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Millstones around our necks

Steve Bakke  October 24, 2021



A “perfect economic storm” is gathering. It results from a combination of economic problems and foolish “fixes.” At best, too many bad solutions create economic sluggishness. At worst, businesses will fail. We’re carrying millstones around our necks.

Modern Monetary Theory (MMT) is a decades old concept. It asserts that our government need have no concerns about budget deficits. The Fed’s monetary tools would be used, with few constraints, to fund programs by expanding the money supply. This is cynically referred to as “printing money.”

“MMT-like” policies are gaining steam, and contrary to the administration’s prediction, deficits and inflation will occur. Proponents of MMT suggest the solution to that problem is to shrink the money supply, most likely by increasing taxes. There’s a time for aggressive expansionary monetary policy. The COVID shutdown with a dramatically shrinking economy is a recent example. But that time has passed. We’re already experiencing inflationary pressure, and tax increases are being planned. We’re about to stifle an already sputtering economy.

Energy independence was a beneficial reality until the recent clamp-down on developing and transporting critical clean natural gas and oil. Fuel prices are skyrocketing, and in desperation we’ve asked OPEC to increase their oil production to relieve our shortages. We are not ready to depend on green energy, so relinquishing our energy independence will threaten our national security and hinder economic activity.

A serious and growing supply chain crisis has risen to the top of our list of problems. There are many complex causes, with no easy solutions. The situation is influenced by many things, including adjusted buying habits, ambitious COVID mandates, workers’ reticence about reentering the workforce, regional emission restrictions on trucks, and even union work rules for port workers. Beyond that, warehouses, factories, and stores must adjust. “Wait and see” isn’t an option. Prompt, cooperative, emergency action is essential.

There are many things that burden us economically, directly and indirectly, by adding to the growing malaise. Ignoring the deteriorating border situation tends to reinforce feelings that our leaders are experiencing uncertainty. The cavalier way we walked away from over \$80 billion in expenditures for weaponry, training, airbases, and the embassy is shocking. It smacks of a “no-big-deal” attitude.

During the 2020 “summer of discontent,” Mayor Frey reacted to burning buildings by dismissing their community value by describing them as mere “bricks and mortar.” That attitude led to his refusal to defend a police station and other public and private property from destruction. Historian Victor Davis Hanson wrote of his concern that perhaps we’re being asked to accept this reticence as a new reality.

We’re asked to blame the 2017 tax cut legislation for the growing debt. While there’s enough blame to go around, recent CBO data indicates record tax collections followed those tax cuts. The following appeared in Politico on October 12: “Despite a pandemic, a recession and a slew of tax cuts, federal tax receipts are booming.” Can we agree that spending is the big problem?

Should we believe that these problems could be solved by taxing the “very rich”? In fact, there’s not enough total wealth there to satisfy the debt and new funding requirements, even if that wealth were totally confiscated. And if we did that, from whom would we depend on for investment capital.

Some pundits are concerned with the Administration’s nominee for Comptroller of the Currency, America’s banking regulator. Saule Omarova was born in Russia and graduated from Moscow State University. She’s shown interest in nationalizing our banking system and advocates a “National Investment Authority” for deciding spending priorities. That appears like a clever way to dodge the built-in accountability of the legislative budget process. Omarova’s ideas and comments provide reasonable cause for concerns about her priorities. Let’s watch closely as the Senate proceeds with the approval process.

Our leaders claim, “we shouldn’t even talk about the [Build Back Better] numbers because it’s all paid for.” Comments like that are paternalistic, dismissive, totally off base, and intended to distract us from reality.

What we are witnessing reminds 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.”***