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Millstones around our necks

Steve Bakke  October 19, 2021



Economic problems and foolish solutions are piling up. A “perfect economic storm” is brewing. Many governmental policies are inhibiting and harmful, like carrying millstones around our necks. At best these policy “burdens” create economic sluggishness. At worst, economic failure can occur for many businesses. A sampling follows.

The administration has great expectations for Modern Monetary Theory (MMT). This decades old theory asserts that a government such as ours should have no concerns about operating with huge budget deficits. The Federal Reserve’s monetary tools are used to expand the money supply at will. This is often cynically referred to as “printing money.”

The money supply is increased to fund programs with little constraint. When the inevitable inflation occurs, our economy ends up stifled and sputtering. The simplistic MMT solution is to shrink the money supply, most likely by aggressive taxation to retire the previously issued debt. We are now experiencing significant inflationary pressure, and those tax increases have been promised.

There are times I support use of this expansionary tool – the COVID pandemic for example. The prolonged contraction of the economy was so dramatic that radical stimulative policies were warranted, and the likelihood of dramatic inflation was very low. This tool should be used only in the most extreme emergencies. That time is past. The administration’s plans for increased taxes and aggressive stimulus spending are precisely what we don’t need.

A lack of spending discipline is too often displayed by both parties. But the recent resistance by republicans to increasing the debt ceiling was partly in response to the administration’s dubious and misleading claim that the national debt limit has nothing to do with the proposed “infrastructure” and “reconciliation” bills which total \$4.5 trillion. The administration claimed that the debt limit increase was necessitated only by the need to pay existing obligations. That’s a foolish statement.

Businesses and families set budgets which include debt and spending limits to guide economic decisions. Public administration should demonstrate no less discipline. The debt ceiling was established to add government spending discipline. Debt limits and disciplined spending habits must remain “joined-at-the-hip.”

Energy independence was a reality until the current administration clamped down on acquiring and transporting critical clean natural gas and oil. Pipelines and their development were blocked. Fuel prices are skyrocketing, and in desperation we’ve asked OPEC to increase their oil production to relieve our shortages. It’s foolish to deny that we aren’t yet ready to depend on green energy. Giving up energy independence, along with its national security implications, will make the economy’s struggles even worse.

Our economy is being seriously constrained by a growing supply chain crisis. We should be honest about the problem and not claim it’s the result of positive economic developments. In reality, this crisis is impacted by ambitious vaccine mandates on truckers, reticence among some workers to get back into the workforce, and California’s oppressive emission rules for trucks entering the state to offload the huge backlog of cargo ships. It’s time for extraordinary efforts to accommodate these interrupted supply chains.

Wrapping all of this into a potentially threatening economic drama is the Biden Administration’s nominee for approval as Comptroller of the Currency. That’s the person who regulates our banking system. Saule Omarova was born and educated in Russia and graduated from Moscow State University. She has shown interest in nationalizing our banking system, thereby effectively ending banking “as we know it.”

In 2019 Omarova tweeted “Say what you will about old USSR, there was no gender pay gap there. Market doesn’t always know best.....people’s salaries were set (by the state) in a gender-blind manner...” Her advocacy of a “National Investment Authority” for allocating dollars to various issues avoids the legislative budget process and seems to be unaccountable to voters.

There are reasonable concerns regarding Omarova’s background and comments. Watch closely as these issues are investigated and her appointment is debated in the Senate.

An administration official was recently attempting to reassure Americans by describing the administration’s plans is to help average Americans over economic rough spots. That reminded me of President Reagan’s quip at a 1986 news conference: *“The nine most terrifying words in the English language are: I’m from the government, and I’m here to help.”*