



When will your time come?

By Richard W. Rahn

ECONOMIC DETERIORATION EVENTUALLY CLAIMS POLITICAL CLASS

“Real per capita incomes stagnate, and it may be many years before we see any recovery,” the headlines say. Yes, it is true that for decades, most Americans experienced a rise in their real income after inflation of a little more than 2 percent per year and that now the average American is experiencing a drop in real income.

However, average numbers in this case do not provide much information about what is really happening to people. Of the 4 out of 5 Americans who still have jobs, most have experienced very little decline in living standards. But for those who have lost their job and been unable to find a new one, the shock, both to their pocketbook and psyche, has been severe.

I live in Northern Virginia, a prosperous area where the unemployment rate is still low. The area looks prosperous because it is. The signs of economic hardship are few, unlike in many areas in the country. Living here among Washington officials and those who live off big government, the global and U.S. economic crisis seems far away. But it is coming, even to Northern Virginia and even to those government officials who are responsible for the fiscal mess. Few, if any, of us will escape.

Visualize a river that has reached flood stage but just keeps rising slowly year by year. First, a distant neighbor's house is swallowed up by the flood, then another house a couple of blocks away and then your house. Until the flood waters actually reach your house, life goes on pretty much in the normal fashion, outdoor barbecues and all. All the while, you are thinking, “I am on high ground, and the flood will never reach me.” Then, one day, it does, and you end up with very little or nothing. It is the same with a never-ending financial crisis.

In poor societies, there are always a few rich people; and in rich societies, there are always a few poor people. A successful society is characterized by fewer poor each year and more middle class and rich. Revolutions take place when the number of poor rises faster than the number of middle class and rich. The poor, being less educated and having more of a static view of the world, blame their increasing hardship and numbers on the rich.

The real villains are those in the political class who pandered to the voter by promising more in benefits to be paid for by others - “the evil rich.” But if the rich people are taxed too much, they opt out by moving or no longer being rich, and then the tax revenues fail to keep up with the increases in spending until finally, the debt burden slowly sinks the ship. This is precisely what is going on in the United States and most European countries at the moment.

As more and more people lose their jobs, the demand for government payments grows, making the situation worse and worse. The U.S. government is spending roughly 40 percent more than it is taking in. President Obama and others are demanding higher taxes on the “rich” - more correctly known as job creators - to pay for more government benefits. The self-delusion of the political class goes on, and the numbers get worse. Notice that the president, when arguing that his “jobs” bill is going to increase jobs, quotes the same economists who also said his “stimulus” would keep unemployment under 8 percent, rather than referring to those economists who were correct in saying it would

fail. The president's assertion that by increasing the taxes on the rich he will be able to “pay” for all his new spending is fantasy, or worse.

The simple fact is that the amount of explicit and implicit debt that the United States and other governments have incurred cannot and will not be paid back in full. The political class will try to cure the debt mess with inflation, price controls, tax increases and confiscation, but it will only make things worse. Greece is only the first canary to die. As more and more jobs and homes are destroyed by the debt crisis, the ranks of the revolutionaries will grow until, finally, the new “peasants” realize that the rich are gone and it is the political class that is responsible for the mess.

As Mr. Obama and many liberal Democrats embrace the Wall Street protesters, I wonder if they have not only forgotten (or ever knew) good economics, but also the lessons of history. Robespierre, a great orator, most certainly did not intend for himself to be guillotined as he and his colleagues unleashed the Reign of Terror during the French Revolution. As the Committee of Public Safety was replaced by the Committee of General Defense and the Committee of General Security (sounds all too much like “Homeland Security”) which managed the secret police, it is most unlikely that he thought the organization he headed would end up beheading him. The French were slow to follow the American democratic model - the ballot box - which is a much cleaner and more civilized way to get rid of failed leaders. We can look forward to the day when the current political actors, like Jimmy Carter, merely dance around us with occasional annoying utterances rather than stealing from our pocketbooks and chipping away at our liberties.

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/2011/oct/17/when-will-your-time-come/>