

Brian Lynch



TAKING SIDES

Clashing Views on
Economic Issues

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Seventeenth Edition



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Taking Sides: Clashing Views on
Economic Issues, 17/e

Brian Lynch



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ISBN-10: 1259672476 ISBN-13: 9781259672477

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Detailed Table of Contents

Unit 1: Microeconomic Issues

Issue 1: Are Profits the Only Business of Business?

Yes: Milton Friedman, from "The Social Responsibility of Business Is to Increase Its Profits," *The New York Times Magazine* (1970)

No: Mindy S. Lubber, from "Corporate Responsibility: Without Outside Pressure, Corporations Will Not Take Meaningful Action on Sustainability," *The Economist* (2013)

Free-market economist and Nobel Laureate Milton Friedman contend that the sole responsibility of business is to increase its profits. Mindy S. Lubber, president of Ceres, argues that activist involvement is necessary for business to take sustainability seriously, but also believes that businesses should be socially responsible and help develop creative solutions.

Issue 2: Should the Compensation of Executives Be Subject to Government Regulation?

Yes: Joseph E. Stiglitz, from "Testimony before the U.S. House of Representatives Committee on Financial Services," U.S. House of Representatives (2010)

No: Kevin J. Murphy, from "Testimony before the U.S. House of Representatives Committee on Financial Services," U.S. House of Representatives (2009)

Joseph Stiglitz, the winner of the Nobel Prize in economics, argues that flawed incentive compensation systems played an important role in the financial crisis. He believes that better regulation including regulations that affect incentive structures are likely to produce a better alignment of private rewards and social returns and better innovation. University of Southern California professor Kevin J. Murphy argues that "there is nothing inherent in the current structure of compensation in financial service firms that leads to obvious incentives to take excessive risk." He believes that government-imposed regulations are "highly unlikely" to improve compensation policies of these firms.

Issue 3: Has the Supreme Court Made It Possible for Corporations to Buy Elections?

Yes: Mary G. Wilson, from "Testimony before the U.S. House of Representatives Committee on House Administration," U.S. House of Representatives (2010)

No: Steven M. Simpson, from "Testimony before the U.S. House of Representatives Committee on House Administration," U.S. House of Representatives (2010)

Mary G. Wilson, the president of the League of Women Voters, believes that the Supreme Court's decision in *Citizens United v. FEC* that allows corporations to spend unlimited amounts of money in elections was "fundamentally wrong and a tragic mistake." She calls upon Congress to enact legislation that will reverse this decision. Steven M. Simpson, the senior attorney at the Institute for Justice, supports the Supreme Court's decision. In making his case, he argues that the decision does not reverse 100 years of precedent; the decision does not mean corporations will buy elections; and the decision recognizes that corporations must be protected under the free speech First Amendment.

Issue 4: Should the United States Stop All New Offshore Drilling for Oil?

Yes: Michael F. Hirshfield, from "Testimony before the U.S. House of Representatives Committee on Natural Resources," U.S. House of Representatives, (2010)

No: Michelle Michot Foss, from "Testimony before the U.S. House of Representatives Committee on Natural Resources," U.S. House of Representatives (2010)

Michael F. Hirshfield, the Oceana vice president and chief scientist, believes that offshore drilling is a "dirty and dangerous business." He argues that the Deepwater Horizon drilling disaster is not a one-time occurrence: in 2007 alone there were 39 blowouts worldwide. Among other things, he calls on Congress to "suspend all approvals, activities, and processes—other than current production—related to offshore drilling." Michelle Michot Foss, the University of Texas energy economist, provides estimates of the consequences of stopping oil and gas exploration and production. Among other things, such a ban would increase energy costs to consumers by an annual average rate of 5 percent and lead to a decrease in jobs in energy-intensive industries by

13 million by the year 2030. She believes there are "enormous and almost immeasurable benefits associated with the discovery and utilization of oil and natural gas resources in our deep-sea provinces in the U.S. and around the world."

Issue 5: Are Taxes on Soda Effective in Reducing Obesity?

Yes: The Economist magazine article, from "Tasing Sugary Drinks: Snapping Sharpening," *The Economist* (2015)

No: Ted Boscia, from "Study: Berkeley Soda Tax Falls Flat," *Cornell Chronicle* (2015)

The Economist contends that taxes on soda are effective. Retailers were able to pass on most of the tax to the customer, and consumers have switched to healthier alternatives. Governments have been able to raise revenue and use this money for general funds. The Economist also contends that taxes work better if they distinguish between different degrees of sugariness. Ted Boscia feels that the soda tax is not effective in achieving its goal. He states that if a tax is imposed in a city, the retailers are worried about elastic demand and having their customers go elsewhere. He argues that rather than focusing on soda, there should be studies done on other items that lack nutritional value.

Issue 6: Should Uber be Heavily Regulated?

Yes: Allison Schneider, from "Uber Takes the Passing Lane: Disruptive Competition and Taxi-Livery Service Regulations," *Elements: Boston College Undergraduate Research Journal* (2015)

No: Matthew Yglesias, from "When Is a Taxi Not a Taxi?" *Slate* (2011)

Allison Schneider maintains that regulations will be important because policy makers have a responsibility to look after the trust of the public but regulations will need to be changed on an ongoing basis. Uber and companies, in a similar mold, are here to stay, due to the fact that competition requires some industries to disappear, and some other industry to replace it. Matthew Yglesias contends that regulating Uber is a solution to a problem caused by overregulation and cartels. It is an exciting and innovative company. They can take advantages of inefficiencies in the marketplace. Uber, he feels is able to take advantage of market segmentation, and should be allowed to make as much money as possible, if they can exploit the marketplace and benefit the customer at the same time.

Unit 2: Macroeconomic Issues

Issue 7: Is Obamacare a Disaster for the Economy?

Yes: Kathryn Nix, from "Top 10 Disasters of Obamacare," *Heritage Foundation WebMemo* (2010)

No: John Holahan, from "Will Health Care Reform Hurt the Economy and Increase Unemployment?" *Timely Analysis of Immediate Health Policy Issues* (2010)

Heritage Foundation Researcher Kathryn Nix identifies 10 major problems with Obamacare (the Patient Protection and Affordable Care Act). Among other things, she argues that the legislation will hinder growth, increase the federal deficit, place new burdens on state governments, and, at the same time, discriminate against low-income workers. John Holahan, the director of the Health Policy Center at the Urban Institute, argues that Obamacare is "not likely to have a significant direct effect on the U.S. economy or on employment." More specifically, he states that state and local governments as well as small businesses should benefit from the legislation.

Issue 8: Is Declining Productivity a Concern?

Yes: Robert Gordon, from "Is U.S. Economic Growth Over? Faltering Innovation Confronts the Six Headwinds," *NBER* (2012)

No: Scott Winship, from "The Affluent Economy: Our Misleading Obsession with Growth Rates," *Brookings Institution* (2013)

Robert Gordon looks at economic growth through 2007 and the future path of potential output for the next 20 to 50 years. He has unorthodox ideas about how to increase the growth of the productivity frontier. The frontier is in a process of slowing down further. Many of the inventions that replaced tedious and repetitive labor by computers happened many years ago. He contends that inventions in the current age have given us more capabilities but will not significantly change labor productivity of the standard of living. Scott Winship argues that we are obsessed with growth rates to our detriment. He contends that we need to appreciate the magnitude of real economic gains that we have continued to experience over the last decade or so. It is harder for economies to maintain high rates of growth, but the implication of a stagnating economy is erroneous.

Issue 9: Did the American Recovery and Reinvestment Act of 2009 Create Jobs?

Yes: Josh Bivens, from "Testimony before the U.S. House of Representatives Budget Committee," U.S. House of Representatives (2010)

No: Veronique de Rugy, from "Testimony before the U.S. House of Representatives Budget Committee," U.S. House of Representatives (2010)

Josh Bivens of the Economic Policy Institute argues that the American Recovery and Reinvestment Act (ARRA) was badly needed, it worked, it was cheap, and that another similar effort is needed. Veronique de Rugy of George Mason University believes that ARRA, in spite of claims made on its behalf, "appears to have lost money by destroying growth."

Issue 10: Do American Consumers Need a Financial Protection Agency?

Yes: Janis Bowdler, from "Testimony before the U.S. House of Representatives Committee on Financial Services," U.S. House of Representatives (2009)

No: Bill Himpler, from "Testimony before the U.S. House of Representatives Committee on Financial Services," U.S. House of Representatives (2009)

Janis Bowdler, the deputy director, Wealth-Building Policy Project, National Council of La Raza, supports the creation of a Consumer Financial Protection Agency (CFPA). She identifies three specific ways in which existing regulatory agencies have failed consumers, including the failure to create and promote tools that will allow consumers to make "true apples-to-apples comparisons" of credit products. She and her organization believe a new agency is needed to redress these failures, and it would be a strong vehicle for improving the way financial markets serve their Latino clients. Bill Himpler, the executive vice president of the American Financial Services Association, opposes the creation of a CFPA. His argument takes several forms, including the fact that finance companies are already heavily regulated at the state level. He also believes that the creation of a CFPA is likely to mean "higher prices and reduced product choice for financial services customers."

Issue 12: Does Immigration Benefit the Economy?

Yes: George W. Bush White House, from "Immigration's Economic Impact," *White Paper* (2007)

No: Steven A. Camarota, from "Testimony before the U.S. House of Representatives Committee on the Judiciary, Subcommittee on Immigration, Citizenship, Refugees, Border Security and International Law" U.S. House of Representatives (2010)

In its White Paper, the George W. Bush White House argues that immigration has a positive effect on the American economy because it increases overall economic activity, increases incomes of native-born Americans, and produces positive long-run fiscal effects. Steven A. Camarota, the director of research at the Center for Immigration Studies, argues that immigration is harmful to the economy in several different ways including wage losses for the existing population and an increase in net government costs.

Unit 3: The World Around Us**Issue 13: Is a Fair Trade Policy Superior to a Free Trade Policy?**

Yes: Ngaire Woods, from "Fair Trade: The Proposer's Opening Remarks," *The Economist* (2010)

No: Jagdish Bhagwati, from "Fair Trade: The Opposition's Opening Remarks," *The Economist* (2010)

Ngaire Woods, international political economy professor and director of Global Economic Governance at Oxford University, feels that carefully deployed special preferences and protectionism could be used intelligently to help to catalyze growth in African countries, and to improve the lives of the bottom billion. Conversely, the dismantling of special preferences has levied some high costs. Jagdish Bhagwati, professor of economics and law at Columbia University, states that if the demand for fair trade in the sense of demanding reciprocity in openness leads to others reducing their trade barriers, which are good. But if it leads to closing of one's own, because others do not yield to such demands that is bad.

Issue 15: Are Biofuels Like Ethanol the Answer to U.S. Energy Problems?

Yes: Tom Buis, from "Testimony before the House Committee on Energy and Commerce Subcommittee on Energy and Power," U.S. House of Representatives (2013)

No: Charles T. Drevna, from "Testimony before the House Committee on Energy and Commerce Subcommittee on Energy and Power," U.S. House of Representatives (2013)

Tom Buis argues that the Renewable Fuel Standard has been a success that has created jobs, revitalized rural America, increased competition in the vehicle fuels market, lowered prices at the pump, improved the environment, and increased American energy independence. Charles Drevna argues that the Renewable Fuels Standard has not worked as intended and should be repealed. It has led to higher food and fuel costs, increased pollution, harmed refiners, and lead to the creation of fuels that can damage engines.

Issue 16: Is Climate Change a Threat That Requires Urgent Action?

Yes: Franklin W. Nutter, from "Testimony before the Senate Committee on Environment and Public Works," Statement before U.S. Senate (2013)

No: Diana Furchtgott-Roth, from "Testimony before the Senate Environment and Public Works Committee," Statement before U.S. Senate (2013)

Franklin W. Nutter argues that anthropogenic climate change is real and the effects are already being felt. We need to consider mitigation action to reduce emissions of greenhouse gasses as well as adaptation efforts to avoid the predicted future impacts. Diana Furchtgott-Roth argues that climate change does not appear to be happening and even if greenhouse gasses are affecting the climate, unilateral action by the United States would not have any tangible effect and would instead harm the U.S. economy.

Issue 17: Can U.S. Deficit and Debt Problems Be Solved Without Increases in Taxes?

Yes: Chris Edwards, from "Statement before the National Commission on Fiscal Responsibility and Reform," U.S. House of Representatives (2010)

No: Robert Greenstein and Jim Horney, from "Statement before the National Commission on Fiscal Responsibility and Reform," U.S. House of Representatives (2010)

Chris Edwards, the Director of tax policy at the Cato Institute, believes that "unless massive deficit spending is reduced, the nation is headed for fiscal calamity." He proposes four types of reform that will make significant cuts in government spending. These include the restructuring of entitlements and the elimination of unneeded programs. Robert Greenstein, the executive director of the Center on Budget and Policy Priorities, and Jim Horney, the director of federal fiscal policy at the Center on Budget and Policy Priorities, believe that deficits need to be reduced and this requires tax increases as well as spending cuts. They support increases in corporate taxes and taxes on high-income taxpayers. They suggest that tax increases on taxpayers with incomes less than \$250,000 per year will also be necessary.

Issue 18: Is China's Currency Undervalued, and Should the United States Take Action to Correct This Undervaluation?

Yes: Jack W. Shilling, from "Testimony before the U.S. Senate Banking, Housing, and Urban Affairs Committee, Subcommittee on Economic Policy," U.S. House of Representatives (2010)

No: Daniel J. Ikenson, from "Testimony before the U.S. Senate Banking, Housing, and Urban Affairs Committee, Subcommittee on Economic Policy," U.S. House of Representatives (2010)

Jack W. Shilling, the executive vice president and chief technical officer, Alleghany Technologies, and the chairman, Specialty Steel Industry of North America, argues that China has intervened in foreign exchange markets to keep its currency undervalued. Since this is "undermining U.S. competitiveness," he believes the United States should impose countervailing or antidumping duties on imports from China. Daniel J. Ikenson, the associate director of Cato Institute's Center for Trade Policy Studies, claims that there is only a weak relationship between China's undervalued currency and the U.S. trade deficit with China, on the one hand, and between the trade deficit and U.S. job losses, on the other. Rather than threatening China with sanctions, the United States should "allow China to appreciate its currency at its own pace."

Issue 19: Should Marijuana Be Legalized?

Yes: Michael Pollick, from "Colorado's Marijuana Moves Boost Economy," *Medical Marijuana* (2014)

No: David G. Evans, from "Marijuana's Legalization Costs Outweigh Its Benefits," *U.S. News & World Report* (2012)

Michael Pollick contends that marijuana should be legalized. This would benefit the economy. He feels that businesses are finding ways to profit and capitalize on this new venture. David G. Evans argues that legalizing marijuana will lead to an increase in the use of it. This will lead to long last problems that can occur at a young age.

Issue 20: Is the Inequality in U.S. Income Distribution Surging?**Yes: Steven J. Markovich**, from "The Income Inequality Debate," *Council on Foreign Relations Backgrounder* (2012)**No: Thomas A. Garrett**, from "U.S. Income Inequality: It's Not So Bad," *Inside the Vault* (2010)

Steven J. Markovich, contributing editor for the Council on Foreign Relations, believes that the level of income and wealth inequality has increased in the United States as well as in every European country during the past few decades. However, the disparity in income inequality is much higher in the United States than in most other developed countries of Europe and North America. His analysis shows that the average real family income of the top 1 percent rose to 275 percent from 1979 to 2007. Thomas A. Garrett, assistant vice president and economist at the Federal Reserve Bank of St. Louis, does not deny the fact that income and wealth inequality has been rising in the United States since 1970. However, he rejects the notion that the United States is experiencing a surge in inequality. He cautions that the data used by economists to measure income inequality overstate the true degree of inequality for several reasons.

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