

Sinkholes and Optimism

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1/15/2010

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Plant City, Florida and surrounding areas are sinking. Following the marathon of water-pumping in area fields, roads are being closed and property damaged. A rare cold snap combined with the need to protect the “Winter Strawberry Capital of the World” from a season of damaged crops is to blame.

Some are pointing fingers at the farmers, others are not. Regardless of who’s to blame, the fact remains that the sinkholes developing across the area are a threat to people and their property. The cold weather is also a threat to the livelihoods of the area’s many growers. Good news is hard to come by right now.

Amid this dilemma, however, some people – ever the optimists – have suggested that the proliferation of sinkholes will actually help the local economy. The same argument is often made when hurricanes ravage an area. In the recent sinkhole example, the argument goes something like this: The sinkholes will need to be filled and property will need to be repaired; the individuals and companies repairing the damage will benefit and then spend their earnings on other economic goods and services, thus creating a cycle of beneficial economic activity.

Economists, however, have referred to this reasoning as the “broken window fallacy.” In this example, the optimist may argue that there is a chain-reaction of beneficial economic activity that proceeds a vandal breaking a car window. The car owner will pay someone to repair the window. The window repairer will use some of that money to buy new shoes for his kids. The shoemaker will use the money from the window repairer to buy his wife a watch. The watchmaker will then spend the money from the shoemaker on something else ... and on and on.

It all sounds nice, but there is a point to dubbing this line of reasoning a “fallacy.” The astute observer will note that one component is overlooked in this Pollyannaish way of looking at bad events: What would the car owner have spent the money on had his window not been broken? If the window had not been broken, he could have spent the money on something else valuable to him while still retaining an intact window, thus creating another chain of economic activity. But by being forced to spend the money on repairing the window, he, personally, is left in the end with only a repaired window. The total cost to the car owner is ignored. It is still a loss to him, and, in addition, there is no actual net economic productivity.

The same could be applied to sinkholes. What would property owners spend their money on if they had not developed a sinkhole? And what about private wells? Instead of homeowners spending money correcting dried-up wells, wouldn’t they have been better off with a still-functioning well and money to spend on some other good or service?

Economists would point out that logic requires us to look at the long-range implications of an action and not just the immediate result. The same short-sighted reasoning that sees the sinkhole

or dried-up well as sources of economic productivity would also view the vandal's actions as somehow beneficial to the economy. The long-term negative results of heralding such activity as beneficial should be obvious.

However, there is something to be said for seeing the good in bad situations. It can in certain circumstances be admirable. Having an optimistic attitude about problems is certainly a desirable quality, but not when it ignores logic.