Economic *Hubris*

(When discussing economics, the eyes of readers tend to glaze over. However, the following is a good start at understanding the economic mess we are in and how we got here. I encourage readers to work through it.)

by Earl P. Holt III

REAL economists have a habit of telling unpleasant truths to politicians who don't wish to hear them. That is, few politicians get elected to office or remain there by preaching austerity or by refusing to throw money blindly at societal problems. Nor do they get re-elected by refusing to intervene in the economy to benefit a powerful constituency such as organized labor or the "*high-tech*" industry. Thus, to ensure a demand for their services, most economists routinely engage in what the discipline euphemistically calls "***NORMATIVE***" economics, or economics based on ideological and political advocacy. Normative economics is often described as focusing on **"*what should be*"** rather than what is.

Increasingly, many are demonstrably socialistic in their politics since a growing federal government needs a lot of economists to serve as its commissars and technocrats. In this sense they've become the equivalent of hired guns who advocate for policy and legislation, much as our legal system is plagued by "*expert witnesses*" who will testify to the *Sun-rising-in-the-West* if their professional fees are met. A good example of the former is M.I.T. professor Jonathon Gruber, who wrote much of the misnamed *Affordable Care Act* ("*ObmaCare,*") and later admitted he lied to Congress in an effort to help get it enacted.

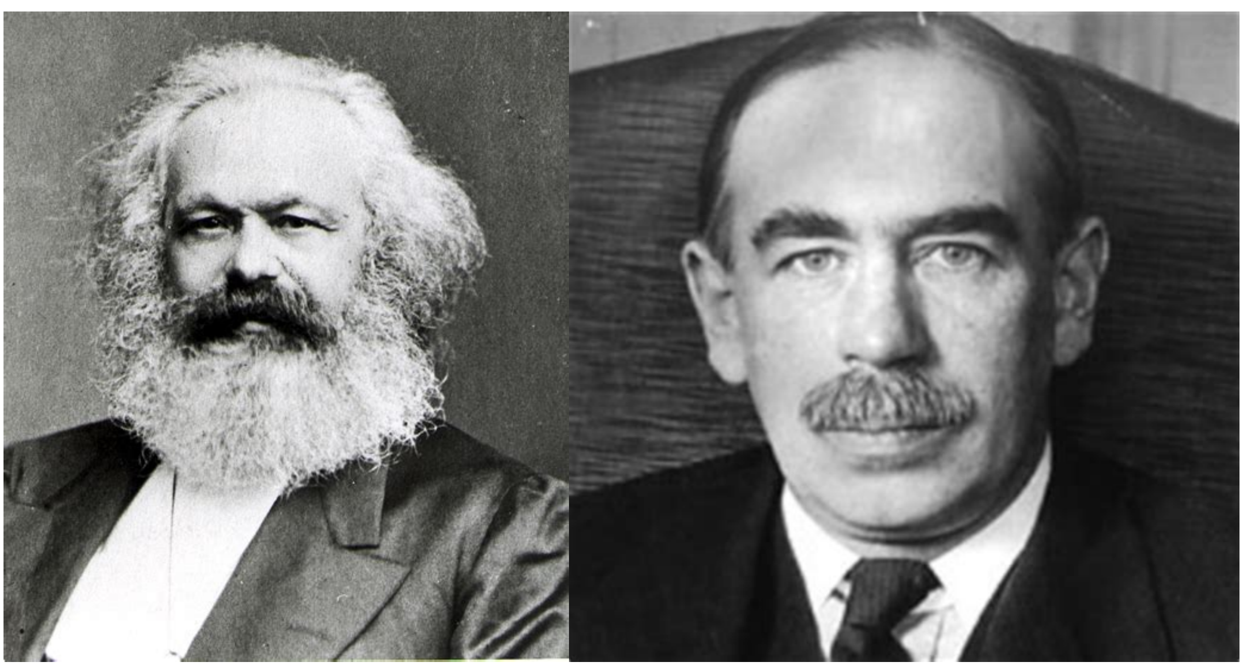
Many of the conventional models, theories and definitions used by leftist economists are flawed or obsolete, and have been for decades. These are trotted out on occasion to justify some ridiculous expenditure of public funds that will usually create more harm than good. Biden's ludicrous $1.9 Trillion-dollar ***Inflation Reduction Act*** of 2022 is a prime example: it was endorsed by Treasury Secretary Janet Yellin and most of the other charlatans masquerading as "*economists*" in the Biden Administration. No matter what its supporters may have falsely claimed to get it enacted, it will inevitably generate higher inflation. Many other examples of flawed thinking are often used by leftist "*economists*."

ECONOMETRIC MODELS: One cause of this dilemma is that graduate economics programs indoctrinate students with the absurd notion that macroeconomic phenomena can be reduced to a series of complex mathematical equations. Yet, at any given second, U.S. consumers make trillions of economic decisions regarding price, quality, quantity, nation-of-origin, "*brand-loyalty*" and a host of other criteria including their confidence in the near-future. It is clear that such rigid formulae are merely a tribute to the *hubris* of would-be central planners.

Such 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 far less susceptible. Nevertheless, the dubious authority of false prophets definitely increases their demand among government agencies and leftist think tanks, and Marxist economists are usually the beneficiaries of such demand.

LABOR THEORY OF VALUE: This is an antiquated and erroneous economic theory that attempts to explain how goods are imbued with value. Naturally it was favored by **Karl Marx, who was an "*economist"* in the same sense that Jeffrey Dahmer was a *gourmet*.** *The Labor Theory of Value* basically claims that the entire value of any product is exclusively attributable to its contributions from employees or "*labor*." This is why the *proletariat* (or labor) were venerated within Marxist systems, and the *bourgeoisie* (business owners) were vilified. Ironically, Marxists in this country have abandoned the proletariat and have thrown in with our richest entrepreneurs, who fund their treasonous activities.

Anyone with sense or who has ever run his own business has a far better understanding of capitalism than Marxists who have never had a ***REAL*** job in the private sector, such as Karl Marx, Bernie Sanders, Joe Biden or John Fetterman. Sensible people realize that **wealth is created when inspiration, capital, labor, materials and management combine to create a product or service that is of GREATER VALUE THAN THE INDIVIDUAL SUM OF ITS PARTS.** Wealth is not the result of any one source of input, it requires the contributions of all of these elements. However, no Marxist in history has ever understood -- nor wanted to understand -- this very simple principle. It was brought home to me when George Gilder pointed out in ***Wealth and Poverty*** that computer "*chips*" (microprocessors) are made from silicon dioxide, one of the most abundant and cheapest materials on Earth. Under capitalism, this "*synergy*" of labor, capital, inspiration, materials and management that creates wealth can convert a common substance of little value into a complex and highly-sophisticated device without which modern societies could not function.



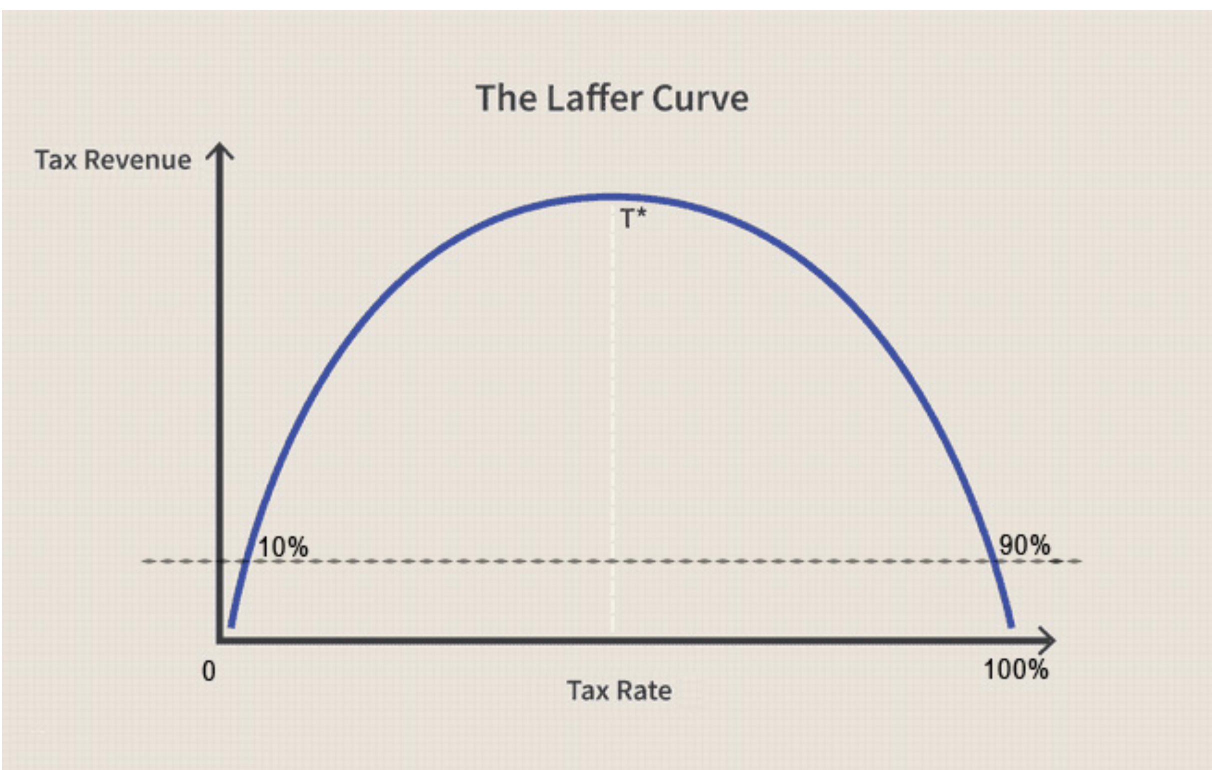
Karl Marx & John Maynard Keynes

PHILLIPS CURVE: This is a relic of the followers of John Maynard Keynes, the pedagogue and alleged pedophile who wrongly and foolishly advised FDR during the *Great Depression*. Theoretically, it illustrates an inverse relationship -- or *trade-off* -- between unemployment and inflation, where lowering one inevitably generates increases in the other. **Thus, lowering unemployment requires more inflation, and lowering inflation produces more unemployment.** It has been used for decades by Neo-Keynesians, and became a favorite tool among "*Democrats*" to justify unrestrained social spending in pursuit of the *holy grail* of "*full employment*." It has retained favor among "*Democrats*" to this day only because they have no other *playbook* and are clueless as to how wealth is actually created.

To his eternal credit, Ronald Reagan refused to accept the trade-offs allegedly illustrated by the Phillips Curve, and personally consigned it to what should have been the *dustbin of economic history*. He recognized the most sensible path to lowering both inflation and unemployment is to cut taxes and minimize existing economic disincentives such as onerous regulations, permitting us to produce our way out of recessions. Reagan's vision was amply demonstrated in the 1980s when "*Reagonomics*" allowed the U.S. to recover from the *stagflation* of the Carter Administration by reducing both inflation and unemployment simultaneously. *Reaganomics* even achieved double-digit GDP growth in 1981 and 1984, while reducing unemployment from 1984 through 1989.

***LAFFER* CURVE:** This model has been attacked by leftist economists and political whores like Joe Biden and Ted Kennedy because it is the basis of so-called "*Supply-Side Economics*." Yet, **it merely illustrates the application of the *Law of Diminishing Marginal Returns* (LDMR) from taxation**. The concept is not nearly as complicated as it sounds, and even those who have never studied economics intuitively recognize and practice its defining principle. For example, those of us who consume adult beverages recognize that the first beer tastes exceptionally good, the second about as good, but the 12th beer inevitably creates unanticipated costs, such as awakening with a hangover in a county *drunk-tank*. (Hence, *diminishing marginal returns* from drinking beer.)

The principle illustrated by the *Laffer Curve* is that raising tax rates to unsupportable levels does not produce the higher tax revenues projected at the new and higher rates. Since higher tax rates directly discourage economic activity, they usually result in a reduced flow of revenue to the Treasury. In fact, at very high tax rates, the same level of tax revenues can often be achieved at significantly lower rates! **(For example, a tax rate of 10% and a tax rate of 90% might very well produce approximately equal revenues.)** This was Dr. Art Laffer's central insight, and it has been demonstrated empirically many times, although the Jews' Media are too ignorant, stupid and dishonest to understand or report the phenomenon.



Greater revenues at *lower* tax rates were evident following JFK's ***Tax Reduction Act*** of 1963, and the 1978 ***Steiger Amendment*** that reduced tax rates on capital gains. Its most dramatic demonstration came as a result of President Reagan's ***Economic Recovery Tax Act of 1981,*** where lowering tax rates didn't produce *lower* tax revenues to the Treasury, they ***DOUBLED* THEM!** In the 1980 Fiscal Year prior to Reagan taking office, Treasury Revenues were **$517.1 Billion**. When Reagan left office in 1989, Treasury Revenues were **$991.1 Billion**, an increase of 92 percent. **(*These figures seem small compared to current spending levels because inflation has left the U.$. Dollar at approximately one-seventh of it's 1980 value...*)**

INFLATION: Leftist "*economists*" and politicians wrongly define inflation as a general rise in price levels, but those increases are actually the ***RESULT*** of inflation and not inflation, itself. Inflation is really an increase in the money supply that's not offset by increases in an economy's output of goods and services. A healthy economy normally requires money-supply increases to accommodate growth, but if they exceed growth, it eventually generates inflation and rising prices as a consequence. The phenomenon is sometimes described as "*too many dollars chasing too few goods*." **(It's the money-supply that is being "*inflated*," hence the term.)**

Since the 1960s, professional "*economists*" have been intentionally miseducated on the subject of inflation. They measure inflation by determining the general rise in prices among items found in a "*basket*" of consumer goods, such as food, clothing, pharmaceuticals, rent, utilities, gasoline, etc. However, the Yankee Government often manipulates the contents of that basket by substituting cheap imports from Red China, whose prices remain relatively stable. This is done solely to deceive the public and allow the Yankee Government to spend like n*ggers with a stolen credit card. (It's like placing ice cubes on your thermostat in the summer to deceive your family into believing they are cooler than they feel.)

PRICE CONTROLS: Real economists have demonstrated thousands of times that when price controls are imposed on a market, their result is to disrupt that market and generate either shortages or surpluses. Yet, its dismal record doesn't seem to deter either politicians or phony economists from engaging in them. Price "*ceilings*" that maintain artificially low prices generate shortages, while imposing artificially high price "*floors*" create surpluses. One policy failure that has been demonstrated literally hundreds of times involves legislation to establish or increase a ***minimum wage*****.** For example, the *People's Republic of California* has recently legislated a $22 per-hour minimum wage (with scheduled cost-of-living increases) that applies to employees in that state's large restaurant *chains*.

Few restaurants can afford to pay their employees $22 per hour, and many will disappear faster than eyewitnesses at a Mafia rub-out. This $22 per-hour California Minimum Wage will have a profoundly detrimental effect on "*marginal*" or low-skilled individuals, whose labors contribute less value to the business than their mandated wage under the newly imposed wage *floor*. When it takes effect in 2023, many will become dis-employed despite the efforts of elected officials to "legislate prosperity" with a higher minimum wage. Many less prosperous restaurants will either automate, close, move out-of-state, or sell their buildings to small and independent owners who are exempt from the new minimum wage.

If politicians and economists could successfully legislate prosperity through higher minimum wage laws, then why stop at $22 per hour? Why not raise federal and state minimum wages to $200? The answer -- as even witless politicians and fatuous *economists* know -- is that it would generate skyrocketing unemployment rather than prosperity.

In sum, the leftist "*economists*" who scorn *Supply-Side Economics* are often referred to as "*Marxist*" economists or "*socialist*" economists. They usually adhere to obsolete models and concepts such as the *Phillips Curve*, minimum wage laws, fatuous definitions of inflation, and the *Labor Theory of Value*. Yet, the very expression "*Marxist-economist*" must be *THE OXYMORON* of all time, because Marxism and the discipline of economics are about as mutually exclusive as any two concepts could possibly be.

In fact, Marxism is the **REPUDIATION OF ECONOMICS**, and the substitution of central government planning and commands -- backed by force -- for decisions that ***REAL*** economists routinely demonstrate are far more efficiently and equitably made by markets and individuals acting in their own self-interests, rather than obeying the arbitrary and capricious whims of central planners.