

## **Current fiscal policy ignores past and gambles with our country's future**

By David Lerner

Recently walking through some shopping centers, I recalled the images of New York City created by Ayn Rand in "Atlas Shrugged." An air of gloom and despair was pervasive. And like the world of Ayn Rand, beautiful shops, which not long ago were flourishing, were either devoid of customers or were closed. Restaurants once packed are now either closed or sadly lacking patrons.

It seemed that every commercial building had a "for sale" or "for lease" sign. Are we heading down the path that Ayn Rand described?

Alas, people who are now setting economic policy for our country have not learned from history. Their remedies for this crisis have been stimulus packages that have failed to stimulate (they are reminiscent of Ancient Roman "bread and circuses"), or TARP programs where the heavy hand of the government is now dictating policies for our major industries.

Additionally, a variety of other proposals, such as cap and trade for greenhouse gases and universal healthcare, will significantly increase the size and cost of government. That will lead to significantly increasing taxes – which historically, has made every economic crisis worse.

But if the policy makers were a little more attentive to history, they would know long-lasting periods of prosperity only come when the private sector is allowed and encouraged to function. Conversely, when it is not allowed to do so because of onerous taxation, there are often disastrous results.

Today, I fear that most of the Federal stimulus money is going into projects that are Potemkin villages – impressive on the surface, but devoid of substance. Worse, these efforts could result in debasing our currency and will leave nothing meaningful, after the taxpayers' money is spent.

Time and time again, efforts such as reducing corporate tax rates, reducing taxes on taxpayers, providing tax incentives for small businesses and innovation, and reducing regulatory burdens on industries have proven themselves lynch pins in spurring the free marketplace to build long-lasting companies and products. In turn, such strides will create real value and jobs in every community, increase government revenue and decrease government deficits.

Just two years after the Stock Market crash of 1929, the federal government passed legislation that greatly increased taxes – then did it again in 1936. The result increased unemployment and further discouraged the growth of businesses. Without the U.S. entry into World War II, which led to increased defense spending that spurred the economy, who knows how far and deep our nation’s economy would have sunk.

Contrast that with the response to getting out of the Recession in the 1980s. During the Nixon and Carter years, our nation saw high unemployment and record deficits and staggering inflation. Fortunately, led by President Ronald Reagan, Congress in 1981 passed legislation that ultimately reduced the tax rate from 50 percent to 28 percent. Unemployment drastically dropped and inflation was dramatically reduced.

In fact, the only time when rising taxes did not deter economic growth occurred under President Clinton. His administration was marked by a Congress that sharply put the brakes on government spending. State governments also significantly reduced welfare benefits, and free trade was encouraged.

The growth policies, which characterized the 1980’s, recall fundamentally the same strategies that were employed in 1921, 1962 and 2001 to lead the country back to prosperity. Our legislators must look to history and economics as they make decisions that will impact our country for decades to come.

Without a more sensible shift to market-based economic and monetary policy, our nation’s growth and wealth is in peril – which will negatively impact the lives of our children and grandchildren. These policies will sap the vitality and energy of our economy as well as limit economic freedom.

Hopefully we will not travel down the destructive path that Ayn Rand depicted so dramatically in “Atlas Shrugged.”

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*Mr. Lerner is President & CEO David Lerner Associates and was a history and economics teacher at Bayside High School in Queens, New York, from 1963 to 1975.*