Sun Journal

Nothing to feaf, but uncertainty

By J Dwight , *Populist Economics*
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Uncertainty and fear about the future sparked the worst financial start to a year ever.

The market was down over 24 percent as of March 6. Investors passed a resounding vote of no-confidence in the current policy choices of the political party in charge.

The vote was significant. Of the estimated $19.6 trillion of stock holdings, 61 percent are held by households and mutual funds - the public, in other words. Stock markets matter.

Yet it is difficult to be anything but pessimistic about the prospects for the economy or the market. The Obama administration seems intent on repeating mistakes Hoover and Roosevelt made during the Great Depression:

n Increasing taxes at the wrong time. "Cap and trade" taxes on carbon emissions are estimated to be a annual minimum burden of $5,000 per-household in America. People fear the cost of electricity rising.

n Fiddling while the banking system burns. No concrete proposals have come from Congress or the Obama administration to address the banks, which is increasing uncertainty and fear.

Other mistakes are being considered:

n To nationalize, centrally direct, and impose price controls on a major employer, health care. This would create more uncertainty.

n To institute irresponsible ongoing budget increases to already large entitlement programs, doubling the national debt. This would create more fear of crushing debt and inflation.

n Increasing wages. Card-check unionization will drive wages and hurt the economy, which would injecting fear into businesses and families nationwide.

Is this hope and change? It sounds more like fear and uncertainty.

Last week, two important business and financial leaders reiterated their belief in the long-term strength of the American economy, but they indicated Obama and the Democrats were on the wrong path, which is creating fear and uncertainty.

Warren Buffett, chairman of Berkshire Hathaway, believes it is the job of both parties

to focus on the "Economic War" before all else. He says the majority party has the responsibility to not propose "inflammatory polices and spending," if it wants unity with the minority party during a time of crisis.

Buffett voted for and often advises President Obama, but he still says, "I think card-check is a mistake. I am against card-check to make it perfectly clear."

He urged President Obama and Congress to pull back from the new policies and massive spending proposed in the budget, to focus on reviving the economy first.

Since the near-collapse of the worldwide financial system in September, Buffett said, people have been in a self-perpetuating cycle of fear and uncertainty.

He noted it occurred during the changeover of administrations and the lack of clarity and unity of purpose in political leadership. Now it's being exacerbated by polices and spending that provoke backlash from the minority party and the public.

The Democrats must focus on the economy, reduce uncertainty, reduce irresponsibility, and communicate unity of purpose on needed economic policies and actions. Reduce uncertainty, fear will subside and the economy will revive.

Ben Bernanke, chairman of the Federal Reserve, then spoke calmly about stabilizing and reviving the banking system on March 10, in a pivotal speech at the Council on Foreign Relations. The speech touched on global nature of the problem and need for a comprehensive global reform. Bernanke even contends that 'stimulus' isn't necessary, repair the banking system, things will take care of themselves.

In answering, "Since the end of the Cold War … haven't we been witnessing democratic capitalism sowing of the seeds of its own destruction?" Bernanke responded this way:

"We have to remember, first of all, that capitalism, broadly construed, has been an enormous success. In various forms it has been responsible for essentially all of the remarkable growth in the world economy in the last 150 years … Capitalism is easily, to my mind, the only real alternative to organize economies, if our goal is to increase the living standards of average people."

With clarity and hope, the markets rallied over six percent the day of his reasoned speech. His firm confidence in the ultimate resolution of the crisis helped settle jittery nerves.

Politicians in Washington, D.C., here in Maine and all those in between and far beyond need to listen: irresponsible policies, reckless spending and crushing debt are not the answer.

The message needs to be real action.

We have nothing to fear, but uncertainty itself.

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