

BookTalk

GLOBALONEY FOR ANTI-CAPITALISTS

By Blake Hurst

The World is Not for Sale: Farmers Against Junk Food
By José Bové and François Dufour
Verso, 240 pages, \$25

José Bové is a radical who became a farmer. His farming career began as a protest against a proposed expansion of a French military facility. He and his wife squatted on a farm recently purchased by the army and began raising sheep. The French army retreated (no surprise there) and the plans to expand the base were abandoned. Bové and his wife continued tending sheep and eventually began making cheese. The land was eventually turned into a sort of commune, with Bové and other trade unionists practicing what his book calls “survival farming.” Survival required a little deceitful help from a neighboring farmer, who falsely testified that Bové was a hired hand of his, allowing Bové to qualify for welfare benefits. And publishing contracts also come in handy for people who become salts of the earth for political reasons, hence this book.

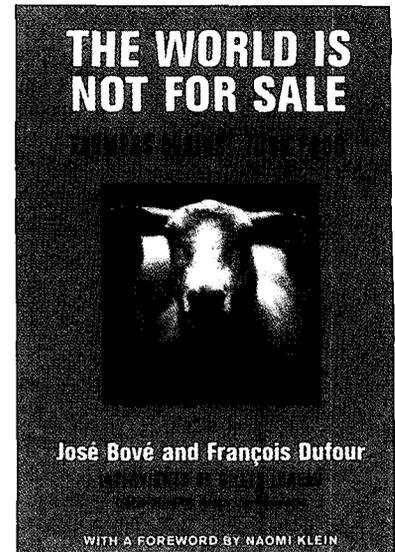
Bové didn't hit the big time in radical circles until he decided to attack a McDonald's restaurant. The cause of the demonstration was Mr. Bové's disgust at a U.S. decision to slap tariffs on imports of the Roquefort cheese he and his neighbors produced. The tariffs were in retaliation for the EU's refusal to allow the import of American beef for fear of veterinary hormones. The case was taken to the World Trade Organization, which found that there was no scientific reason to ban the use of hormones, and granted the U.S. the

right to impose retaliatory tariffs. In response, Bové and his group, the radical *Confederation Paysanne*, dismantled a nearby McDonald's. Mr. Bové paints his “action” as a blow against globalism, though globalism only seems bad when it hurts a French *paysanne*; he is happy to trade internationally when it benefits French cheese makers.

Bové's attack landed him in jail. But jail is a necessary addition to the résumé of any serious radical activist. His incarceration launched a career that has seen Bové and his confederates destroy a research plot of genetically modified plants in Brazil, run rampant in Seattle during a World Trade Organization protest, and travel to India, Turkey, and Wisconsin for other protests against modern farming. He leaves his wife at home to do the whole survivalist thing while he flits around the globe to protest globalization, being covered by Ted Koppel and others, and using extremely modern methods of agitation to demand a return to Middle Age methods of agriculture. According to a story in the June issue of *Outside*, Bové's wife is extremely unhappy with his new pursuits, accusing him of infidelity and emotional abandonment. Nothing like that ever appears in my *Farm Bureau News*.

The World is Not for Sale, a book written by Gilles Luneau from interviews with Bové and fellow activist François Dufour, is an indictment of modern agriculture. Both Bové and Dufour would like to see a return to small, garden-like farms that use mostly hand labor to produce our food. Tractors are condemned; simple hybrid seeds are criticized; the authors drip with disdain for things like genetically modified seed.

It so happens that hybrid corn, for



instance, has tripled corn yields in the U.S., which is why it was adopted rapidly and voluntarily by grateful farmers. But it does require that farmers buy new seed each year instead of replanting their own harvest, and for this the authors indict an interdependence between farmers and “corporations.” Their romantic nostalgia for an Eden-like past is amusing to those of us who remember that past, but attractive to many who've never done the backbreaking, dull, and repetitive labor that was the farmer's lot until the advent of tractors, chemicals, and the application of scientific research to the production of food and fiber. It's instructive to note that Bové, Dufour, and most of the activists making the same arguments in the U.S. are quick to leave the farm for careers expostulating before TV cameras or jetting about to organize riots in cosmopolitan cities, rather than staying home to weed their crops with a hoe and harvest them with a scythe.

French food snobbery is a part of this attack on any farming method developed since the early 1900s. Bové sneers that “in the U.S., food is fuel. Here it is a love story.” The Paris newspaper *Le Monde* has informed its readers, “It is a cultural imperative to resist the hegemonic pretenses of the hamburger.” But it's really too late, as Mr. Bové surely knows. Rather than being limited to what grows in their immediate region, people everywhere now demand fresh imported fruit in the winter, Sumatran shade grown coffee, and Quarter Pounders on every corner.

Agricultural markets will supply the

demand for organic food, locally produced, traded between consumers and farmers who love each other. At a very high price. And even those wealthy consumers who demand that kind of agriculture will intersperse their trips to the farmers' market with stops at Starbucks, the ballpark for a hotdog, and a trip to the grocery store for fruit from Chile, perfect flowers grown with bug spray, and, yes, Roquefort cheese from France.

TAE contributing writer Blake Hurst is a farmer in Missouri as well as a writer.

STOCK MARKETS GROW UP

By Kevin Hassett

Toward Rational Exuberance: The Evolution of the Modern Stock Market
By B. Mark Smith
Farrar Straus & Giroux, 342 pages, \$25

Let's skip to the punch line: *Toward Rational Exuberance* is the best history of the stock market that I have ever read, and I have already reserved a conspicuous and easily accessible spot for it on my bookshelf. Mark Smith, a former Wall Street executive, is a man who has a practitioner's understanding of financial markets. From start to finish, the book is chock full of fascinating and well-documented historical anecdotes. What astonishes, however, is the way Smith skillfully weaves these into a coherent tapestry. This book makes a genuine intellectual contribution to the debate about the nature of financial markets.

Smith's view, captured in the title, is that U.S. financial markets have gradually become more and more efficient and transparent. He suggests that since the stock market has changed so much in recent years, one must be extremely cautious about using old yardsticks to measure current challenges. The book effectively skewers many of the academic finance professors lately applying standards from distant history to argue that today's stock market is irrational.

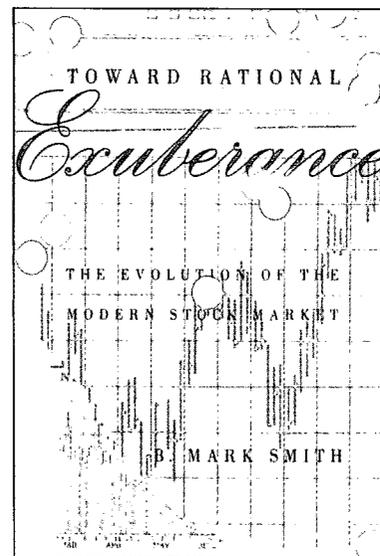
Smith starts at the beginning. In the spring of 1792, 24 businessmen signed "the Buttonwood Agreement" (named after the Wall Street tree under which

they met) and started trading several bank and insurance stocks. The agreement launched a vibrant financial market, which quickly fell into disrepute. In early March, just after trading took off, an audit uncovered shady dealings by Assistant Secretary of the Treasury William Duer and the market collapsed in a panic. Losses were estimated at \$3 million. Alexander Hamilton referred to the stock traders as "unprincipled gamblers," foreshadowing the criticism that financial market participants would receive over the subsequent 200 years.

Next, Smith introduces us to the first professional bear. Jacob Little made a fortune off of short-term fluctuations in markets. He invented the short sale. He would sign a contract promising to deliver a certain number of shares six to 12 months hence, and in the interim work to make sure the price of those shares declined. He was dubbed a "bear" after the then well-known phrase "to sell the bear's skin before you've caught the bear." Short sellers employed quite a few devious tricks in Little's day. Businessmen could (and did) short their stocks, announce they were closing their factories, make a fortune when the shares declined in value, and buy the shares back at lower prices and reopen the factories.

In the past, financial information was so sparse that market manipulators had an easy time fleecing unwary stock purchasers. One master of this was Jay Gould, whom Joseph Pulitzer described as "the most sinister figure ever to flit bat-like across the vision of the American people." Gould would print up shares of Erie Railroad stock and sell them to unsuspecting brokers, keeping the cash himself. The scheme tremendously diluted the value of previously issued legitimate shares. In response, the exchange adopted rules in 1869 that forced public registration of the number of outstanding shares.

Such chicanery seems light years away from the world we live in today, bursting with financial information. Smith points out that back when shady characters like Gould were able to operate, extreme caution was advisable for anyone intending to own stocks. In less sophisticated and less honest markets, stock prices were comparatively low for good reasons.



Today, there is a higher willingness to purchase stocks, and this is reflected in historically high stock prices as reflected in P/E ratios (stock price/company earnings). Smith views that as rational.

While such a view might seem obvious, many academics dispute the idea. Yale finance scholar Robert Shiller, for example, argues that today's relatively high P/E ratios (even after this fall's terror-induced stock market drop) are the result of an irrational herd mentality among shareholders. He believes the U.S. market should drop from 50 to 80 percent to restore order. Only then would the P/E return to its average historical level.

Some reviewers have attacked Smith using Shiller's logic, which they say has been borne out by the relatively weak stock market of the past two years. This is poppycock. Nobody ever argued that a recession and earnings collapse could not slow an advancing market. Still, the long-term trends, as James Glassman and I suggested in our book *Dow 36,000*, are likely to be toward permanently higher stock prices.

Smith's documentation of how stock markets have evolved into ever more transparent forms is invaluable. His conclusions follow quite naturally by the time they are introduced in the last few chapters. However, what most recommends Smith's book is the quality of the historical scholarship. Even skeptics will find it a good read and a valued resource.

Kevin Hassett is a scholar at the American Enterprise Institute.