

## Economics for Idiots, and You

“If you’re not a liberal by age 20 you haven’t got a heart, and if you’re not a conservative by age 40 you haven’t got a brain.” An early version of this sentiment has been traced back to Founding Father John Adams.

I have been a fairly liberal Democrat during nearly all of my tenure as a presumably intelligent life form. More recently I have described myself as a social liberal and fiscal conservative, but most recently the importance of the latter has eclipsed the former.

While I still disagree with most of the pillars of traditional conservatism, I do agree with them regarding advocacy of low taxes, free markets, deregulation, privatization, and reduced government spending. That wasn’t always the case.

I attribute my political evolution (devolution?) to a renewed interest in economics, of all things. I listen to podcasts every day primarily about the economy and investing, which I wish was a minimum requirement for every politician on the planet. Ignorance basic economic and free-market principles seems to be universal.

I graduated sometime late in the last century with a degree in finance, which gave me a basic understanding of how capitalism works. It works pretty well, actually, if the politicians can keep their fingers out of it. Capitalism has its flaws, but I have come to believe that not every perceived problem needs to be addressed with more regulations and larger government, especially when financed by deficit spending. Worse, the inevitable unintended consequences caused by government intervention are almost always addressed by additional government intervention.

I blame you for this. And me, and everyone else who has ever used the words “something should be done about.” Not every injustice or inconvenience demands a legislative response. Just because the government can pass a well-intentioned law - which is just as likely to make the problem worse - doesn’t mean it should.

In a previous life I caucused for Elizabeth Warren and Bernie Sanders, but I now realize what bullets we dodged there. Not to pick on Elizabeth “I’ve got a plan for that” Warren, but she and many others blames the Federal Reserve, Putin, and greedy corporations for inflation while ignoring (or worse, not understanding) Congress’s role in legislating the primary cause; relentless deficit spending.

Inflation, as measured by cost-of-living increases, is simply another form of taxation although hardly anyone perceives it that way. Your purchasing power is being eroded just the same as if you paid a tax. In an honest world, our government would spend only what it collects in taxes.

But since taxes are wildly unpopular, the convenient thing to do - for any political party - is to just print the money the government thinks it needs and endure the inevitable inflation when it finally works through our economic system. Then we can blame whomever we want, because hardly anyone understands what causes it.

Consider what happens now that the world’s largest debtor (the U.S. Government, formerly the world’s largest creditor) finally has to start paying significantly higher interest rates on its record-high \$31 trillion

of debt. The nonpartisan Congressional Budget Office expects interest on the national debt to conservatively consume a crippling 40% of all federal revenues by 2053 – it's only in the single digits now.

With regard to the current excitement about raising the federal debt ceiling, some will confusingly say it's needed so we can continue to pay our debts. The truth is we need a higher limit to continue to avoid paying our debts and just pay the interest. No debts ever get repaid – they just keep piling up.

Similarly, woe be to any politician who dares to support desperately need changes necessary to save Social Security before it becomes insolvent, currently estimated for around 2033. Underinformed voters would undoubtedly punish any politician dumb enough to advocate increasing the retirement age, decreasing benefits or increasing payroll taxes, some combination of which must eventually occur. But almost certainly at the last possible moment, and certainly not in an election year.

In summary, I have bad news and good news regarding the economy, and the bad news is that there is no good news. Something should be done about that.

Dave Parsons is a retired businessman and lifelong Iowa City resident.