

The Price System

Twenty-Two Lessons from 764 Videos on How Decisions Actually Get Made

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Lesson 1 — The Cap That Made the Shortage

The room where the cap was passed

The St. Paul city council sits in a horseshoe of polished wood at the top of a carpeted chamber, members arranged along a curved dais under lights, microphones in front of each of them, a television camera at floor level trained on the middle seat. It is an ordinary municipal chamber, the kind that hears complaints about parking meters and alley lighting. This body passed the most stringent rent control ordinance in the country, capping rents below the rate at which costs were rising. Four years later the same council came back and voted to roll the cap back.

THE RULE — When someone offers to hold a price down, ask what happened to the *number of things for sale*. The offer is made on a number you can see — a rent, a fare, a wage — and the bill arrives in a number nobody photographs: permits, jobs, train cars that never carry anyone.



Council members seated along a curved wooden dais in a lit chamber, microphones at each place. The dais the ordinance passed in, with nameplates, microphones and a television camera at floor level. (UPDATE: Rent Control Fails Again, Politicians Learn Nothing, 00:32)

What was decided in that chamber did not stay in it. Within two winters, building permits in St. Paul were down 60 percent. In Minneapolis, a few blocks away, which had delayed acting and waited for a report so voters could decide the following year, permits were up 65 percent. The two cities are twins. The difference between them is a rent ordinance.

Stossel came back to the same city four years after the vote to put those two numbers side by side. Nothing in that comparison asks a reader to accept a theory. It is two ledgers, two cities, the same region, the same weather. What the cap did to construction is sitting in there, in the permit office's record, if somebody bothers to open it.

The permit line

A cap set below the rate at which costs are rising does not lower the price of something. It lowers the number of things there are to buy, and then the shortage does the rising. That is the whole mechanism, and it is easier to see in building permits than in almost anything else, because a permit is a decision a developer makes in advance and a city records before a single brick goes down.

Capital crosses whatever line you draw. The question a builder asks is not whether your city needs housing. It is whether the city next door is treating the developer better. A developer who will not build in one can build in the other the same day, on the same labour, with the same financing. St. Paul and Minneapolis issued one set of rules and the other set of rules, and the builders read both.

Against that sits a trade association rather than a tenant group, which is the shape of the argument Stossel prefers to put on camera. Cecil Smith of the Minnesota Multi-Housing Association is not defending landlords. He is defending the arithmetic that high profits bring more builders. "We need more supply, we need more housing." A developer earning

Lesson 6 — Make the Market Bigger, and the Price Goes Up

A television commercial runs with rationing-era photographs and a line asking whether America really wants to give foreign countries control over its food. A second spot says America's sugar programme costs taxpayers nothing. Big Sugar pays for both, and it can afford to, because the price of sugar in America is held above the price of sugar anywhere else by quotas on domestic production and limits on imports. The commercials are not lying about the cheque. They are describing it.

THE RULE — Every rule that raises a price for a buyer shrinks the number of sellers that price is being charged among, and the survivors can charge what they like. So when a programme puts a number on a poster — a subsidy, a quota, a ban on the cheaper competitor — do not ask who gains. Ask who is still trading when it bites. The field that is left standing is the one that can be charged more.

The quota that holds the price up

Stossel calls the advertising claim bogus, and the mechanism behind it is supplied by Ross Marchand of the Taxpayer Protection Alliance. When sugar prices fall below a certain level, the government steps in: it buys sugar from processors and sells it to ethanol producers at a below-market rate, and the taxpayer makes up the difference. The word the industry prefers is loans. Farmers do receive loans. They are also permitted to repay them in sugar if prices fall, at which point the cost of doing that falls on the taxpayer as well.

The design matters more than the accounting. America caps how much sugar can be produced at home and how much can be imported from Brazil and India among others. Supply is held below the level at which it would otherwise sit, so the domestic price sits above the world rate, and Stossel's question is the plainest one available: "Is it fair for customers to pay double the world rate for sugar?"

The figure he treats as decisive is roughly three billion dollars a year. The industry's reply is that each of us loses ten or twenty dollars, which is why none of us will go to Washington about it. Diana Thomas of Creighton University makes that arithmetic legible and points both ways: the handout costs every American consumer perhaps ten or twenty dollars a year, while each American sugar farmer made roughly three million dollars a year extra. Same rule, same total. The benefit is concentrated tightly enough to fund a lobbying operation. The cost is diffuse enough that nobody can.

Then the input. Sugar is in bread, beer, yogurt, ketchup and cereal as well as in the sweets, and Stossel's answer to any suggestion that this is only about candy is to point at the bakery shelf rather than the sweet shop. The people least likely to smile are the candy makers, who buy the protected input and sell a finished product into an unprotected market. One candy cane producer is left in Ohio. The industry runs sweet benefit dinners over the Domino Sugar jingle while a study the segment cites puts annual job losses in that supply chain at twenty thousand, with the jobs in Akron among them.

That is the shape of it, and it recurs in every field Stossel examines. The rule is not about sugar. It is about a market with an entry condition, and the entry condition is written by the people already inside.

The Jones Act and the fleet that left

Now turn the rule around, because here the same arithmetic produces the opposite result.

The Jones Act bars foreign-flagged ships from carrying cargo between American ports. Jennifer Carpenter of American Maritime Partnership defends it as "a time tested American security law so we are not at the mercy of foreign powers, foreign vessels, foreign mariners." The argument is serious and deserves its full weight.

The answer starts with a map rather than a rebuttal. Foreign vessels already come to America constantly, crowding into New York harbour, and they may deliver cargo from China and from Russia into American ports. What they may not do is run from Seattle to Alaska, from Los Angeles to Hawaii, from Miami to Puerto Rico. Scott Lincicome of the Cato Institute puts the boundary in one sentence: "It is only in shipping between American ports that we don't allow for those vessels." A rule justified by dependence on foreign vessels applies to the one part of the trade a foreign rival has no particular wish to win.

The cost of that rule has a name and a figure: about eighteen hundred dollars a year for the average family in Hawaii.

Lesson 10 — The Councillor's Cousin's Company

On the Hudson in Edgewater, New Jersey, there is a pier with nothing built on it. Waves break against it. The Manhattan skyline sits across the water, close enough to pick out the towers. The town decided the site was needed for a Department of Public Works — thirteen employees and the garbage trucks — and took it with eminent domain, spending millions of taxpayer dollars to do it. The developer who had offered to put apartments there, open the pier to the public and run a ferry across to Manhattan had been told no.

THE RULE — When a decision hands work to one firm — a lot, a security contract, a list of foreclosed houses — find out who owns the firm before you decide whether anybody took a bribe. The usual corruption is not money changing hands in a room. It is a decision routed one way, and the routing is written into a document nobody is obliged to publish.

The lot that is still a lot two years later

Stossel's verdict on the plan he was standing in front of is the one a competitor would want: sounds good to me. The Maxal Group would build the apartments, open the whole pier to the public and add a ferry so people on the New Jersey side could commute into midtown Manhattan. It would also have been a bargain for the town. Maxal offered the parking, the parks and the mass transit at no cost to taxpayers, and the town would have collected an additional twelve million dollars a year in taxes. Those are the developer's figures and Stossel's, not the town's.

The town did the opposite of that. It bought the land with taxpayer money and put the public works yard on it. Thirteen employees, plus trucks, among them the garbage trucks. The city will also put in a park and parking — at taxpayers' expense, where Maxal had offered both for nothing.

Then the defence, which is worth repeating exactly because it is the kind of defence that has been winning for a very long time: the developer's proposal was too big. Too big, says the mayor. Just too much, says the council. That is the whole stated reason. A council can refuse a plan of any size it does not like, and it can say the size was the reason, and nothing in the exchange requires anyone to show what would have been built if the answer had gone the other way.

The differential is what makes it checkable. Two years after that, the same officials approved a larger project with a more intense density, for the bidder who had beaten Maxal. Four buildings. More than twice as tall as the proposal that was refused. Two hundred and fifty more apartments. Work had begun on that site, and the approvals for it had gone through.

So the test in this story is not whether the mayor is a crook. It is arithmetic. A standard of too big must apply to everyone. If the number of storeys is the test, it has to be the same test for the man who lost. A town that rejects one developer as too big and then approves a taller scheme for his competitor has not applied a standard. It has applied a preference, and the approval record is where you can see it.

The preference is traceable. Fred Daibes, the developer who won, says two things to Stossel: you will never be able to develop this property, and you can't be in Edgewater and not be affiliated with me. He also controls a New Jersey bank. Maxal's lawsuit alleges what that affiliation is worth: ongoing relationships with town politicians, jobs, undervalued rentals, and loans for the politicians' own business purposes through a bank Daibes started and has the controlling interest in. The mayor lives in an elegant building with statues and fountains that Daibes owns. According to the lawsuit the rent is below market; the mayor told the New York Times he does not pay below-market rent.

Every one of those is an allegation in a pending civil suit, or the mayor's denial of it, or Stossel's own inference. None of it is a conviction. It is also, so far, the whole case — because the alternative is not an answer.

The other thing that happened in Edgewater is procedural, and it is the detail a reader should keep. Neither the mayor nor the council would agree to be interviewed. Stossel came to a council meeting instead and asked to speak. The session had been full when he arrived, and he explains why he is asking in a largely empty room: questions from people like him were not allowed until most everyone had left. He waited, he got his turn, and he got no answers.

Then the two-year scoreboard. The waterfront is still a dump, mired in a new lawsuit. Shortly after the revelations, the mayor and the councilmen did change policy and approve most of Maxal's development — and in turn Maxal dropped its corruption lawsuit. Daibes still faces unrelated conspiracy charges. No politician has been prosecuted for self-dealing. The approval that came was bought with the price of the silence, and the lot is still a lot.

Lesson 14 — The Programme With the Wrong Recipient

The study that found nothing

In 2010 the federal government paid for a study of Head Start, the preschool programme that almost nobody in America argues with. It looked at 114 indicators. It found that it could not tell the child who had received the large Head Start investment from the similar poor child who had not. Stossel puts the size of the spending on the same slide: a hundred and eighty billion dollars, he says, and the programme's own lobby describes it as "one government program that most everyone says is a big success and that's Head Start." Then the study came out. Instead of a cut, the programme got a billion-dollar increase, and then, the next year, in 2012, it got a four-hundred-million-dollar increase, and another hundred million in the 2013 budget. The government kept spending more on a programme its own funded evaluation could not measure.

He went to a classroom anyway. He says it got him a little choked up. The room was full of children and of people who work with children, and the case against the programme is not built from what he saw there. He tried to put the spending figure to the administration and to Head Start itself, and they would not go on camera about it. The one politician who would talk to him was a Democrat from the South, and he made the best case available: "the food that they get, the instruction that they get, the love that they get from the people who work there." His answer to the null result was not about the study. "That's not the problem of Head Start. That's the problem of not adequate investment in our public education system." Ask what would be enough and the answer is fifty thousand a child, then a hundred thousand. The 2010 study is the only thing in the segment cited at all, and it is cited as federal.

THE RULE — A programme is a transfer. Before you judge it on its outcome, find out who actually received the money, and check that they are the people the programme is named after. An outcome tells you whether something worked. It does not tell you who it happened to.

The reservation with the highest poverty rate

The signs on the fence outside this reservation in South Dakota read the way reservation signs read. Few have been ignored by Washington for as long as Native Americans. Ignored? Are you kidding me? The government has made Indian tribes wards of our state. Stossel's answer runs through a list: their land, their health care, their schools, food stamps, housing, child care, even burial assistance. Then the numbers he puts beside it. Only one in four has a job. There is a scarcity of phones, not even any banks. American Indians have the highest poverty rate and the lowest life expectancy of any group in America, and they own more land than any other group in America. "No group has been more helped by government than the American Indians," he says, and the sentence he builds the next fifteen minutes on is the second half of it. No group does worse. So maybe it is the government.

A tribal chairman stands in front of the government housing on that reservation and asks for more. The government should be giving the Indian people more appropriations so that they could exist out there still. His reason is the one every advocate gives: the land was taken, and the government signed treaties.

Then Stossel drives fifty minutes to a different kind of place, and the counterexample is not a speech. It is a street. Ben Chavis is a member of the Lumbee tribe, and he shows Stossel his home community: newer houses, well kept, English in style. Mansions, he says, where people on the reservation have nothing. There are banks there. Twelve of them. "We have 12 banks."

The question Stossel puts to him is the one the whole video turns on. Why does his tribe do well? Chavis's answer is that the federal government does not recognise them as a sovereign tribe. The card of what that means is the next minute of the segment, and it is the most useful thing in it. No Bureau of Indian Affairs, no tribal government, no federal programmes — and therefore land that individuals can actually own. Chavis raises red Angus cattle on his own ground. "We have title and deeds to our land. That's the secret." Contrast it with a friend on the White Mountain Apache reservation who has a farm and cannot do the same things, because if the tribe decided one day to reassign his land to a relative it could do that.

The mechanism fits in a sentence: land that cannot be built on, developed or used as collateral cannot become a business. It can be occupied. It can be handed around. It cannot be financed, and nothing built on it will be.

Lesson 17 — The Headline Is the Story

The room with no logo on it

Megyn Kelly has been a lawyer, a cable news anchor at two networks, and the host of a program that somebody else owns. The version of her that sits down with Stossel for most of an hour has none of those employers behind her. The show is hers. Nobody signs off on the guests, nobody in a public relations department decides what is a fair question this month, and nobody's career is in the room. She says the difference out loud, and it is not modesty: "I'm totally un-cancelable."

She is not describing a personality. She is describing the ownership of a distribution channel. The thing that constrains a journalist, in her account, is never the politics printed on the masthead. It is the person who can end the employment. A network punishes its own staff for crossing a line, and it rarely needs to fire anybody to do it. There is a threatening phone call, then being told to your face that you are a bad person, and then bad publicity. "The next thing you knew, there'd be a negative article on you." Get reporters to write nasty stories about their own employees and the punishment arrives without a disciplinary hearing, deniable at every step, and impossible to appeal to anybody who is not the person threatening you.

THE RULE — Bias shows up less in what an outlet says than in what it leaves out, so read the same claim twice: once as it was published and once as the qualifier would read if the other side had made it. And when an accusation is checked, a correction you can watch happen beats an accusation you can only take on trust.

The qualifier, dropped and restored

The case for the rule is arithmetic, because arithmetic does not require you to believe anybody.

A network pointed out that although the president said the United States had done the most testing per person, South Korea and Italy had done many times more. That was correct, and it required dividing by population. Later the same day, for a different reason, the same network stopped dividing and reported that the United States had the most cases in the world. Nothing about the virus changed. Nothing about the testing changed. The denominator came off. "To make Trump look worse, the same day, CNN stopped adjusting for population."

Then the apparatus itself. During a convention, the networks did not fact-check the incumbent's speech in real time. A week later, for the acceptance speech of the other candidate, they debuted a fact-checking graphic. When a CNN anchor was asked about the asymmetry on the air, the answer was that they are not lying the way Trump does. The claim being defended was that children are torn from families and thrown into cages — a claim whose missing fact, credited to the AP and the BBC, is that the cages began under the previous administration.

"Mostly peaceful" is the same trick in a single word. Reporters kept saying the demonstrations were mostly peaceful, and the network put the word on the screen over a street on fire. A cartoonist drew a mostly floating ship and a mostly flying plane. A Twitter user named Still Like Beer wrote that 93 percent of beer is non-alcoholic, so he guessed he was okay to drive. Stossel does the qualification himself, and it is a fair one: "Most were peaceful. Most were, but when people start dying and when people start losing their businesses, that's your story."

The last example is the cheapest to run and the hardest to dodge, because it happens in public with a microphone in the room. At a press conference a reporter asked what a story about Donald Trump calling fallen military members losers and suckers told him about President Trump's soul. Donald Trump, by contrast, was asked whether after three and a half years he regretted all the lying he had done to the American people. Two candidates, two completely different questions, and the question decides the range of acceptable answers before a word is spoken. Stossel's judgement is that it is not even softball: "It's not even a softball, John. It's T-ball, except when you put a beach ball on the tee!"

Now put the same test on the editing rather than the wording, because the verbs cannot be argued about. Networks have always covered an Iowa caucus victory speech. In the year Trump won it, CNN cut away and would not let viewers hear him, and MSNBC showed none of it. The stated reason for declining to carry him live was that he lies too much — which is a statement about whether the audience is fit to judge, made by the people who would have lost the argument if the audience heard it. Stossel's answer is that a reporter can say a politician lies and still let you hear him, and he counts

Lesson 20 — Nobody Knows How to Make Government Work

The president on a stage, promising to know the trick

In the middle of a presidential campaign, Joe Biden stopped on a stage and said something the crowd rewarded. “I’m going to say something outrageous. I know how to make government work.” Three months later the federal health insurance marketplace opened, and millions of people tried to sign up for insurance through it. Six of them got through.

The website’s launch became a lasting exhibit of what happens when a thing is specified by people who will not have to use it. But Stossel does not make the website the point. He uses it as the shortest available answer to the sentence on the campaign stage, and then applies the same test to the man who beat that candidate as well — because a candidate saying he knows how to make government work and an opponent saying he is draining the swamp are two claims about the same competence, and neither has ever been paid out.

The claim is not crazy. It is the reasonable expectation of anybody who has watched a competent organisation work. And it is the one claim Stossel says nobody can honestly make.

THE RULE — Nobody knows how to make government work, and the reason is structural rather than partisan. Before you accept a promise that a programme can be run competently, ask what the programme’s own people would have to be measuring if anyone were grading them — because an organisation that cannot fail has no reason to measure the thing that matters.

The plan that cannot fail

The mechanism is supplied by Ed Stringham, an economist who spent years as a consumer reporter before turning to this question. His answer is one line long. “Even the best person can’t implement change.”

That is the whole of it. A private firm improves by dropping the people who are not doing the work, the product people stop buying, the supplier who raises its price twice. Each of those corrections can be made by whoever runs the place. Inside government, the same correction requires an act of Congress. Stringham’s claim is that this is not a moral failing but a structural one: government can and does attract people as good as or better than the private sector — and then cannot do the one thing the good ones came to do, which is change.

Stossel’s own summary of why the difference exists is cruder and blunter: “The private sector creates things that work, because it has to!”

The website is the demonstration, and it is worth being precise about which part of it is the lesson. Nothing in the launch says government cannot build a difficult thing. It says a system that is not answerable to the person using it can ship something nobody has ever used, at national scale, and be told the problem was technology rather than design. The vice president made the excuses himself, saying neither he nor the president were technology geeks and they had assumed the site was ready to run. And the private counter-examples were laid alongside: while government fixed the website, the private sector built the cloud, and Uber, where a ride is a few minutes away. Nobody had to order either.

Then the auditing point, which is where Stringham’s mechanism shows up as arithmetic. The Pentagon has failed another audit. Stossel’s test: if a private company fails repeated audits, it gets shut down. Government never gets shut down. And the power to close a department is precisely the power a department is structured to withhold from itself.

Then the money. The \$1.9 trillion pandemic relief package was handed out with little debate and agencies failed to verify many of the claims. A woman bought a Bentley. A father and a son bought a luxury house. Biden said the people would pay back what they stole. Stossel’s report is that recoveries amount to a couple of hundred million dollars of billions. The absence of a downside is not a detail of the corruption; it is where the corruption goes. A government body that keeps failing an audit receives more money, because the alternative is a vote. Stossel’s verdict on the official explanation is a film: “it’s like we’re living in Groundhog Day.”

The plan that could not fail quietly

There is a second kind of failure, and it hides inside the first.

Joe Biden promised thousands of government charging stations, at a taxpayer cost of \$7.5 billion. After two years they had built seven. In the same period, in Stossel’s words, greedy Amazon installed seventeen thousand. The honest reading