

Yankee Steve's Column
for the week of March 18, 2010

Ten Economic Fundamentals Which Never Change

I know that most men, including those at ease with problems of the greatest complexity, can seldom accept even the simplest and most obvious truth if it be such as would oblige them to admit the falsity of conclusions which they have delighted in explaining to colleagues, which they have proudly taught to others, and which they have woven, thread by thread, into the fabric of their lives. [*Leo Tolstoy 1828-1910*]

Bertrand Russell [1872-1970] said that he did not want to become an economist because the subject was too simple. From what I can see the difficulty is understanding the economists themselves. Permit me to explain.

There is a difference between understanding an idea and hearing it.

Economists, like the ones that are calling the shots in government now are certainly smart enough. The problem is that they will not hear what classical economists have said over the years. The Greeks have a proverb about a man who knocks on the door of a deaf man. It does not matter how long or how loud he knocks if the man living in the house is deaf. Jesus did not say he who has understanding, let him hear. He said he who has ears let him hear.

The following is a list of ten simple ideas that many politicians and voters need to hear because we know that a heavy price will be paid by any and all who willfully choose deafness.

We will begin with the one idea that is the most important.

One: The central planning of the economy will always interfere with liberty.

The persistent appeal of central planning is anomalous, given the poor relative performance of planned economies versus free economies. But economic efficiency is not the only, or necessarily the most compelling, argument against central planning. Economic planning threatens all individual freedoms, and must be analyzed in terms of these threats. How does central planning threaten individual liberty? To find the answer, we must consider what central planning is and how it works. The goals of central planning are to create high growth, minimize unemployment, and sometimes to provide an "equitable" income distribution, or to protect the environment. Proponents believe these goals can be achieved by using government to intercede in the "chaos" of the free market so as to redirect the nation's resources and design an "optimal" mix of industries. The losses to individual freedom from this type of system are obvious. To make sure the

economic plan is followed, government must interfere with the freedom of individuals to start businesses, to invest and work where they choose, and even to consume certain goods and services. [C. Brandon Cocker]

“The primary rule of all good government is to realize that the power of the state must be strictly limited.” [The Freeman]

Two: The central planning of the economy by the government is counterproductive.

“ . . . a dollar spent by the government is nothing like a dollar spent by the private sector. A fellow might spend his own dollar unwisely. But at least he gets what he deserves. When the government spends a dollar it does worse than waste the money . . . it perverts the entire economy and creates zombies and parasites.” [Bill Bonner]

Three: Short-term answers seem good at first but they are not solutions.

{There is} . . . the persistent tendency of men to see only the immediate effects of a given policy, or its effects only on a special group and to neglect to inquire what the long-run effects of that policy will be not only on that special group but on all groups. It is the fallacy of overlooking secondary consequences. This is the whole difference between good economics and bad. The bad economist sees only what immediately strikes the eye; the good economist also looks beyond. The bad economist sees only the direct consequences of a proposed course; the good economist looks also at the longer and indirect consequences. The bad economist sees only what the effect of a given policy has been or will be on one particular group; the good economist inquires also what the effect of the policy will be on all groups. [Henry Hazlitt 1894-1993]

Four: No government on earth, no matter how rich, can pay for entitlement programs like the kind we find in European countries, if that government wishes to mount an adequate national defense.

The U.S. government is set to run overwhelming budget deficits long into the future, and the principal reason is the growth in entitlement costs, not increased defense funding since 9/11. Budgeting by definition requires trade-offs, which is why the President and Congress must think carefully about the impact the tsunami of entitlement spending will have on national security. [Steve Keen]

Five: Socialism promises economic security and increased prosperity. Since this has now been disproven it explains why the defenders of Socialism have of late been forced to use a different tact. Capitalism is more often than not denounced on the grounds that it does not meet the demands of justice.

“Opponents of capitalism no longer support socialism as a more productive economic system; instead they oppose capitalism as a morally intolerable system. Unless the defenders of

capitalism succeed in clearly explaining its ethical basis and its relation to political institutions and the general character of society, capitalism shall lose the ideological battle.” [Alan C. Stockman]

Six: Politicians have to justify being in office. This is why they attempt to sell us something that we supposedly need which only the government can provide for us. If we disagree they will do their utmost to convince us that we are wrong and that we need what they are promising us. They will try and sell us on the idea that what they are offering us is free, which must mean that it will be paid for by redistributing wealth.

“The American Republic will endure until the day Congress discovers that it can bribe the public with the public's money.” [Alexis de Tocqueville 1805-59]

Seven: Large governments go hand-in-hand with economic hard times. They are the cause and not the cure of recessions.

“Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things.” [Adam Smith 1723-90]

Eight: There are some things that the government can do but there are many things that it cannot and should not do.

It is easier to find people fit to govern themselves than people to govern others. Every man is the best, the most responsible, judge of his own advantage”. “There are many things the government can't do, many good purposes it must renounce. It must leave them to the enterprise of others. It cannot feed the people. It cannot enrich the people. It cannot teach the people. [Lord John Dalberg-Acton, 1834-1902]

Nine: Taxes are the main deterrent to an improved economy and job creation.

When a corporation earns a hundred cents of every dollar, and it is permitted to keep only fifty-two cents of every dollar it gains, and when it cannot adequately offset its years of losses against its years of gains, its policies are affected. It does not expand its operations or it expands only those attended with a minimum of risk. People who recognize this situation are deterred from starting new enterprises. Thus old employers do not give more employment, or not as much as they might have; and others decide not to become employers at all. [Henry Hazlitt]

Ten: War is never good for the economy.

Wars are expensive propositions, especially the sort of all-embracing, the-sky's-the-limit, multi-generational conflict envisioned by the War Party's editorial board commandos. Our \$3 trillion war, as Nobel-prize-winning economists Joseph Stiglitz and Linda Bilmes have dubbed it, is an albatross hung round the neck of the American giant, whose great

neck is bowing under its weight. The unipolar moment the neocons once exulted in will go down in the official record as the briefest incident in human history, albeit not the noblest . . . Is the Iraq war good for the economy? Well, *whose* economy? Who benefits from this war, and who loses? Once the American people realize that they're among this war's biggest losers . . . they'll turn on the beneficiaries with a vengeance. As their savings are eaten up by inflation, and the equity they labored to preserve and increase evaporates into thin air, ordinary Americans are likely to be quite interested in the question: who's responsible? [*Justin Raimondo 1951-*]

Dear faithful reader: Is any of this too difficult to understand? And if not, then it must mean that Congress has gone deaf, and that its deafness is voluntary.

Ever yours,

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