Economics & Politics

by Earl P. Holt III

Politics is traditionally defined as "**the study of the distribution of a resource through the POLITICAL PROCESS**." In contrast, economics is traditionally defined as "**the study of the distribution of a resource through a MARKET SYSTEM.**"

Unfortunately, there are too FEW "*economists*" in the world today, and far too many imposters dabbling in politics rather than the discipline of economics. An example would be Jonathan Gruber, the ***MIT*** professor who wrote the misnamed "***Affordable Care Act***" (or "*ObamaCare*,") and who later admitted he lied repeatedly to get it passed. His advocacy of *ObamaCare* was purely political in nature and dismissive of both economic principles and ethical constraints.

When the federal government began to grow dramatically in the mid-1960s following LBJ's *"Great Society*,*"* it became readily apparent to many in the profession that the prospects for REAL economists -- those who sincerely practice their discipline -- were rapidly fading. This turn of events came about because REAL economists have a habit of telling unpleasant truths to politicians who don't want to hear them.

Few politicians get elected or returned to office by being frugal and rejecting new spending initiatives. Nor do they get elected for refusing to intervene in the economy in order to benefit a powerful constituency. Thus, to ensure demand for their services, **most economists now routinely engage in what the discipline euphemistically calls "*normative*" economics, or economics based primarily on ideological and political advocacy. "**Normative" economics is often described as focusing on what **"*should be*."**

Increasingly, many are demonstrably Marxist in ideology, since a growing federal government needs a lot of economists to serve as its *commissars*. In this sense they've become the equivalent of "*hired guns*" who advocate for policy and legislation, much as the legal system is plagued by "*expert witnesses*" who will testify to the *Sun-rising-in-the-West* if their professional fees are met.

One phenomenon contributing to this dilemma is that graduate economics programs indoctrinate students with the absurd notion that *micro* and *macro* phenomena can be reduced to a series of complex mathematical equations. When one considers the fact that at any given second, U.S. consumers make trillions of economic decisions involving price, quantity, quality -- and a host of other criteria -- it is clear that such rigid formulae are merely a tribute to the hubris of would-be central planners.

Those formulae allow the false prophets of economics to speak with a veneer of "*authority*" that is often convincing to economic illiterates. Those who have actually run their own businesses, or those who are familiar with the works of Nobel Laureates Milton Friedman, George Stigler or Friedrich von Hayek are less susceptible. Nevertheless, the dubious *authority* of false prophets does increase their demand among government agencies or leftist non-profits and "*think tanks*." As might be imagined, Marxist-economists are often the beneficiaries of such demand.

The expression "*Marxist-economist*" would have to be the oxymoron of the year because Marxism and the discipline of economics are about as mutually exclusive as any two terms could possibly be. In fact, Marxism is the REPUDIATION OF ECONOMICS, and the substitution of central government commands -- backed by force -- for decisions that the discipline of economics routinely demonstrates is far more efficient

if left to individuals acting in their own self-interests. *ObamaCare* would be a perfect illustration of this.

This substitution of Marxist ideology for hard evidence has real-world consequences, and any society foolish enough to allow Marxism to "*trump*" real-world evidence must inevitably pay a high price for doing so.

An illustration of this is the empirical fact -- demonstrated thousands of times -- that federal and state efforts to legislate a HIGHER *minimum wage* invariably cause *HIGHER* unemployment as an unintended consequence. This occurs for two reasons: First, government-mandated higher wage rates often force employers to terminate or "*dis-employ*" less productive workers, or those whose employment is no longer affordable at the new and higher wage rates.

Secondly, higher wage rates often mean that many prospective employees are never even considered for employment from the very start. These people remain invisible to economists, because the fact that they are never even considered for employment leaves no trace for economists or anyone else to evaluate.

If some "*blue*" state legislators were stupid enough to raise their state's minimum wage to say, $25 per hour, this would have a profoundly detrimental effect on "*marginal*" or low-skilled individuals, whose labors contribute less value than the newly imposed wage. Many would become dis-employed or remain unemployed, despite the efforts of elected officials to legislate prosperity with a higher minimum wage.

Arguing *ad absurdum*, if politicians and economists could successfully legislate prosperity through higher minimum wage rates, then why stop at $15 or $25 per hour? Why not raise federal and state minimum wages to $100 per hour and add annual adjustments for inflation? The

answer -- as even witless politicians and devious economists know in their hearts -- is that it would generate skyrocketing unemployment rather than prosperity.

Few manufacturing concerns or small businesses, such as restaurants or bars, could afford to pay their employees $100 per hour. Both businesses and employment would disappear faster than eyewitnesses at a Mafia *rub-out*. Such outcomes are frequently the cost of substituting **POLITICAL** for **ECONOMIC** decisions.