

Bloomberg

Baum's View on Money

By Caroline Baum Aug 20, 2013 6:36 AM ET

Good morning, all. Here's a selection of articles, commentary and studies I'm reading for insight on the U.S. economy.

Welfare: still a case of [skewed incentives](#).

There is no evidence that people on welfare are lazy. Nor are they stupid. As long as welfare pays more than many entry-level jobs -- more than a minimum wage job in 35 states -- the incentives are skewed toward welfare. A new study by the Cato Institute's Michael Tanner and Charles Hughes examines the various assistance programs and compares state-by-state benefits with the average wage for an entry-level position. Since only 2.6 percent of full-time workers are poor, according to the Census Department, a job is the most expedient route out of poverty. No wonder Tanner advises Congress and state legislatures to strengthen the welfare-to-work requirements and reward work.

"[Uneven](#)" is the best one can say.

About state-by-state employment, that is. Employment rose in 34 states last month; the unemployment rate rose in 28. If you look at the graphic, among the 50 states there are two outliers with lower unemployment rates, of 3 percent and 3.9 percent. That would be North Dakota and South Dakota, respectively. Just an indication of what a boon oil and natural gas exploration can be for the labor market.

Better, but [not good enough](#).

So sayeth the Federal Reserve, which released a report today on the results of the latest bank stress tests. The Fed found that all of the 18 largest U.S. bank holding companies fell short in at least one of five areas critical to risk management and capital planning. There is "room for advancement," said the report, which criticized

banks' "aggressive assumptions" about asset prices and inadequate preparation for economic calamities.

A [nudge](#) in the right direction.

Economists have found that it is easier to influence behavior by nudging people in a particular direction than just telling them what to do. For example, if participating in your company's 401(k) plan were an opt-out instead of an opt-in decision, a lot more people would be saving for their retirement. Still, someone has to decide what choice is best to nudge people towards. Who should decide? And how do we know the best option for everyone? The dismal scientists clearly need a nudge to answer those questions.

Lost in [translation](#).

Friedrich Hayek's "Road to Serfdom" was translated into Chinese in 1962, to serve as an example of "modern bourgeois reactionary economic theory," according to the introduction to the book. Imagine what the Chinese communists must have thought of Hayek's insight that fascism and Nazi ideology were outgrowths of socialism, not a reaction to it. The introduction describes Hayek as a "neo-liberal," who favors the free market and competition except when difficulties occur, in which case he seeks help from the government. Something -- the essence, in fact -- must have gotten lost in translating Hayek from English to Chinese.

(Caroline Baum is a Bloomberg View columnist. [Follow](#) her on Twitter.)