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The Current Economic Situation

Inflation is a topic that concerns most people, and runaway inflation inflicts pain just as badly as a bee sting. This bee stings every time we step into a grocery store, renew insurance, take a car loan, or pay tuition bills. Politicians from both parties have used the levers of power when elected to serve in the Federal government to spend money that we don't have and justify their wasteful spending as investments for seemingly worthy causes. Those worthy causes are then never re-examined to determine whether the intended results were achieved. A free market-based economy thrives when the government has little to no hand in economic activities other than to set up a safe, and level playing field. However, our federal and even state governments have followed Keynesian economic models to flaunt their power, which we the people trusted them with, to engage in irresponsible fiscal behavior in a manner that defines the economic term 'moral hazard.'

As stated in the Commerce Clause of the Constitution, our Congress holds the power to direct and regulate commerce among the states and foreign nations, as well as to set tax rates and budget wisely. To reverse the course of our economy, Congress should be diligent with the power they hold over our economy. But with the current national debt and inflation, it is natural to ask what has happened along the way, and how has our government failed to use their power wisely?

Inflation, simply put, is "the general increase in prices of goods and services over time, resulting in a reduction in the purchasing power of money" (according to the European Central Bank website) making it harder for economies to grow. The devaluation of the US dollar can be traced back to our 37th President, Richard Nixon, who took the U.S. dollar off of the gold standard set by Alexander Hamilton. The gold standard ensured that the dollar's value would be connected

to the value of gold. By taking the US. dollar off of the gold standard, Richard Nixon was able to increase government spending. As the government continues to spend and print money, our national debt increases day by day. During the past 4 years of the Biden era, inflation went as high as 9.1% before coming down to 3.4%, which is still higher than the 2% standard preferred by economists. This period of high inflation coupled with economic uncertainty from recent tariffs and foreign wars pushed more people and foreign government central banks to buy and hold gold reserves in lieu of the usual US Dollar reserves or US Treasury bonds.

Since the decoupling of the US Dollar from the Gold standard, the prices of gold and silver have skyrocketed due to the decreasing purchasing power of the U.S. dollar. Gold and Silver have become economic safe havens to park investor money or sovereign wealth funds in times of uncertainty as the US Dollar gradually lost its value even as it remained the default reserve currency of the world.

Even more frightening is the relative decrease in productivity or active participation of people in the U.S. labor market. People have become dependent on the government for food stamps and social security while those in the middle class and above are taxed on the rewards of their productive labor. “It would be hard to imagine a plan more clearly calculated to discourage work and production and eventually to impoverish everyone” (Hazlitt 205). It shows that government intervention in the market can lead to long-term consequences.

Because of the \$38 trillion debt accumulated over the years by the US, most Americans, including me, will have to play a part in saving our economy by sacrificing our buying power and living standards to pay the interest and principal on the \$38 trillion, and counting, of debt accumulated by our parents and grandparents. Working in a job in the free market alone cannot save us, we must elect government officials who will implement good economic policies that put

Americans first by cutting wasteful spending, and regulations that hamper economic growth. One aspect that will help pay off the debt faster is lower interest rates. High interest rates cause more of our tax dollars to go toward the interest on the debt rather than the principal amount of the debt, making it a drag on our economy. The current federal rate of 3.75 to 4% seems too high considering our inflation rate is slightly less than 3%, and the economy appears stable enough to justify a rate cut that will not only help us pay off the debt faster, but also stimulate the economy by making it easier to deploy investments to grow the economy through real estate, business expansions, and formation of new business ventures.

The journey to a better economic future has to begin now, and as with any journey, it begins with a decision, by ‘we the people,’ to seek a brighter tomorrow for the people of our beloved nation. This decision to correct the course cannot and must not be deferred to our children and grandchildren but, the current leadership in both parties must take responsibility to act to honor the roles entrusted to them.

References

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