

OPINION

Letters To The Editor

Do We Really Want Global Financial Regulation?

Regarding U.K. Prime Minister Gordon Brown and French President Nicolas Sarkozy's "For Global Finance, Global Regulation" (op-ed, Dec. 11): Messrs. Brown and Sarkozy neglect to consider a number of adverse consequences that may arise from their suggestions. How is such a global compact to be implemented, and who will have the authority to make the regulations? Will nations have to forfeit sovereignty to some democratically unaccountable super-body, much in the way many economic regulations have been created in the EU by the EU Commission and the European Court of Justice, both outside the reach of the popular will and armed with wide discretionary powers?

Will such global regulations have to be adopted piecemeal and riddled with compromises in order

to be accepted by the legislatures of various nations? That alternative would render the regulatory environment woefully unprepared to keep pace with fast-moving changes in global finance. Increased global financial regulation would vastly increase systematic risk. This is "too big to fail" at the extreme. This crisis was created in part by large institutions all doing the same thing. One uniform policy of regulation, if chosen poorly, would heighten the dangers of collapse, and makes the mistake of assuming that one single policy will be optimal for all nations of this highly diverse world. A more federalized and pluralistic regulation attuned to ambient needs will allow democracy to flourish and reduce the risk of systemic failure.

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Don't Cook the Newspapers' Goose

The Italian Federation of Newspaper Publishers (FIEG) lodged, last July, a complaint against Google's abuse of dominant position. That complaint and the decision by the Italian Antitrust Authority to pursue the matter have raised a lot of interest and some concern (see Valentin Petkantchin's "Antitrust *al dente* for Google in Europe," Nov. 5).

Italians don't mind being associated with pasta, but there is much more at issue here. We are talking about the staple of modern democratic societies: news and informed analysis. These cost a lot and are at risk of being thinned out in the digital world, where premium content publishers compete not only with other content producers, but with totally different businesses and products—including some that thrive on distributing and aggregating the publishers' own content and on exploiting the relationship between publishers and their customers.

Mr. Petkantchin argues that "forcing the hand of a business partner has nothing to do with free competition." Of course it doesn't. But that it is not what the Italian publishers are doing. They are instead trying to address an unbalanced situation in which value created by publishers is reaped by subjects who neither invent nor produce it.

Publishers know perfectly well that it is up to them to exploit ad-

vertising spurred by content that they produce, but this is exactly what they are prevented from doing by those who regulate the search engine while selling advertising.

Mr. Petkantchin also argues that real competition exists in the search engine market. Unfortunately that is not the case. It is not just an extravagance of the "European" way of thinking about competition to state that a market share of over 80% (and close to 90%) is a dominant position, while the other players (10 at least, by the author's own count) have very fragmented shares. We agree that these figures are not carved in stone, but for change to happen the market should be contestable. It is not enough to note that the other players would be willing to erode Google's share. It must be examined whether there are the conditions for such an erosion. It is furthermore important to note that at issue in this case is not the dominant position, but its abuse, which is summed up by the attitude, "Go by our rules, or jump overboard."

Newspaper publishers are not alone in complaining about Google. Fedoweb, the Italian Federation of Online Publishers, lodged a complaint with the Antitrust Authority about Google's AdPlanner. This is an ad platform intended to compete with the advertising activities of the publishers by combining data about users' behavior on the publishers' own sites, collected through Search, AdWords and AdSense services with data coming from Analytics, YouTube and Toolbar. Internet content providers cannot prevent Google from assembling and analyzing data about the interaction of their content with their users—unless they are ready to shut themselves out of Google's Search.

We believe that our questions deserve an objective answer. We like our pasta to be *al dente*. But please, let us not overcook these issues!

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A God of the Copybook Headings

By BRET STEPHENS



In the Carboniferous Epoch were promised abundance for all;

By robbing selected Peter to pay for collective Paul;

But, though we had plenty of money, there was nothing our money could buy;

And the Gods of the Copybook Headings said: "If you don't work, you die."

—Rudyard Kipling

In a couple of days, the Senate will give its 60 votes to the largest expansion of government since the Great Society. The Obama administration is proposing a third round of fiscal stimulus, because the first two worked so well. And Ben Bernanke is, without irony, Time's Person of the Year.

All of which is a reminder that, unlike vampires, there's no driving a stake through the heart of a bad idea. Karl Marx will always be with us, at least at the New Yorker. So will Jean-Jacques Rousseau, the patron saint of environmentalists even if they don't know it. And so will John Maynard Keynes, godfather of Obamanomics. History is only repeated as farce to those who either have forgotten it or enjoy the sick humor of a disaster foretold.

Then again, as George Melloan reminds us in "The Great Money Binge: Spending Our Way to Socialism," just as bad ideas never quite go out of fashion, neither do good ones. Readers looking for an antidote to this season's political gloom will find more than the full dose in this splendid book.

Mr. Melloan was, of course, the writer of this column for many years, one of the labors in a career at the Journal that spanned 54 years as a reporter, editor and commentator. Among the benefits of a

long career is a long memory and an imperviousness to intellectual fads. In Kipling's terms, he is one of the Gods of the Copybook Headings—the unfashionable keepers of hard truths about which we must occasionally be reminded.

In today's economy, the hard truth is that we can't spend, consume, manipulate and inflate our way to general prosperity—as opposed merely to the enrichment of Democratic Party interest groups. This was the dominant economic model of the 1970s, with results that were once well known. "The Great Money Binge" makes short work of the theory:

The uncommon wisdom of George Melloan, the author of "The Great Money Binge"

"Demand-side economics holds that the economy derives its momentum from consumption, and it is of little moment if that consumption is financed by credit," he writes. "But if that were true, everyone could merrily use his credit card to supply his wants and never have to work. Maybe there's a logical flaw there somewhere."

The great strength of Mr. Melloan's book is to show, in exacting detail, not only how we came to our current crisis—thank you, Barney Frank, Chris Dodd, Alan Greenspan and Tom DeLay—but where that logical flaw is destined to take us again.

The alternative is supply-side economics, which, for all the invective heaped upon it, boils down to the inescapable fact that "consumption must be paid for with production"—that if you don't work (i.e., produce) you die (i.e., can't consume). The obviousness of this is so manifest that the real wonder is how it has escaped the grasp of otherwise intellectually competent people.

Perhaps more interesting is how

it didn't escape the grasp of Mr. Melloan, one of whose principal achievements was his role—along with Bob Bartley—in turning the Journal's editorial pages into the great disseminator of supply-side thinking. Mr. Melloan chalks it up to his background as the son of an Indiana yeoman farmer for whom there was nothing abstract about the words property, production and market. "We Journal editors were a rather proletarian lot to be promoting capitalism," he writes. "We were not the voice of big business, as our critics glibly called us at the time, but exponents of free-market capitalism, an economic system that allows any individual to build a business and compete with the big boys. The two things are definitely not the same."

But what Mr. Melloan doesn't say is that he is also an heir to the anti-sophistic tradition of the Western philosophy—stretching from Socrates to Paul to William of Ockham to Jean-Baptiste Say to Karl Popper—that insisted that truth was more likely to be found in simplicity than complexity. No surprise, sophists of every age have attacked this tradition (sophistically) as "simplistic," and people like Mr. Melloan have had to endure it.

On Monday, President Obama made the remarkable observation that "we can't continue to spend as if deficits don't have consequences, as if waste doesn't matter, as if the hard earned tax dollars of the American people can be treated like Monopoly money." Maybe he's finally learned, as Kipling taught,

That after this is accomplished, and the brave new world begins

When all men are paid for existing, and no man must pay for his sins,

As surely as Water will wet us, as surely as Fire will burn,

The Gods of the Copybook Headings with terror and slaughter return!

Then again, maybe the president finally got around to reading George Melloan.

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A Dark-Matter Breakthrough?

By LAWRENCE KRAUSS

In early December, the Cold Dark Matter Search (CDMS) experiment located in the deep Soudan Mine in northern Minnesota leaked a tantalizing hint that they may have discovered something remarkable. The experiment is designed to directly detect new elementary particles that might make up the dark matter known to dominate our own Milky Way galaxy, all galaxies, and indeed all mass in the universe—so news of a possible breakthrough was thrilling.

The actual result? Two pulses were detected over the course of almost a year that might have been due to dark matter, CDMS announced on Dec. 17. However, there is a 25% chance that the pulses were actually caused by background radioactivity in and around the detector.

If these events are real, they will represent the culmination of one of the most incredible detective stories in the history of science. Beginning in the 1970s, evidence began to accumulate that there was much more mass out

there than meets the eye. Scientists, mostly by observing the speed of rotation of our galaxy, estimated that there was perhaps 10 times as much dark matter as visible material. At around the same time, independent computer

New evidence of the invisible matter that could make up 90% of the universe.

calculations following the possible gravitational formation of galaxies supported this idea. The calculations suggested that only some new type of material that didn't interact as normal matter does could account for the structures we see.

Meanwhile, in the field of elementary particle physics, my colleagues and I had concluded that in order to understand what we see, it is quite likely that a host of new elementary particles may exist at a scale beyond what acceler-

ators at the time could detect. Emboldened by all of these arguments, a brave set of experimentalists began to devise techniques by which they might observe such particles. This required building detectors deep underground, far from the reach of most cosmic rays that would overwhelm any sensitive detector, and in clean rooms with no radioactivity that could produce a false signal.

Alas, to celebrate now would be premature: The reported results are intriguing, but less than convincing. Yet if the two pulses observed last week are followed by more signals as bigger detectors turn on in the coming year or two, it will provide serious vindication of the power of human imagination. If, on the other hand, the events turn out to have been mere background radioactivity, physicists will not give up. It will only force us to be more clever and more energetic as we try to unravel nature's mysteries.

Mr. Krauss is director of the Origins Institute at Arizona State University.

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