

Model hypocrites

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You can bet that almost anytime a politician attempts to raise your taxes or pushes for a big, new government spending program, the justification is at least partially based on the results of some mathematical model. Al Gore, and many others endorsing the global warming rage, tell us the climate models show government must do something about global warming before we are all cooked (or at least lightly tanned).

Having spent three decades around model builders and reading their studies, I have concluded it is infinitely easier to obtain government funding to build a mathematical model likely to show the need for more government activity and spending rather than less.

Both physical and social scientists use mathematical models to make predictions about the future. The model is supposed to capture the relationships of variables and their magnitudes to enable scientists to forecast such things as hurricanes, crime rates, unemployment rates, and how many people who will get bird flu. Some model builders do truly impressive work, such as those who manage to figure out how to get a little robot on the surface of Mars -- but other model builders have much to be modest about.

At the moment, many politicians and media elites are telling us the world's nations must spend quite literally trillions of dollars to stop global warming. But the scientists who study such things cannot get their models to agree on whether the present warming is temporary, and part of the normal climatic variability, or something fundamentally different. There has been very little serious research to see if benefits of global warming, such as more rainfall, longer growing seasons, healthier climates and extended outdoor sports, will outweigh the costs. Could this possibly be because if global

warming were found to be beneficial, there would be no need for political action and a transfer of wealth and liberty to the governing class?

The data show, from 1940 until 1975, the world was getting cooler, and there were many articles about the coming ice age, including one on the cover of Newsweek. This cooling period is now explained as caused by air pollution.

But after the Clean Air Act was passed, the skies cleared up and the temperature rapidly increased (but what about China and India, whose skies are getting dirtier? Oh, well). For the moment, assume the Clean Air Act explanation is correct. Might it be more sensible to allow a little more pollution to moderate global warming rather than try to stop all CO2 emissions -- particularly given CO2 makes vegetation grow faster? Where is the government funding to model the pros and cons of this and other politically incorrect alternatives?

Nobody, including Al Gore, knows the optimum global warming, and what we should do about it, if anything, because the data and models cannot provide those answers.

Models of the economy have been similarly politicized. During the 1960s and '70s, Keynesian models were all the rage and received considerable government funding, no doubt partly because most showed more government spending and taxing was good for the economy. By the late 1970s, it became obvious these models were wrong and their prescriptions led to stagflation. The monetarists and supply-siders had answers, but little in the way of government funding was provided for their models, since they tended to show less government taxing and spending had beneficial effects.

One of the great scandals is that the Joint Tax Committee (JTC) of the U.S. Congress still relies on largely static and partially Keynesian models to do its tax revenue forecasting, which means it is often wrong by large margins. It almost always overstates the revenue from a tax increase and the revenue loss from a tax rate cut. For 30 years, it has failed to even come close to forecasting changes in capital gains revenues, most often even getting the sign wrong.

Those on the left, arguing for retaining the static and Keynesian models, claim the dynamic and supply-side-oriented models might not be precisely correct -- even though the evidence is they would be much closer to the mark than what the JTC predicts now. Yet, these same members of Congress, who do not want change in the tax models, embrace climate models, which, because of their much greater complexity and underlying scientific uncertainty, are far more inaccurate than any good dynamic tax-scoring model.

The lesson is: The government will not seriously fund objective tax or climate modeling because the political class is afraid of what the results might show. Thus, private parties will have to undertake the effort and funding if we are to improve policymaking.

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