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Harrisburg in crisis: A burning issue

Pennsylvania's state capital is on the brink of bankruptcy

It's a long way to Heaven. It's closer to Harrisburg, sings Josh Ritter, a contemporary singer-songwriter. But these days Harrisburg, Pennsylvania's picturesque state capital, home to 47,000 people, would make a poor alternative to heaven. Mainly because of a crippling \$288m loan guarantee for a trouble-plagued rubbish incinerator, the city is in a hellish financial state. Its budget deficit over the next five years is projected to be \$164m, including \$68.7m of debt service due this year. Moody's downgraded its bond rating last month. Some people, including Dan Miller, the city controller, are recommending that Harrisburg should seek protection in the bankruptcy courts. "It's too late to do anything else," he says.

Not everyone agrees. Linda Thompson, the new mayor, is adamant that the city will not file under Chapter 9 of the bankruptcy code, which allows cities to come up with a debt-repayment plan while staving off their creditors. Chapter 9 is milder than Chapter 11: the bankruptcy court cannot force a city to sell assets or impose a plan for recovery on it. Although the bankruptcy laws have been on the books since 1937, municipal bankruptcies are rare and are considered a last resort. Municipalities need state authorisation to file for Chapter 9, and 30 states prohibit doing so altogether. ...

Climate-change politics: Cap-and-trade's last hurrah

The decline of a once wildly popular idea

IN THE 1990s cap-and-trade—the idea of reducing carbon-dioxide emissions by auctioning off a set number of pollution permits, which could then be traded in a market—was the darling of the green policy circuit. A similar approach to sulphur dioxide emissions, introduced under the 1990 Clean Air Act, was credited with having helped solve acid-rain problems quickly and cheaply. And its great advantage was that it hardly looked like a tax at all, though it would bring in a lot of money.

The cap-and-trade provision expected in the climate legislation that Senators John Kerry, Joe Lieberman and Lindsey Graham have been working on, which may be unveiled shortly, will be a poor shadow of that once alluring idea. Cap-and-trade will not be the centrepiece of the legislation (as it was of last year's House climate bill, Waxman-Markey), but is instead likely to apply only to electrical utilities, at least for the time being. Transport fuels will probably be approached with some sort of tax or fee; industrial emissions will be tackled with regulation and possibly, later on, carbon trading. The hope will be to cobble together cuts in emissions similar in scope to those foreseen under the House bill, in which the vast majority of domestic cuts in emissions came from utilities. ...

Schools reform: The next test

Barack Obama's plan to overhaul No Child Left Behind

HEALTH reform was supposed to be the crowning achievement of Barack Obama's first year as president. Instead it has riled Republicans, alienated leftists and exhausted everyone else. However, on March 15th Mr Obama presented Congress with a plan that ought to have a greater chance of support: reforming No Child Left Behind (NCLB), America's main federal education programme. Everyone agrees that America's public schools are floundering, and NCLB is widely considered to have failed.

NCLB, enacted in 2002, transformed education policy. It gave the federal government a crucial role in education, forcing states to set standards and hold their schools accountable for meeting them. Schools that failed to make progress would face financial sanctions. All students were to be proficient in reading and maths by 2014. George Bush championed the law; Congress supported it wholeheartedly. ...

American-Israeli relations: Where did all the love go?

No crisis, says the White House, but American patience with Israel has run out

IT HAS been like a lovers' tiff without the love "quickly tamped down but with none of the kissing and making up, and no soothing of the underlying rage. As Palestinian violence flared in Jerusalem, Barack Obama's secretary of state, Hillary Clinton, said through gritted teeth on March 16th that Israel and America enjoyed "a close, unshakable bond". On the same day Michael Oren, Israel's ambassador to the United States, said he had been misquoted in a widely leaked report that he had called the quarrel the worst crisis between the allies for 35 years. And on March 17th Mr Obama himself chimed in, denying any crisis but admitting that "friends are going to disagree sometimes".

And how. The spark was the approval by Israel's interior ministry of 1,600 new homes in Ramat Shlomo, a Jewish suburb in East (Palestinian) Jerusalem. This coincided with a visit by Vice-President Joe Biden (above, left) and also with the eve of the "proximity talks" America had at last persuaded Mahmoud Abbas, the Palestinian leader, to enter with Binyamin ("Bibi") Netanyahu, Israel's prime minister (above, right). Mr Biden is known for his affection towards Israel but took the announcement as a gratuitous insult. So did Mrs Clinton, who on March 12th berated Mr Netanyahu for three-quarters of an hour on the phone. She reportedly told Mr Biden to "condemn" the announcement rather than merely "express concern". ...

Lexington: Nancy Pelosi's challenge

The House speaker is not popular with voters. But she can count noses

WHEN Nancy Pelosi moved to San Francisco, she struggled to find somewhere to live. For months, and with four small children, she lodged with her mother-in-law. So she was relieved when she found a perfect home to rent: big, childproof and with swings in the garden. She was about to seal the deal when she discovered that the owner's husband was heading east to join the Nixon administration. "We won't be able to live here," she said. "I could never live anywhere that was made available because of the election of Richard Nixon."

If this story were told by a Republican, Lexington would dismiss it as apocryphal. It confirms too neatly the caricature of Mrs Pelosi as a petty and tribal partisan. But the source is Mrs Pelosi's autobiography, "Know Your Power: a Message to America's Daughters". And in case you think it out of character, she adds that her daughter Alexandra "often says to me that she knows everything she needs to know about me by hearing that story."

The inflation rate: Price puzzle

Inflation figures fuel a debate over when the Fed should tighten

TRACKING American interest rates is like watching paint dry. At its meeting on March 16th the Federal Reserve left its short-term rate target between zero and 0.25% for the tenth consecutive time, and, given “subdued inflation trends”, said it would probably leave it there for an “extended period”.

But just how subdued is inflation really? Frustratingly, the latest data provide ammunition for both the hawks, who question the need for extended low rates, and the doves, who don’t. ...

Plans for broadband: Pipe dream

Not what was asked for

A YEAR ago, Congress asked for a plan that would provide affordable broadband service to all America's citizens. On March 16th, the Federal Communications Commission responded with a non sequitur: a national wireless plan which is good in its way, but which largely fails to tackle the problem it was asked to solve.

There is much to like in the FCC's proposal. It proposes to auction a large chunk of radio spectrum that could be used to provide data to wireless devices, and to encourage existing licence-holders, in particular broadcasters, to auction or sell any capacity they are not using. It also frees up more spectrum for tinkering on unlicensed space. This is no small thing; the standard for Wi-Fi was developed on unlicensed spectrum that had been considered "junk band", cluttered with low-intensity signals from microwave ovens and baby monitors. None of this, though, will do much to make broadband access universal or more affordable. ...

Health care and the states: Sound and fury

Virginia bans mandatory health insurance. Does it matter?

IF AMERICAN constitutional law is a centuries-old struggle between Alexander Hamilton and Thomas Jefferson—between expansive and narrow views of federal power—Virginia’s general assembly struck a blow for Jefferson, its native son, on March 10th, when it became the first state legislature to ban mandatory health insurance, such as Barack Obama’s health plan insists everyone must have. The legislation, which states that Virginians can neither be required to have health insurance nor be penalised for not having it, passed both chambers of Virginia’s legislature with significant Democratic support—21 of the House’s 39 Democrats voted for it.

Idaho followed suit a week later. Arizona’s voters will decide whether to write such protections into the state’s constitution later this year. According to the American Legislative Exchange Council, a small-government advocacy group that drafted model anti-mandate legislation, similar measures are in the works in no fewer than 35 other states. ...

The president and trade: Go sell

As Barack Obama embraces exports, trade friction looms

A GLOOMY office park in suburban Chicago is the home of NewMedical Technology. At the moment the young company has only one main product, silicone strips to reduce scarring after surgery. But in its tiny warehouse, employees busily pack boxes to be shipped to Brussels. In the past year the firm's business has expanded quickly; NewMedical now exports to South America, Europe and Asia.

It is the type of growth Barack Obama dreams of. Consumers are nursing battered balance sheets and the government is wallowing in debt. That puts the burden on exports to carry the recovery; Mr Obama wants them to double over the next five years. ...

Lexington: Barack Obama's abortion drama

Religion is causing the president headaches

IT COULD all come down to abortion. Health-care reform hangs in the balance. Nancy Pelosi, the speaker of the House of Representatives, is desperately trying to round up the last few votes. If the House passes a bill the Senate passed in December, it can then be tweaked through the "reconciliation" process and sent to President Barack Obama for signature. But every single House Republican is likely to vote no, so Ms Pelosi needs 216 Democratic votes (out of 253) for a majority. This is proving surprisingly hard. Among the holdouts are a dozen or so pro-life Democrats, several of them Midwestern Catholics, who object to the abortion provisions in the Senate bill.

Thanks to the Supreme Court, abortion has been legally protected since 1973 and neither Congress nor any state has the power to ban it. But a law called the Hyde amendment bars federal funding for abortion, except in cases of rape or incest, or to save the life of the mother. The question now is whether Obamacare will use taxpayers' money to subsidise abortion more widely. Mr Obama insists that it will not. Under his plan, many individuals and small businesses will buy subsidised health insurance through state-sponsored exchanges. Under the Senate bill, they would only be able to obtain abortion coverage through these exchanges if they paid for it with a separate, unsubsidised, cheque. Thus, federal dollars would be kept out of abortion clinics, say the bill's supporters. But many pro-lifers are not convinced. So the version of the health bill that was passed by the House would have required those who wanted abortion coverage to buy a completely separate insurance policy. The Democrat who wrote the House abortion provision, Bart Stupak, says he won't back the Senate bill. Several other pro-life Democrats may also balk. ...

Foreign policy: Containing Iran

The president is trapped between an angry Congress and a stubborn China

HE HAS missed his own deadlines, he may not have enough votes and even if the measure passes it is likely to be a watered-down affair. That is the position in which Barack Obama finds himself not only on health reform but also in his efforts to prevent Iran from acquiring a bomb.

As with health care, Mr Obama entered office with a bold idea. He would break with his predecessor and extend the hand of friendship to Iran. If Iran failed to grasp it or to come clean about its nuclear activities, the world would know whom to blame for the continuing enmity between the two countries. That would enable the UN Security Council to impose a fourth lot of economic sanctionsâ€”â€œcripplingâ€? ones this timeâ€”that would force the ayatollahs to comply with their nuclear obligations. ...

The film business: Hollow-wood

The sign is still there, but the film crews increasingly arenâ€™t

MORE than 41m Americans tuned in on March 7th to watch â€œThe Hurt Lockerâ€? win the award for best picture at the Oscars, the annual ritual of glitz that reminds the world that Hollywood is the global centre of the film and entertainment industry. â€œThe Hurt Lockerâ€?, however, was filmed in Jordan, not Hollywood. Perhaps that is as it should be for a film set in Iraq. But what about â€œBattle: Los Angelesâ€?? Hitting cinemas next year, it is a film about marines fighting an alien invasion. And it is being shot in Louisiana.

California has been worrying about â€œrunaway productionâ€? since 1998, when Canada began luring producers and their crews away from Los Angeles with tax breaks. Other places followed, and all but seven American states and territories and 24 other countries now offer, or are preparing to offer, rebates, grants or tax credits that cut 20%, 30% or even 40% of the cost of shooting a movie. ...

Alabama's economy: After cotton

Alabama's small cities are poised for recovery

TUCKED between the Tombigbee river and a rural highway meandering north from Mobile sits a warren of huge buildings in Willy Wonka-colours: sea-foam blue and green, desert beige and mauve. Though they look like a modern-art installation, in fact they comprise a new steel mill being built by ThyssenKrupp, a German company. According to ThyssenKrupp the \$3.7 billion mill represents the largest German investment in America ever. When it reaches full capacity in 2012, it will employ 2,700 workers and produce some 5.1m tons of carbon and stainless steel per year.

In a ranking of 378 American metropolitan areas by job-growth prospects conducted by Moody's Economy.com, Mobile ranked 12th. Three regions in Alabama finished above it: Huntsville and Auburn-Opelika ranked first and second, and Columbus-Phenix City, which straddles the Georgia border, ranked seventh (the state's two largest cities, Birmingham and Montgomery, ranked 83rd and 22nd). These areas are quite diverse: Huntsville benefits from an aerospace and defence legacy, as well as from military base realignments that will centralise several commands in the area; Mobile has ThyssenKrupp's plant as well as continued recovery from the effects of Hurricane Katrina; Auburn-Opelika has Auburn University, recipient of some \$47m in stimulus money; and Phenix City abuts a large Kia plant in Georgia and is near Fort Benning, also due to grow thanks to base realignment. ...

Corruption on the border: Assets on the other side

Mexico's drugs gangs are getting ever more clever

ONE case that sticks out, says Jay Abbott, is that of Margarita Crispin. Mr Abbott is the assistant special agent in charge of the FBI's El Paso bureau, and Ms Crispin was a customs agent working at the busy port of entry between El Paso, Texas, and Ciudad Juarez, in Mexico. The FBI had been tipped off in 2004 that Ms Crispin was crooked, so they started to watch her. Once, in 2006, a van ran out of petrol in her lane, and the driver ran away. It turned out that there was almost 6,000 pounds (2.7 tonnes) of marijuana inside. The next year the FBI had enough evidence for an indictment. The strange thing, says Mr Abbott, was that Ms Crispin had no interest whatsoever in a plea bargain. He reckons the Mexican drug-traffickers had made it clear to her that giving evidence against them would not be a wise move.

Was the Crispin case an aberration, or a sign of things to come? Most of America's foreign-grown marijuana comes from Mexico, and most of the cartels' profits come from the American market. In a speech last March the Mexican president, Felipe Calderon, argued that here was evidence of vexing hypocrisy: "How can you account for such a large drug market in the US, the biggest in the world, without corruption of American authorities? I'd like to know which high-ranking officials, like the ones I've put in jail, have even been investigated there? ...

University fees: Degrees of pain

Colleges nationwide are asking students to pay more for their education

“NO ONE should go broke because they chose to go to college,” Barack Obama said in January in his state-of-the-union speech. But American college students worry they might, thanks to recent fee increases at technical colleges and universities. On March 4th students and disgruntled faculty staged protests at around 100 campuses in over 30 states, calling on state legislators and university administrators to put a halt to recent tuition hikes and funding cuts. In Oakland, California, student protesters marched onto a big highway and stopped the traffic. Elsewhere students carried coffins to symbolise the death of affordable education.

According to the Centre on Budget and Policy Priorities, a think-tank, at least 39 states have decreased their funding for public colleges and universities or increased their tuition charges. In California some public universities have increased fees by more than 30%. At the same time they are cutting back on their offerings. Many have tried to save money by laying off staff, closing academic departments and reducing the number of classes offered. Some are admitting more out-of-state students, who pay higher fees. ...

Unemployment figures: Slow going

Why is the recovery jobless? Maybe because it isn't a recovery

IN FEBRUARY, for the twenty-fifth time in 26 months, the American economy shed jobs. The toll—a decline of 36,000—was smaller than feared for a month of severe winter weather. But it was distressing nonetheless; another bit of evidence pointing towards a jobless recovery. Most economists estimate that the recession in America ended around the close of the second quarter of 2009, the last quarter in which GDP shrank. But during the second half of last year the economy still managed to lose more than a million jobs.

One explanation for the divergence of output and employment, which started to emerge while the economy was still shrinking, is that firms are now able to wring more productivity out of their workers. Rising labour productivity is a common feature of the early stages of recovery, as employers respond to increases in demand by working staff harder and delaying new hiring. But this time round productivity figures have been well above normal. Last week the Bureau of Labour Statistics reported fourth-quarter labour-productivity growth of 6.9%, after increases of 7.6% and 7.8% in the previous two quarters. That amounts to one of the strongest nine-month productivity performances America has notched up in the post-war period. ...

White House tensions: Ballet Rahmbert

The gossip surrounding the president's chief of staff is getting out of hand

LET me tell you a story about Rahm Emanuel. I was a congressman in my first eight weeks, and I was in the congressional gym, and I went down and I worked out and I went into the showers. I'm sitting there showering, naked as a jaybird and here comes Rahm Emanuel not even with a towel wrapped around his tush, poking his finger in my chest, yelling at me because I wasn't going to vote for the president's budget. Do you know how awkward it is to have a political argument with a naked man?

So, on television on March 8th, said Eric Massa, a Democratic congressman from New York who faced a spot of bother in Congress after allegations of groping a male staffer and has now resigned. Sources in the White House say the encounter with Barack Obama's chief of staff never happened. No matter. True or not, the story is in character: Mr Emanuel is famous for being the president's most pugnacious panjandrum and congressional and media manipulator, and proud of it to boot. Just as Britain's affable Tony Blair took care to keep a foul-mouthed master of dark arts, Alastair Campbell, at his side, so is it the calling of Mr Emanuel to bludgeon underlings at the White House and former colleagues in Congress into obeying his master's commandments. ...

Almond pollination in California: Vitamin Bee

A new attempt to save the most vital workers in the orchards

AT THIS time of year Gordon Wardell loves to stand amid the almond blossoms in California's San Joaquin valley, listening to the low-pitch, warm, happy hum of millions of bees. But the bees are not as happy as they sound, which is why Mr Wardell, who has a PhD in entomology and is a de facto bee doctor, is here.

More than 80% of the world's almonds are grown in California and, to pollinate them, the 7,000 or so growers hire about 1.4m of America's 2.3m commercial hives. Thousands of trucks deliver the hives in February from Maine, Florida, the Carolinas and elsewhere and will soon pick them up again. The bees' job is to flit from one blossom to the next, gorging themselves and in the process spreading the trees' sexual dust. ...

The Texas governor's race: Romping home

Rick Perry and Bill White move from the primary to the real election

THEREâ€™S no sense changing horses in midstream. On March 2nd Texan voters decided that Rick Perry, already in his tenth year as governor, will be the Republican nominee once more. â€œLooks like heâ€™s going to keep that title for quite a while,â€ said Granger Smith, a country singer, before resuming his honky-tonk song at Mr Perryâ€™s election-night party. Supporters ate piles of beef brisket and toasted marshmallows at the fire pit. Not even a third of the votes were in when Kay Bailey Hutchison, the stateâ€™s senior senator, called Mr Perry to concede. The governor ended up with 51%, leaving Mrs Hutchison with 30% and a third candidate, Debra Medina, with 19%.

Party bosses dread primary fights, which often leave the victor poor and bloodied for the actual election. But intra-party warfare can be productive if it forces the candidate to stake his ground or sharpen her message. Watchers thought the Texas gubernatorial primary could turn into a battle for the soul of the Republican Party, a contest between Mr Perryâ€™s come-and-take-it conservatism and Mrs Hutchisonâ€™s more genteel, pearly style. As it turned out, the primary was not such a crucible. In fact, it was barely a contest. ...



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