The Washington Times

www.washingtontimes.com

Heavy Foot of Government

By Richard W. Rahn
Published July 15, 2009

Costs pile up without anyone reading the fine print

LAS VEGAS, Nevada

How old were you before you realized your actions could result in unintended consequences? Men create democratic governments to protect life, liberty and property. Yet much of what modern government does daily has the largely unintended consequence of endangering and/or reducing life, liberty and property.

Taxes reduce liberty and often erode the value of property. Most regulations reduce liberty and some erode property values and even endanger life. We now spend much of our lives trying to figure out how to reduce our tax burdens and to comply with never-ending government regulations and forms.

In mid-July of each year, several thousand economic libertarians meet in libertine Las Vegas as part of the annual FreedomFest.

They come to discuss how they can keep the foot of government light by removing ever-growing government restrictions on their liberty, and how they can personally protect their property (savings and investments). Speakers range from chief executive officers, such as Steve Forbes of Forbes magazine and John Mackey of Whole Foods; media economic gurus, such as Larry Kudlow of CNBC and Steve Moore and John Fund of the Wall Street Journal; to think tank leaders, well-known economists, tax lawyers, and investment advisers.

Most of those who enter government, either as elected politicians or bureaucrats, do not start out to deliberately erode basic freedoms and property rights, but all too many in the political class act like children -- irresponsibly and thoughtlessly.

It has been widely reported that *not one* of the several hundred members of Congress who voted for the "stimulus package" or the "cap-and-trade bill" (each piece of legislation containing more than 1,000 pages) actually read, let alone understood, what was in these bills.

The stimulus bill is objectively not working as promised by the advocates because, as many correctly warned, it is not possible for either individuals or governments to spend themselves into prosperity, nor will the political forces allow tax revenues to be spent wisely and effectively. Look at the accompanying table, which shows the Obama officials' unemployment projections (with and without the stimulus bill), as well as the actual unemployment numbers. It is ironic that, if those in the Obama administration had not put forth the stimulus bill, the economy, by their own projections, would probably have been better off.

JOBLESS PREDICTIONS
FORECASTS OF THE MAXIMUM UNEMPLOYMENT RATE

Forecaster	Unemployment Rate

Obama Economic Team (January 09 projection): - with no economic stimulus - with the stimulus package	 **9.0%** **8.0%**
Current "Blue Chip" consensus forecast	**10.0%**
June 2009 Actual Rate	**9.5%**

The environmental cap-and-trade bill that has passed the House, but not yet the Senate, will greatly increase every American's energy costs but will have such a minor effect on the climate that it could not possibly pass any reasonable cost-benefit test. The unintended consequence is to make every American poorer with fewer job opportunities -- and, as we know, poorer countries invariably do more damage to the environment than rich countries (e.g., Switzerland versus India).

The latest bit of silliness is the new effort to "stabilize oil prices." Prime Minister Gordon Brown of Britain and President Nicolas Sarkozy of France, writing in the Journal, demand that governments "supervise" oil prices.

The new head of the Commodity Futures Trading Commission, Gary Gensler, appointed by President Obama, says the commission will act to reduce "oil price speculation." These efforts are cheered on by economic know-nothings in the media.

Every beginning economics student should know that prices allocate scarce resources and motivate future production. If governments try to control prices, oil companies and investors will invest less in new production, thus reducing future supply, which will lead to higher prices in the future. Speculators are necessary to allow producers to shift part of the risk of their investments.

In responding to critics of oil speculation, Donald J. Boudreaux, chairman of the Economics Department at George Mason University, noted that the critics presume "that all speculators speculate long and that doing so is a sure thing. Neither presumption is valid. It's just as easy to speculate short as it is to speculate long. And if speculation were as risklessly profitable as [the critics] presume it to be, then high gasoline prices would pose no problem because everyone would be raking in the riches by speculating in oil markets." Furthermore, the Obama administration is busy canceling leases on areas opened for oil exploration by the Bush administration. The unintended consequence is that America will be more dependent on foreign oil and prices will be higher for American consumers.

Democratic Sens. Carl Levin of Michigan, Byron L. Dorgan of North Dakota and Max Baucus of Montana have made a series of legislative proposals to restrict and make it more costly for Americans to move businesses and financial assets out of the United States, and make it more costly for foreign institutions to invest here.

These proposals will have the obvious consequence of driving needed foreign investment out, and the unintended consequence of spurring U.S. companies to domicile and move operations (and jobs) elsewhere and making it more difficult for Americans outside the United States to get needed foreign bank accounts.

If these senators were actually the public servants they claim to be, they would do serious cost-benefit analyses before proposing daffy ideas that will be very costly to their fellow Americans in terms of economic growth, jobs and liberty.

Events like FreedomFest are important because they help citizens understand their liberties are being eroded and that eternal vigilance (and action) is required to preserve what we have and develop realistic programs to roll back the forces of both intentional and unintentional government oppression.

Richard W. Rahn is a senior fellow at the Cato Institute and chairman of the Institute for Global Economic Growth.

http://www.washingtontimes.com/news/2009/jul/15/heavy-foot-of-government/