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Cobra Effect 101

With the rise of government and central bank intervention in the economy and markets, the term "cobra effect" has experienced a revival.

But what is a "cobra effect" and how does it work? Here's Cobra Effect 101!

1. The term "cobra effect" is used to describe a situation where the solution to a given problem makes the problem worse.
2. It is commonly used when talking about the unintended negative consequences of government policies.
3. Well-intentioned solutions may make matters worse.
4. The term originates from an ill-fated British policy implemented in India during its colonial rule.
 - a. Concerned about the number of cobras in Delhi, they announced a policy that offered a reward for dead cobras.
 - b. It started well - many dead cobras were turned in for the reward.
 - c. Then locals began breeding cobras for the bounty.
 - d. When the British realized what was happening, they halted the policy.
 - e. Then the breeders released the unsold cobras into the wild in Delhi, resulting in more cobras than before the ill-fated policy.