

Everything you need to know about economics is in a Pyramid

Written by Bruce Enberg

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On Tuesday we will all turn into pumpkins if the Republican controlled House doesn't pass the Senate budget bill. With this fiscal 'crisis' in mind, let's debunk the favorite talking point from the Conservatives: 'We can't afford that,' or 'we're broke.' The reality check: the US prints its own money, unlike Greece that's dependent on the German Euro we can print our own, and as much as we need to make the economy work.

All money by definition is printed on something, even gold coins have their value stamped on them. The right-wing gold bugs are just nuts, gold has very little 'real' value. Ask the right-wingers who bought it at \$825/oz under Reagan and are still waiting to see a profit. Adjusted for inflation, gold would need to be \$2400/oz today for them to just break even, and that's with zero return on their investment.

As far as being able to 'afford' stuff, the government can buy anything that is available to buy. As long as it restrains itself to buying things that are actually in surplus there will be no inflation since the money is not competing for scarce goods.

When times are hard it's the government's responsibility to buy up surplus labor and surplus goods to re-energize the economy. In ancient Egypt they hired the surplus labor to build pyramids, that's why they were around for 6000 years. There is no Egyptian hieroglyph for 'austerity,' if they really needed one, they used the one that also meant 'greedy idiot.' The glyph was depicted as a medium sized predator eating a small child, in modern English that translates into 'Fox News'.

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The primary reason for the government to borrow money during economic downturns is to take that money out of the mattresses and put it to work in order to avoid panic spending later that could actually lead to runaway inflation. Another right-wing myth is that we've been borrowing money from China. China has never actually lent us any money since our government has never spent any Chinese Yuans. China stopped buying Treasury bonds (using USDs) at the beginning of the Bush Great Depression in 2006.

It is true that the Federal Reserve is printing \$85b a month in currency out of thin air to buy publicly traded treasury and mortgage bonds. But, that's basically what the Fed does all the time, only it normally lendss it to banks instead of it being spent in this way. It's the Federal Reserve's job to add money to the economy, or sometimes take money out. Is it a perfect substitute for good government policies on trade, manufacturing, labor and so on? Hell no, but with Republicans controlling the House, it's all we have. It will keep the economy from collapsing at least through 2014. If you want to get through 2015, you'll need a few more good people in Congress like Elizabeth Warren and Alan Grayson.

Twitter @BruceEnberg - You don't need to walk like an Egyptian, just build like one.