Love, Logic, and the Economy

# In an effort to help me become a better parent, my wife signed us up for a parenting class. This particular class is based on the [Love and Logic®](http://www.loveandlogic.com/) curriculum. The following quote is from the study’s website:

# “Love allows children to grow through their mistakes. Logic allows children to live with the consequences of their choices. Love and Logic is a way of working with children that puts parents and teachers back in control, teaches children to be responsible, and prepares young people to live in the real world, with its many choices and consequences.”

As it turns out, adults all used to be children. The way they were raised has an impact on how they behave as adults. This, of course, has macroeconomic implications. If children are raised in such a way that they are not allowed to make mistakes, or don’t face the consequences of their mistakes, they won’t learn how to become good decision makers.

It’s amazing to look at the actions of American consumers and not wonder if their parents are somewhat to blame. The baby boomers were protected from their mistakes and were not held responsible for their actions. That’s what LBJ’s “Great Society” was all about. No one should be forced to live with the natural consequences of their economic actions.

Have kids out of wedlock? No worries, the government will take care of them. Don’t save for retirement? No worries, the government will take care of you in old age. Drop out of school? No worries, the government will provide welfare benefits to make sure you have an “equal” outcome with those who became educated. Buy a house you can’t afford? No worries, the government will prevent banks from foreclosing on you. Business isn’t competitive? No worries, the government will protect you from “unfair” competition from abroad. Choose to study English literature as a major? No worries, we’ll tax the accountants and give you some of their money.

“Love and Logic” says they will prepare kids for the “real world”. What exactly is the “real world’? I see the “real world” as one where people who make bad economic choices feel entitled to use the government to take other people’s money. What happens if we raise our children to believe that actions have consequences only for them to discover that the government actively prevents people from learning from their mistakes?

Need a bank bailout? Which decade? The 2000’s? The 1990’s? The 1930’s? The 1900’s? (I’m just picking a couple decades with bank bailouts). Need to be reimbursed for crops that were flooded because you planted in a flood plain? The government will do that. Need reimbursed for building a condo on the hurricane prone Florida coast? The government will do that. Need reimbursed for building a town below sea level with inadequate levies? The government will do that.

Would the economy run more smoothly and create more wealth if we let poorly run businesses fail? Yes. Would consumers be forced to take more responsibility for their actions if their actions had consequences? Yes. Would everyone immediately make smart economic decisions if we empowered them to do so? No, but the making of mistakes can be very educational and over time decision making would improve.

The quest to provide an “equality of outcome” where everyone’s a winner means we all lose. You can only have equality of outcome if you don’t allow people to suffer from the natural consequences of their poor decisions. The problem is that in a world where consequences don’t follow choices, the right choices don’t get made.

If we do this education thing right, the next generation will learn to be responsible for their actions. Maybe love and logic will rule the day. Or,we could continue on our current path and reward poor decision makers with their own reality TV shows and book deals. That’ll teach them….