Published on *Adam Smith Institute* (http://www.adamsmith.org)

Trying to understand [1]

Written by **Tim Worstall** [2] | Sunday 3 February 2008

I have to admit that I'm having trouble understanding the Naomi Klein phenomenon. The part I do understand is her fame as the author of a book called *No Logo*, which turned her into a global brand name for those complaining about global brands. Fame, yes, but I am suprised to find out that it's not as a disproof of the contention that only the British do irony. Looking at what she actually writes confuses me further [3]:

> *Even in the wealthy United States, most people earn less than the average income.*

We'll assume, in kindness, that she means the mean average (for of course the definition of the median is that 50% minus one person does indeed earn more), but even then it's a very strange statement, one to which the answer is, of course! Income is bounded at the bottom at zero (while it is possible to have a negative income in a year, as I know, we don't actually count incomes in that manner) and not bounded on the up side, the mean average therefore always being higher than the median and thus higher than what the majority earn. Even given this, quite what it has to do with the wealth or not of the US escapes me.

> *That means it is in the interest of the majority to vote for politicians promising to redistribute wealth from the top down.*

That contention being true only if economies are a zero sum game: only if the amount of income or wealth possible is fixed. As even a cursory glance at historical incomes will show, whether we look 500 years back or 50, this simply isn't true. Thus it would indeed be in the interest of the majority to vote for policies which increased the size of the pie rather than simply reslice it.

It's a quite wonderful example of garbled thinking to my mind, but the real treat comes a little later in the piece. Having implied that the poor were suckered into first the stock market boom and then house buying, both activities which were too risky for them, she then says:

> *To avoid regulatory scrutiny, the new trend is away from publicly traded stocks and toward private equity. In November, Nasdaq joined forces with several private banks, including Goldman Sachs, to form Portal Alliance, a private-equity stock market open only to investors with assets upward of $100m. In short order, yesterday's ownership society has morphed into today's members-only society.*

Umm, the Portal Alliance [4] is a market for trading "144a" stocks: those that are deemed too risky to be dealt in by retail investors. The very structure of the market is determined by the Government looking to keep the Mom and Pop investors away from the clutches of the greedy capitalists. And she's complaining?

No, I'm sorry, I simply don't understand.

blog comments powered by Disqus [6]

Source URL: http://www.adamsmith.org/blog/miscellaneous/trying-to-understand

Links:
[1] http://www.adamsmith.org/blog/miscellaneous/trying-to-understand
[2] http://www.adamsmith.org/taxonomy/term/5778
[3] http://www.guardian.co.uk/commentisfree/story/0,,2250720,00.html
[4] http://www.reuters.com/article/companyNewsAndPR/idUSN1245320920071112?sp=true
[5] http://disqus.com/?ref_noscript
[6] http://disqus.com