

## Economic Prospect

# ***Back Seat America***

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**Is Work Good?** We often hear that people are miserable in their work, underpaid, don't have real jobs only gig jobs, and they have lost control of their lives. Furthermore, machines threaten to make them unemployable. The *Economist* reports that bleak picture does not match reality because, "...most of the rich world is enjoying a job boom of unprecedented scope. Across the west, rich world wages below 2/3 of the national median are becoming more rare, not more common. American workers fretted for years about how to shrink disability benefit rolls. Now the hot labor market is doing it for them. The jobs boom is helping solve social ills without the government having to do very much." (May 25, 2019 p 8)

**Back Seat America:** *Dignity: Seeking Respect in Backseat America*, by Chris Arnade. He "began talking to hidden, ordinary people and photographing them. What he encountered, "wasn't what I was told I would find – it was welcoming, warm and beautiful, not empty, dangerous and ugly." This is how he described his 150,000-mile multiyear journey through unthriving America: urban/rural, black and white."

"Mr. Arnade offers a handy framework for thinking about inequality. People like him are akin to the kids who sat in the front row – strivers eager to learn and achieve. Front row people believe in science, data, and progress; they cluster in big cities, often leaving their home towns behind. They are careerists, often liberal in politics but afflicted by immense blind spots. He states, "We had compassion for those left behind but thought that our job was to provide them with an opportunity (no matter how small) to get where we were." That, he discovered was a patronizing mistake.

"It didn't occur to us that what we value wasn't what everybody else wanted. Jobs used to confer dignity." Mr. Arnade argues that dignity is what (deliberately or not) the front row routinely denies the back row and what he seeks, in some measure, to restore. (*Economist* June 1, 2019. P.72)

Rather than give prescription Mr. Arnade suggests that we listen to each other more. Where to start? Church or McDonalds...where Americans gather for coffee, chat, bible study, and civil discussions.

**"The woke elite act like white saviors** who must lead the rest of the country, including the racial minorities whose interests they claim to represent, to a vision of justice those less enlightened groups would not choose for themselves." Zack Goldberg for *Tablet* (June 5, 2019 quoted in the WSJ)

**The National Debt Is a Problem:** Imagine that your daughter and son in law maxed out a \$5000 credit card when they were first married. Then a second credit card for \$5000, a third for \$8000, and a fourth for \$20,000. You would be wondering who on earth is loaning them all this money at a rate they can afford?

That's what I'm wondering about America. The bond vigilantes, as they are called, usually swoop in and require high interest rates for overspending nations. Not for America. "In 2011, Standard & Poor's, a rating agency, cut America's sovereignty credit rating, citing its soaring debt and dysfunctional politics." Did the bond vigilantes require higher interest rates? "No. Markets promptly gobbled up more Treasury bonds than ever, and the yield on the 10-year bond actually fell by more than a percentage point."

The *Economist* gives an explanation. Because America is the biggest and safest market and has a dollar as a reserve currency, people buy American Treasury bonds even when America itself causes economic uncertainty. If the Chinese sold half of their \$1.1 trillion in U.S. Treasury bonds, others would simply buy them. In recent years the Fed and other central banks have also bought their own countries bonds creating a very risky market for Treasury bonds.

Just when America should reform its entitlement programs including Social Security and Medicare; even when America should make an attempt at a responsible or balanced budget; even when American people should be taking the debt seriously, no one seems to care. We are just like that young married couple completely unconcerned about the debt. (*The Economist* June 1, 2019. Page 64).

**Debt? Why, That's No Problem.** We can print all the dollars we want and there will be no bond vigilantes and there will not be high interest rates on the debt. Don't worry, its not like the old days when debt mattered. When inflation gets a bit high, we will just quit printing money and raise taxes a little. This fiscal insanity is called Modern Monetary Theory. It relies on the fact that the dollar is the reserve currency and then acts like it could never be challenged no matter how unwisely we may act. Political nonsense.