More Pondering On Social Security

by R. Nelson Nash

Earlier in this series of articles I wrote a little bit about Social Security. But, it kept haunting me that there is much more that needs to be revealed about this unbelievable con game. And so, I offer just a few additional facts about it and my observations of human financial behavior because of it.

For instance, recognize that President Kennedy and Sergeant Shriver were the first ones to misuse the Social Security account. They used Social Security funds to start the Peace Corps. This was not the first or last time our money has been taken from American citizens and given to foreign nations.

Here are some things every U.S. citizen should know and remember about Social Security and the changes that have been made. Start with a short history lesson on Your Social Security Card just in case some of you didn't know this. It's easy to check out, if you don't believe it. Be sure and show it to your family and friends. They need to recognize and understand what has happened.

Social Security Cards up until the 1980s expressly stated the number and card were not to be used for identification purposes. Since nearly everyone in the United States now has a number, it became convenient to use it anyway and the message, NOT FOR IDENTIFICATION, was removed. What happened to this government promise?

Franklin Roosevelt introduced the Social Security (FICA) Program and it was signed into law in 1935, becoming operative in 1937. To make his idea more palatable to citizens he promised that participation in the program would be completely voluntary. It is no longer voluntary. Promises, promises!

Participants would only have to pay 1% of the first $1,400 of their annual Incomes into the Program. In the double speak Federal Programs use they say, “The employee pays half of Social Security “contributions” and the employer pays the other half.” This is utter nonsense!

In an interview with Jesus Huerta deSoto at the Mises Institute a few years ago deSoto said, “No matter what the law says about how employees and employers share the burden of contributing to the system, from an economic point of view, the worker pays the whole tax. Mises first developed this
insight in Socialism, where he said social insurance contributions always come at the expense of wages.

You see, the Government doesn’t like to be confused by facts!

So, that is currently a total tax of 12.4% on the first $128,400 that you earn. That’s a rather significant increase from the original promise, isn’t it?

Money the participants elected (?) to put into the Program would be deductible from their income for tax purposes each year. Now it is no longer tax deductible. Did you notice how governments change the meaning of words? Participants do not elect to put into the program — they are required!

The money the participants put into the independent 'Trust Fund' (?) rather than into the general operating fund, would only be used to fund the Social Security Retirement Program, and no other Government program.

Under President Johnson the money was moved to the General Fund and spent!

No one has ever written a check to Social Security. All such “contributions” are made to the United States Treasury. That money is spent. Worthless “IOUs” are put into a file in a cave in West Virginia. Essentially, they are saying “these IOUs will be repaid by future generations.” Welcome to the USA, young folks!

Another of the broken promises is that the annuity payments to the retirees would never be taxed as income. Now up to 85% of your Social Security can be taxed.

In the event you do not believe or understand the validity of the above truths then you can easily find them with very little effort.

Have you noticed the incremental pattern of these changes? It reminds me of the “boiled frog” story.

Another established fact is that most Americans (and you are one of them) have been “led down the primrose path” toward putting money into “tax-qualified retirement plans” — 401-K plans, HR-10 or IRA plans — with the thought that such plans are a safe place to accumulate money for your retirement.

And you paid a CPA or your favorite “financial adviser” who insisted that you “put the maximum allowed” into these plans!

Do you believe in the Tooth Fairy, too?

In nations throughout the world, history has proven that funds in such retirement programs are the easiest place for politicians to steal. Do a little homework! Check out where Brazil got the money to build their capital city, Brasilia, in 1960. (Hint: They confiscated reserves on pension funds). Do I have to mention Argentina?

Consider this thought: When government creates a problem for citizens (onerous taxation) and then turns around and grants you an exception to the problem they created (any tax-qualified plan), aren’t you just a little bit suspicious that your mind is being manipulated?

Have you ever read the IRS Code? Do you know anyone who has? I understand that the first nine pages describe “income.”

The next 2,600 pages are exceptions to the code. To understand what the IRS Code is really saying all you have to do is read two or three of the exceptions and you can easily see their real message: We (the IRS) own everything you earn, and after our insatiable appetites are (temporarily) met, then you may keep what is left over!

And so, in my pondering, I keep asking myself, “How in the world is this stuff happening? How did it all get started? What makes such irrational behavior possible? Why is it that the above facts are commonly known by people who can read yet they still believe that tax-qualified savings plans (?) are the safest and most efficient place to accumulate funds for their retirement?

It’s unbelievable! Do you have any answers regarding why such things are happening?
The Idea That the Fed Is ‘Independent’ Is Absurd

By Robert P. Murphy

President Donald Trump sparked controversy — as is his wont — when he recently told CNBC that he was “not thrilled” with the Federal Reserve’s announced hikes in short-term interest rates, which he claimed would hinder the economic expansion for which his administration had worked so hard. “I’m letting them [the Fed] do what they feel is best,” he added, but this assurance was not enough to prevent journalists and policy experts from pronouncing Trump’s remarks as unprecedented interference with the central bank’s independence.

It may be unusual for a president to openly voice such criticism, but it wouldn’t be the first time one has pressured the Federal Reserve for short-term political gain. In 1965, President Lyndon Johnson considered firing then-Fed Chairman William McChesney Martin, but upon learning this would probably be illegal, he opted instead to dress down the recalcitrant central bank chief at his Texas ranch. By Martin’s later account, a heated argument erupted that resulted in the president shoving him against a wall. According to financial journalist Sebastian Mallaby, as LBJ pushed Martin around the room, he yelled, “Boys are dying in Vietnam, and Bill Martin doesn't care.”

Better known is President Richard Nixon’s tape-recorded collaboration with Fed Chairman Arthur Burns, Martin’s replacement, who maintained an easy-money policy to stimulate the economy before the 1972 election, which contributed to Tricky Dick’s landslide victory and fueled price inflation for the rest of the decade. In terms of the resulting capital destruction and economic dislocations, this episode is one of modern U.S. history’s greatest object lessons about the risks of executive power reaching beyond its constitutional authority.

For another example showing that Trump’s behavior is nothing new, consider that President George H. W. Bush had a running public dispute with then-Fed Chair Alan Greenspan over monetary accommodation. Bush would later blame “The Maestro” for his 1992 reelection loss.

Far from being unthinkable, the idea of government officials manipulating monetary policy for political gain is so intuitive that economists have a name for it: the political business cycle. The classic model was published in 1975 by Yale University economics professor William Nordhaus. For most countries that he analyzed, Nordhaus found no smoking gun proving political interference with the central-bank policymaking, but he concluded that it appeared the United States had a very politicized business cycle.

Nordhaus looked at 10 “before and after” election periods covering five U.S. election cycles. For nine of those 10 periods, the unemployment rate matched his model’s prediction: Joblessness fell before the election and rose afterward. This pattern is exactly what one would expect if elected officials exercised discretion over the timing of the economy’s booms and busts. If the economic fluctuations were due to random chance, the probability that they would coincide with the observed pattern would be very small, only slightly above 1 percent.

Although intuitive, the simple predictions of a “political business cycle” model didn’t perform as well in the two decades following Nordhaus’ seminal work. One refinement was to assume politicians only lean on the central bank to loosen up before an election if it seemed they would otherwise be likely to lose; an incumbent who was confident of reelection wouldn’t take the risk of goosing the economy for short-term gain but having to pay a political price for it during the next term. (For details, see Kenneth Schultz’s 1995 article in the British Journal of Political Science.)

Fortunately, hyper-refined economic models aren’t always necessary for showing that political factors influence central bank policy. Indeed, ordinary narrative history can reveal even scandals of the opposite kind: central banks aggressively asserting their political independence at great cost to the...
economy. Nicholas Biddle was chief of the Second Bank of the United States — the Fed’s predecessor — who decided to fight moves by President Andrew Jackson to veto the renewal of the bank’s charter and withdraw Treasury deposits from the bank. A champion of hard money, Jackson said the central bank was a political tool that served the monied elites at the expense of ordinary people.

Biddle, however, had many cards to play during his battle against the populist Democrat. Not only did he have luminaries such as Daniel Webster and newspaper editors literally on his payroll, but he exercised his power to call in bank loans and tighten credit, thereby causing bank failures and a financial panic. “This worthy President,” Biddle wrote, “thinks that because he has scalped Indians and imprisoned judges, he is to have his way with the Bank. He is mistaken.”

Biddle’s callous disregard for the economic destruction he wrought shows the naivete in thinking that fallible men (and now women) could be in charge of the nation’s money machine and not succumb to temptations of power. No one should be deemed above the fray.

When Alan Greenspan took the helm at the Federal Reserve in 1987, he had a reputation as a hard-money man opposed to fiat money and government economic intervention. In 1966, he wrote an essay praising the gold standard that Ayn Rand would include in her book on capitalism, but you wouldn’t have known this had you only followed Greenspan’s actions at the Fed. Indeed, the excess creation of fiat money and credit during his tenure inflated the real estate bubble whose bust precipitated the financial crisis in 2008.

Less blatantly, Greenspan’s successor, Ben Bernanke, veered from the monetary strategy he outlined in his earlier academic work, leaving many economists puzzled as to why Bernanke as Fed chair seemed more interested in bailing out banks than in helping unemployed workers.

The above stories notwithstanding, the root problem with the Federal Reserve isn’t one of especially weak leadership caving to political pressure. Rather, the entire premise of “Fed independence” is absurd: The central bank cannot help but be political. It was created by an act of Congress in 1913. Under its current structure, the seven members of the Fed’s Board of Governors (from whom the chair is also selected) are nominated by the president of the United States and confirmed by the Senate. If the president and Senate were to pick the Board of Directors and CEO of Exxon — and this group then had regular meetings to announce its targets for the price of crude oil — nobody in the financial press would dream of calling Exxon’s decisions “independent” of politics. It would clearly be a state-run company, utterly subservient to Washington.

Trump committed a faux pas with his public complaints about the Fed. But his actual “mistake” was in letting the American people in on a dirty secret: The central bank is by its very nature a political institution that exists to serve the nation’s rich and powerful class, not the average Joe.

So by all means, let’s champion Fed independence from political interference, and start by taking away its government-granted power to create legal tender. If the Fed were a private bank like any other, we could be sure the president would no longer micromanage its policies.

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Who Owns the State?
by Butler Shaffer

I have come to the conclusion that imperialism and exploitation are forms of cannibalism and, in fact, are precisely those forms of cannibalism that are most diabolical or evil.

– Jack D. Forbes

As long as inquiries into the nature of political systems extend no further than exploring their “deep state” implications (i.e., the covert organizational framework, and persons – be they elected or appointed officials or career bureaucrats who constitute the government-within-the-government) they will never get to the core of the problems they pose to human well-being. They will tend to be seen, rather, as flaws to be remedied within the system itself by “responsible” men and women; the kinds of reforms criticized by Frank Chodorov as wanting to “clean up a brothel and yet leave the business intact.” It is the nature of the state itself, including the identity of the persons who own and control its operations, that requires focused, in-depth examination.

I have no quarrel with those who engage in “deep state” inquiries: indeed, such efforts are a good place to start to help people understand the inherently deceitful and corrupt nature of all political systems. A resilient state can withstand the embarrassment of its short-term defects being made public. It may even enhance its trustworthiness by creating remedies and punish wrongdoers in the expectation of making changes to ensure that “problems like this never happen again.” This oft-recited mantra has become words of assurance to reinforce Boobus’s faith in the system that is systematically destroying mankind!

I have almost completed another book – titled “Please Don’t Feed the Cannibals! A Visitor’s Guide to the Human Zoo” – in which I explore the nature of political systems from a perspective never taught in a political science classroom. Borrowing from Plato’s three-part characterization of political society being comprised of the “men of gold, men of silver, and men of brass;” I treat these classes less glamourously as the Cannibals, the Vultures, and the Zombies. At the top of this pyramidal structure...
reside the Cannibals, whose lives and interests are sustained by consuming the energies of the Zombies, who have little or no control over the system, and who have been conditioned to be but resources for the Cannibal class. Between these two classes are the Vultures, whose roles are also to serve the Cannibals, but in controlling and providing the Zombies for the Cannibals. In the Vulture class are to be found politicians, judges, career bureaucrats, members of the mainstream media, military, many church officials, teachers and academicians, members of the entertainment industry, writers, and numerous others, all of whom derive their incomes and social status from helping to shape the minds and control the bodies of the subservient Zombies.

Why are entertainers included in the Vulture category? A brief examination of the television and Hollywood film industries reveal their connections to serving the cannibalistic state. Early Greek and Roman mythology spoke of nine goddesses – the muses – who inspired artistic, scientific, speculative thinking, and other creative expressions. Poets, painters and sculptors, musicians, and philosophers, were among the better known occupations whose creative works were said to have been inspired by the muses. But creativity produces change, and change is quite upsetting to the established order’s preferences for the status quo.

The entertainment industry’s function is to provide products that amuse people. The word “amuse” finds its meaning in how the word is organized: “a-muse,” to be without the creative spirits, the inspirations provided by the muses. Entertainment produces minds willing to be maintained in a passive state, their energies diverted from the focused, hard work associated with creative pursuits. When entertainers are separated from the scripts others have prepared for them to follow, they rarely have much of importance to say.

Another branch of the entertainment industry, sporting events, has been taken over by the state’s war-making racket. In addition to the presence of military color-guards, the playing of the national anthem has raised the contrived issue of whether players should stand, or be allowed to kneel, during its performance. “Oh, the disrespect by those who refuse to stand!” Perhaps the most vulgar – if not sociopathic – institutional expression celebrating war I have recently seen is in Northwestern University’s football uniforms. Running from helmets to the players’ shoes, the uniforms are one blood-splattered American flag. Why no one seems to have suggested that a show of patriotism need not be incorporated into every public event, and that the conflict could easily be resolved by not having color-guards and Star-Spangled Banners preceding such events, is another example of the problems that can arise by asking the wrong questions. Eating at restaurants, or attending a movie theater, are not accompanied by these symbols of statism.

Other celebrity entertainers have been quick to abandon the civilizing sentiments that otherwise make life peaceful and decent. It is the advantages associated with public fame that allows many of them to blithely speak of killing Donald Trump, blowing up the White House, or prancing across a stage with a mock-up of Trump’s severed head. That so little moral contempt has been expressed by those conditioned to laugh or applaud the performances of these people, tells much about the state of our culture.

The roles of most teachers, academicians, and make-believe journalists are essentially the same: to condition and reinforce the belief in the necessity for children and adults to accept the political arrangement for living “responsible” lives. “Obedience to institutionally constituted authority” is the premier article of faith in our politically dominated world.

First century AD Roman Emperor, Tiberius, was neither the first nor the last political authority to bring the violent collective force of the state down upon those whose creative acts might have threatened the status quo. The writer, Petronius, informs us of an inventor who appeared before Tiberius to demonstrate a form of flexible glass he had created. Impressed by what he had seen, the emperor asked the inventor whether anyone...
else knew of his creation and, when told “no,” Tiberius ordered the man to be immediately beheaded, concerned that his creation might generate adverse consequences to certain members of the Roman economy. Modern inventors need not fear decapitation for their genius nor, as Ayn Rand suggested, be burned at the stake for having discovered how to start fire. Instead, the often multimillion dollar expenses of satisfying government regulatory and testing standards before being allowed to market their creations, often force inventors to abandon their undertakings, or to sell them to already established firms. Preston Tucker and John DeLorean, as well as Nikola Tesla and Wilhelm Reich, Lenny Bruce, Timothy Leary, and Ezra Pound have been the more recent persons to be victimized by the state – with some being imprisoned – for daring to challenge the status quo boundaries of permitted creative work. Perhaps the First Amendment was intended, by the Founders, as a protection for the broadest then known forms of expressing the ideas, sentiments, and other products of free minds essential to human well-being. Might these men have understood, at least implicitly, that civilizations are created by individuals, and destroyed by collectives?

Yet another branch of the entertainment industry essential to inculcating popular belief in the necessity for state power is political elections. Held with sufficient frequency (e.g., every two years) to reinforce the democratic illusion that “the people” are in control of the state, the meaningfulness of the “choices” individuals make in a voting booth are akin to selecting “paper or plastic” at the grocery store checkout counter. Or at least such was the case until 2016.

Elections are an enterprise owned and operated by the Owners of the political establishment. While necessary to keep the Zombies believing they are in control of the system that few of them genuinely trust or want in their lives, the political classes are not so naïve as to allow decision-making over trillions of dollars of wealth to be left to the whims of voters. The attitudes toward the public shared by those who sit comfortably atop the pyramid of power are no secret. Many have openly referred to those they pretend to represent as “the deplorables,” “excrement,” or “freeloaders” for objecting to having to pay higher levels of taxation. And why not? Who should respect persons who make their lives, the lives of their children, their wealth and liberty subservient to the interests of those who rule them by force?

And thus do we witness the spectacle of elections as a permanent and dominating feature of our social life. As soon as one election is over, politicians, and members of the media and so-called “think-tanks,” begin speculating about the next one: who will be the candidates and what will be the issues. The real task of conducting elections will be left to the Owners and key officials of the two political parties, who will select a few safe candidates acceptable to these special interests and from whom the voters will be permitted to make “their” selections. This clique will then begin to flesh out the “issues” that will induce members of the “booboeoisie” to erect yard signs on their front lawns, place bumper-stickers on their cars, and traipe to the polls where they will receive an “I voted” sticker that provides them social approval.

This system has well served the Owners’ interests until 2016. The Willie Horton make-believe issue that sufficed to elect George H.W. Bush to office was improved upon by Barack Obama’s 2008 candidacy to be the first black president and, in 2012 by Hillary Clinton’s opportunity to become the first woman elected to the White House. We may never know whether the Owners were grooming a subsequent openly gay candidate for that office, to be followed, perhaps, by a transgender offering; for Donald Trump had the audacity to think that he could participate in the democratic process without having the permission of the Owners. The idea that the American political system could function on genuinely democratic lines, with the “deplorables” and “excrement” getting to generate their own presidential candidate, has left the Owners and their sycophantic bootlickers terrified.

If you are wondering why the hard-core political
classes, members of the mainstream media, academia, the entertainment industry, and others who have been constant defenders of the established order remain in the kind of tizzy that borders on insanity, you need to ask the question: who owns the state? The Cannibal interests and the Vulture classes who have for so many years dominated and consumed mankind are in retreat from the empowered Zombies. Is it only an idle coincidence that films about zombies and the “living dead” are now so popular?

I am not a Trump supporter: I disagree with so many of his policies – particularly in matters economic, military, regulatory, and policing. But I am thoroughly enjoying the robust manner in which he has been rattling the establishment cages. The erstwhile Owners truly do not know what they are up against – just as I suspect Mr. Trump does not fully grasp the nature of the forces that drive his supporters. Be it sufficient to know that the Owners don’t have a speck of concern for the consequences of the ersatz “problems” of which they daily babble and scribble to a public increasingly weary of their concocted charades. But be equally aware that the Owners are more desperate than you can imagine to be restored to the fiefdom that only you can deny them. As is always the case in dealing with the political classes: watch every move!

Butler Shaffer [send him e-mail] is Professor Emeritus at Southwestern University School of Law. He is the author of the newly-released In Restraint of Trade: The Business Campaign Against Competition, 1918–1938, Calculated Chaos: Institutional Threats to Peace and Human Survival, and Boundaries of Order. His latest book is The Wizards of Ozymandias.


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**Spending Restraint Is Key to Avoiding a Greek-Style Fiscal Meltdowns, IMF Study Shows**

Daniel J. Mitchell

Way back in early 2011, I wrote about the likelihood of various nations suffering a Greek-style meltdown. After speculating on the importance of debt burdens and interest payments, I concluded that

…which nation will be the next domino to fall? …

Some people think total government debt is the key variable…that’s not necessarily a good rule of thumb. …Japan’s debt is nearly 200 percent of GDP, yet Japanese debt is considered very safe…

The moral of the story is that there is no magic point where deficit spending leads to a fiscal crisis, but we do know that it is a bad idea for governments to engage in reckless spending over a long period of time. That’s a recipe for stifling taxes and large deficits. And when investors see the resulting combination of sluggish growth and rising debt, eventually they will run out of patience.

As I noted earlier this year, it’s not easy to predict the point at which “investors no longer trust that they will receive payments on government bonds.”

Though that would be useful information, which is why a new study from the International Monetary Fund could be very helpful. The researchers look at how to measure fiscal crises.

The literature on fiscal crises and on early warning indicators is limited, although it has expanded in recent years. Most of the past literature focused on sovereign external debt defaults alone …the canonical fiscal crisis is a debt crisis, when the government is unable to service the interest and or principle as scheduled. … It is important to note, however, that fiscal crises may not necessarily be associated with external debt defaults. They can be associated with other forms of expropriation, including domestic arrears and high inflation that erodes the value of some types of debt. …a
fiscal crisis is identified when one or more of the following distinct criteria are satisfied: … Credit events associated with sovereign debt (e.g., outright defaults and restructuring). … Recourse to large-scale IMF financial support. … Implicit domestic public default (e.g., via high inflation rates). … Loss of market confidence in the sovereign.

The goal is to figure out the conditions that precipitate problems.

…The objective of this paper is to better understand the structural weaknesses that make countries prone to entering a fiscal crisis. … We use two of the more common approaches to build early warning systems (EWS) for fiscal crises: the signal approach and logit model. … Event studies indicate that a fiscal crisis tends to be preceded by loose fiscal policy (Figure 3.1). In the run-up to a crisis, there is robust real expenditure growth.

Some of the obvious variables, as noted above and also in Figure 3.1 (the dashed vertical line is the year a crisis occurs), are whether there’s a rising burden of government spending and whether the economy is growing.

In order to construct early warning systems for fiscal crises, we adopt two alternative approaches that have been used in the literature. We first use the signal approach, followed by multivariate logit models. … The signals approach involves monitoring the developments of economic variables that tend to behave differently prior to a crisis. Once they cross a specific threshold this gives a warning signal for a possible fiscal crisis in the next 1-2 years. … Logit model… early warning systems… draw on standard panel regression… with a binary dependent variable equal to one when a crisis begins (or when there is a crisis). … The main advantage of this approach is that it allows testing for the statistical significance of the different leading indicators and takes into account their correlation.

Then they crunch a bunch of numbers.

Here’s what they find using the signal approach.

… current account deficit, degree of openness, use of central bank credit to finance the deficit, size of the fiscal (overall or primary) deficit and pace of expansion in public expenditures—all these increase the probability of a future crisis.

For readers who like wonky material, the authors explain the two approaches they use.

And here’s what they conclude using the logit approach.
The results, by and large, highlight similar leading indicators as the signals approach… The probability of entering a crisis increases with growing macroeconomic imbalances due to large output gaps and deteriorating external imbalances. Variables matter. Strong expenditure growth and financing pressures (e.g., need for central bank financing) can help predict crises.

Some of this data is reflected in Figure 5.2.

The results also indicate a role for fiscal policy, via public expenditures growth. … high expenditure growth could contribute to a deterioration in the current account and a large output gap, making the fiscal position vulnerable to changes in the economic cycle.

The bottom line is that both approaches yield very similar conclusions.

Our results show that there is a small set of robust leading indicators (both fiscal and non-fiscal) that help assess the probability of a fiscal crisis. This is especially the case for advanced and emerging markets. For these countries, we find that domestic imbalances (large output or credit gaps), external imbalances (current account deficit), and rising public expenditures increase the probability of a crisis. …Our results suggest that indeed fiscal

And here’s the bottom line, starting with the claim that governments are being semi-responsible because we don’t actually see many fiscal crises.

…we find that some types of vulnerabilities are consistently relevant to explain fiscal crises. This raises the question why governments do not act as they see signals. In large measure they do, as crises among advanced economies are rare. Still, the occurrence of crises may reflect overly optimistic projections about the future… Our results show that a relatively small set of robust leading indicators can help assess the probability of a fiscal crisis in advanced and emerging markets with high accuracy. …countries can reduce the frequency of fiscal crises by adopting prudent policies and strengthening risk management. Fiscal crises are more likely when economies build domestic and external imbalances. This calls for avoiding
excessively loose polices when domestic growth is above average. For fiscal policy, this means avoiding procyclical increases in expenditures.

The key takeaway is that spending restraint is a very important tool for avoiding a fiscal crisis.

Yes, a few other factors also are important (central bankers should avoid irresponsible monetary policy, for instance), but some of these are outside the direct control of politicians.

Which is why this new research underscores the importance of some sort of spending cap, preferably enshrined in a jurisdiction’s constitution like in Hong Kong and Switzerland.

P.S. While there haven’t been many fiscal crises in developed nations, that may change thanks to very unfavorable demographics and poorly designed entitlement programs.

P.P.S. I hope the political decision-makers at the IMF read this study (as well as prior IMF studies on the efficacy of spending caps) and no longer will agitate for tax increases on nations that get into fiscal trouble.

Reprinted from International Liberty.

Daniel J. Mitchell is a Washington-based economist who specializes in fiscal policy, particularly tax reform, international tax competition, and the economic burden of government spending. He also serves on the editorial board of the Cayman Financial Review.

**Political Change Starts with Self-Improvement**

The way toward social improvement is not through forcing what one sees as improvements on others, but through self-improvement.

by Gary M. Galles

The Foundation for Economic Education’s founder Leonard Read’s book *Accent on the Right* (1968) hits the half-century mark this year. And its chapter, “On Thinking for Self,” is particularly relevant for more than just its anniversary. It offers valuable insight into a major issue in the most recent Presidential campaign and in the 2018 midterm elections, just three months away, that will be, in large part, a referendum on its outcome.

Read brings us to a central insight that is easy to miss amid the histrionics, mud-slinging, “fake news,” etc. that passes for public policy debate—electoral results reflect what people demand. Until enough people who now endorse robbing Peter to pay Paul, whenever they happen to be named Paul, can be convinced that they face better prospects under expanded freedom, those they elect and their parties may change, but not their substance of seeking benefits for some at others’ expense. The only ultimate “solution” is for enough Americans to rediscover the liberty that was at the heart of our country’s founding principles. And the first step in any such renaissance is for people to think carefully for themselves. At a time when that is far too uncommon, Read’s insights merit consideration.

"What a fearful thought… a nation of people the vast majority of whom do no thinking for themselves in the area of political economy! Positions on matters of the deepest social import formed from nothing more profound than radio, TV and newspaper commentaries, or casual, off-the-cuff opinions, or the outpourings of popularity seekers!"

"Market demand… determines the kinds of persons who vie with each other for political office. Assume a people who do no thinking for themselves. Theirs is a stunted skepticism. Such people only react and are easy prey of the cliche, the plausibility, the shallow promise, the lie. Emotional appeals and pretty words are their only guidelines. The market is made up of no-thinks… Statesmen [and women] of integrity and intellectual stature are hopelessly out of demand."

"And who may we expect to respond to a market where thinking for self is absent? Charlatans! Word mongers! Power seekers! Deception artists!... the worst rise to the political top."
"Now assume a society of persons who do their own thinking and, as a consequence, possess a healthy and intelligent skepticism, persons who cannot be “taken in,” hardheaded students of political economy graced with moral rectitude. The market for charlatans is dead... Instead, we find statesmen [and women] of character and integrity vying for political office."

"Merely keep in mind that whatever shows forth on the political horizon is the response to the market, an echoing or mirroring of the preponderant mode in thinking. When thinking for self is declining, more charlatans and fewer statesmen [and women] will vie for office... So, blame not the political opportunists for the state of the nation. Our failure to think for ourselves put them there—indeed, brought them into being. For we are the market; they are but the reflections!"

"Approximately 50 per cent of those who do not think for themselves are furious with what they see on the political horizon—which is but their own reflections! And to assuage their discontent they exert vigorous effort to change the reflection... As should be expected, they get no more for their pains than new faces masking mentalities remarkably similar to those unseated. It cannot be otherwise."

"No improving trend on the political horizon is possible except as there is an improvement—quantity and quality—in thinking for self. Thus, it is of the utmost importance that we seriously attend to our thinking."

"Given the present situation, where government is recklessly out of bounds and has its hand in practically every aspect of life, the well-informed citizen is expected to know all about everything... [But] most of these so-called national or world problems are of similar origin and nature... trying to manage everyone’s business...[a] hopelessly impossible challenge."

"Instead, concentrate the thinking on what the principled and proper scope of government really is. This is easily within the realm of any reasonably intelligent person, and is... the kind of thinking for self in political economy one should cover. All else—welfare, security, prosperity—is in the realm of the free market: you to your affairs, me to mine."

"Most individuals who have abandoned thinking for self in matters of political economy are unaware that... Such wisdom as society requires does not and cannot exist in any one person... [but only in] your and my disparate wisdoms... this is the nature of knowledge in society and it behooves each of us to make the best of it."

"A good society cannot be developed except through the process of thinking for self. Until such introspection becomes as natural as eating and breathing, there is little prospect for the good life."

"Each to his own thinking! The rule, therefore, is not to take somebody else’s word for it... Don’t take my word for it! Scarcely any self-anointed seer or prophet wants to go that far; but, unless he will, write him off as an intellectual authoritarian, a be-like-me god."

"Indeed, one who would think for himself should look not only among his contemporaries but also among his predecessors, even among the ancients, for any bits of wisdom that can be garnered. Take full advantage of one’s environment, experience, and heritage, but let each thoughtfully do his own selecting, evaluating, and reasoning."

"To trust this Creative Wisdom reflects an abiding faith in... free men... But don’t take my word for it; think that one through for yourself."

As Leonard Read emphasized so often, the way toward social improvement is not through forcing what one sees as improvements on others, but through self-improvement. And when it came to politics, an absolutely essential aspect of that improvement was thinking carefully. Read saw that absent careful thinking, statism, with its alluring but undeliverable promises of something for nothing, was a virtual certainty. But he saw that the case for individual liberty was so strong that he trusted
people who really thought for themselves to discover it. With each such discovery would come self-reform. And more self-reform would lead to reduced demands for political charlatans’ snake oil, making possible the only ongoing basis for “social reform” that represents real social advancement.

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**Education Is Not a Right**

by José Niño

Among issues in American politics, public education remains a sacred cow for many voters.

Political elites incessantly remind us that public education is a fundamental pillar of civilization. Without public education, we would continue to be uneducated savages.

All the innovations we see before us like the Internet would not be possible if it weren’t for the state-provided education pipeline.

Or so we are told.

**Misunderstanding Rights**

Academics and politicians assert that education is a “right,” thus compelling the state to step in and maintain a monopoly on the service.

Education, despite what conventional wisdom says, is an economic good, not a right. By definition, economic goods are scarce and satisfy the necessities and desires of consumers. Unfortunately, myopic elected officials often ignore this inconvenient truth.

This misconception emerges from a fundamental misunderstanding of what constitutes a right, specifically the overemphasis of positive rights over negative rights. Professor Aeon Skoble does an excellent job in breaking down the differences between positive and negative rights:

“Fundamentally, positive rights require others to provide you with either a good or service. A negative right, on the other hand, only requires others to abstain from interfering with your actions. If we are free and equal by nature, and if we believe in negative rights, any positive rights would have to be grounded in consensual arrangements.”

In sum, negative rights like life, liberty, and property prohibit others, especially government entities, from interfering with their persons or property.

Positive rights hold individual rights in contempt. Interventionists and politicians use abstractions such as “society” to justify the forceful confiscation of resources from one group of people to another group of people without any form of compensation or consent.

Since the emergence of the Bismarckian welfare state, positive rights have formed the pillar of public policy making in the West and countless other countries. From education down to pensions, there exists a religious devotion to the idea the state must mandate individuals to either participate in a certain activity or be forced to give up their income to provide another individual with said good or service.

**Free Education is Not so Free After All**

Nearly two centuries of government involvement in education has conditioned citizens to believe that not only is education an entitlement, but it is somehow free. This outlook is myopic at best.

A substantial segment of the population doesn’t even use public education. Those who opt out of public education like home schoolers and private schoolers are still forced to subsidize others who attend public schools. As Frederic Bastiat observed, the “Government is the great fiction through which everybody endeavors to live at the expense of everybody else.”

Bastiat’s astute observation, unfortunately, flies over the heads of the masses, who have been duped by politicians and the intelligentsia into believing these services are “free” and must be provided by the collective whole of society.
The real tragedy in this equation is the misallocation of resources that would otherwise have been used for more productive activities. People see the public schools, but they don’t look beyond stage one. They overlook the productive endeavors that could have been created had that money not been redistributed in the first place.

It’s no stretch to say that under a system where people can keep their money they still have the ability to build their own educational arrangements on the free market.

Therein lies the beauty of an economy free from government coercion. Entrepreneurial ventures would emerge spontaneously and tailor their services according to consumer preferences, not by bureaucratic design or the whims of political elites.

**Education is another Market Service**

There is nothing magical about education; it functions like any other good or service. For most professions there is an inherent demand for educated workers. So, it stands to reason that people will work in their own self-interest to educate themselves or build educational institutions to give others the necessary tools for joining the work force.

In fact, there already exist parallel educational institutions such as Coursera, Khan Academy, and Lynda where people can acquire high demand skills at reasonable prices.

Not to mention alternative forms of schooling like Montessori education also give us a sneak preview to what education would look like on the free market.

**The Never-Ending Cycle of Bureaucracy**

But when we start declaring everything a right, thus requiring government involvement, a new set of problems emerge.

When the state appropriates a sector of the economy, it not only monopolizes it, the state destroys any semblance of economic calculation. Destroying the ability of property owners to compare costs and gains, or discern profits and losses, ensures incoherent economic decision-making and a sub-optimal experience for consumers of said products or services.

This observation has gone from the theoretical to the practical.

In the United States, the Department of Education’s budget started out at $14.5 billion in 1979 and currently stands close to $70 billion. When other spending initiatives like the school breakfast and lunch and Head Start programs are included, the total comes out to nearly $100 billion.

Completely disregarding indicators of American government schools under performing against international competitors, the federal government continues its futile quest intervening in education.

In the land of government services, incompetence is rewarded with bigger budgets and larger bureaucratic privileges. On the other hand, free enterprise responds to consumers, who have the power to put organizations out of business if their services are not up to par.

The concept of education having to enjoy a government monopoly exemplifies the arrogance of political actors who think that free people are incapable of bringing educational services to the free market.

We have the potential of living in a Jetson’s world of education, but the political class insists on using Flintstones practices like state coercion to provide education.

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Nelson’s Favorite Quotes
As democracy is perfected, the office of the president represents, more and more closely, the inner soul of the people. We move toward a lofty ideal. On some great and glorious day, the plain folks of the land will reach their heart’s desire at last, and the White House will be adorned by a downright moron.
— H.L. Mencken

“Only the State obtains its revenue by coercion... That coercion is known as ‘taxation,’ although in less regularized epochs it was often known as ‘tribute.’ Taxation is theft, purely and simply even though it is theft on a grand and colossal scale which no acknowledged criminals could hope to match. It is a compulsory seizure of the property of the State’s inhabitants, or subjects.” —Murray Rothbard