

March 27, 2006 Last week in this column I wrote of a perfect economic storm facing America, caused by a federal government that spends, borrows, and prints so much money that our dollars are eroding in value at an alarming rate. Year after year our federal government spends beyond its revenues, prints new money to pay its debts, and borrows hundreds of billions abroad in the form of Treasury obligations that someday must be paid. With too many dollars and debt instruments in circulation, and no political will in Washington to cut spending, we've created a monster. Our perceived prosperity depends on keeping the great debt and credit engine pumping, but the only way to attract new lenders to fuel the engine is higher interest rates. At some point one of two things must happen: either the party in Washington ends, or the supremacy of the dollar as the world's reserve currency ends. It's a sobering thought, but a choice must be made. How did this happen? How did we get to such a state? The answer is found in the nature of politics itself. The truth is that many politicians and voters essentially believe in a free lunch. They believe in a free lunch because they don't understand basic economics, and therefore assume government can spend us into prosperity. This is the fallacy that pervades American politics today. I believe one of the greatest threats facing this nation is the willful economic ignorance of the political class. Many of our elected officials at every level have no understanding of economics whatsoever, yet they wield tremendous power over our economy through taxes, regulations, and countless other costs associated with government. They spend your money with little or no thought given to the economic consequences of their actions. It is indeed a tribute to the American entrepreneurial spirit that we have enjoyed such prosperity over the decades; clearly it is in spite of government policies rather than because of them. I certainly have seen firsthand a great deal of economic ignorance in Congress over the years. Few members pay any attention whatsoever to the Federal Reserve Bank, despite the tremendous impact Fed policy has on their constituents. Even many members of the banking and finance committees have little or no knowledge of monetary policy. Perhaps this is why so many in Congress seem to believe we can all become rich by printing new dollars, or that we can make  $2+2=5$  by taking money from some people and giving it to others. We cannot suspend the laws of economics or the principles of human action any more than we can suspend the laws of physics. Yet this is precisely what Congress attempts to do time and time again, no matter how many times history proves them wrong or economists easily demonstrate the harms caused by a certain policy. I strongly recommend that every American acquire some basic knowledge of economics, monetary policy, and the intersection of politics with the economy. No formal classroom is required; a desire to read and learn will suffice. There are countless important books to consider, but the following are an excellent starting point: *The Law* by Frederic Bastiat; *Economics in One Lesson* by Henry Hazlitt; *What has Government Done to our Money?* by Murray Rothbard; *The Road to Serfdom* by Friedrich Hayek; and *Economics for Real People* by Gene Callahan. If you simply read and comprehend these relatively short texts, you will know far more than most educated people about economics and government. You certainly will develop a far greater understanding of how supposedly benevolent government policies destroy prosperity. If you care about the future of this country, arm yourself with knowledge and fight back against economic ignorance. We disregard economics and history at our own peril.