How Economists and Policymakers Murdered Our Economy

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The economy has been debilitated by the offshoring of middle class jobs for the benefit of corporate profits and by the Federal Reserve's policy of Quantitative Easing in order to support a few oversized banks that the government protects from market discipline. Not only does QE distort bond and stock markets, it threatens the value of the dollar and has resulted in manipulation of the gold price. See http://www.paulcraigroberts.org/2014/01/17/hows-whys-gold-price-manipulation/

When US corporations send jobs offshore, the GDP, consumer income, tax base, and careers associated with the jobs go abroad with the jobs. Corporations gain the additional profits at large costs to the economy in terms of less employment, less economic growth, reduced state, local and federal tax revenues, wider deficits, and impairments of social services.

When policymakers permitted banks to become independent of market discipline, they made the banks an unresolved burden on the economy. Authorities have provided no honest report on the condition of the banks. It remains to be seen if the Federal Reserve can create enough money to monetize enough debt to rescue the banks without collapsing the US dollar. It would have been far cheaper to let the banks fail and be reorganized.

US policymakers and their echo chamber in the economics profession have let the country down badly. They claimed that there was a "New Economy" to take the place of the "old economy" jobs that were moved offshore. As I have pointed out for a decade, US jobs statistics show no sign of the promised "New Economy."

The same policymakers and economists who told us that "markets are self-regulating" and that the financial sector could safely be deregulated also confused jobs offshoring with free trade. Hyped "studies" were put together designed to prove that jobs offshoring was good for the US economy. It is difficult to fathom how such destructive errors could consistently be made by policymakers and economists for more than a decade. Were these mistakes or cover for a narrow and selfish agenda?

In June, 2009 happy talk appeared about "the recovery," now 4.5 years old. As John Williams (shadowstats.com) has made clear, "the recovery" is entirely the artifact of the understated measure of inflation used to deflate nominal GDP. By under-measuring inflation, the government can show low, but positive, rates of real GDP growth. No other indicator supports the claim of economic recovery.

John Williams writes that consumer inflation, if properly measured, is running around 9%, far above the 2% figure that is the Fed's target and more in line with what consumers are actually experiencing. We have just had a 6.5% annual increase in the cost of a postage stamp.

The Fed's target inflation rate is said to be low, but Simon Black points out that the result of a lifetime of 2% annual inflation is the loss of 75% of the purchasing power of the currency. He uses the cost of sending a postcard to illustrate the decline in the purchasing power of median household income today compared to 1951. That year it cost one cent to send a post card. As household income was $4,237, the household could send 423,700 postcards. Today the comparable income figure is $51,017. As it costs 34 cents to send one postcard, today's household can only afford to send 150,050 postcards. Nominal income rose 12 times, and the cost of sending a postcard rose 34 times.

Just as the American people know that there is more inflation than is reported, they know that there is no recovery. The Gallup Poll reported this month that only 28% of Americans are satisfied with the economy. http://www.gallup.com/poll/166871/americans-satisfaction-economy-sours-2001.aspx?version=print

From hard experience, Americans have also caught on that "free trade agreements" are nothing but vehicles for moving their jobs abroad. The latest effort by the corporations to loot and defraud the public is known as the "Trans-Pacific Partnership." "Fast-tracking" the bill allowed the corporations to write the bill in secret without congressional input. Some research shows that 90% of Americans will suffer income losses under TPP, while wealth becomes even more concentrated at the top.

TPP affects every aspect of our lives from what we eat to the Internet to the environment. According to Kevin Zeese in Alternet, "the leak of the [TPP] Intellectual Property Chapter revealed that it created a path to patent everything imaginable, including plants and animals, to turn everything into a commodity for profit."

The secretly drafted TPP also creates authority for the executive branch to change existing US law to make the laws that were not passed in secret compatible with the secretly written trade bill. Buy American requirements and any attempt to curtail jobs offshoring would become illegal "restraints on trade."

If the House and Senate are willing to turn over their legislative function to the executive branch, they might as well abolish themselves.

The financial media has been helping the Federal Reserve and the banks to cover up festering problems with rosy hype, but realization that there are serious unresolved problems might be spreading. Last week interest rates on 30-day T-bills turned negative. That means people were paying more for a bond than it would return at maturity. Dave Kranzler sees this as a sign of rising uncertainty about banks. Reminiscent of the Cyprus banks' limits on withdrawals, last Friday (January 24) the BBC reported that the large UK bank HSBC is preventing customers from withdrawing cash from their accounts in excess of several thousand pounds. http://www.bbc.co.uk/news/business-25861717

If and when uncertainty spreads to the dollar, the real crisis will arrive, likely followed by high inflation, exchange controls, pension confiscations, and resurrected illegality of owning gold and silver. Capitalist greed aided and abetted by economists and policymakers will have destroyed America.

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