

By Denise Norberg-Johnson

## It's All Voodoo Economics

### WEALTH IS NO LONGER BASED ON MANUFACTURING

**T**HE DEATH OF FORMER PRESIDENT REAGAN in June prompted the pundits to rehash the value of his economic policies. Did Reaganomics help or hurt the country? Were Republicans really practicing "voodoo economics", or does wealth unburdened really "trickle down" to benefit the less fortunate? In this MBA-driven business world, it's time to burst the bubble of economic mumbo-jumbo and stop reacting to every prediction of disaster by some self-appointed guru.

#### No one can control the economy

It's tough enough to influence the behavior of 300 million Americans. In a global economy, tariffs, trade agreements and euros don't guarantee anything. If you want a good scare, read about the Trilateral Commission, or rent the movie "Rollover" and watch Kris Kristofferson and Jane Fonda try to stop the bad guys from busting the world's money markets. Then forget about what Greenspan and the Federal Reservists are doing to interest rates and concentrate on running your business the way you always have.

#### It's not the president's fault

Financial experts agree that there is a lag time of as much as eight years between legislative or administrative policy making and its impact on unemployment levels and money markets. That means Clinton got the credit for Reagan's policies, and Bush is suffering from Clinton's. Only in a world where we can get food from McDonald's in less than two minutes would anyone blame a sitting president for next week's unemployment numbers. The pendulum doesn't swing that fast.

#### Gordon Gecko was right

Franklin Roosevelt's New Deal and Lyndon Johnson's Great Society made the United States a socialist democracy, while Republicans have always aided Democrats in extending the reach of government-sponsored programs. Socialism means subsidy of the receivers by the contributors, and government is just

the conduit. In the movie "Wall Street," billionaire Gordon Gecko outlines an effective case for greed as the driver of economic wealth. He is right. Without the greedy capitalists, social systems cannot be funded. So keep making money, or your government can't help those who need it.

#### Your money is not in the bank

Your individual accounts may be insured by the FDIC for \$100,000 each, but those guarantees are based on the solvency of the U.S. government, and your money is no longer backed, dollar for dollar, by a gold standard. In 1929, depositors seeking to withdraw their money created a disastrous run on banks, and prompted federal regulations that now require every bank to physically keep a percentage of the funds on deposit as cash in its vault. If there is another run on banks, that percentage is too low to help you unless you're one of the first in line. Your money is still on paper.

#### Property is still the best asset

In a service economy, our wealth is no longer based on manufacturing. Intangible costs rise as "service providers" make money on transactions rather than sales of goods. Dot-coms and other companies with fewer physical assets don't "feel" as secure to investors. The Founding Fathers believed that only landowners should have a vote, and the American dream is still anchored by home ownership. Most of the time, property increases in value. Figure it out, and

make sure you own something other than paper assets.

#### What's your fair share?

As part of the wealthiest 1 percent of taxpayers, you are burdened by a regressive tax system. As your earnings increase, so does the percentage you pay in taxes. The wealthiest pay more, in actual dollars, than all other taxpayers combined, but are still accused of falling short of their "fair share." The real question is how few payers can fund an increasing number of nonpayers. No sensible person today expects to retire solely on Social Security benefits. The only way to support government social programs (including Social Security) is for more people to contribute and fewer people to collect.

#### What should you do?

Stop worrying about the Consumer Price Index, interest rates or daily shifts in the stock market. In every economy, someone is making money, someone is broke, and someone is just getting by. Remember that a dollar is only worth what it can buy, assets only provide security if they can be sold to generate dollars, and only your value to the marketplace gives you real security. In centuries past, every village had a tailor, a shoemaker and a baker. A global village is just a larger version of this codependent society. Supply something people need, and they will find a way to buy it. It doesn't matter what the economists say, as long as you have the skill to provide the power to your part of the village. **EC**

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