences between the average per capita incomes in Japan and the United States, when measured by official exchange rates rather than by the actual purchasing power of the yen and the dollar, were discussed on page 6 of the third edition of *The Illustrated Guide to the American Economy* by Herbert Stein and Murray Foss. The fact that per capita output in Japan was just three-quarters of the per capita output in the United States is from page 98 of the June 5, 2004 issue of *The Economist*, under the heading “GDP per Person.” The Gross Domestic Products of Norway and Italy in 2007 were reported on page 28 of the 2010 edition of *Pocket World in Figures*, published by *The Economist* magazine. Keynes’ statement was quoted from page 69 of *The Economist* of January 21, 2006. The global opinion poll indicating a rough correlation between national prosperity and personal happiness was discussed on page 63 of the July 14, 2007 issue of *The Economist*, in an article titled “Where Money Seems to Talk.” The list of the five countries with the highest Gross Domestic Product as measured by purchasing power in 2007 is from page 26 of the 2010 edition of *Pocket World in Figures*, published by *The Economist* magazine. Data comparing the GDP per capita in China with that of Japan are from pages 132 and 170 of the same publication. Data on the changing degrees of income inequality in the United States are from an article by Goldin and Katz titled “Decreasing (and Then Increasing) Inequality in America: A Tale of Two Half-Centuries” in *The Causes and Consequences of Increasing Inequality*, edited by Finis Welch. Data on the rate of return on Standard & Poor’s 500 mutual funds are from page C5 of the *New York Times* of January 1, 2004, in a story beginning on page A1 titled “Year’s Big Rally Helps Investors Regain Ground.” Alexander Hamilton’s estimate that four-fifths of the American people’s clothing were made in their own homes was cited on page 97 of *The Americans: The Democratic Experience*, 1973 edition, by Daniel J. Boorstin.

CHAPTER 16: MONEY AND THE BANKING SYSTEM

The epigraph is from page 12 of *The First Wall Street* by Robert E. Wright. The fact that the assets of American banks passed the \$10 trillion mark in 2004 is from page 236 of the Spring 2005 issue of the *Federal Reserve Bulletin*, in an article titled “Report on the Condition of the U.S. Banking Industry: Fourth Quarter, 2004.” The use of warehouse receipts for tobacco as money in colonial America was mentioned on page 75 of *A History of the American People* by Paul Johnson. The use of gin as currency in British West Africa was mentioned on page 233 of *The Economic Revolution in British West Africa* by Allan McPhee, second edition. The use of cigarettes as money in a prisoner-of-war camp during World War II was described by an economist who was one of those prisoners in an article in the November 1945 issue of *Economica* titled “The Economic Organisation of a P.O.W. Camp.” The use of salt and bread as money in the early days of the Soviet Union was mentioned on page 8 of *The Turning Point* by Nikolai Shmelev and Vladimir Popov. The fact that large stones serve as currency on the islands of Yap was reported on the front page of the June 30, 2006 issue of the *Los Angeles Times*, under the headline “Pocket Change for Giants.” The quote about Argentines’ resort to barter during the Argentine monetary crisis of 2002 is from page A5 of the *Los Angeles Times* of May 6, 2002, in a story that began on page A1 under the title “Where To Swap Till You Drop.” The resorting to barter and scrip in the United States during the Great Depression was mentioned on page 139 of *The Forgotten Man* by Amity Shlaes. The fact that a hundred-dollar bill in 1998 had less purchasing power than a twenty-dollar bill in the 1960s is from page 47 of an article titled “Going Underground,” in the September 21, 1998 issue of *Forbes Global Business & Finance*. The preference for the currency issued by the Bank of North America over the government’s currency during the 1780s was noted on page 36 of *The First Wall Street* by Robert E. Wright. The fact that Chinese money was once preferred to Japanese money in Japan is from page 150 of a book titled *Money*, edited by Jonathan Williams. The fact that most savings accounts in Bolivia were in dollars during that country’s runaway inflation is from page 210 of an article titled

“Hyperinflation,” in *The Fortune Encyclopedia of Economics*, edited by David Henderson, where the German hyperinflation of the 1920s was also discussed on page 208. The fact that South Africa’s rand had replaced Zimbabwe’s dollar as the currency of choice in Zimbabwe in 2007 was reported on the front page of the August 2, 2007 issue of the *New York Times*, in an article titled “Caps on Prices Only Deepen Zimbabweans’ Misery.” The estimate that 80 percent of the demand for gold comes from the jewelry industry is from page C1 of the *Wall Street Journal* of October 8, 2002, in a story titled “Hoarders Drive Up Gold, Despite Slump in Jewelry Sales.” The changing prices of gold in 1980, 1999 and 2010 are from page A4 of the June 13, 2010 issue of the *New York Times*, in a news report that began on the front page, under the title “Financial Uncertainty Restores Glitter to an Old Refuge, Gold.” The quotation from John Maynard Keynes about inflation is from page 86 of the 1952 printing of his *Essays in Persuasion*. The haste of Russians to spend their rubles during that country’s inflation was in a news story from the front page of the *Christian Science Monitor* of August 31, 1998 in a story titled “Russians Replay ‘Bad Old Days’.” Data on the 1921 inflation in the Soviet Union is from page 6 of *The Turning Point* by Nikolai Shmelev and Vladimir Popov. Russians using rubles for wallpaper and toilet paper in 1991 was reported on page 11 of *Kapitalizm: Russia’s Struggle to Free Its Economy* by Rose Brady. Information on the exchange rates between dollars and marks, and the number of printing presses in use during the German inflation of the 1920s are from pages 450 and 451 of *Germany: 1866–1945* by Gordon A. Craig. Hitler’s phrase “starving billionaires,” used during the German inflation, was mentioned on page 4 of *Wilson’s War* by Jim Powell. Internal differences among various goods within the consumer price index were discussed on page A2 of the April 20, 2006 issue of the *Wall Street Journal* in an article titled “Jump in Prices Stirs Rate Concerns.” Information on inflation rates and changes in real output in Latin America from 1990 and beyond is from page 22 of the August 18, 2007 issue of *The Economist*, in an article titled “Adiós to Poverty, Hola to Consumption.” Data on the declining price levels in Britain and the United States from 1873–1896 are from page 8 of *Global Capitalism* by Jeffrey A. Frieden. The collapse of thousands of American

banks during the Great Depression was mentioned on page 351 of *A Monetary History of the United States: 1867–1960* by Milton Friedman and Anna Jacobson Schwartz. The slowing circulation of money in the United States, along with the declining amount of money, in the years following the stock market crash of 1929 was spelled out on pages 302 to 305 of the same book. President Woodrow Wilson’s statement about the powers and structure of the Federal Reserve System was quoted on page 3 of *A History of the Federal Reserve* by Allan H. Meltzer. The remarkable agreement of both liberal and conservative economists in the United States on the confused and counterproductive monetary policies of the Federal Reserve during the Great Depression of the 1930s can be found by comparing the accounts in *The Great Crash* by John Kenneth Galbraith (especially his comment on page 27 of the 1997 edition), and in *A Monetary History of the United States: 1867–1960* by Milton Friedman and Anna J. Schwartz, where this point was discussed on pages 407 to 419, while the upward shift in the Federal Reserve’s discount rate in 1931 was shown on page 304 of this book. The quotation from Schumpeter about the role of wages in the Great Depression is from page 181 of the March 1931 issue of the *American Economic Review*. Walter Lippmann’s comments about how maintaining pre-depression prices and wages during a depression leads to unsold goods and unemployed workers were quoted from page 92 of *FDR’s Folly* by Jim Powell. President Herbert Hoover’s use of the federal government to try to prevent agricultural prices from falling was mentioned on pages 50 and 52 of the third volume of his *Memoirs*. John Maynard Keynes’ comments on the monetary policy of the British government in 1931 are from page 283 of his *Essays in Persuasion*, 1952 printing. The decline of wheat prices in the 1890s was discussed on page 13 of *Global Capitalism* by Jeffrey A. Frieden. The quote by William Jennings Bryan is from page 14 of the same book. The fact that more countries went on the gold standard at the end of the nineteenth century and early twentieth century was noted on pages 16 and 17 of the same book. The number of financial institutions and merchants connected by Visa credit cards was mentioned on page C1 of the July 16, 2005 issue of the *San Francisco Chronicle* in a news story titled “Grocers, Drugstores Sue Visa USA.” *BusinessWeek* magazine’s comment on Federal

Reserve chairman Alan Greenspan was on page 45 of the June 16, 2003 issue. The *San Francisco Chronicle* story about Wall Street reactions to the Federal Reserve's omission of a phrase is from page B1 of the January 29, 2004 issue, under the title "Fed's New Wording Worries Wall Street." The remarks about how investors dissect the comments from officials of the Federal Reserve are from page B1 of the March 24, 2007 issue of the *Wall Street Journal*, under the title "As Investors Puzzle Over Fed Statement, Dow Gains." The problems of Albanian and Czech banks in the post-Communist era were reported on pages 77 and 78 of the April 28, 2001 issue of *The Economist*. The share of foreign-owned bank assets in eastern European countries in 2006 was shown on page 23 of a special section titled "Paradise Lost," in the May 17, 2008 issue of *The Economist*. The fact that individuals' holdings of gold are largest in India was reported on pages 69 and 70 of an article titled "Foreseeing the Future" in the March 15, 2003 issue of *The Economist*. The fact that 70 percent of the savings in India's state-dominated banking system are lent to the government or government-owned enterprises was reported on page C6 of the March 23, 2007 issue of the *New York Times*, in an article titled "India's Banks Are Seen as Antiquated and Unproductive." The fact that Chinese banks invest the people's savings at subsidized rates to government-owned enterprises that have low rates of return or even operate at a loss is from page 170 of *Reviving the Invisible Hand* by Deepak Lal. The high concentration of bank failures in small communities in states that restricted branch banking during the 1920s and during the Great Depression of the 1930s was discussed on page 308 of *Economics and Public Welfare* by Benjamin M. Anderson.

CHAPTER 17: GOVERNMENT FUNCTIONS

The epigraph by Richard A. Epstein is from page 15 of his book *Overdose*. The epigraph by President Lyndon B. Johnson was quoted from page 181 of *The Johnson Years: The Difference He Made* by Robert L. Hardesty, published in 1993 by the Lyndon Baines Johnson Library. The comment on the changing role of government in economies around the

world is from page 10 of a book that goes into that subject at length— *The Commanding Heights*, written by Daniel Yergin and Joseph Stanislaw. The account of the airport at Kinshasa, Congo, is from page A1 of the April 30, 2002 issue of the *Wall Street Journal*, in a story titled “Kinshasa is Poor, Scary and a Boon for Air France.” Police corruption in Bolivia was reported on page 37 of the May 4, 2002 issue of *The Economist* under the title “Policing the Police.” The story of the wealthy and politically-connected Egyptian businessman who was sentenced to death for hiring a hit man is from page A4 of the May 22, 2009 issue of the *New York Times*, in an article titled “Tycoon Gets Death in Singer’s Murder, Stunning an Egypt Leery of Its Courts.” The fact that both businesses and international aid agencies are taking the level of bribery and corruption into consideration when deciding where to invest and lend was mentioned on page 65 of the March 2, 2002 issue of *The Economist*. The ranking of corrupt countries is from the *Transparency International Corruption Perceptions Index 2004*, available online at www.transparency.org. The reluctance of foreign companies to use Russian accountants during the czarist era was mentioned on page 187 of *Pioneers for Profit* by John P. McKay. The comment about the looting of Russian oil companies is from page 57 of *Saving Capitalism from the Capitalists* by Raghuram G. Rajan and Luigi Zingales. Bribery in Russian universities was reported in the April 18, 2002 issue of *The Chronicle of Higher Education*, in a story titled “Reports of Bribe-Taking at Russian Universities Have Increased, Authorities Say.” The quote and statistic about politically linked enterprises in Russia are from page 63 of the November 1, 2003 issue of *The Economist*. John Stuart Mill’s description of corruption in 19th century Russia is from page 882 of Volume III of *The Collected Works of John Stuart Mill*. The comments by Aditya Birla on the problems created by India’s bureaucracy are from page 183 of *India Unbound* by Gurcharan Das. Information on the number of days required to start a business in Congo and Singapore is from page 112 of the October 6, 2007 issue of *The Economist*, under the heading “Doing Business.” The comments by Soviet economists on the cutting down of forests without reseeding them are from page 109 of *The Turning Point* by Nikolai Shmelev and Valdimir Popov. The ingenious devices used by many affluent northern California communities

to prevent development were explored in articles in *Land Use and Housing on the San Francisco Peninsula*, edited by Thomas M. Hagler and published by the Stanford Environmental Law Society. The comments by Soviet economists about confiscation of the profits of Soviet enterprises are from page 261 of *The Turning Point* by Shmelev and Popov and these enterprises' inability to spend these profits was mentioned on page 147. Kenneth Arrow's quote about morality and business is from page 3 of the Summer 2006 issue of *Religion & Liberty*, in an article titled "The Economy of Trust: An Interview with Kenneth Arrow." The comment on bribes in China and Japan is from page 42 of *The Character of Nations* by Angelo Codevilla. The high percentage of wallets with money in them that were turned in by people in Denmark was mentioned on page 80 of *The White Man's Burden* by William Easterly. Unpaid parking tickets by U.N. diplomats from various countries were discussed on page 11 of Section 4 of the August 13, 2006 issue of the *New York Times* in David Brooks' column. The ability of the Marwaris of India to rely on each other's word in business was mentioned on page 143 of *India Unbound* by Gurcharan Das and of Hasidic Jews to do the same in the New York diamond industry was covered in Chapter 5 of *Diamond Stories* by Renée Rose Shield. The extraordinary efforts to prevent fraud in India are from page 9 of a special supplement on India in the June 2, 2001 issue of *The Economist*. The term "the radius of trust" appeared on pages 79 and 80 of *The White Man's Burden* by William Easterly and restriction of Malagasy grain trading firms to the level of family enterprises was discussed on page 81 of the same book. The story of how unscrupulous landlords exploit and destroy rent-controlled apartment buildings was told on page 43 of *Zoning, Rent Control and Affordable Housing* by William Tucker and in *The Ecology of Housing Destruction* by Peter D. Salins. The high cost of officially setting up a business in Cameroon was discussed on page 188 of *The Undercover Economist* by Tim Harford. The comment by a Russian mother about her children's view of honesty is from page 3 of *Kapitalizm* by Rose Brady. The quotation about consumer frauds by investigative journalist John Stossel is from page 250 of his book *Give Me a Break*. Examples of private market ways of taking externalities into account are found in an article titled "Public Goods and Externalities" in *The*

Fortune Encyclopedia of Economics, edited by David R. Henderson. The story of the genesis and consequences of President Nixon's wage and price controls was told from pages 60 to 64 of *The Commanding Heights* by Daniel Yergin and Joseph Stanislaw and from an essay by Herbert Stein in the *Wall Street Journal* of August 15, 1996, page A10. The comment that educational results "take a long time to come" is from page 313 of *India Unbound* by Gurcharan Das. The mention of a former EPA administrator's conclusions about removing toxic material is from page 11 of *Breaking the Vicious Circle: Toward Effective Risk Regulation* by Stephen Breyer. The debate between the Council of Economic Advisers and Congress over the costs and benefits of making the nation's streams 99 percent pure was noted on pages 194 to 195 of *Presidential Economics*, second revised edition, by Herbert Stein. The beneficial effects of extremely minute traces of arsenic in water were discussed on page 34 of the January 19, 2004 issue of *Insight on the News* under the title "Can Toxins Lead to Healthier Lives?" The effects of small and large doses of saccharin on cancer in laboratory rats are from an article beginning on page 54 of the June 9, 2003 issue of *Fortune* magazine, titled "A Little Poison Can Be Good for You." The costly cleanup of a toxic waste site in New Hampshire was discussed on pages 11 and 12 of *Breaking the Vicious Circle* by Stephen Breyer. The bad effects of the gasoline additive MTBE on ground water have been discussed in many places, including the *San Francisco Chronicle* of August 19, 2001 in a front page story titled "Congress Not Told of MTBE Dangers." The costs of U.S. government regulations on business are from a study titled "The Impact of Regulatory Costs on Small Firms" published by the Small Business Administration. The practice in Islamic finance of recycling documentation for different kinds of financial transactions was reported on page 82 of the September 6, 2008 issue of *The Economist*, under the title "Savings and Souls." Franklin D. Roosevelt's use of presidential powers created during the First World War to take the United States off the gold standard was mentioned on page 86 of *The New York Times Century of Business*, edited by Floyd Norris and Christine Bockelmann. The effects of competition from both private-sector couriers and private phone service providers on the government-run postal service and state-owned phone industry in India were described on pages

A1 and A12 of the October 3, 2006 issue of the *Wall Street Journal*, in an article titled “As Economy Zooms, India’s Postmen Struggle to Adapt.”

CHAPTER 18: GOVERNMENT FINANCE

The epigraph by Arthur F. Burns is from page 13 of his lecture “The Anguish of Central Banking,” from the 1979 Per Jacobsson Lecture, sponsored by the Per Jacobsson Foundation. Data on the spending of the United States government in 2009 are from page 423 of the *Economic Report of the President*, 2010 edition. Smokers’ responses to higher taxes on cigarettes in Alaska were discussed on page 37 of *The Greedy Hand: How Taxes Drive Americans Crazy and What to Do About It* by Amity Shlaes. The fact that many financial-services professionals left the U.K. for Switzerland after top personal tax rates were raised to 51 percent was reported on page C2 of the August 25, 2009 issue of the *Wall Street Journal*, in an article titled “New U.K. Tax Sends Hedge Funds Fleeing.” The decline in tax revenues in Maryland after the state imposed higher tax rates on millionaire households was reported on page A18 of the March 12, 2010 issue of the *Wall Street Journal*, under the headline “Maryland’s Mobile Millionaires.” Data on increased revenue after a reduction in the capital gains tax are from page A18 of the *Wall Street Journal* of May 14, 2001 in an article titled “Real Relief: A Capital-Gains Tax Cut.” The quotation about rising tax revenues after a tax rate cut in India is from page 200 of *India Unbound* by Gurcharan Das. The tripling of tax revenues in Iceland after the corporate tax rate was reduced was reported on page A14 of the March 12, 2007 issue of the *Wall Street Journal*, under the title “Iceland’s Laffer Curve.” The higher tax rates paid by American corporations compared to corporations in foreign nations were shown on page 61 of the August 4, 2007 issue of *The Economist*, in an article titled “Overhauling the Old Jalopy.” Discussion of rising tax revenues after the capital gains tax rate was cut in the United States in 1978, 1997, and 2003 is from page A14 of the March 2, 2006 issue of the *Wall Street Journal* under the title “Non-Dynamic Duo.” Differences between the Congressional Budget Office’s estimates for federal tax receipts and the

actual tax receipts for the years 2003 and 2007 were shown on page A16 of the October 9, 2007 issue of the *Wall Street Journal*, under the headline “The Shrinking Deficit.” The *New York Times*’ surprise over a rise in tax revenues after a cut in tax rates was expressed in a front-page story titled “Surprising Jump in Tax Revenues Curbs U.S. Deficit” in their July 9, 2006 issue. Information on the highest marginal tax rate for the years 1980 and 2004, as well as the share of taxes paid by the top 5 percent of income earners for those years, is from page A14 of the August 24, 2007 issue of the *Wall Street Journal*, under the title “How to Raise Revenue.” Oliver Wendell Holmes’ remarks about catch words are from pages 230 and 231 of his *Collected Legal Papers*. John Maynard Keynes’ comments about taxation are from page 5 of his 1933 work *The Means to Prosperity*. Edmund Burke’s remarks in Parliament about taxation of the American colonies are from page 434 of Volume I of *The Works of the Right Honourable Edmund Burke*. The high unemployment, low productivity, and general decline in the American economy from the late 1960s to the early 1980s in the wake of effective capital gains tax rates in excess of 100 percent were discussed on page A15 of the April 10, 2008 issue of the *Wall Street Journal*, under the headline “The Inflation Threat to Capital Formation.” The decline in the effective capital gains tax rate to below 40 percent by 1987 was shown on the same page. Data on the gross domestic product and U.S. national debt held by the public in 1945, 1994, and 2004 are from pages 423 and 424 of the *Economic Report of the President*, 2010 edition, published by the U.S. Government Printing Office that year. The fact that in 2007 Japan’s national debt was more than 150 percent of the nation’s GDP was shown on page 80 of the November 1, 2008 issue of *The Economist*, in an article titled “Putting the Air Back In.” Data on the national income and national debt of the United States in 1945 are from pages 224 and 1117 of the Census Bureau publication *Historical Statistics of the United States: Colonial Times to 1970*. The statistic that 44 percent of the U.S. government’s debt was held by foreigners in 2007 is from page 240 of *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2009* published by the U.S. government in 2008. Michael Boskin’s comment that Wall Street “yawned” at the 2004 budget deficit is from the front page of a November 2004 *Policy*

Brief titled “Sense and Nonsense About Federal Deficits and Debt” by Professor Boskin, published by the Stanford Institute for Economic Policy Research. The *New York Times* story about a declining deficit was on the front page of the July 13, 2005 issue under the title “Sharp Increase in Tax Revenue Will Cut Deficit.” Information on the national debt of Britain, the United States, and Japan as a share of GDP is from page 73 of the June 13, 2009 issue of *The Economist*, under the headline “The Big Sweat.” The declining capital reserves of the FHA were reported on page A6 of the November 13, 2009 issue of the *Wall Street Journal*, under the headline “Housing Agency Reserves Fall Far Below Minimum.” The decline in the FDIC’s deposit-insurance fund was reported on page A2 of the September 30, 2009 issue of the *Wall Street Journal*, in an article titled “Bank-Bailout Fund Faces Years in Red as Failures Jolt System.” The fact that the FDIC in 2009 required banks to prepay their deposit premiums through 2012 was reported on page 8 of the Business Section of the November 13, 2009 issue of the *Boston Globe*, in an article titled “Banks to Prepay \$45B for Insurance Fees.” Data on the size of the national debt of the United States in 2009 are from pages 423 and 424 of the *Economic Report of the President*, 2010 edition. Information on the share of spending allocated to the military, Medicare and Medicaid, and Social Security in the 2008 budget is from page 28 of the February 10, 2007 issue of *The Economist*, in an article titled “Fiscal Frustrations.” Data on the costs of crime and of prisons in Britain are from page 109 of *A Land Fit for Criminals* by David Fraser. The costs of crime to victims in the United States compared with the costs of imprisonment of criminals are from page 211 of the April 29, 1996 issue of *Fortune*, under the title “Investing in Prison.” Adam Smith’s comment on government spending patterns in 18th century France is from page 687 of his classic *The Wealth of Nations*, Modern Library edition. Information on retirement age and pensions in Italy is from page 52 of the July 28, 2007 issue of *The Economist*, in an article titled “La Dolce Pensione.” The political backlash against pension reforms in France and Germany was described in an article beginning on page C1 of the August 6, 2008 issue of the *New York Times*, under the headline “After Enacting Pension Cuts, Europe Weathers a Storm.” Information about the disability claims of retirees of the Long

Island Rail Road can be found in a front-page story which was continued on pages 26 and 27 of the September 21, 2008 issue of the *New York Times*, under the headline “Retirees’ Disability Epidemic.” The quotation about Brazil’s government workers’ pension plan is from page 36 of the April 5, 2003 issue of *The Economist* in an article titled “Lula’s Great Pension Battle.” The New Zealand poll on the likelihood of receiving government pensions was cited on page 71 of the April-May 2003 issue of *Policy Review* in an article titled “Market Reform: Lessons from New Zealand.” The discrepancies among the percentages of people aged 55 to 64 who are still working in the United States and Japan versus the European Union countries was reported on page 137 of *The World in 2004*, a publication of *The Economist* magazine. A comparison of the benefits of retirees in the United States, Japan, the Netherlands, Spain, and Greece appeared on page 86 of the April 25, 2007 issue of *The Economist*, under the heading “Pensions.”

CHAPTER 19: AN OVERVIEW

The epigraph is from page of 183 of *Armey’s Axioms* by Dick Armey. The quote about favors to special interests by India’s government is from page 318 of *India Unbound* by Gurcharan Das. The cost of the 2002 farm bill to the average American family is from the *National Review* online from August 29, 2002, in an article titled “Twisting ‘The Facts’.” The argument that government policy worsened, rather than alleviated, the Great Depression can be found in *A Monetary History of the United States: 1867–1960* by Milton Friedman and Anna Jacobson Schwartz, pages 407 to 419, in Paul Johnson’s *A History of the American People*, pages 737 to 760 and in *Out of Work* by Richard K. Vedder and Lowell E. Gallaway, pages 89 to 97, 137 to 146. The remarks from Arthur F. Burns about the Federal Reserve’s efforts to control inflation under his chairmanship are from page 16 of his lecture “The Anguish of Central Banking,” from the 1979 Per Jacobsson Lecture, sponsored by the Per Jacobsson Foundation. Information about how the Federal Reserve underestimated inflation during the 1960s

and 1970s and in later years overestimated inflation is from pages 46 and 47 of *The Role of Policymakers in Business Cycle Fluctuations* by Jim Granato and M.C. Sunny Wong. The quote from a former governor of the Federal Reserve recalling the Fed's monetary policy for battling inflation in the early 1980s is from pages 128 to 129 of *The Great Inflation and Its Aftermath* by Robert J. Samuelson. Robert J. Samuelson's comments about the intellectuals whose ideas led to the Great Inflation are from page 207 of the same book. The question of how India could have gone so wrong when it had such outstanding economists was raised on page 162 of *India Unbound* by Gurcharan Das. The problems of India's nationalized banks were discussed on page 164 of the same book. The fact that India's middle class began to abandon the country's state banks in favor of high-tech private banks in the early 21st century was reported on page A12 of the October 3, 2006 issue of the *Wall Street Journal*, in an article titled "As Economy Zooms, India's Postmen Struggle to Adapt," which began on page A1. The increasing pressure applied by regulators to banks to demonstrate compliance with the Community Reinvestment Act was reported on page A1 of the February 13, 1996 issue of the *Wall Street Journal*, under the headline "Mortgage Lending to Minorities Shows a Sharp 1994 Increase." Citigroup's near \$41 billion losses on subprime loans from 2007 to 2008 were shown on page C3 of an article beginning on page C1 of the April 22, 2008 issue of the *New York Times* titled "Banks Hunting for More Cash." The comment that India's government looks out for itself is from page 349 of *India Unbound* by Gurcharan Das. Information about unemployment in the United States following the 1929 stock market crash is from page 77 of *Out of Work* by Richard K. Vedder and Lowell E. Gallaway. The quote about how new and rare free market democracies are is from page 317 of *India Unbound* by Gurcharan Das. The economic results of the English Channel tunnel are from page 59 of the February 14, 2004 issue of *The Economist* under the title "Under Water." Adam Smith's remarks on the misapplication of money set aside by government for a particular purpose are from page 873 of his *The Wealth of Nations*, Modern Library edition.

CHAPTER 20: INTERNATIONAL TRADE

The epigraph is from pages 121 and 122 of Volume I of *John Adams: A Biography in His Own Words*, edited by James Bishop Peabody. The comment from the *New York Times* about whether the United States was a “job winner” or a “job loser” from freer trade is from an article titled “Nafta and Jobs,” which appeared in the November 14, 1993 issue, page 4 of Section 4. The declining unemployment rate in the United States from 1993 to 2000 was shown on page 26 of a special supplement in the June 29, 2002 issue of *The Economist* under the title “Present at the Creation.” The declining unemployment rate in Canada was discussed on page 14 of the January 3, 2004 issue of the same magazine in an article titled “Free Trade on Trial,” which began on page 13. The increase of jobs in Mexico was reported on page A13 of the *Wall Street Journal* of March 5, 2003 and the simultaneous increase of jobs in the United States was shown on page 371 of *The Economic Report of the President*, 2002 edition. The increase in international trade in both Mexico and the United States in the years following NAFTA was shown on page 14 of the January 3, 2004 issue of *The Economist*, in an article titled “Free Trade on Trial.” Justice Holmes’ statement, “we need to think things instead of words” is from page 293 of *Collected Legal Papers* by Oliver Wendell Holmes. The American export surpluses during the 1930s and its lower total international trade in that decade compared to the 1920s can be calculated from data on page 864 of the U.S. Bureau of the Census publication, *Historical Statistics of the United States: Colonial Times to 1970*. The record-breaking reduction in the international trade deficit of the United States in the spring of 2001 was reported on page 35 of *BusinessWeek*’s May 7, 2001 issue under the title “A Shrinking Trade Gap Looks Good Stateside.” India’s advantages in supplying computer services to American businesses were discussed on pages 57 to 74 of the March 2003 issue of *Banca Nazionale del Lavoro Quarterly Review* (published in Italy) under the title “Software Exporting: A Developing Country Advantage.” The fact that India has nearly 30 percent of the world’s software engineers is from page 138 of *The City* by Joel Kotkin. The growing practice by Taiwanese companies in building

electronics manufacturing plants in the Czech Republic was reported on page 43 of the January 8, 2007 issue of *BusinessWeek*, in an article titled “Made in China— Er, Veliko Turnovo.” The quoted statement about the importance of comparative advantage to poor nations is from page 218 of an article by Daniel T. Griswold titled “International Markets, International Poverty: Globalization and the Poor” in the book *Wealth, Poverty and Human Destiny*, edited by Doug Bandow and David L. Schindler. The West African example of comparative advantage among cocoa farmers is from page 68 of *The Economic Revolution in British West Africa* by Allan McPhee, published originally in 1926 and reprinted in 1971 by Frank Cass & Co., Ltd. The estimate of economies of scale in automobile production is from page 76 of *The Structure of American Industry*, ninth edition, by Walter Adams and James Brock. Data on sales of automobiles and pick-up trucks in the United States in 2003 are from page 16 of the Spring 2004 issue of the *J.D. Power Car Guide*. Information on automobile production and sales in Australia is from pages 59 and 81 of *Ward’s Automotive Yearbook*, 59th edition, published in 1997. Data on Australian and American populations and purchasing power in Australia are from pages 14, 22, 24, 62, and 102 of *Pocket World in Figures*, 2001 edition, published by *The Economist*. Data on sales of *The Economist* in Britain and the United States are from page 9 of the October 30, 2004 issue of that magazine. The fact that Toyota, Honda, and Nissan all earn most of their profits in North America is from page W1 of the October 31, 2002 issue of the *New York Times*, in a news story titled “Slowdown? Don’t Tell Toyota Motor.” The fact that Japanese carmakers began to produce more cars outside of Japan than inside Japan was reported on page C1 of the *New York Times* of August 1, 2006, in an article titled “Japan Makes More Cars Elsewhere.” Information on China’s toy exports to India, and on the Tata group’s response to other Chinese exports are from pages 48 and 49 of the May 3, 2001 issue of *Far Eastern Economic Review*, in an article titled “No More Fun and Games.” Holland’s position as a leading international trade nation from the 1590s to the 1740s was discussed on page 2 of *The Dutch Republic* by Jonathan Israel and the high wages of Dutch workers were discussed on pages 88 to 93 of *An Economic and Social History of the Netherlands 1800–1920* by Michael Wintle. Data on labor

productivity in India and the United States are from page 65 of the September 8, 2001 issue of *The Economist*, under the title “Unproductive.” The declining rates of return on capital invested in czarist Russia as the amount invested increased during its early industrialization are from page 139 of *Pioneers for Profit* by John P. McKay. The fact that world exports in 1933 were one-third of what they were in 1929 is from page 83 of *Against the Dead Hand* by Brink Lindsey. The appeal by more than a thousand American economists against passage of the Smoot-Hawley tariff of 1930 was reported and quoted extensively, beginning on the front page of the May 5, 1930 issue of the *New York Times* under the headline, “1,028 Economists Ask Hoover to Veto Pending Tariff Bill.” The economic repercussions of the tariff were reported on pages 43 to 45 of *FDR’s Folly* by Jim Powell. Information about unemployment rates in the United States after the signing of the Smoot-Hawley tariffs is from page 77 of *Out of Work* by Richard Vedder and Lowell Gallaway. Job losses during the 1980s in the American steel industry were discussed on pages 97 and 104 of *The Structure of American Industry*, ninth edition, by Walter Adams and James Brock and statistical estimates of the financial costs and job losses in the U.S. economy as a whole from trying to protect jobs in the steel industry were discussed on page 57 of the November 15, 2003 issue of *The Economist*, in an article titled “Sparks Fly over Steel.” American job losses due to restrictions on imported sugar were discussed on page A14 of the March 6, 2006 issue of the *Wall Street Journal*, under the title “Sweet Opportunity.” Foreign producers of American military equipment were discussed on page C1 of the September 27, 2005 issue of the *New York Times*, in an article titled “U.S. Weapons, Foreign Flavor.” Examples of the application of anti-dumping laws in the European Union are from pages 29 to 32 of *The Race to the Top: The Real Story of Globalization* written by Tomas Larsson. The application of American anti-dumping laws was discussed on pages 173 and 174 of *Globalization and Its Discontents* by Joseph E. Stiglitz. The report that Taiwan produces most of the computer components in the world is from page 15 of a special section of the October 22, 2005 issue of *The Economist* titled “A Market for Ideas.” That Asian firms rely on American, Japanese and European firms for new technology was reported on page 31

of the May 2006 issue of the *Far Eastern Economic Review* in an article titled “The Offshoring of Innovation.” The Indian tutoring service TutorVista was discussed on page C4 of an article beginning on page C1 of the October 31, 2007 issue of the *New York Times*, under the title “Hello, India? I Need Help with My Math.” The fact that 63 percent of Japanese-brand automobiles sold in the United States in 2006 were manufactured in the United States was shown on page 8 of the report *Cars and Trucks for a Vibrant America and a Better World*, a publication of the Japan Automobile Manufacturers Association. Data on jobs gained and lost in the United States through outsourcing are from pages 53 and 54 of the March 2004 issue of *Survey of Current Business* in an article titled “A Note on Patterns of Production and Employment by U.S. Multinational Companies.”

CHAPTER 21: INTERNATIONAL TRANSFERS OF WEALTH

The epigraph is from page 2 of *The Ideas that Conquered the World* by Michael Mandelbaum. Information on foreign direct investment into the United States and by the United States into other nations appeared on page 122 of the December 6, 2008 issue of *The Economist*, under the heading “Foreign Direct Investment.” The statistic that 44 percent of the U.S. government’s debt was held by foreigners is from page 240 of *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2009* published by the U.S. government in 2008. Data on remittances from the United States to Mexico are from page A14 of the *New York Times* of October 28, 2003, under the title “A Surge in Money Sent Home by Mexicans.” Data on remittances sent by Chinese and Indian workers in 2005 are from page 116 of the November 26, 2005 issue of *The Economist* under the title “Remittances.” The World Bank’s estimate that in 2008 migrant workers sent \$328 billion back home to their families is from page 64 of the August 1, 2009 issue of *The Economist*, in an article titled “What Goes Up.” Information about the economic impact of remittances sent to poor countries such as Guatemala, Uganda, Bangladesh, Albania, Haiti, Moldova, and Tonga is from pages A1 and A12 of the November 1, 2006

issue of the *Wall Street Journal*, in an article titled “Migrants’ Money Is Imperfect Cure for Poor Nations,” and also page 60 of the January 20, 2007 issue of *The Economist*, under the title “Europe’s Huddled Masses.” Data on money sent by Irish immigrants in America to members of their families in Ireland in the 1840s is from page 251 of *The Americans*, Volume III, by Daniel Boorstin. Data on international investments are from page 6 of a special section of *The Economist* of May 3, 2003, that section being titled “A Cruel Sea of Capital.” The creation of American software companies in Bangalore, India, was discussed on page C3 of the March 20, 2006 issue of the *New York Times* in a news story titled “Is the Next Silicon Valley Taking Root in Bangalore?” The production of the ten millionth Toyota in the United States was reported on page W1 of the October 31, 2002 issue of the *New York Times*, in a story titled “Slowdown? Don’t Tell Toyota Motor.” Data on payments earned by the United States from royalty and license fees from other countries are from page 77 of the December 2001 issue of *Survey of Current Business*. Data on payments earned for all services supplied to other countries are from page 49 of the November 2001 issue of the same publication. The comment on the trade deficit is from page A12 of the February 1, 2005 issue of the *Wall Street Journal*. The comparison of the trade deficit of the United States with that of other countries is from page 19 of the April 8, 2006 issue of *The Economist* in an article titled “Still Waiting for the Big One.” The fact that a balance of payments surplus preceded the 1992 recession is from page D–20 of the December 1999 issue of the *Survey of Current Business*. Germany’s export surpluses, slower growth rates, and higher unemployment rates than the United States were mentioned on page A12 of the January 10, 2005 issue of the *Wall Street Journal* under the title “The German Disease.” The fact that the United States received more than twice as much foreign investment as any other country was reported on page 104 of *The World in 2004*, a publication by the British magazine *The Economist*. Data on foreign acquisitions of assets in the United States are from page 59 of the April 2004 issue of *Survey of Current Business*. The share of foreign direct investment in the United States from Europe and Canada was shown on page 45 of the June 2007 issue of *Survey of Current Business*, in an article titled “Foreign Direct

Investment in the United States.” The \$1.3 trillion total international debt of the United States at the end of 2001 was reported on page 14 of the July 2002 issue of *Survey of Current Business*. The fact that France, Britain, and Japan have large net foreign investments was reported on page 89 of the July 1, 2006 issue of *The Economist*, under the title “Foreign Direct Investment” and the foreign investments of Switzerland were reported on page 99 of the December 7, 2002 issue. Data on foreign ownership of American railroads in the nineteenth century are from page 195 of *The History of Foreign Investment in the United States to 1914*, written by Mira Wilkins. Information on the over-all amount of foreign investment in nineteenth-century America, and on the railroads’ majority share of foreign investment in American stocks and bonds are from pages 463 and 466 of “U. S. Foreign Financial Relations in the Twentieth Century” by Barry Eichengreen in *The Cambridge Economic History of the United States, Volume III: The Twentieth Century*, edited by Stanley L. Engerman and Robert E. Gallman. The fact that foreign investors in the early twentieth century owned one-fifth of the Australian economy and one-half of the Argentine economy was reported on page 20 of *Global Capitalism* by Jeffrey A. Frieden. Information on Americans producing more than one-third of all the manufactured goods in the world in 1913 is from page 142 of *The History of Foreign Investment in the United States to 1914*, cited above. Data on the extent of American foreign direct investment to Europe, Canada, and other nations are from page 14 of the January 3, 2004 issue of *The Economist*, in an article titled “Free Trade on Trial.” Information on the Tata Group’s international acquisitions is from page C3 of the October 18, 2006 issue of the *New York Times* under the title “An Indian Company Wants to Be Everywhere.” The economic impact of remittances in nations such as Bosnia, Honduras, and Laos as measured by the share of each nation’s GDP from remittances was shown on page 3 of the Week in Review Section of the November 18, 2007 issue of the *New York Times*, in an article titled “Migrant Money Flow: A \$300 Billion Current.” The role of foreigners in various British industries and in finance was discussed on page 69 of *Alien Immigrants to England* by W. Cunningham and on pages 325 to 340 of *The Persecution of Huguenots and French Economic Development: 1680–1720* by Warren C. Scoville. The

statement by Fernand Braudel that immigrants created modern Brazil, Argentina, and Chile is from page 440 of his book *A History of Civilizations*. The economic role of the Lebanese in Africa was discussed on page 309 of “The Lebanese in West Africa,” by R. Bayly Winder, which appeared in Vol. IV, No. 3 (April 1962) of *Comparative Studies in Society and History*. The economic role of the Greeks in the Ottoman Empire was discussed on pages 262, 263 and 266 of “The Transformation of the Economic Position of the *Millets* in the Nineteenth Century,” by Charles Issawi, which appeared in Volume I of *Christians and Jews in the Ottoman Empire: The Functioning of a Plural Society*, edited by Benjamin Braude and Bernard Lewis. The economic role of the Germans in Brazil was discussed in Chapter 2 of *Migrations and Cultures* by Thomas Sowell and the role of the Chinese in Malaysia and the Indians in Fiji were discussed in Chapters 5 and 7 of the same book. The role of the British in Argentina was discussed throughout *British-Owned Railways in Argentina: Their Effect on Economic Nationalism, 1854–1948* by Winthrop R. Wright. The role of the Belgians in Russia was discussed on page 35 of *Pioneers for Profit* by John P. McKay. Cambodian ownership of most doughnut shops in California was discussed in a front-page story in the February 22, 1995 issue of the *Wall Street Journal* under the title “How Cambodians Came to Control California Doughnuts.” The fact that most doctors in Britain are foreign was reported in the October 25, 1998 issue of the British newspaper *The Independent*. The Spanish cleric who supported expulsion of the Moriscoes was quoted on page 795 of *The Mediterranean and the Mediterranean World in the Age of Philip II*, Vol. II by Fernand Braudel, 1973 English translation. Data on the emigration of educated people from various countries is from page 94 of the April 2, 2005 issue of *The Economist*. Differences in the percentage of immigrants on welfare are from page 126 of *The Debate in the United States over Immigration*, edited by Peter Duignan and Lewis H. Gann. The percentage of the world’s land inhabited by Western Europeans and the additional percentage controlled by them in their overseas colonies is from page 87 of *The Dynamics of Global Dominance* by David B. Abernethy. The fact that foreign direct investment in the Arab Middle East rose from \$4 billion in 2001 to \$19 billion in 2006 was reported on page A13 of an article

beginning on page A1 of the July 19, 2007 issue of the *Wall Street Journal*, under the headline “Desert Oasis: Boom in Investment Powers Mideast Growth.” Data on American investments in the Netherlands and in Africa in 2001 are from page 20 of the February 2003 issue of *Survey of Current Business*. The positive growth rates of poor countries that are more “globalized” and the negative growth rates of those that are not are from page 67 of *The Economist* of December 8, 2001, under the title “Going Global.” The percentage of Latin American businesses owned by multinational companies in 1991 and 2001 is from page 109 of *The World in 2004*, published by *The Economist* magazine. The fact that foreigners took nearly \$270 billion out of the American economy in 2001 is based on data on page 10 of the February 2003 issue of the *Survey of Current Business*. The decline in the ratio of mean income between the top 20 nations and the bottom 20 nations from 23-to-1 in 1960 to less than 10-to-1 in 2000 was shown on page 136 of *Reviving the Invisible Hand* by Deepak Lal. The quotation from two Soviet economists on the USSR’s importation of capitalist technology is from page 49 of *The Turning Point* by Nikolai Shmelev and Vladimir Popov. P. T. Bauer’s comment on foreign aid is from page 102 of his book *Equality, the Third World, and Economic Delusion*. The estimate that only one person in ten works in a legally recognized enterprise in a typical African nation is from the article “No Title,” on pages 20 to 22 of the March 31, 2001 issue of *The Economist*. The estimate of the number of illegally built homes in Egypt is from page 20 of *The Mystery of Capital* by Hernando de Soto and the value of the illegally held real estate in Peru is from pages 33 and 34. Peddlers who became founders of major companies like Levi Strauss, Macy’s, etc. were discussed in Chapter 6 of my *Migrations and Cultures*, where further specific citations of sources can be found in the end notes. Data on the levels of official development assistance, private philanthropy, remittances, and private capital flows sent by the United States to developing nations in the Third World are from page 16 of *The Index of Global Philanthropy and Remittances: 2009*, published by the Hudson Institute Center for Global Prosperity. The fact that private transfers of wealth such as philanthropy, remittances, and investment to poor nations exceed the amount of official government development

assistance was shown on page 17 of the same report. Robert Mundell's comment on the era of the gold standard is from his lecture at the Central Bank of Uruguay in May 2002 and J. P. Morgan's comment on gold was quoted on page 41 of *The New York Times Century of Business*, edited by Floyd Norris and Christine Bockelmann. The varying exchange rates between the dollar and the euro have been discussed in many places, including two news stories beginning on page C1 of the *New York Times* of May 20, 2003 and an article in the May 19, 2003 issue of *BusinessWeek* magazine titled "Beware the Super Euro." The quotation about the effect of Britain's pound sterling "weakening" against the euro is from page 52 of the May 19, 2003 issue of *BusinessWeek* magazine, under the title "The Wonderful Falling Pound." The effect of the "strong" Norwegian krone on purchases of groceries from Sweden was reported on page 42 of the August 31, 2002 issue of *The Economist*, under the title "Have Car-Boot, Will Travel." The fact that during the first quarter of 2009, the value of the American dollar was rising relative to the Swedish krona and Swiss franc, while at the same time falling in value relative to the British pound and Australian dollar was shown on page 102 of the April 25, 2009 issue of *The Economist*, under the heading "Exchange Rates Against the Dollar."

CHAPTER 22: AN OVERVIEW

The epigraph by Holman W. Jenkins, Jr. is from page A19 of the October 7, 2009 issue of the *Wall Street Journal*, under the title "The Meaning of Nummi." The public opinion poll on protectionism and free trade was mentioned on page 56 of *The Race to the Top: The Real Story of Globalization*, written by Tomas Larsson. The estimated costs of protectionism in the European Union countries are from page 62 of the same book. The statistics on the number of steel workers and the number of workers in steel-using industries are from page 229 of *Saving Capitalism from the Capitalists* by Raghuram Rajan and Luigi Zingales. The respective costs of producing steel in the United States, Germany, Japan, Brazil, and South Korea were reported on page 61 of *The Economist* of March 9, 2002. Nassau W. Senior's

quote about the high wages and high productivity of English labor back in the 19th century is from pages 75 to 76 of his *Three Lectures on the Transmission of the Precious Metals from Country to Country and the Mercantile Theory of Wealth*. Professor Jagdish Bhagwati's experience debating at Cornell is from pages 8 and 9 of his book *Free Trade Today*. Joseph Stiglitz's criticisms of the International Monetary Fund are found, among other places, in his book *Globalization and Its Discontents*. The fact that both Germany and China export more merchandise than the United States is from page 114 of the March 28, 2009 issue of *The Economist*, under the heading "Top Exporters." Data on the increasing role of international trade in the American economy is from page 76 of *Saving Capitalism from the Capitalists* by Rajan and Zingales. Information on the role of foreign investments in the economic development of the United States is from "U. S. Foreign Financial Relations in the Twentieth Century," by Barry Eichengreen in *The Cambridge Economic History of the United States*, Vol. III: *The Twentieth Century*, edited by Stanley L. Engerman and Robert E. Gallman. Information about the tariff rates in India and the United States is from page 106 of the February 10, 2007 issue of *The Economist*, under the heading "Trade and Output." Standard and Poor's downgrading the rating of India's currency was reported in the August 11, 2001 issue of *The Economist*, in an article titled "Slaves of the State," which began on page 58. The report on failed development projects in Niger is from a front-page story in the May 10, 2002 issue of the *Wall Street Journal*, under the title "The Radio Offers Africans Rare Aid in Tune with Needs." The role of entrepreneurs and professionals from India in other countries was explored in Chapter 7 of *Migrations and Cultures* by Thomas Sowell. The National Bureau of Economic Research study showing that East Asian firms with substantial foreign ownership had higher productivity than domestically-owned firms was titled "Global Links Raise Asian Countries' Productivity" from the August 2002 issue of the *NBER Digest*.

CHAPTER 23: MYTHS ABOUT MARKETS

The epigraph is from page 35 of *Essays in the Philosophy of Science* by Charles Sanders Peirce, in an article originally published in *Popular Science* magazine in 1878. The quotation about prices as barriers to consumption was Joseph Schumpeter's characterization of popular notions and appeared on page 118 of *Essays of J. A. Schumpeter*, edited by R.V. Clemence. Information on prices at various California grocery stores is from page 47 of the Winter/Spring 2001 issue of *Bay Area Consumers' Checkbook* and from the Fall 2003/Winter 2004 issue of the same magazine. Comparisons of prices and service at computer stores are from pages 75, 77 and 78 of the Spring/Summer 2004 issue of the same publication. The higher prices charged through the General Motors employee benefits plan were discussed in the February 15, 2005 issue of the *Wall Street Journal* in a story beginning on page B1 under the title "Generic Drugs by Mail Can Be a Raw Deal." The quote from Gary Becker that he did not know of any documented example of predatory pricing is from page 163 of *The Economics of Life* by Gary S. Becker and Guity Nashat Becker. The quote from India's Prime Minister Nehru about the number of brands of toothpaste is from page 153 of *India Unbound* by Gurcharan Das. Josiah Wedgwood's pioneering in the use of brand names on consumer products was discussed on page 33 of *Brand New* by Nancy F. Koehn and Henry Heinz's pioneering in the use of brand names for processed foods on pages 59 and 60. The role of McDonald's in pioneering higher standards for French fries, hamburgers and milk shakes is from Chapter 6 of the revised 1995 edition of *McDonald's: Behind the Arches* by John F. Love. The fact that Soviet consumers had used bar codes to identify the makers of various products is from page 7 of a special section on consumers (titled "Crowned at Last: A Survey of Consumer Power") in the April 2, 2005 issue of *The Economist*. Information about *Good Housekeeping* magazine's test lab and seal of approval can be found on pages C1 and C8 of the November 20, 2006 issue of the *New York Times*, in an article titled "Polishing the Good Housekeeping Seal." The growing number of businesses, including Wal-Mart and McDonald's, that are contracting with the private regulator

GlobalGap to ensure the safety of the foods purchased from farms around the world was reported on page B1 of the March 11, 2008 issue of the *Wall Street Journal*, under the headline “Private Food Standards Gain Favor.” Information about the market value of Coca-Cola and the value of the Coca-Cola brand name is from page 19 of *Brands and Branding* by Rita Clifton and John Simmons. The adverse comments about businessmen from Adam Smith are from the Modern Library edition of *The Wealth of Nations*, pages 128 and 250. The quote from David Ricardo is from page 133 of Volume III of *The Works and Correspondence of David Ricardo*, edited by Piero Sraffa and published by Cambridge University Press. The fact that the bulk of agricultural subsidies go to big corporations, rather than to family farmers, can be verified from many sources, including *The Structure of American Industry* by Walter Adams and James Brock, ninth edition, page 29. Business support for President Nixon’s wage and price controls was mentioned on page 149 of *The Suicidal Corporation* by Paul Weaver. Harvard’s endowment of \$26 billion was reported on page C1 of the February 17, 2010 issue of the *Wall Street Journal*, under the title “Harvard Tests Market for Its Property Bets.” Information on fees charged by non-profit organizations is from an interview with Peter Drucker that was published in the March/April 1999 issue of *Philanthropy* on page 11. Christopher Hitchens’ comments about the Church of England are from page 111 of his *The Abolition of Britain*. Adam Smith’s comments on the self-indulgences of professors are from page 718 of his classic *The Wealth of Nations*, Modern Library edition. Pre-World War II discrimination against blacks and Jews by non-profit organizations was discussed on pages 695 and 705 of “Through the Back Door: Academic Racism and the Negro Scholar in Historical Perspective” in the Summer 1971 issue of *Daedalus*, on page 480 of *American Democracy* by Harold J. Laski and on page 323 of *An American Dilemma* by Gunnar Myrdal. The controversial practice of non-profit organizations selling the right to use their logos to commercial businesses was discussed in a *New York Times* story beginning on page A1 of the May 3, 1999 issue, under the title “Marketing Tied to Charities Draws Scrutiny from States.” The \$44 million collected by the American Medical Association in 2005 from the sale of database information was

reported on page B9 of the July 25, 2007 issue of the *San Francisco Chronicle*, in an article titled “Prescription Mining Raises Millions for Doctors’ Group.” The salaries of symphony orchestras’ musical directors were revealed on the front page of Section 2 of the July 4, 2004 issue of the *New York Times* under the title “The Plight of the White-Tie Worker.” The outsourcing of college and university operations to commercial businesses was discussed in an article beginning on the first page of Section B of the January 28, 2005 issue of *The Chronicle of Higher Education*. Recent changes in Israeli kibbutzim were discussed on pages A15 and A16 of the March 4, 2007 issue of the *San Francisco Chronicle*, in an article titled “A Radical Experiment at Israel’s First Kibbutz.” The non-profit organization whose admission to not having a doctor or scientist on its staff was discussed in a January 2004 publication of the Capital Research Center titled “The Environmental Working Group: Peddlers of Fear” by Bonner R. Cohen. Comments about “trickle-down” notions by Samuel Rosenman are from page 128 of *The Forgotten Man* by Amity Shlaes. Comments about “trickle-down” notions by Barack Obama are from a front-page story from the October 30, 2008 issue of *Investor’s Business Daily*, under the headline “Why the Mortgage Crisis Happened.” The McDonald’s chain’s early brushes with bankruptcy were discussed on pages 175 to 181, and 199 of *McDonald’s: Behind the Arches*, 1995 revised edition, by John F. Love.

CHAPTER 24: “NON-ECONOMIC” VALUES

The epigraph is from page 131 of *My Times: Adventures in the News Trade* by John Corry. The fact that Bill Gates has donated 42 percent of his wealth to charity, while Gordon Moore has donated 63 percent of his fortune to charity, was shown on page 238 of the October 8, 2007 issue of *Forbes*, under the title “Cutting Big Checks.” The fact that Americans make larger donations per capita to charitable causes than Europeans is from page 78 of the March 13, 2004 issue of *The Economist*. The fact that Americans also donate more than three times as high a percentage of the country’s output to philanthropic causes than do the Swedes, the French or the

Japanese was shown in the February 25, 2006 issue of *The Economist*, on page 4 of a special section titled “The Business of Giving.” The comment that the marketplace was “amoral” and the mayor of Stockton’s comment that “life-sustaining” water could not be entrusted to private enterprise are from page 11 of the February 9, 2003 issue of the *San Francisco Chronicle Magazine* in an article titled “Water Profit on Tap?” The report on the privatization of the municipal water supply in Argentina is from page 68 of the March 22, 2003 issue of *The Economist* under the title “Raise a Glass.” Comparisons of the private water system in England with the government-owned water system in Scotland are from page 56 of the May 31, 2003 issue of *The Economist*, under the title “Frozen Taps.” The exchange between an official in India and an Indian entrepreneur trying to get him to reduce excise taxes is from page 234 of *India Unbound* by Gurcharan Das. The fact that videocassette recorders initially sold for \$30,000 each is from page 139 of *Culture and Prosperity* by John Kay. The complaint that newspapers have to meet profit requirements determined by “faceless Wall Street financial analysts” is from a letter to the editor of *Editor & Publisher* magazine, published on page 4 of the October 8, 2001 issue. The *New York Times* reporter’s statement that “you cannot expect magnanimity from the marketplace” is from page 27 of the January 18, 2004 issue of the *New York Times Magazine*, in an article titled “A Poor Cousin of the Middle Class.” The rise of an estimated million people per month out of poverty in China was reported on page 3 of *The Undercover Economist* by Tim Harford. The fact that taxes represent a higher share of a price of a gallon of gasoline than the earnings of the oil companies was shown on page 1 of *Putting Earnings into Perspective*, published by the American Petroleum Institute on April 12, 2010. Price controls in West Africa were discussed on page 33 of *West African Trade* by Peter Bauer. Data on the financial costs of natural disasters and their costs in human lives in various countries are from page 116 of the March 20, 2004 issue of *The Economist*. Estimates of the value that people put on their lives, and of the costs of saving lives in various ways, are both from page 7 of a special supplement titled “Living Dangerously” in *The Economist* of January 24, 2004. The suggestion that the government should provide jobs for the unemployed doing work “to satisfy pressing social

needs” appeared on page 4 of Section 3 of the February 12, 2006 issue of the *New York Times* in an article titled “Chasing Full Employment.”

CHAPTER 25: THE HISTORY OF ECONOMICS

The epigraph is from page 383 of *The General Theory of Employment Interest and Money*, by John Maynard Keynes. Xenophon’s analysis of the economic policies of ancient Athens can be found in “On the Means of Improving the Revenues of the State of Athens,” on pages 33 to 49 of the book *Early Economic Thought*, edited by Arthur Eli Monroe. Thomas Aquinas’ discussion of prices is from page 64 of his “Summa Theological” which was published in the same book. The mercantilist ideas of Thomas Mun are from pages 171 and 172 of his “England’s Treasure by Forraign Trade,” also published in Monroe’s *Early Economic Thought*. The quote from Sir James Steuart about slavery is from page 337 of Volume I of his *Works*, 1805 edition. Adam Smith’s remark that a society cannot flourish if the majority of its population is poor is from page 79 of his *The Wealth of Nations*, Modern Library edition. Adam Smith’s negative opinions of merchants and manufactures are from page 250 of the same book. Adam Smith’s definition of wealth is from page lvii of the same book. Adam Smith’s rejection of imperialism is from page 325, and his call for Britain to abandon the dream of empire is from page 900 of his *The Wealth of Nations*, Modern Library edition. Adam Smith’s negative views of slavery can be found on pages 80, 81, and 365 of his *The Wealth of Nations*, and also page 337 of his *The Theory of Moral Sentiments*, Liberty Classics edition. Adam Smith’s remark about the “unnecessary attention” given by government to issues that can be better resolved in the marketplace is from page 423 of his *The Wealth of Nations*. Sir James Steuart’s belief that it was the role of the “statesman” to intervene in the economy can be found on pages 4, 15, 73, and 88 of Volume I of his *Works*, 1805 edition. Adam Smith’s opposing view of government intervention as serving the self-interests of “crafty” politicians is from page 435 of his *The Wealth of Nations*. David Ricardo’s comments about remaining true to his ideals and convictions was quoted

from page 372 of Volume VII of *The Works and Correspondence of David Ricardo*, edited by Piero Sraffa. The fears of a glutted market were expressed by Vance Packard on page 7 of his book *The Waste Makers*. Say's comments about increased output in France since the reign of Charles VI are from page 137 of his book *A Treatise on Political Economy*. The idea that aggregate demand was limitless was expressed by the Physiocrat Le Mercier de la Rivière on page 272 of Volume II of his book *L'Ordre naturel et essentiel des sociétés politiques*. The fact that Harvard University appointed the first professor of economics in the United States back in 1871 is from page 93 of *Memoirs of an Unregulated Economist* by George J. Stigler. Adam Smith's discussion of the value of water versus that of diamonds is from page 28 of his *The Wealth of Nations*, Modern Library edition. The belief that utility was entirely subjective was expressed by Carl Menger on page 119 of his *Principles of Economics*, translated by James Dingwall and Bert F. Hoselitz, and also by W. Stanley Jevons on page 39 of his *The Theory of Political Economy*, 1957 edition. Carl Menger's remarks about the limits to the consumption of food are from page 124 of his book *Principles of Economics*. W. Stanley Jevons' rejection of the notion that the value of a product depended on the labor to produce it is from pages 162 and 163 of his book *The Theory of Political Economy*, cited above. Alfred Marshall's remarks about how the value of a product is determined by both its utility and production costs are from page 348 of his book *Principles of Economics*, eighth edition. Alfred Marshall's comments on the influence of John Stuart Mill's *Principles of Political Economy* are from page 119 of *Memorials of Alfred Marshall*, edited by A.C. Pigou. Alfred Marshall's remarks about social reformers are from page 174 of the same book. Marshall's belief that economic studies could improve human well-being was quoted from pages 418 to 419 of the same book. The quote from the Soviet economists about the interconnected nature of a market economy is from page 172 of *The Turning Point*, by Nikolai Shmelev and Vladimir Popov. J.A. Schumpeter's remarks about the interdependencies in economics are from page 242 of his *History of Economic Analysis*. François Quesnay's sketch showing the connection between various economic activities is from page viii of his book *The Economical Table*. The use of equations by Karl Marx to illustrate the

interactions in a market economy can be seen throughout Chapter XXI of Volume II of his *Capital*, the Kerr edition. Keynes' belief that his *General Theory* would revolutionize economic theory was quoted from page 68 of *American Capitalism* by John Kenneth Galbraith. The *Time* magazine issue that featured a photo of John Maynard Keynes on its cover was mentioned on page 113 of *Presidential Economics*, second revised edition, by Herbert Stein. Samuel Bailey's analysis of Ricardian economics was discussed in my article "Samuel Bailey Revisited" in the November 1970 issue of *Economica*. The statement that mutually contradictory theories cannot co-exist indefinitely in the field of science is from page 17 of *The Structure of Scientific Revolutions* by Thomas Kuhn. Jacob Viner's discussion of the problem of drafting his cost curves is from page 79 of *The Long View and the Short* by Jacob Viner. Karl Marx's statements that competition forces producers to pass on cost savings in lower prices appear on pages 310 to 311 of Volume III of his *Capital*, and also in "Wage Labour and Capital," Section V of Volume I of *Selected Works*, by Karl Mark and Frederick Engels. Adam Smith's comment that the benefits of competition in the marketplace are "no part" of the individual capitalist's intentions is from page 423 of his *The Wealth of Nations*, Modern Library edition. Engels' statement that market interactions obstruct the desires of individuals is from page 476 of *Selected Correspondence*, by Marx and Engels. J.A. Schumpeter's comments that ideological bias did not vitiate the analytical work of Adam Smith are from page 352 of Schumpeter's article "Science and Ideology," in the March 1949 issue of *American Economic Review*. Schumpeter's belief that Adam Smith's disdain for businessmen did not harm Smith's scientific achievements is from page 353 of the same article. Schumpeter's comments about Karl Marx are from page 355 of that same article. Schumpeter's remarks about value judgments and creeds appeared on pages 346 and 358 of that same article. The need for "rules of procedure" in scientific endeavors in order to "crush out ideologically conditioned error" from analysis is from page 43 of *History of Economic Analysis* by J.A. Schumpeter. The importance of ideology and vision in advancing scientific endeavors was noted on page 359 of J.A. Schumpeter's article "Science and Ideology," from the March 1949 issue of *American Economic Review*. The comments by John Maynard

Keynes on the power of ideas are from page 383 of his *The General Theory of Employment Interest and Money*. George J. Stigler's statement that a war can destroy a generation without producing any new intellectual consequences is from page 21 of his *Essays in the History of Economics*.

CHAPTER 26: PARTING THOUGHTS

The epigraph is from page 239 of *The Road to Serfdom* by F.A. Hayek, 1972 edition. The quotation from Paul Johnson is from page 138 of *The Quotable Paul Johnson* published in 1994 by Farrar, Straus and Giroux.