

# THE MILLSTONES AROUND OUR NECK

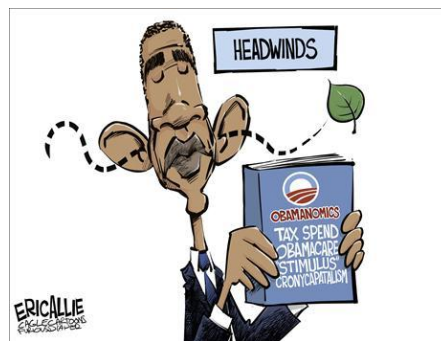
Stephen L. Bakke – August 26, 2011



**Millstone:** Noun – either of two circular stones used for grinding (as grain); something that grinds or crushes; **a heavy burden.**

## Boy Do We Have Millstones!

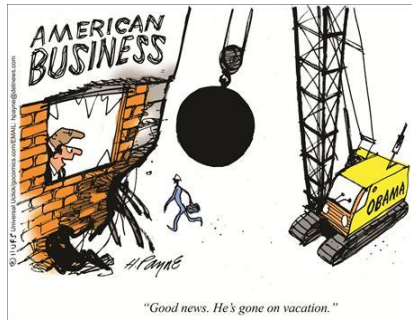
President Obama on his bus trip through Minnesota, Iowa, and Missouri declared victory over the recession ..... EXCEPT for some “uncontrollables” that got in the way – like the tsunami in Japan, the “Arab Spring” disruption of oil prices, and the European debt crisis. Always the other guy! I beg to differ because a lot of OTHER things have gotten in the way as well!



I have started this “millstone” report about a dozen times in the last six months. I would accumulate information, start writing about various subjects, and soon realized that just one subject made a complete new report, and I went with it. Then I tried again, and the same thing happened. So, now I’ve decided to just take inventory, and make a list of the some of the many things which are going on which, to me, make no sense whatsoever. Why? Because many policies seem counterintuitive as things which would create a growing, thriving economy.

I get some of my inspiration from statements like this from our “Leader-in-Chief.”

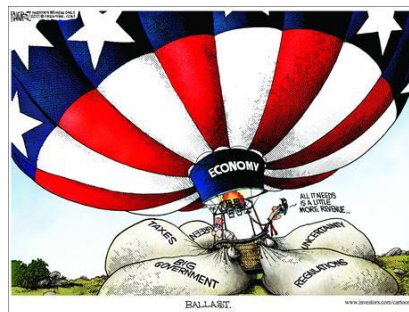
***"If we're fighting to reform the tax code and increase exports, the benefits cannot just translate into greater profits and bonuses for those at the top. They have to be shared by American workers, who need to know that opening markets will lift their standard of living as well as your bottom line"*** – President Barack Obama’s intuitively anti-business rhetoric.



As we look to the end of 2011 with its ongoing budget balancing debate, and to the 2012 Presidential Election, it occurs to me that we have so much ground to make up – so much to overcome. And some of this burden simply isn't necessary. Many things that have been done while following the rally cry of "Hope and Change", and while giving lip service to moving the country ahead, actually couldn't be more ineffective.

Here I will try to focus on programs, policies, legislation, and administrative fiat which are touted as good for the U.S. but which are totally counterintuitive to most who understand human motivation and economics. The administration says, "let's focus on jobs and the economy" – and then they do these things. In reality all of these are anti-prosperity, anti-jobs, and hurtful to the economy, our culture, and our security. Imposition of these policies and legislation means we're "swimming upstream" ... or "pushing on a rope" ... or "spitting into the wind" ... or ... (add one of your own).

Liberal policies seem compelled to suggest that order and prosperity can best be achieved through a system of central decision making, heavy regulation, and by constantly selecting economic and societal winners and losers.



Ladies and gents, I present ..... **THE MILLSTONES** (sounds like a TV sitcom, doesn't it?):



**Denial of American Exceptionalism** – Here I will only say that progress is not easily achieved through a fog of collective citizen malaise. Wouldn't it be great if we had a president who was reflexively proud of the U.S., its traditions, its history and accomplishments? We don't have that! Come on Mr. President, a little bit of buoyancy would be created by more positive and prideful comments. Our president's critical attitude toward the U.S. is a real "millstone."



**Distorted Role of Government** – Many of the items in this list spring from the administration’s low regard for the intelligence of citizens and their ability to make decisions and be accountable for them. The result is a philosophy of “central planning” by the government – i.e. “We know best, what’s best for you.” I don’t see any committed adherence to a policy of competition, incentives, and rewards for hard work and creativity. Quite a formidable “millstone.”



**A Philosophy of Intervention** – Overzealous intervention leads, inevitably, to unintended consequences – and these are never positive. For example, attempts to “fix and regulate” the financial markets have resulted in an invisible “boot” on the throat of the economy caused by unnecessary costs, confusion, and uncertainty. Also consider the failed stimulus spending which had no intended effects on jobs and housing, but predictably swelled the national debt beyond anything ever imagined. Another to consider is the “bailout” program which intervened when the market forces should have had free reign in determining winners and losers. These programs “sucked the wind out” of the economy and put it into the government in the form of meaningless programs and regulations.



**Obamacare** - Businesses make their decisions about reinvesting and hiring by what they predict will happen in the future. And what they see coming at them is the iron fist of Obamacare sharply raising the costs of hiring. Since Obamacare was passed in 2009, we have already seen businesses trim their sails by cutting jobs in anticipation of higher health care mandates. And it has the potential of making our superior health care system just average – particularly after removing (I predict) the profit incentive for developing technology – equipment and medicines.  
**An embarrassing disaster!**



**Regulatory “End Runs” Hampering Innovation, the Economy, and Job Growth** – The current regulatory climate is something we have never before encountered. If the administration can’t get it done by legislation, they just look to “making law” by writing rules and regulations, and by issuing executive orders. Regulatory costs can no longer be ignored. According to some analyses, the Obama administration has imposed 75 major (“major” means “costs over \$100 million” – there are small ones too) new regulations, with an annual price tag of \$38 billion. The government admits that there are 4200 new rules in the pipeline. According to the Competitive Enterprise institute, hidden regulatory costs approach \$1.7 trillion per year – and growing. Specific examples will be cited in this report.



**Phony Regulatory Reform** – Of the \$1.7 trillion spent annually on regulatory compliance activities, the administration is touting reform suggestions which, by their own measurement, would save only \$10 billion. It is practically meaningless. Instead, valuable time and resources should be spent on reform with a reasonable likelihood of making a difference.



**Attitude Toward National Debt** – Those among us who would aggressively take measures to reduce the deficit and (in a whisper) reduce the national debt, are demonized as being racist, red-neck, and uncaring. In the words of Rep. Maxine Waters “(they can) go to hell!” That is certainly unhelpful.



**Energy Policy** – Fuel economy mandates have the potential of severely hindering the recovering auto industry. And a recent Congressional Research Service report states that America’s combined supply of oil, coal and natural gas is the largest on earth. Yet the administration’s energy policy is determined to deny citizens access to their own resources. This is all in the name of “green energy,” and is a detriment to economic expansion through energy independence. And when one considers the damage being done to national security, it seems many times worse.





**Extension of Unemployment Benefits** – Unemployment benefits is a safety net. But we have made it a “way of life.” If you pay someone well not to work, what do you think happens? They don’t look for jobs – at least a significant percentage of them don’t. We are making something that is already bad, much worse! And, it costs many billions of dollars. By reducing the need to look for new work, extended UI benefits cause some unemployed workers to take longer to find new work. Extending either the amount or the duration of UI benefits increases the length of time that workers remain unemployed. It makes no sense at all!



**Obama’s 2012 Budget Proposal** – Early in 2011, Obama submitted a budget to congress. He stated: "We will not be adding more to the national debt. ... We're not going to be running up the credit card anymore." How could he say that when even his projections show higher deficits? Here are Obama's own deficit projections: 2012 – \$1.101 trillion; 2013 – \$768 billion; 2014 – \$645 billion; 2015 – \$607 billion; 2016 – \$649 billion; 2017 – \$627 billion; 2018 – \$619 billion; 2019 – \$681 billion; 2020 – \$735 billion, 2021 – \$774 billion. Ten year total – \$7.205 trillion — an average deficit of \$720 billion per year. How is the deficit paid for? By Borrowing, dummy! If it were paid for by taxes, IT WOULDN’T BE A DEFICIT!! GOOD GRIEF!! Thank goodness the proposal was defeated unanimously in the Senate. But, having a chief executive with that type of mentality is a huge and heavy “millstone.”



**The Union Label** – An example of the stifling effects of Obama’s pro-union (not pro-jobs) policy is the Boeing vs. NLRB litigation. A few months ago, IAM filed an action with the NLRB to stop Boeing from opening a new plant in South Carolina, a right-to-work state. Boeing had decided it made more sense to build at least some of its new 787 Dreamliners in a business-friendly state, rather than Washington state, where the union is firmly entrenched. It should be pointed out that with the same action, Boeing also added significant numbers of employees in Washington state working on the same project. In South Carolina, the company has already hired 1,000 workers whom the IAM had no problem putting out of work. What’s this liberal talk about creating jobs?





**Loan Activity is Actually Discouraged** – Columnist John Ransom wrote recently: "What the economy is missing is commercial loan activity or a willingness by corporate boards to part with cash. It's missing those components because bankers and board members generally aren't dopes when it comes to business decisions." Liquidity isn't the problem – it's uncertainty about the future direction of tax and regulatory policy, and therefore planning is impossible. And bankers don't loan into uncertainty.



**Corporate Tax Rates – Very High By Global Standards** – The U.S. corporate tax rate will soon become the highest in the industrialized world, and is already in its 20th year of being above the average for similar economies, according to a new analysis by the Tax Foundation. As other nations enact reforms and rate cuts, the U.S. corporate rate will continue to stand out as a hindrance to economic growth and competitiveness. The combined federal and state rate of 39.2 percent of corporate profits is exceeded only by Japan, whose rate stands at 39.5 percent. And Japan will lower their rates very soon.



**Insisting on Minimum Wage Increases** – This activity flies in the face of maximizing employment. Suggestion of a \$2 minimum wage increase makes uncertainty in certain businesses even stronger. And increasing the minimum wage does drive down employment, on the margin – especially during tough economic times.



**Encouraging Class Warfare** – Much is proclaimed in the name of fairness, but ALL seems to be proclaimed in the name of class warfare. The current administration is afflicted with a compulsion to practice the “politics of envy.” How is it anything but a severe burden on our

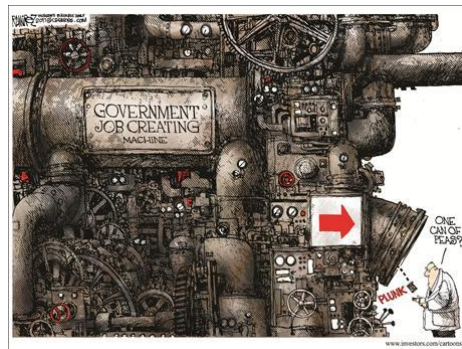
country and its future development, to stifle our citizens creativity by insisting the wealthy among us achieve their riches through questionable or immoral means? They discount the possibility that good fortune is the result of hard work.



**Stimulus** – The stimulus did not work! Much of it went to bailing out the states, with state and local unfunded pension plan debt receiving much of the money. Artificial solutions only delay the inevitable bankruptcies. Now, stimulus money runs out and even larger numbers are added to unemployment.



**The Impact of the Jobs Stimulus** – The jobs created and saved by the 2009 economic stimulus cost, at a minimum, an average of \$228,055 each, according to data released recently by the Congressional Budget Office (CBO). The CBO said it estimates the stimulus law cost a total of \$821 billion. In the same report, the CBO estimated that in the fourth quarter of 2010 there were somewhere between 1.3 million and 3.5 million people who were then employed who would not have been had the stimulus not been enacted. Thus, the \$821 billion cost of the stimulus divided by the **maximum** of 3.6 million jobs the CBO believes the stimulus may have saved or created, equals an average of \$228,055 per job. Rarely has so much been spent so wantonly with so little discernible public benefit.



**The Persistent “Krugman” Theory: “We Just Didn’t Stimulate Enough!”** – The progressive "expert" economist Paul Krugman remains absolutely sure of the meaning of the "unexpected results" of the effect of original stimulus on chronic unemployment, rising prices and dismal growth. His explanation is steadfast that we need to keep doing that which has failed – we just didn’t do enough stimulus! This demonstrates nothing more than the bankruptcy of an ideology incapable of dealing with reality. Their contention that government isn't spending enough on whatever pet project they deem "crucial" is obscene. WE MUST REMEMBER that stimulus dollars come from only two places – and neither is a good thing. First, dollars can be taken out of the private economy – that’s a real “millstone.” Second, dollars can be created by “printing” (monetizing debt) which often proportionately devalues our currency. All pain – no gain!



**Valuable Economic Resources Wasted on Green Jobs** – Hundred of billions in green jobs created neither energy nor new jobs. The result was a lot of “broke” companies and no new jobs. Yet the “we didn’t spend enough” mantra continues.



**Persistent Mentality that Jobs Are Created by Government** – Here again, this is a serious waste of resources and abuse by the government to lay claim to direct job creation responsibility. Government can help, but only in a role of creating the proper business environment for private companies to develop and create employment opportunities – the right way!



**Continuing Residual Effects of the Housing Crisis** – And it was all caused by otherwise well intentioned attempts to put housing into more people’s hands. It’s been an expensive and futile waste of time and valuable economic resources on good old Fannie and Freddie. This entire industry has been a real drag on our economy. The administration’s insistence on intervening in this industry merely delays the inevitable – the “bottoming out” of house prices. It is perhaps noble to attempt to aggressively promote home ownership and now to intervene, but it is counterproductive, and has become one of our biggest “millstones.”



It’s a wonder we make any progress at all!

As Thomas Paine wrote in 1776: *"These are the times that try men's souls."* Maybe that’s an older version of what Louis Armstrong was feeling when he sang the spiritual, *"Nobody knows the trouble I’ve seen. Nobody knows my sorrow."*