

Winter in Germany: Inspiring Confidence and Trust

When it comes to serious issues like dealing with China or Covid or climate change, it's easy for us to assume that the people who are knowledgeable and elected will have worthy and effective solutions as in the past. Many government leaders, especially among the two million federal employees, have trained for their jobs and expect us to trust them as we would trust a doctor or an auto mechanic over a quack or a handy neighbor. On the local level that's the way we regard our local schools and school teachers. Trust.

Sadly, there are many ways this reasonable expectation can fail. First, there is the problem of a lack of accountability as when people do their jobs poorly but are not replaced. Second, there is a problem of a monopoly. Anytime a company or government is immense and lacks a competitor, innovation disappears, and service becomes both poor and expensive. Forty years ago, AT&T thought a beige (not black) phone was an innovation. When deregulation allowed mobile phones, we saved money, *and* experienced terrific service.

The third problem is politicizing the roles and agendas of government. There are two issues here. The first is awarding contracts to friends or campaign donors or those who bribe their way in. This is called cronyism or corruption. The other problem with politicization is that new priorities appear that do not make sense to ordinary people. This one is not as easy to grasp. Instead of politics think of religion making many determinations. One thousand years ago, religion was how the Crusades got started and we see various crusades even today. In previous generations people were very fearful of damnation today people are very fearful of perishing through climate change. Like religion, politics emphasizes certain priorities.

Germany is just emerging from a couple of decades of severe political fog. Embarrassed and ashamed by having invaded nations and started WW2 long ago, Germany has focused on hard work and a pacifist view. Germany has been a strong leader in Europe. However, as the *Economist* made plain recently, the German failures are now evident and appear quack-ish:

Germany assumed that depending on Russian for cheap natural gas would "tame its belligerence."

Germany assumed that enriching Russia with gas sales would not bankroll hostilities like Ukraine.

Germany assumed that making China a major trading partner would be beneficial and risk free.

Germany assumed that its dependence on China and Russia would not end in blackmail.

Germany assumed that shutting down all coal plants would help save the planet.

Germany assumed that shuttering its three nuclear power plants would not harm Germany at all.

Germany, under new Chancellor Olaf Scholz, is now refiring its coal burning plants and may not close its nuclear power plants. Scholz is also leading efforts to speed up renewables and find new sources of natural gas. The prospect of shivering this winter in the kitchens, as in Ukraine a mere 650 miles from Berlin, has caused Germany to ditch its politicized dreams for actual realities. (*Economist* "The New Germany" August 13, 2022. P 10)

In the U.S. we have just passed the Inflation Reduction Act and it's a model of how politics works. There is the cheerful image to the public, and then there is the reality that we are supposed to have confidence in. If climate change is the focus, then a carbon tax (or trade) is a proper and real step. Politicians, however, can only pass what can get votes and that's prioritizing various efforts that they can control (increased regulation) and appear to provide (picking winners with credits and subsidies) and tax (increases for many plus more IRS agents). Will 80,000 new IRS agents collect more than the \$80 billion the new agents will cost in taxes?

Instead of a carbon tax there will be a 15% minimum corporate tax based on the increase of the book value of large corporations. Plus, a 1,300-mile pipeline will be built to begin to carry captured carbon to a final resting place in Illinois. The headline is that this will reduce carbon emissions by 40% by 2030. The footnote is that carbon reduction was on track to be reduced by 30% by 2030 anyway. The law hung on just one vote.

We will have to decide if this is a plan we can trust with confidence, or if it resembles Germany's fog.