

[The Invisible Forces Weekly: Economics with a Broader View] 312 (12 April 2017)

Welcome to week 312! The articles below caught my attention this week. Please note that what are intended to be relatively objective “briefs” are preceded by dashes (-----), whereas additional material or relatively subjective comments are preceded by asterisks (*****). The links to articles preceded by [SR] require a subscription to be read in their entirety, although complete articles may frequently be found by an Internet title search.

The Invisible Forces Weekly also appears on the web at: <http://theinvisibleforcesweekly.com/>. Please see *Resources* to find a pdf of this issue and a cumulative pdf for issues 1-312.

Sabbatical

According to Wikipedia (<https://en.wikipedia.org/wiki/Sabbatical>),

Sabbatical or a **sabbatical** . . . is a rest from work, or a break, often lasting from two months to a year. The concept of sabbatical has a source in *shmita*, described in several places in the [Bible](#). For example, in [Leviticus 25](#), there is a commandment to desist from working the fields during the seventh year. Strictly speaking, this means a sabbatical would last one year.

With this definition, I am announcing that, after six years—312 weeks—I am taking a sabbatical in the strict sense, i.e., one year. That means that issue 313 of *The Invisible Forces Weekly* will appear on Wednesday, April 18th, 2018. I hope you will be open to receiving my “briefs” and comments at that time, whatever form they might take.

Let me say that I don’t intend to write the great American novel during the next year, although I will probably read a few, and I don’t intend to climb Mount Everest, although I do hope to climb a few mountains in western North Carolina. Without going into detail, I look at the next year as a time to “freshen up,” in effect, spring cleaning for the rest of my life.

While I am “freshening up” you might want to check out a few of the many “substitutes” for *TIF Weekly*. I suggest two sources to investigate: the listings of Blogs and Journalists presented at *Economic Principals* (<http://www.economicprincipals.com/>) and the Blogs, Commentaries, and Podcasts listed by *Resources for Economists* (https://www.aeaweb.org/rfe/showCat.php?cat_id=96). I am confident that you will find something that will address your interests. With that said, thank you for your interest in *TIF Weekly*.

(6 April 2017): “Cannabis Two-Step: Raise Cash in Canada, Spend It in U.S.”

(<https://www.bloomberg.com/news/articles/2017-04-06/pot-companies-flock-to-canada-as-u-s-laws-stymie-share-listings>)

-----“When Hadley Ford created a company for investing in the fast-growing business of legal marijuana, the former Goldman Sachs Group Inc. investment banker left New York and headed north of the border. While more than half of U.S. states allow marijuana for medical or recreational use, the drug is still outlawed by the federal government, starving pot entrepreneurs

of institutional capital. . . . So Ford created a public company that raises money in Canada, where medical marijuana is allowed. . . . The move gave Ford entrée into a vibrant public market for cannabis and a way to fund investments in the U.S. . . . Ford, 57, is among a growing list of entrepreneurs who are capitalizing on the difference between the two nations when it comes to marijuana.”

*****Different legal treatments for the same product almost always create an opportunity for gain. People like Hadley Ford, who identify these differences and are able to conceive of a business model that will realize those gains, have the potential to reap large financial gains. In essence, differences in social and historical forces (the invisible handshake) give rise to differences in legal and political forces (the invisible foot), which give rise to differences in economic forces (the invisible hand). I think we need more educational opportunities for students to range broadly over the disciplines of sociology, political science and law, and economics. Those students would benefit, too, from the knowledge being constructed by researchers on complexity. Melanie Mitchells’ book *Complexity: A Guided Tour* (<https://www.amazon.com/Complexity-Guided-Tour-Melanie-Mitchell/dp/0199798109/>) provides an introduction to the subject.

(10 April 2017): “Fewer Tomatoes in Ketchup? East Europeans Pursue Parity at the Grocery” (<https://www.nytimes.com/2017/04/09/world/europe/fewer-tomatoes-in-ketchup-east-europeans-pursue-parity-at-the-grocery.html>)

-----“The countries of Eastern and Central Europe have long bridled at being treated like the poor cousins of the European Union family. It does not help that even after more than a dozen years in the bloc, wages remain lower, corruption persists and public services, like schools and hospitals, are far scruffier. But now that sense of resentment—of being treated as second-class citizens by more prosperous neighbors—is reaching even into the regions refrigerators and cupboards. With rising passion, prominent politicians and local news media have taken up the issue of whether Eastern Europeans are being sold inferior products.”

*****The article clearly indicates that there is evidence to suggest that Eastern and Central European countries are being sold products that are different from, indeed inferior to, those sold in adjacent countries like Austria and Germany. It seems like the time is right for a more comprehensive comparative study of products in the EU countries. The article indicates that product differentiation, for whatever reason, is being seized upon by politicians in Eastern and Central European countries.

(10 April 2017): “The Birth of Planned Obsolescence” (<https://daily.jstor.org/the-birth-of-planned-obsolence/>)

*****In this post, Livia Gershon outlines “the story of how we became a nation that buys stuff and then throws it away at an astonishing pace.” She does this by summarizing Nigel Whiteley’s 1987 article “Toward a Throw-Away Culture. Consumerism, ‘Style Obsolescence’ and Cultural Theory in the 1950s and 1960s.” Important to this development was the 1932 book *Consumer Engineering: A New Technique for Prosperity*, by Roy Sheldon and Egmont Arens, in which the expression “creative waste” was introduced. 1932 was not an auspicious time to

introduce a book espousing creative waste, to say the least. But “for a rising middle class in the 1950s, possessions—particularly cars—became a way to advertise a family’s social position.” All this is, of course, an echo of Thorstein Veblen’s “conspicuous consumption” as developed in his classic 1899 book *The Theory of the Leisure Class* (<https://www.amazon.com/gp/product/0199552584/>).

(11 April 2017): “Book Pins Corporate Greed on a Lust Bred at Harvard” (<https://www.nytimes.com/2017/04/10/business/dealbook/11-andrew-sorkin-harvard-business-school.html>)

-----“If you were to look for one ingredient that binds together the nation’s chief executives, top managers and boards of directors, you’d find a remarkably consistent commonality, now and in generations past: A disproportionate number of them are graduates of Harvard Business School. . . . It is hard to overstate the school’s influence on corporate America. That’s why a new, exhaustive history of the school is causing a stir before it is even out. The book, “The Golden Passport,” by the veteran business journalist Duff McDonald, is a richly reported indictment of the school as a leading reason that corporate America is disdained by much of the country.” McDonald points to the arrival of financial economist Michael C. Jensen in 1985 as contributing to an “ideologically driven hijacking of the study of finance [that] served as a cynical repudiation of everything that come before him at the school.”

*****You can learn more about McDonald’s book at: <https://www.nytimes.com/2017/04/10/business/dealbook/11-andrew-sorkin-harvard-business-school.html>. At 672 pages, this is a lengthy indictment of H.B.S. As the reviewer, Andrew Ross Sorkin, notes, “in example after example, Mr. McDonald sets out his thesis that money and influence have distorted both the school’s curriculum and the worldview espoused by its professors, who themselves are on the payroll of corporate America as part-time advisers and consultants.” This seems like a book that will repay careful reading when it is released later this month. I encountered the George Bernard Shaw story related in the review when I took my first undergraduate course in microeconomics.

*****The relationship between the university and business, as developed by McDonald, has long been a matter of discussion. I see some of this in President Eisenhower’s Farewell Address, which is amply discussed in the book *Unwarranted Influence: Dwight D. Eisenhower and the Military-Industrial Complex* (<https://www.amazon.com/Unwarranted-Influence-Eisenhower-Military-Industrial-Complex/dp/0300177623/>). But a much fuller development is provided in the post “Scientists Have Always Been Political” (<https://daily.jstor.org/scientists-have-always-been-political/>) and its foundation article (2009) “The Professional and the Scientist in Nineteenth-Century America.”

(12 April 2017): “In the Tennessee Delta, a poor community loses its hospital—and sense of security” (<http://wapo.st/2nAF1Z8>)

-----Haywood Park Community Hospital of Brownsville, Tennessee closed its doors three years ago this summer. Its closing is one story in “an epidemic of dying hospitals across rural America. Nearly 80 have closed since 2010, including nine in Tennessee, more than in any state

but Texas. Many more are considered fragile—downstream victims of federal health policies, shifts in medical practice and the limited tolerance of distant corporate owners for empty beds and financial losses. In every rural community, the ripple effects of a lost hospital are profound, reverberating beyond the inability of would-be patients to get immediate care. Many of the best jobs in town vanish. Local leaders trying to recruit new industry face an extra hurdle.” People needing emergency health care do not vanish, however, leading Brownsville mayor Bill Rawls to say, “The emergency room now is the back of an ambulance.”

*****A brief summary of state-by-state rural hospital closings can be found at: <http://www.beckershospitalreview.com/finance/a-state-by-state-breakdown-of-80-rural-hospital-closures.html>. The summary, in turn, seems to be based upon the work of the North Carolina Rural Health Research Program (<http://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/>). The latter resource is especially interesting and flexible as it provides the ability to sort on various criteria and provides a map of closed-hospital locations. There are some discrepancies regarding numbers, e.g., the article indicates that 9 Tennessee hospitals have closed but I only see 8 in the sources but probably not a matter of concern. This is another indicator of how the changing conditions of life in rural areas.

May you have a good year!

Bruce