

Tom McClintock's Capitol Commentaries

April 2016, Issue Twenty

MESSAGE FROM TOM MCCLINTOCK

Dear Friend,

Everywhere I go, people ask me about the Presidential race. The only insight I can offer is this: Ted Cruz is the only candidate that I am absolutely certain will govern according to free market and American constitutional principles, will stand his ground no matter what the pressure, and can articulate these principles clearly and compellingly to the American people.

This is an obviously tempestuous and frightening time, but we've been through worse as a nation. In 1814, a foreign army occupied the Capitol and it appeared our new nation would be strangled in its crib. In 1861, the Confederate army camped within sight of the White House. In the late 1960's, riots destroyed entire sections of our major cities.

And yet, we got through all of these crises because each time, the American people engaged and set things right. And I can tell you this: everywhere I go, I'm watching Americans who've never been involved in politics coming to meetings and getting involved – because they realize their country is in danger and they have to do something. From this, I am certain that we will soon awaken to a new morning in America.

I intend to devote a great deal more time to defining the fundamental principles that are at stake in this election. In Washington, I continue to oppose the growing abuses of power by this administration. I can only do so because of your strong support, for which I am very grateful.



THE EVERYDAY MIRACLE OF FREE MARKETS (OR, DON'T BECOME A BERN VICTIM)

Who would have thought, after all the prosperity that free enterprise and free markets have produced for humanity – and after all the misery and poverty that socialism has delivered – that there could actually be a serious debate in the Land of the Free over which policy our nation should pursue. And yet, here we are.

Is it possible that we have failed to pass on to our children the remarkable economic miracle that free markets produce for all people?

A local Chamber of Commerce asked me to give the keynote at their annual dinner, and in it, I laid out the case for freedom:

Lincoln told of being absolutely terrified by a meteor shower when he was a small boy. It was so intense it looked like the heavens were falling. His kindly step-mother took him outside and pointed out all the stars that were still solidly fixed in the firmament and told him to keep his gaze on them and all would be well.

In difficult times like these, that's still good advice. So I want to take a few minutes just to marvel at the natural miracles that each of you perform every day by engaging in commerce and industry through free markets and the free exchange of goods. Transient governmental policies can make a mess of it – and they have – but it's important to keep our eyes fixed on the steady laws of nature that produce the prosperity and happiness of any human society.

And perhaps a good place to start is the mystery of human language, because it so clearly illustrates what Adam Smith described as the invisible hand of markets. Think about how miraculous it is that hundreds of millions of human beings separated throughout the world and across centuries have somehow managed to agree on how to combine sounds to form hundreds of thousands of words that can then be linked together in an order that expresses not only everything in the physical world, but the most esoteric concepts of the

theoretical world as well.

Did you notice that all this happened without a U.S. Department of Language? It happened without a language court to prosecute and punish bad syntax. There are no language police prowling conversations for infractions of grammar.

On the contrary, all this came about through the untold cooperative, voluntary transactions made between people day by day. Freedom alone created this remarkable achievement that makes it possible for each of us to exchange experience and ideas and to profit from the wisdom of others.

Don't free markets work exactly the same way?

Milton Friedman used to ponder the miracle of a simple pencil. He pointed out that this very simple implement only existed because of the cooperation of hundreds of people who had never met each other and most of whom didn't even know they were

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making a pencil.

The miner in Pennsylvania digging for graphite that a worker in Tennessee would turn into the pencil core; the farmer in Brazil growing rubber trees that would eventually become the eraser through the work of still others; the lumber jack in Oregon cutting down trees that a millworker in California would turn into pulp, and that another worker would form around the core; the steel plant in Ohio smelting the ore that would become part of the brass ring that holds the eraser; and many others who transported these products across oceans and continents all to come together for the ten-cent pencil he held in his hand.

And then think about those ten cents. Why just a dime? Who came up with that price?

That by itself is a miracle that you perform every day. You agree on prices for everything you do that encapsulates an incredible wealth of information which in turn makes it possible for every consumer and worker to make rational choices about where to put his time and money. Without a single government study or report, without a "Federal Commission on Pencils" setting prices and quotas, that simple 10-cent price computes everything from the effect of the drought in Oregon on timber yields, the cost of diesel fuel to haul it to the pulp mill, and then across the country for manufacture; political instability in Brazil and its effect on labor to tap the rubber; not to mention the corresponding cost of alternative products and what the guy down the street is charging.

Because you do that in every transaction, you give me as a customer the accurate information that I need to make rational selections as I go through the day. But those decisions can only be rational if the information in the price is accurate. It is guaranteed to be accurate as long as every participant in that market is free to decide for himself at what price it is in his interest to sell and at what price it is in his interest to buy – from the lead miner to the clerk behind the counter.

Here's another miracle that you perform every day. You determine how the resources of the world will be put to their highest and best use for the prosperity and advancement of all mankind. The price you set not only allows every consumer to make rational decisions about the allocation of his own resources, it also empowers him to direct the

allocation of society's resources toward its greatest needs. If society needs more pencils, you begin to raise the price of pencils. As the price rises, more people devote more time and energy to producing more pencils and to look at more efficient ways to make pencils or to make something even better. If society needs fewer pencils, the price begins to fall, and people who had been making pencils begin making other things instead.

And in each transaction -- in this case the pencil seller and the pencil buyer -- both benefit.

Is the pencil buyer a dime poorer from that exchange because he now has one less dime to spend? On the contrary, he has something more valuable to him than his dime – he has this miracle of a pencil. If it wasn't of greater value to him than his dime, he would have bought something else or not bought anything.

Is the pencil seller now poorer for having relinquished his pencil? Of course not – he has something of greater value to him than his pencil – he now has that dime. That's the miracle of commerce -- both parties go away richer for it – both sides go away with something of greater value than they had before. That's why you and the clerk both say "thank you" at the check-out stand. You've each benefitted from the other.

And that's what I marvel most of all about what you do: that profit you manage to make, after you've paid all your taxes and fees and met all the requirements that government has heaped upon you. That evil, greedy profit you made today by selling me that 10-cent pencil. What does that profit do?

That dime produced maybe a half a penny of profit that put food on the table and a roof over the heads not only for you and your employees, but for all of those hundreds of people whose work and vision and enterprise brought that pencil into being and placed it in my hand.

And that, ladies and gentlemen, is what you do every day. You not only make yourselves more prosperous – you make every client, every employee, and every customer that comes into your shop or your business better off and more prosperous at the same time. You constantly assure that the most important needs of our society are being met and you constantly and efficiently and accurately adjust the allocation of resources to meet those needs. By competing with others, every day you assure that every

consumer can have the widest selection of goods and services to meet his needs at the lowest possible price. That is an awe-inspiring thing and we shouldn't get so consumed by the daily grind that we don't celebrate and appreciate what the free exchange of goods and labor makes possible or what we owe to those who engage in it day in and day out.

We used to praise and esteem and encourage free enterprise and industry and commerce. We used to devote a lot of attention teaching our children and our fellow citizens the miracles that free markets perform every day. We used to honor those who risked their time and money to create businesses. We used to recognize that profit is not waste and it is not greed; on the contrary, profit is that essential thing that creates jobs and opportunities for millions of people every day; that spurs innovation and research and advancement; that drives and fuels a growing economy that promises that our children will be better off than ourselves.

I think it's a universal truth that the freer the society, the more prosperous it is; and the less free, the less prosperous. Alexis de Tocqueville noted that difference in 1836 when he traveled down the Ohio River. He observed that the Ohio divided the same fertile valley, the same equitable climate and the same bountiful resources. The only difference was that on the right bank was the free state of Ohio and on the left bank was the slave state of Kentucky.

"Thus," he wrote, "the traveler ... may be said to sail between liberty and servitude, and a transient inspection of surrounding objects will convince him which of the two is more favorable to humanity.

"Upon the left bank of the stream the population is sparse; from time to time one descries a troop of slaves loitering in the half-deserted fields; the primeval forest reappears at every turn; society seems to be asleep, man to be idle, and nature alone offers a scene of activity and life.

"From the right bank, on the contrary, a confused hum is heard, which proclaims afar the presence of industry; the fields are covered with abundant harvest; the elegance of the dwellings announces the taste and activity of the laborers; and man appears to be in the enjoyment of that wealth and contentment which is the reward of labor."

When I first read this, it occurred to me that we can start to see the same division

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forming again in our own time. Up the road from here is the community of Lake Tahoe. A few years ago, when I visited with a group from their Chamber of Commerce, I asked what it was like to conduct business in a community divided between two states. A businessman immediately replied, "It's really very simple. On the Nevada side, they ask, 'How can we help you,' and on the California side they ask, 'How can we stop you.'"

One of the ski resorts literally straddles the state line. It is quite conspicuous in one respect. The ski lifts and buildings are concentrated on the Nevada side of their property.

A Chinese businessman put it this way to me a few years ago as we discussed the economic expansion going on in China and the stagnation of the American economy. He said, "You Americans have an export-import problem." I said, "What do you mean?" "Well, for years you have been exporting capitalism and importing socialism."

The prosperity of a society depends upon its commerce, and its commerce depends upon its freedom: the freedom of individuals to make their own choices in pursuing their own happiness. Governments cannot create wealth but they CAN create the conditions that support free markets: representations made in the marketplace must be true; contracts must be enforceable; property rights must be secure; the currency must be reliable and stable. But free societies -- truly free societies -- recognize that once government has secured the conditions that make commerce possible, it then leaves each of us -- as buyers and sellers, as employees and employers -- free to decide for ourselves what products we will buy or sell and what price we are willing to pay or charge; what jobs we will accept or not accept, hire or not

hire; what we will pay or not pay, and what we will be paid or not be paid.

I think that's what Jefferson was driving at in his first inaugural address. After he had reviewed the bountiful resources and blessings of the new nation, he asked, "With all these blessings, what more is necessary to make us a happy and a prosperous people? Still one thing more, fellow-citizens -- a wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government."

When the chief architect of Alexandria presented his plans for the city to the great Alexander, he proudly described its centerpiece. The entire city was to be laid out around a great fountain that featured a gigantic statue of Alexander. Water from this fountain would then flow outward from this central square to all parts of the city.

Alexander seemed unimpressed. The architect proudly said, "You see the symbolism, of course. All water, the life's blood of the city, flows from your image."

Alexander shook his head and said, "No, water is NOT the life's blood of a city. COMMERCE is the life's blood of a city."

The statue of Alexander was placed atop the lighthouse at the entrance to its great port instead.

Commerce IS the life's blood of any human society. No great civilization has ever risen without great commerce, and no civilization has endured that has not maintained its commerce.

And isn't commerce just another word for freedom? The freedom of any two people to come together, to decide on terms they

find mutually advantageous, and to make an exchange based on their own best judgment without the interference of some well-intentioned but meddling buffoon? And isn't it that freedom that is the engine of any civilization's prosperity?

True, sometimes we make bad decisions. Sometimes we pay too much for our pencils -- or charge too little for them -- or realize we didn't need them after all. We don't ask others to bail us out; rather, we go away from these experiences sadder and wiser. And aren't the bad decisions we sometimes make, a very small price to pay for the freedom we have to make all the good decisions in our lives?

And if our prosperity isn't what we'd like it to be, maybe that's because something is interfering with that freedom of commerce that produces our prosperity. And if that's the case, maybe we ought to do something about that.

I know these are difficult and uncertain times for commerce and for each of you struggling in the eighth year of this economy. But these challenges are because of transient public policies -- and in that respect they are very much like the shooting stars that frightened young Abraham Lincoln on the prairie of Illinois that night so many years ago. They are a temporary phenomenon that will ultimately pass like a meteor shower.

Living it day by day, I know it must seem like the heavens are falling. But when it seems that way, I urge you to reflect on the miracles you perform every day in the commerce you conduct, and keep your eyes fixed on the natural principles of freedom that are still shining bright and unwavering in the firmament beyond. Steer by them, and rest assured that they will guide our nation back to the prosperity, happiness and freedom that we once took for granted. □

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UNDOING THE DAMAGE HOUSE ACTIONS TO STOP OBAMA

Judging from the feedback I get at public meetings, a lot of what the House is doing to stop the incompetent folly and illegal actions of Barack Obama goes unnoticed. Here are speeches I gave on the House floor on just two actions the House took last month: one to override Obama's veto of the reconciliation bill that sought to relieve America from the collapse of Obamacare, and the other to invalidate his illegal seizure of authority over virtually every puddle in America. It's true that such efforts will not come to fruition until we have a new (and very different) President, but that's no reason not to try and every reason to double down on electing a Republican president in November:

THIS AIN'T WORKING VETO OVERRIDE ON OBAMACARE REPEAL FEBRUARY 2, 2016

Mr. Speaker:

The Congressional Budget Office just announced that for the first time in our history, federal healthcare payments now exceed Social Security benefits. Not coincidentally, it also warned that our deficit is again ballooning out of control.

Obamacare forced millions of Americans who had low-cost catastrophic coverage and basic employee plans into Medicaid, the dysfunctional poverty program. The result is skyrocketing costs for a program in which surgical patients are 13 percent more likely to die than those with no insurance at all, according to a recent University of Virginia study.

Mr. Obama promised if we liked our plans or our doctors we could keep them and that Obamacare would save an average family \$2,500 a year. In fact, millions lost their doctors and their plans while premiums have INCREASED an average of more than \$3,500 per family.

This ain't working. It's time to move on to something that does. ☐

THIS RULE MUST NOT STAND DISAPPROVING THE EPA "WATERS OF THE US" RULE JANUARY 13, 2016

Mr. Speaker:

Congress gave the EPA jurisdiction only over navigable bodies of water large enough to support ship traffic. The EPA's new rule takes control over virtually every body of water in the United States, including many agricultural and drainage ditches, ornamental lakes, and small creeks and streams on private property.

In 2010, Mr. Oberstar introduced a bill to grant EPA this power, but the Pelosi Congress refused to pass it. So, Mr. Obama has decided to seize this power anyway.

This rule not only threatens to upend 150 years of state water and property rights laws, but also presents us with a grave challenge to our Constitution. If allowed to stand, it means that Congress' exclusive legislative powers have now passed unrestricted to the Executive – including the power to repeal existing laws that guarantee to states supremacy over their waters, and the power to amend laws to seize vast new executive authority in direct defiance of Congress.

This rule must not stand. ☐