

EXCERPT

Is Our Money Lying?

Friedrich Hayek, the godfather of neoliberalism, had little interest in the efficiency of markets, but was fervently convinced of their honesty. Because prices reflect all available information about a good, they are the most accurate symbol of its true worth. The current crisis is not simply a "market failure," in which prices are not functioning properly, but a profound loss of faith in money's capacity to tell the truth.

—WILLIAM DAVIES, academic director of Oxford University's Center for Mutual and Employee-Owned Business, in *The New Statesman* (Nov. 16, 2011)

ECONOMICS, LABOR & BUSINESS

Don't Blame Bonuses

THE SOURCE: "Bankers' Bonuses and the Financial Crisis" by Ian Tonks, in *Vox EU*, Jan. 8, 2012.

EVERYONE HAS A THEORY ABOUT what caused the 2008 financial crisis. One idea that's made the rounds is that the money flashed at bank executives in the form of salaries and bonuses encouraged them to take big risks that maximized short-term profits at the expense of long-term viability. The U.S. Financial Crisis Inquiry Commission asserted as much when it connected the crucial 2008 failure of the investment bank Lehman Brothers in part to an executive compensation scheme "that was based predominantly on short-term profits." In the United Kingdom, the chairman of the Financial Services Authority linked "inappropriate incentive structures" with

risk-taking and the financial turmoil of 2007–09.

The finger-pointing may be unwarranted, says University of Bath finance professor Ian Tonks. The financial sector differs from other corporate sectors "not so much in its reward for taking risks, but in its reward for expansion," he writes, summarizing research he did with several colleagues.

The group compared the sal-

aries and bonuses of executives across all British industries from 1994 to 2006, just before the financial crisis hit. Not surprisingly, the financial sector boasted some of the highest pay rates for executives and board members. Yet the relationship between firms' performance and executive pay was not much different from that in other industries. A 10 percent increase in company stock price was associated with a measly 0.68 percent increase in executive compensation. "In other words, executives were paid irrespective of performance," Tonks writes.

The researchers found a stronger correlation between executive pay and firm size in the financial sector: When a firm's assets increased by 10 percent, executive pay rose by two percent. If regulators want to protect against another financial crisis, it seems they'd be better off trying to decouple executive pay from the expansion of financial empires.

SOCIETY

School's Out Forever

THE SOURCE: "Unschooling" by Astra Taylor, in *n+1*, Winter 2012.

IMAGINE BEING A KID AND HAVING no school bus to wait for, no quizzes to fret over, no curriculum to slog through. Imagine that the only thing guiding your education is your own curiosity, with

the occasional assist from Mom and Dad. That was the experience of Astra Taylor, a writer and documentary filmmaker who was raised in the radical pedagogical tradition known as unschooling.

The unschooling movement got its start amid the idealism of the 1960s and '70s. Iconoclasts

such as Paul Goodman and John Holt argued that children should be trusted to create their own educational goals. At the heart of the unschooling ethos, Holt wrote, was the idea that “the human animal is a learning animal.”

For Taylor and her three siblings, unschooling worked pretty well. They created their “own standards of excellence,” she recalls, “which were often impossible to meet. Yet failure in intellectual and creative pursuits felt honorable as opposed to humiliating.” The children were free to engage with subjects that captivated them; Taylor’s younger sister “fell in love with painting when she was 12 years old and devoted year after year to mastering her craft, an investment of time denied most artists until they enter graduate school.” Now she’s a well-known artist. A newsletter on environmentalism and animal rights that Taylor published for three years “prepared me for my adult work better than almost anything else I’ve done.” (She concedes that she and her siblings also watched countless episodes of *The Simpsons*, and “when we weren’t inspired—which was often—we simply did nothing at all.”)

Are there any gaping holes in her knowledge? Not that she can tell. Taylor says she and her siblings “are all literate, can count well enough to balance a checkbook, and have had, or will have, the opportunity to pursue higher education.”

She did worry about her lack of credentials, and enrolled in

a public high school in Georgia, where her family lived, then briefly studied at Brown University. After years of marching to her own drummer, however, she found the education on offer lacking. By far the worst part was the boredom, “the obligatory raising of hands and answering of questions, the trying to look busy when you’re about to doze off, the wish to be anywhere in the world beyond the window.”

Is it utopian to imagine unschooling for all? Taylor recognizes her advantages, including a stay-at-home mother and a father who was a university professor. A few schools, such as the Albany Free School in New York State, try to make a similar experience possible for children of all socioeconomic backgrounds. But the Albany school depends on fundraising and extensive volunteer labor (including the uncompensated work of teachers, who receive only an \$11,000 annual stipend)—clearly, an unscalable model.

But the unschooling of every American child is not Taylor’s goal. Instead, she writes in a follow-up published on the *n+1* Web site, “Taking a closer look at the radical margins may help us ask better questions about what we really want from our educational system.”

SOCIETY

Wonder Bread

THE SOURCE: “Atomic Bread Baking at Home” by Aaron Bobrow-Strain, in *The Believer*, Feb. 2012.

YOUR AVERAGE LOAF OF SLICED white bread may not inspire much wonder, but its unassuming character masks an intriguing provenance. According to political scientist Aaron Bobrow-Strain of Whitman College, industrially produced white bread emerged from a confluence of political and social needs unique to the mid-20th century.

At the beginning of the 1900s, an unprecedented surge of immigrants was landing on American shores. Industrial food products, with their predictable shapes, standardized ingredients, and hygienic assurances, enjoyed rising



To appeal to hygiene-conscious consumers, early 20th century bakeries broadcast the “sanitary” quality of their goods.