

Whom Should We Credit for Good Economic Performance?
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Any student exposed to the rudiments of logic comes quickly to learn of the post hoc fallacy. The full version of this fallacy is “post hoc, ergo propter hoc,” which translates as “after this, therefore because of this.” The post hoc fallacy is easy to commit because it simply expresses what we observe in the world around us. Post hoc reasons often seem to reflect what appears to be “intuitively obvious.”

For millennia people believed that darkness followed day because the sun moved across the sky from east to west. This is the post hoc fallacy, only it was not recognized to be a fallacy until the 16th century, when the Polish astronomer Copernicus explained how the earth rotated on its axis. To this day, however, we speak of the sun’s rising and setting, even though we now recognize that the sun does no such thing.

Post hoc reasoning is a kind of “natural” logic. It fits directly with what we observe. When people carry umbrellas in the morning, it seems often to rain later in the day. When they leave home without umbrellas, it is mostly dry during the day. In a pre-Copernican age, carrying umbrellas might have been viewed as a kind of rain dance, a generally successful one at that: after carrying umbrellas it rains; therefore, it rains because people carry umbrellas.

True, people don’t succumb to post hoc reasoning when it comes to gauging the relation between umbrellas and rain. We see behind the direct observations and understand the genuine relationship. To avoid the post hoc

fallacy requires a genuine understanding of the situation at hand. We have such an understanding when it comes to umbrellas and rain, as well as when it comes to day being followed by night.

One place where post hoc reasoning is rampant today is in the political arena, particularly when it comes to the assignment of credit or blame to political leaders for economic performance. Economic performance has been strong throughout the years of the Clinton presidency. While President Clinton has been understandably eager to claim credit for this performance, numerous observers have readily granted that claim. To be sure, some of those observers would have Clinton share the credit with Alan Greenspan, Chairman of the Federal Reserve.

The central idea in any case is that credit for economic performance belongs to political leadership. In making this attribution of credit, the national economy is treated as if it were a very large company, with the President being the CEO. This may seem to be an intuitively obvious thing to do, but it is as erroneous as the pre-Copernican claim that the sun rose in the east and set in the west.

A CEO directs his company, and the results of that direction, for good or for bad, rest upon him. No one, however, directs a national economy, and this makes all the difference. The Communist vision was of the national economy as a giant, nation-wide company. That vision failed utterly, bringing only misery and poverty in its wake. One needs only to compare Western and Eastern Europe or North and South Korea to see this. The Communist vision failed because a

national economy is vastly too complex for any person or office to manage.

There is a fundamental asymmetry in what politics can accomplish with respect to economic performance. This asymmetry implicates politics much more fully in economic failure than in economic success. It is possible politically to severely damage or even destroy an economy. It is not possible politically to create one. If creation were within the competence of politicians, the Soviet Union would now be a dominant international player and not a relic of history.

The best thing that government can do for economic performance is to provide a basic protection of people's person and property. So long as government provides a stable framework of law within which people can conduct their economic activities, people will generate a robust economy on their own. Within this stable legal framework, the people themselves will generate a robust economy, as the history of the rise of the West illustrates strikingly.

Good performance is a natural feature of an economy when government maintains a backdrop of stable rules of law. Politicians would deserve some modest credit for good economic performance, just as would anyone who did their job well. The assignment of credit is very different when it comes to bad performance. Bad economic performance comes about only through bad political performance. The history of the Communist lands is massive testimony to this point. So too is the Great Depression in the United States. That cataclysm began with the federal government's inflationary policies of the 1920s, which fueled an unsustainable economic boom, and was capped by the Federal Reserve's severe monetary contraction in the early 1930s.

It is quite reasonable to blame politicians for bad economic performance.
Credit for good performance, however, should be reserved for the people.