

The

FREEMarket

PUBLISHED 12 TIMES PER YEAR BY THE LUDWIG VON MISES INSTITUTE

Plight of the MBA Generation

Douglas French

Douglas French is president of the Mises Institute (French@mises.com).

During the first-ever Federal Reserve press conference, Fed chair Ben Bernanke said the number of jobs in America was still 7 million behind the number of people employed when the recession began. When asked whether the Fed could do anything about long-term unemployment, Bernanke said the central bank has been fighting it with an aggressive monetary policy. But he admitted his crew operating out of the Eccles Building doesn't have any tools to make the long-term unemployed employable again.

A day later the news came that first-time unemployment claims rose to 429,000—up from the week before and surprising economists, who had guessed the number would be 40,000 less. Wells Fargo economic analyst Tim Quinlan stated that “this is a major disappointment because it's another move in the wrong direction.”

A generation born at the tail end of the baby boom did what mom and dad told them they should: Get off the farm, don't be a barber, forget about being a mechanic. Go to college and then go be a doctor or lawyer or such. However, high barriers to entry and lack of mental horsepower kept most out of medical or law school. But a business degree means you will still be able to wear a shirt and tie to work, not get dirty, and push paper for a living. An MBA will make you unstoppable.

What's known as the FIRE economy (“Finance, Insurance, and Real Estate”) fired up in 1980 and headed for the sky until 2006. Now there are 50-year-olds who may never work again. In an April 25 cover story, *Newsweek* described these out-of-work boomers as “Dead Suits Walking.”

“Capitalism has always been cruel to its castoffs,” said the magazine, “but those blessed with a college degree and blue-chip résumé have traditionally escaped the worst of it. In recessions past, they've kept their jobs or found new ones as easily as they might hail a cab or board the 5:15 to White Plains. But not this time.”

A post on the professional-finance blog *Calculated Risk* says that if college-educated workers 45 or older lose their jobs, “they are toast.” That sounds harsh, but the point is that even in the financial capital of the world, New York, “men in the 35-to-54 kill zone have lost jobs faster than any other group, including teen-



age girls, according to new data from the Fiscal Policy Institute,” write *Newsweek’s* Rick Marin and Tony Dokoupil.

According to the official FIRE-economy website, the sector is composed of: “Commercial Banks, Savings & Loans, Credit Unions, Finance / Credit Companies, Securities & Investment, Venture Capital, Hedge Funds, Private Equity & Investment Firms, Insurance, Real Estate, Mortgage Bankers & Brokers Accountants.”

These industries are the sweet spot of loose monetary policies that have led to a series of booms and busts, bubbles and crashes, in ever-greater frequency, since the money supply was completely unshackled from the slightest gold constraint in 1971. Capital has been funneled into higher-order goods, and thousands went to college believing that lending money, landing a hot sales position, or penciling real-estate deals would last forever.

Now the vacant shopping centers are being foreclosed upon, and those who made a living analyzing the numbers or drawing the plans are at home with the kids while mom keeps the family boat afloat.

“Through the first quarter of 2011,” write Marin and Dokoupil, “nearly 600,000 college-educated white men ages 35 to 64 were unemployed, according to previously unpublished Labor Department stats. That’s more than 5 percent jobless—double the group’s pre-recession rate.”

Newsweek’s “Beached White Males” aren’t interested in taking a job they

feel is beneath them, despite most realizing that, after months of being unemployed, they will never obtain their previous level of work again. Besides being in denial, they are tired and depressed. This was portrayed smartly by Ben Affleck in the recent movie *The Company Men*.

Affleck’s Bobby had made all the right moves and was a big-company sales manager at 37, making \$120,000 a year plus bonus, driving a Porsche, living in a big house, with a country-club membership, a boy, a girl, and a size-zero wife, Patriots season tickets, and all the associated debt and obligations that go with it.

Bobby swaggers in and brags to his sales staff about shooting 86 that morning at his country club, but a minute later he is “86ed” by the head of human resources.

Elisabeth Kübler-Ross’s five stages of grief then proceed.

1. Denial: Bobby thinks he’ll get a job right away. No reason for belt tightening.
2. Anger: Bobby believes the company screwed him after 13 years of loyal service and he was betrayed by higher ups.
3. Bargaining: OK, Bobby resigns himself to cutting back and goes to work for his smug brother-in-law (Kevin Costner) in construction.
4. Depression: Bobby loses interest in the bedroom and tells his wife he’s sorry he let her down.
5. Acceptance: Bobby and wife Maggie (Rosemarie DeWitt) spend more

Copyright © 2011 by the Ludwig von Mises Institute, Creative Commons 3.0. ISSN: 1051-4333.

Editor: Jeffrey A. Tucker

Contributing editors: Thomas J. DiLorenzo, Jeffrey M. Herbener, Robert Higgs, Mark Thornton

Publisher: Douglas E. French

The Free Market is published 12 times a year.

Note: the views expressed in the Free Market are not necessarily those of the Ludwig von Mises Institute.

Ludwig von Mises Institute, 518 West Magnolia Avenue, Auburn, Alabama 36832-4501

Phone: 334.321.2100; Fax: 334.321.2119; Email: info@mises.org; Web: mises.org

time with each other and the kids, while Bobby starts to actually enjoy his construction job.

Career coach Judith Gerberg explains that these men may be able to get up and down from trouble on the links, but are at a complete loss in a situation like this one.

She tells *Newsweek*, “If you went to the college of your choice, married the woman of your choice, and bought the house of your choice, you’ve never dealt with rejection. You’ve never had to develop fortitude.”

And it’s not just the FIRE sectors that have thinned the ranks: 90,000 architects and engineers have been let go. Jobs considered professional are going the way of farmers since the financial crash, while, according to Marin and Dokoupil,

The rolls of all unemployed white professional men have more than doubled, to a million (not including sales jobs, which add another 300,000). Wall Street and the broader world of business culled the most, laying off more than 300,000 from their trading desks and cubicle farms.

Also dimming employment prospects for white males older than 50 is states’ rigorous enforcement of age-discrimination laws. Employers steer away from employees likely to pull the age card and sue. There were a record number of Equal Employment Opportunity Commission (EEOC) claims in 2010 and the Age Discrimination in Employment Act (ADEA) prohibits discrimination in employment on the basis of age against anyone (regardless of race) over the age of 40.

Perversely, while the market tries to clear away malinvestments and the

jobs that supported them, colleges continue to turn out more business majors than any other discipline. In 2007 and 2008 there were more than 335,000 business degrees granted—100,000 more than a decade before, according to the National Center for Education Statistics.

No wonder statistics show that it’s a struggle for fresh college graduates to find work. “College graduates have fared worse than other labor market participants, similar to what took place in the 2001 recession,” according to a Federal Reserve Bank of San Francisco report.

The Federal Reserve’s zero-interest-rate policy attempts to resuscitate jobs that are considered “professional” but are really just a mirage, much like the redundant shopping centers, housing tracts, and casinos built during the boom. In a bubble, there is a market for hail-fellows-well-met who look good in a suit and have connections from their frat days at State U.

Propping up Wall Street and the FIRE economy only fuels denial. Murray Rothbard wrote in *Economic Depressions: Their Cause and Cure* that government must never bail out businesses in trouble or prop up wages. “It will cause indefinite and prolonged depression and mass unemployment in the vital capital goods industries.”

The Bernanke Fed must accept that it can’t fix the mess it created in the first place. For a generation of people to find meaningful work, the government must embrace the Misesian prescription of a strict “hands-off” policy—rather than staying on the Keynesian drug. ■ FM

If you prefer to receive an emailed version of your monthly *Free Market* newsletter rather than mailed, please call 800-636-4737.

The Google Pharm Case

Llewellyn H. Rockwell, Jr.

Llewellyn H. Rockwell, Jr. is chairman of the Mises Institute (Rockwell@mises.com).

The American pharmaceutical system is a highly controlled apparatus for restricting access to much-needed drugs and violating the rights of those who want to purchase them. This has long been true.

Drugs that people should be permitted to purchase of their own free will are withheld from the market. Instead, people who know what they need are forced first to fork over to a physician—who then gets overpaid by insurance—then part of the buck is passed to the overtrained checkout clerks at the pharmacy. We are all treated like babies in order to sustain and fund an industry filled with bamboozlers in white coats.

The commercial Internet in its early days (perhaps 1998 to 2008) represented a wonderful alternative to this apparatus. Suppliers all over the world popped up to give us what we wanted, bypassing the government regulations and private monopolists. You know what you need, so just click and buy it!

So the pharmaceutical industry got help from the government. Together, they worked to crack down on “counterfeit” medicines—meaning the real thing that bypasses patent restrictions and supplier monopolies. In their view, people must not be allowed to get prescription medications without doctor approval—or else an entire fake industry could collapse. So they banded together and instituted a medieval guild system for the digital age.

Over the years, Google has accepted some advertising from some of these so-called rogue elements. In a

free market, they would be perfectly legitimate advertisers. Google makes no guarantee of the exact nature of the goods and services of all those who choose to advertise on its network. It has some degree of interest in quality control, of course, but if the customers are buying and happy, what could be the problem?

Well, the medical cartel, of course, and it asked for the Justice Department to intervene. As of this writing, Google is assuming that it is going to be in hot water very soon. Its recent report to stockholders says that it has put half a billion dollars in escrow to deal with the Justice Department investigation. The presumption here is that Google is going to be held liable for permitting ads to run from market-based drug sellers.

There are so many ways that this is wrong that one hardly knows where to begin. But let’s start with pharmaceutical prices, which continue to go through the roof. Using the Internet, there are tens of thousands of companies that could immediately begin distributing name-brand drugs and also derivative products at a fraction of the price imposed today.

Why not let them? More to the point, why should government resources be devoted to making sure that the price of prescription drugs remains as high as possible?

What about the allegation that these are counterfeit drugs? Well, it is seriously doubtful that any consumer who is buying a prescription medicine from

an online source is being defrauded; there is an understanding that the drug in question is most likely generic. What the government really means by “counterfeit” is that the generic drug is being introduced prior to the expiration of the patent that inflates prices as much as 100 times.

We all have stories to share about such things. A cream that is \$100 one day is \$5 after the drug enters the free market. A nasal spray that is \$200 is suddenly \$10 after it becomes part of the market. And so on. The term “counterfeit” should be reserved for fraud; it doesn’t apply to goods that are brought to market before a government-imposed embargo expires.

The same is true of the notion of real and fake pharmacies. Drug dispensaries should be businesses like any other, subject to free entry and exit and governed by the principles of profit and loss. But just as the medical profession itself, drug stores want to avoid being treated like commercial ventures. Instead, they want to be part of a tight cartel that rules who gets in and who stays out.

The way to maintain a cartel is through government regulations, and this is what the pharmacy industry has relied upon, to the detriment of consumer well-being. The attempt to crack down on free-market advertising of prescription drugs is all about protecting an industry from competition, and has nothing at all to do with protecting the consumer.

It is no coincidence that so much Internet spam comes from companies that purport to be selling drugs that people do not necessarily want to get from their doctor. There are privacy concerns, and a desire to avoid embarrassment. But the government will have none of it: you must confess to a doctor and look the drugstore clerk in the eye.

People commonly blame the markets for all this spam, but they really

should have been fingering the government for having created the black and grey markets for these drugs in the first place! This is what creates the incentives to dump trillions of unsolicited emails on the world. The spammers knew that their product was valued, but without normal markets they resorted to globalized promotions.

In fact, this is why Congress made spam illegal. The antispam law had absolutely nothing to do with keeping your inbox clean. It was all about protecting the medical monopoly against competition.

Finally, there is the very serious matter of the presumed liability held by Google. Maybe there is a precedent somewhere for a magazine or newspaper being held responsible for the claims of its advertisers. But I’m quite sure that there has never been a case where the fees are anywhere near this range. Five hundred million dollars? This is crazy, and a clear example of government’s looting of deep pockets.

The claim is that Google had disobeyed its own policy of making sure that every drug advertiser had passed through its own internal checks. But those checks were clearly instituted under government pressure, direct or indirect, so how is it an allegation against Google that it didn’t obey them across the board? This is nothing but harassment in order to preserve the privileges of a very powerful cartel.

People imagine that the United States has a free market in prescription medicine. This case is a very clear example of how and to what extent this is absolutely untrue. A free market permits anyone to advertise anything through any mutually agreed-upon means. Google is being investigated and hounded and fined solely for doing business in a way that benefits society at large. What matters to government is that doing such business harms a favorite client of the state. ■ FM

BOOKS from the Mises Institute

Order online at mises.org/store or by phone at 800.636.4737.

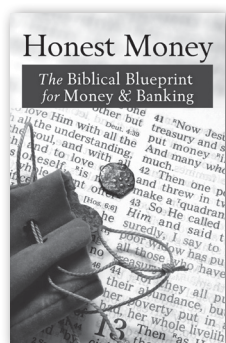
Honest Money—Gary North

Who knew that the Bible had so much to say about the issues of money and banking? The issue is a serious one because of the important history here and also because the Bible is such a foundational part of public understanding of every issue of public life and morality.

You can search the libraries for weeks and not find a guide as good as Gary North's detailed account of every mention of money and banking in both the Old and New Testament scriptures.

What he finds underscores what the hard-money tradition has long said: Governments engage in evil when they change the definition of money. Inflation is a danger to the individual and society. Governments that monopolize the monetary system are abusing their power. Governments cannot be trusted with money. That's the lesson.

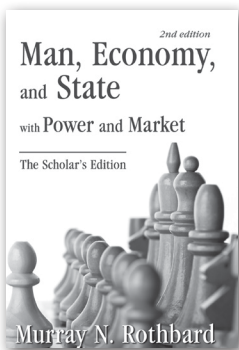
It is all written in very clear language that is designed for teaching. This book would make an excellent money and banking text for a private religious school—or for anyone who is concerned about what the Bible says about this critical subject.



184 pgs. (softcover)
\$12.00 SKU: SS586

Man, Economy, and State (Pocket Edition)—Murray N. Rothbard

The full 1,400 page treatise in an easy-to-read and super convenient package! It might not seem possible but it is done and it works. It makes a great companion volume to Mises's *Human Action* in pocket size, as well as the *Bastiat Collection* in pocket size.



Economics in Rothbard's wonderful book emerges as the beautiful logic that underlies human action in a world of scarcity, the lens on how exchange makes it possible for people to cooperate toward their mutual betterment. We see how money facilitates this, and allows for calculation over time that permits capital to expand and investment to take place. We see how entrepreneurship, based on real judgments and risk taking, is the driving force of the market.

1,438 pgs. (softcover)
\$15.00 SKU: B974

COMINGEvents

AT THE MISES INSTITUTE

Register for any conference online at mises.org or by phone at 800.636.4737.

- THE MISES CIRCLE IN LAS VEGAS
July 14–16 • Bally's Event Center
- MISES UNIVERSITY
July 24–30 • Mises Institute
- ANNUAL SUPPORTERS SUMMIT
September 19–23 • Vienna, Austria
- THE MISES CIRCLE IN NEW ORLEANS AND SCHLARBAUM AWARD TO WALTER BLOCK
November 5
- HIGH-SCHOOL SEMINAR IN AUBURN
November 18 • Mises Institute • Sponsored by Jeremy S. Davis
- HIGH-SCHOOL SEMINAR IN HOUSTON
January 13, 2012 • Hilton Post Oak • Sponsored by Jeremy S. Davis
- THE MISES CIRCLE IN HOUSTON
January 14, 2012 • Hilton Post Oak • Sponsored by Jeremy S. Davis

JOIN THE LUDWIG VON MISES INSTITUTE IN



LAS VEGAS Mises
The Circle
at
FreedomFest
2011

BALLY'S EVENT CENTER — JULY 14–16

Speakers: Doug French, Charles Goyette, Robert Murphy, Butler Shaffer, Ed Stringham, Jeffrey Tucker, and Peter Schiff

For details contact [Tami Holland](mailto:tami@freedomfest.com) at 866.266.5101 or email tami@freedomfest.com. See FreedomFest.com for complete schedule and hotel rates.

The **FREE**Market

Ludwig von Mises Institute
518 West Magnolia Avenue
Auburn, Alabama 36832-4501

Nonprofit Org.
U.S. Postage
PAID
Ludwig von Mises Institute

ADDRESS SERVICE REQUESTED

Join us in Vienna, September 19–23
See inside for details!