

Book Reviews by Ian Robertson

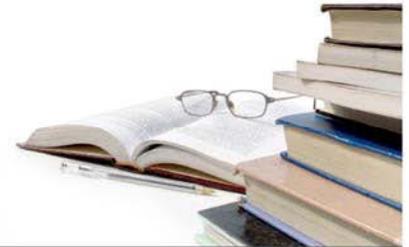


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Ian Robertson, CFA, MBA, MA – Vice President, Director, Portfolio Manager | T 604 844 5424 | Toll Free 1 888 886 3586 | irobertson@odlumbrown.com
Odlum Brown Limited | Suite 1100 – 250 Howe Street | Vancouver, BC V6C 3S9 | Member-Canadian Investor Protection Fund

Title: *The 4% Solution*
Author: George W. Bush Institute
Publisher: George W. Bush Foundation
Reviewed: August 2012



“2% Excellent Economics and 2% Partisan Policies.”

The George W. Bush Institute, part of the larger George W. Bush Presidential Centre, has released its first book on the economy - a collection of 21 chapters penned by business leaders and economists, including five Nobel Laureates. The chapter topics are vast, covering almost every area that could be linked to economic growth, including: the size and role of government; the impact of housing; productivity; tax policy; monetary policy; entrepreneurship; trade; energy policy; education policy; entitlements (social programs); immigration; technology; and the non-profit sector. There are several chapters providing a broader context, explaining the history, nature and role of economic growth, with all agreeing that 4% is a stretch goal. Unfortunately, discussion of health care is notably absent, a surprising omission given both its economic impact and that the U.S. system is an outlier amongst developed nations.

Rating:



Out of 5 Stars

Readers will not be surprised that many of the findings, discussion, and prescriptions sync strongly with Republican ideals. What is surprising - and maddening - is the unevenness of the contributions. Some, such as Gjerstad and Smith's new and original research citing household rather than business expenditures as the primary driver of economic cycles, their review of other countries' policy responses to housing downturns, and their subsequent prescription for the US economy is thought provoking and befitting a Nobel Laureate's (Smith, 2002) stature. Excellent work. Among the other well researched and supported chapters are: Blahous and Fichtener's interesting recommendations on social security reform (including the natural interaction between benefits and fertility rates); Maria's fascinating look at the complex role of entrepreneurship in both rich and poor economies; and Lucas' "History and Future of Economic Growth" which covers much ground, including recognition of Europe's conscious choice of social welfare over economic growth.

Hayward and Green, conversely, have written a pro energy exploration piece based on selective data and opinion, and seem completely unaware of the role of externalities in economics. They state "Americans have become very efficient in their use of energy," and in trying to highlight the harm environmentalists inflict on the economy they cite the case of a recent power plant proposal: "because the plant involved pumping vast amounts of water from the [Hudson] river and carving out the side of a mountain, a collection of environmentalists waged a concerted campaign to block it." Of course, cheaper energy would boost growth, but the chapter reads like an op-ed piece by the energy industry rather than a serious contribution to the debate on economic growth.

The book's other chapters are similarly excellent or poor, and unfortunately in the latter camp on occasion the authors are also confused. For example, in his opinionated but unsubstantiated chapter on monetary policy, Malpass argues that a weak US dollar leads companies to "devote an increasing portion of their time and energy to currencies rather than operating their business," implying that with a strong dollar companies will spend less time on exchange rates. The dollar's strength impacts import and export activity oppositely, and it's nonsensical that a strong or weak dollar will lead companies to spend less or more time, respectively, managing their foreign exchange exposure. Other chapters, too, leave readers scratching their heads - both at the logic of the argument presented and the chapter's inclusion in this book.

Those looking for confirmation of their small government beliefs will find the book interesting and comforting, while those looking for economic counterarguments to the prolific prescriptions of the 'left', for example Krugman or Stiglitz, will find the book both thought provoking and infuriating. Because the book is presented as a serious contribution to the current debate on boosting economic growth, it must be viewed as a weak effort.