TELL CONGRESS NO DEAL ON THE NEW DEAL

The USS, “Yes We Can Change” now navigates turbulent economic waters. Captain and crew would be wise to listen carefully to the voices of those who piloted such waters before them. However, those voices may be drowned out by the uninformed enthusiasm of worshippers relishing images of national deliverance at the hands of one some regard as a latter day Lincoln.

That is more than a stretch. First, ebullient coronation and exaggerated hopes are an expected quadrennial phenomenon with the lifespan of a rabbit’s fidelity. More importantly, Lincoln governed and guided his ship of state under what some have called his “Cannotments” Aptly named Abraham knew the sanctity and sanity of timeless truths such as; the wisdom of governments investing in infrastructure and the business of helping business while remembering that you “cannot further the brotherhood of man... by inciting class hatred... strengthen the weak by weakening the strong... (or) lift the wage earner by pulling down the wage payer”. He knew... “You cannot help the poor man by destroying the rich”

Many pandering politicians are salivating over a first hundred days passage of a massive so called economic stimuli bill reminiscent of Roosevelt. Such soaring rhetoric has threatened to ground sober reasoning and is running the risk of mesmerizing us into forgetting lessons of history.

This is not the Great Depression. Furthermore, Roosevelt, through his redistribution of wealth schemes, 79% tax rates, alphabet soup programs and fiscal policies may have prolonged the misery. International abandoning of the gold standard and monetary expansion stimulated spending amidst lowering interest rates and more widely available credit. Fiscal policy played a relatively small role. Recovery was well under way when World War II, which did improve unemployment and productivity, began. The New Deal spending programs had little direct expansionary effect on the economy and some may have actually hindered recovery.

Stimulus checks do not work. Nobel winning economist Milton Friedman and history have shown that. Consumers spend based on expectations of what their long-term income will be. Most saved their stimulus checks or paid down debt.

The onetime 40% tax cuts being proposed are good but must be sustained. Permanent tax reductions, a so called flat tax, continued low capital gains tax and curbed out of control government spending will do this without adding to the deficit. Deficit spending schemes alone, (spending beyond your GDP) through redistribution of the wealth from producers to consumers, do not work.

Be wary of governments doing more of what they do poorly. They excel at national defense, printing and taking money and starting and prosecuting wars. Nanny state nutritional programs proscribing what is good for us invite massive wasting of human industry and inventiveness while too many grow fat on sizzling pork. Socialism legislates lethargy. Churchill saw socialism as a faith of foolish words enforced by political police; .... “A philosophy of failure by assailing the preeminence of the individual”

The Cato Institute warns that the jobs the stimulus package is supposed to create will cost about $280,000 each and far more than what they will return on investment of your tax dollars. Furthermore, this stimulus money is not free and has interest costs.

There are good ideas at work, however. A low interest environment, calls for long term cutting of taxes, development of non fossil fuel energy technologies, loosening of credit requirements inside the banking system and the buying of U.S. debt by the Feds from commercial banks will help to get money supply up and running. However, Capitalism must remain as our core economic system. Leaving money in the private sector will stimulate business and consumers will gain confidence if there is a fair flat tax system.

Change on your tax dollar is the change you should demand. Tell congress no deal on the New Deal.

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