Why everyone should learn economics

As a kid during the 1950s, I didn't think much about economics. As waves of inflation and recession routinely swept through the Miami Valley, I just went with the flow. In good times, every family in our neighborhood had a "breadwinner" with a job. Prices inched upward, but so did wages; so it evened out. In lean times, folks got laid off, and had to live awhile off savings, charity, or welfare. My family was no exception. We made cuts and made do until Dad was back at work.

With the 1960s came the Cold War arms race, Vietnam, big defense contracts, and lots of hiring. Prosperity seemed here to stay—until the oil embargoes of the 1970s smothered that hope. Then there was "stagflation," a prolonged reluctance of business to increase production and hiring in the face of skyrocketing prices. In the 1980s, President Reagan proposed a fix, called "supply-side economics" (a.k.a. "trickle-down"). Promoted as "getting big government out of the way," it would deregulate business and banking, and give tax breaks to "job creators" (businesses and the wealthy) to encourage production and hiring. Further, it promised the resulting prosperity would boost tax revenues to pay for the initial cuts.

Though the name of the plan was new, the concept had been around for generations. Under President Coolidge, it had been called "*laissez faire* [let it be] capitalism." It spawned the Roaring Twenties: an era of reckless speculation and optimistic greed masquerading as prosperity, which ended abruptly in the Great Depression. Oops!

So, how does Reagan's version work out? It breaks the stagflation, but only swaps double-digit inflation for double-digit unemployment. Seeing no profit motive for hiring, "job creators" pocket their tax savings instead. Consequently, the promised prosperity never materializes to replenish tax revenues. Debt soars, while working- and middle-class buying

power declines. In the meantime, deregulation precipitates a savings-and-loan crisis. Oops!

President George H. W. Bush continues his predecessor's policies—the same ones he'd ridiculed as "voodoo economics" years earlier. Accordingly, the rolling recessions and "downsizing" of the 1980s continue as well. Oops!

In the 1990s, we get a break. President Clinton restores some regulation, and Americans enjoy several years of continuous prosperity, capped by the first federal budget surplus in decades. But in the 2000s, President Bush II scraps the regulations and reinstates trickle-down. The surplus promptly becomes a deficit. And seven years later, the accumulating effects of deregulation lock up the banks, and the Great Recession kicks in. Oops!

When we ignore the mistakes of the past, we repeat them in the present, and our future becomes a series of "Oopses!" History abounds with examples—if only we'd learn from them. Really! Shouldn't we call "Three 'oops' and you're out!" on schemes repeatedly shown to be dangerously flawed?

I hope to share more of these with you over the next few months. "Why?" you ask. "Local communities don't set economic policy!" True. But w We locals elect the leaders who do set policy, either directly through their legislation, or indirectly through their appointees. So it's in our interest to learn a little about economics—not to become experts, but enough to protect our personal and community assets, by distinguishing claims based on relevant evidence and reasoning from claims perched on historically refuted ideologies, and by voting accordingly.

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