U.S. Decapitalization, Easy Money, and Asset Price Cycles

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In Matthew 25: 14–30, Jesus recounts the Parable of the Talents, the story of how the master goes away and leaves each of three servants with sums of money to look after in his absence. He then returns and holds them to account. The first two have invested wisely and give the master a good return, and he rewards them. The third, however, is a wicked servant who couldn't be bothered even to put the money in the bank where it could earn interest. Instead, he simply buried the money and gave his master a zero return. He is punished and thrown into the darkness where there is weeping and wailing and gnashing of teeth.

In the modern American version of the parable, the eternal truth of the original remains: Good stewardship is as important as it always was and there is still one master—the American public (albeit in name only)—who entrusts capital to the stewardship of his supposed servants. Instead of three, however, there are now only two: the Federal Reserve and the federal government. They are not especially wicked, but they certainly are incompetent. They run amok and manage to squander so much of their master's capital that he is ultimately ruined, and it is he rather than they who goes on to suffer an eternity of wailing and teeth-gnashing, not to mention impoverishment. For their part, the two incompetent

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servants deny all responsibility, as politicians always do, and since there is no accountability (let alone Biblical justice) in the modern version, ride off into the sunset insisting that none of this was their fault.

U.S. Asset Bubbles: Past and Present

The story starts with the Federal Reserve. Since October 1979, under Paul Volcker's chairmanship, the Fed's primary monetary policy goal had been the fight against inflation, a fight he went on to win though at great cost. Given this background, many monetarists were alarmed by Fed Chairman Alan Greenspan's formal abandonment of monetarism in July 1993, but a subsequent tightening of policy in 1994–95 had caused satisfactory amounts of distress on Wall Street and seemed to indicate that the overall thrust of policy had not in fact changed.

The great change in U.S. monetary policy, so far as it can be dated, came early in 1995. In his biannual Humphrey-Hawkins testimony to Congress on February 22–23, Greenspan indicated that his program of rate rises, the last to a 6 percent Fed funds rate on February 1st that year, had ended. Elliptical as ever, Greenspan's hint of easing was veiled: "There may come a time when we hold our policy stance unchanged, or even ease, despite adverse price data, should we see that underlying forces are acting ultimately to reduce price pressures" (Greenspan 1995: 17). The Dow Jones Index rose above 4,000 the following day, and was off to the races.

By December 5, 1996, the Dow was already at 6,400, and Greenspan famously expressed his doubts about the market's "irrational exuberance." Nonetheless, he did nothing tangible to reinforce his skepticism and pushed interest rates generally downward over the next three years. In July 1997, he then came up with an explanation of why the high stock market might not be so excessive after all. In his usual Delphic manner, he remarked that "important pieces of information, while just suggestive at this point, could be read as indicating basic improvements in the longer-term efficiency of our economy" (Greenspan 1997: 2). The press seized on these utterances as confirming a "productivity miracle" that turned out later (like its predecessors the Philips curve and the Loch Ness monster) to be a myth, but not before it

gave a nice boost to tech stocks in particular, which positively boomed. Only in 1999 did Greenspan begin to take action, pushing Fed funds rate upward to an eventual peak of 6.5 percent in 2000, by which time tech stock prices had reached stratospheric levels and then soon crashed.

The cycle then repeated. In January 2001, Greenspan began a series of interest rate cuts that saw the Fed funds rate fall to 1 percent in 2003, its lowest since 1961. He held it at that rate for a year and short-term interest rates were to remain below inflation for almost four years. This was a much more aggressive monetary policy, and the results were entirely predictable. In Steve Hanke's (2008) memorable phrase, there was "the mother of all liquidity cycles and yet another massive demand boom," the most notable feature of which was the real estate boom. The rest is history.[1]

Greenspan's successor Ben Bernanke then continued his predecessor's loose monetary policy with missionary zeal. He brought the Fed funds rate, which the Fed had belatedly pulled up to 5.25 percent in 2006 and held there for a year, back down to 2 percent by the onset of the crisis in September 2008. By then the rate of growth of MZM, the best currently available proxy for broad money, had been running into double digits for some time. Over the next six months MZM increased at an annual rate of 20.4 percent, while the monetary base doubled. Over this same period, the Fed funds rate was brought down from 2 percent to a mere 25 basis points, at which level it has remained ever since, and these easy money policies were supplemented with nearly $2 trillion in quantitative easing (QE). After March 2009, the monetary aggregates then remained flat for a year, but in April 2010 MZM started to rise again (at an annualized rate of 6.8 percent in the six months to October 2010) and, as we write, the Fed is embarking on QE2—with yet another $600 billion in quantitative easing due to hit the system.

If past expansionary monetary policies led to bubbles, then we should expect the even more expansionary policies pursued since the onset of the crisis to produce new bubbles, and this is exactly what we find. Within the United States, there are at least three very

[1]There are many excellent accounts of this story. We particularly recommend O'Driscoll (2009), Hanke (2008), Norberg (2009), and Woods (2009). See also Dowd and Hutchinson (2010).

obvious bubbles currently in full swing, each fuelled by the flood of cheap money: Treasuries, financials, and junk bonds.[2]

The Treasury bond market has seen a massive boom since 2007, fuelled by a combination of large government deficits, enormous investor demand, and low interest rates pushing prices up to record levels.

The current "recovery" in financial stocks is almost entirely an artificial bubble. The Fed's interest rate policy allows banks to borrow short-term at close to zero and invest at 3 percent or so in long-term Treasuries and about 4.5 percent in mortgage bonds, which are now openly guaranteed by the federal government. This enables banks to sit back with their spreads of at least 3 percent, leveraged 20 times to give a comfortable gross return of more than 60 percent. Becoming a yield curve player is far more profitable and avoids all the tiresome effort and risk of lending to small business. It is therefore no wonder that lending to small and medium enterprises—on which economic recovery really depends—remains, at best, anemic. The result is a bizarre situation in which the banks appear to recover while their supposed core activity—lending—remains stuck. The reality, of course, is that lending is no longer their core business.

The banks' true weakness is confirmed by other factors. Current accounting rules, so-called fair value accounting rules, artificially inflate banks' profitability in many ways. In practice, "fair value" (sometimes known as "marked-to-market" accounting but, in reality, "mark-to-model" accounting) boils down to giving practitioners license to abuse financial models for their own ends. This allows them to hide true losses and loot the system: you use a model to create fictitious valuations and hence fictitious profits, and then pay yourself a handsome (and very real) bonus for the "profit" you have created. Needless to add, such practices are all the more damaging because they are so hidden.

Clever financial engineers are always finding ingenious ways to game the system and are currently very much hard at it. Many of the

[2]There are also major bubbles overseas, most notably those in the Chinese and Indian real estate markets, and which (given the reserve currency status of the dollar and the huge expansions in these countries' dollar holdings over a long period) are also due, in part, to the same expansionary Federal Reserve policies.

most lucrative of these schemes involve gaming the Basel capital rules to create fictitious profits and "unlock" capital that can then be used to pay bonuses to clever financial engineers and their managers. Such practices secretly decapitalize the banks and are of course just another form of looting. The banks are able to continue operating only because they are on government life support, propped up by repeated bailouts (including lender of last resort lending, TARP, government purchases of bank equity, and repeated large-scale quantitative easing) and government guarantees (including too-big-to-fail, deposit insurance, and blanket guarantees of home mortgages).

A third bubble is in junk—that is, sub-investment grade corporate bonds. In the year to September 15, 2010, junk bond issues raised $168.5 billion, more than the 2009 full-year record of $163 billion, and which itself represented an annual increase in total outstanding junk bonds of over 200 percent. Such growth is extraordinary in the deepest recession since World War II. Moreover, much of this growth takes the form of "covenant-lite" bonds, which had been thought an aberration of the 2006–07 bubble. The key factor driving this growth would appear to be low interest rates. These not only reduce borrowing costs and stimulate borrowing, itself encouraged by the tax-deductibility of debt, they also suppress yields on Treasuries, which encourages yield-seeking investors to go for junk. The same causal factors have also given a big boost to the leveraged buy-out (LBO) market, not least in so far as they have allowed company after company to avoid bankruptcy (and indeed prosper, temporarily) through aggressive refinancing (see Hutchinson 2010).

Each of these bubbles was characterized by obvious irrationality. In the tech boom, Pets.com, based on the idea that there was money to be made by Fedexing cat food around the country, made its IPO in February 2000 amid a welter of Super Bowl ads, but went bankrupt a mere 288 days later. In the housing bubble, NINJA and "no doc" loans were made with no concern for whether they would or could ever be repaid, and house prices in some parts of the country were at 8–10 times annual income.

With interest rates so low, the prices of Treasuries are close to their peak and the only major change can be down; investors face a

classic one-way bet scenario. In such circumstances the only rational response is to sell and yet investors' money still pours in.[3]

In the current financials market, we have the irrationality of the banks apparently profitable and prospering while the credit system is still jammed up and most of them remain dependent on government life support to continue in operation. In the current junk bonds market, we have the irrationality of a major boom in lending to the riskiest corporate customers taking place in the middle of a major credit crunch, with the certain knowledge that many of these borrowers will default when interest rates rise.

We can be confident that these current bubbles will come to unpleasant ends like their predecessors, but on a potentially much grander scale. The bubbles will then burst in quick succession. Sooner rather than later, it will dawn on investors that Treasuries are overvalued and confidence in the Treasuries market will crack. One possibility is that rising inflation expectations or higher deficits will then push up market interest rates, causing bond prices to falter and then fall. An even more imminent prospect is that some combination of the Fed's quantitative easing, unsustainable federal budget deficits, and the U.S. balance of payments deficit will cause a further decline in the dollar that makes foreign holders of Treasury bonds lose confidence. There is then likely to be a rush to the exits—a flight from Treasuries on a massive scale—forcing up interest rates and inflicting heavy losses on bondholders, especially on those holding long-term bonds.

The collapse of the Treasuries market will cause the banks' previously profitable "gapping" adventure to unravel with a vengeance: the very positions that yielded them such easy returns will now suffer large capital losses. Confidence in the banks—never strong since the onset of the crisis—will collapse (again) and we will enter a new (and severe) banking crisis.

The bursting of the Treasuries and financials bubbles will then feed through to the junk bond bubble, leading to sharp falls in the values of corporate bonds and sharp rises in credit spreads. Highly

[3]To give a simple illustration, take a Treasury bond with a duration (average time to cash flow) equal to say 25 years. Using conventional duration analysis, a rise in interest rates of just 1 percent would lead to a capital loss of 25 percent. At the same time, with interest rates so low and the government flooding the market with more debt, thanks to its gaping borrowing requirements, the bond has little chance of going up in price.

leveraged firms will then default in droves, the junk bond market will collapse, and LBO activity will dry up.

We also have to consider the nontrivial knock-on effects. The collapse of Treasuries will trigger an immediate financing crisis for governments at all levels, especially the federal government. The likely downgrading of its AAA credit rating will further intensify the government's chronic financing problems. Nor should we forget that these financial tsunamis are likely to overwhelm the Federal Reserve, which already has a highly leveraged balance sheet.

There is also the problem of resurgent inflation. For a long time, the United States has been protected from much of the inflationary impact of Federal Reserve policies. Developments in IT and the cost reductions attendant on the outsourcing of production to Asian economies had the impact of suppressing prices and masking the domestic impact of Fed policies. Instead, these policies produced a massive buildup in global currency reserves, helped fuel soaring commodity prices, and contributed to inflation in countries such as India and China. U.S. inflation was already rising by 2008, at more than 3 percent, but that rise was put into reverse when bank lending and consumer spending fell sharply. However, there are three good reasons to think that inflation will soon take off again. First, the combination of booming commodity prices and a depreciating dollar means that imports will cost more in dollar terms and this must inevitably feed through to U.S. inflation. Second, rising labor costs in the Asian economies mean that the outsourcing movement is coming to an end and even beginning to reverse itself, and with it the associated cost reductions for American firms that outsource to Asia. Third, and most importantly, there is the huge additional monetary overhang created over the past couple of years. The Fed's vast monetization of government debt must eventually flood forth—and, when it does, inflation is likely to rise sharply.

Once inflation makes a comeback, a point will eventually come when the Fed's easy money policy has to go into sharp reverse, and interest rates will have to be hiked to slow down monetary growth. The consequences will be most unpleasant. Moreover, as in the early 1980s, higher interest rates will lead to major falls in asset prices and inflict further losses on financial institutions, wiping out their capital bases in the process. Thus, renewed inflation and higher interest

rates would deliver yet another blow to an already gravely weakened financial system.

The Decapitalizing Effects of Repeated Bubbles

Federal Reserve monetary policy over the past 15 years or so has produced bubble after bubble, and each bubble (or each group of contemporaneous bubbles) is bigger in aggregate and more damaging than the one that preceded it. Each bubble destroys part of the capital stock by diverting capital into economically unjustified uses. Artificially low interest rates make investments appear more profitable than they really are, and this is especially so for investments with long-term horizons—in Austrian terms, there is an artificial lengthening of the investment horizon (see Hanke 2010).[4] These distortions and resulting losses are magnified further once a bubble takes hold and inflicts its damage too. The end result is a lot of ruined investors and "bubble blight"—massive overcapacity in the sectors affected.[5] This has happened again and again, in one sector after another—tech, real estate, Treasuries, financials, and junk—and the same policy also helps to spawn bubbles overseas, mostly notable in commodities and emerging markets.

We also have to consider how periods of prolonged low (and often sub-zero) real interest rates have led to sharply reduced saving and, hence, led to lower capital accumulation over time. U.S. savings rates have fallen progressively since the early 1980s, falling from nearly 12 percent to little more than zero in recent years.

Even without federal budget deficits, it is manifestly obvious that U.S. savings rates over the last two decades are inadequate to provide for the maintenance, let alone growth, of the U.S. capital stock

[4]We can illustrate this impact by applying duration analysis familiar from bond market analysis. If an investment with given expected future cash flows has a duration (or average time to cash flows) of T years, then a fall in interest rates of 1 percent will increase the value of the investment by about T percent. The impact on asset values will be ameliorated if longer-term rates do not fall so much, but the essential story still holds.

[5]We gloss over various knock-on effects. One such effect is that the lowering of short-term interest rates depresses yields, which encourages investors to look for higher-yielding investment outlets. In turn, this effect reduces credit spreads and diverts capital from low-risk to higher-risk investments such as junk bonds or emerging markets. If Vietnam, for example, can then raise money almost as easily as Ohio, then capital will be diverted to lower-cost Vietnam and U.S. manufacturing jobs will migrate with it.

(or, for that matter, its citizens' desires for a secure retirement). The U.S. economy is effectively eating its own seed-corn. Now add in the impact of federal budget deficits of around 10 percent of GDP and we see that the deficits alone take up more than the economy's entire savings, without a penny left over for investment. It then becomes necessary to supply U.S. capital needs by foreign borrowing—thus the persistent and worrying balance of payments deficits. But even this borrowing is not enough. Hence, over the long term, low interest rates are decapitalizing the U.S. economy, with damaging long-term implications for its residents' living standards. In the long run, low interest rates lead to low saving and capital decline, and they in turn lead to stagnation and eventually to the prospect of declining living standards as America ceases to be a capital-rich economy.

How Government Destroys Capital

We should also see these problems against the context of a vast number of other government policies that are decapitalizing the U.S. economy in myriad other ways. The wastefulness of government infrastructure projects is of course legendary. One instance is the Amtrak proposal for a Boston-Washington high speed railroad, costed at $117 billion, compared to $20 billion equivalent for similar lines in France and under $10 billion for a line recently opened in China. Even more striking is the ARC tunnel project between Manhattan and New Jersey, recently killed by Governor Christie because of its excessive cost of $8.7 billion plus likely overruns. Yet the Holland Tunnel, performing an identical function and opened by President Coolidge in November 1927, came in at $48 million, equivalent to $606 million in 2010 dollars. Even allowing for the higher real wages of today's construction labor, and a certain amount of fiddling of the consumer price statistics by the BLS, it should have been possible to bring the ARC project in at under $1.5–2 billion, less than a quarter of the actual projected cost. The high costs of infrastructure problems boil down to the onerous regulations under which such projects are carried out, such as the 1931 Davis-Bacon mandate to use union labor on federally funded projects and a whole welter of health and safety and environmental regulations, which massively push up overheads.

We also have to consider the impact of government fiscal policy. Large government deficits reduce capital accumulation in so far as

they crowd out private investments. Large levels of government debt also reduce capital accumulation in so far as they imply large burdens on future taxpayers that reduce their ability (not to mention their willingness) to save. The U.S. budget deficit has risen from less than 2 percent of GDP in 2007 to more than 10 percent.[6] In the process, official debt has grown from almost 64 percent of GDP in 2007 to more than 94 percent. Unless the U.S. can get its fiscal house in order, its credit rating will suffer, as all three major rating agencies will downgrade U.S. debt, not just S&P.

Yet even these grim figures are merely the tip of a much bigger iceberg. The official debt of the United States, large as it is, is dwarfed by its unofficial debt: the Social Security and other entitlements (Medicare, Medicaid, and others) to which the federal government has committed itself, but not provided for—that is, additional debts that future taxpayers are expected to pay for. Recent estimates of the size of this debt are hair-raising. Using CBO figures, Laurence Kotlikoff (2010) estimated that this debt is now $202 trillion, or 15 times the official debt and nearly 14 times annual U.S. GDP, implying that the average U.S. citizen would need to spend almost 14 years to pay off this debt. No wonder Kotlikoff matter-of-factly concluded that the United States is bankrupt.

The U.S. debt burden implies punitive tax rates on future employment income and major disincentives to work or at least declare income. Moreover, excessive public debt will greatly discourage future capital accumulation as investors will (rightly) fear that there is little point building up investments that will eventually be expropriated by the government.[7]

[6]We gloss over here the vast amount of waste and loss (much of it not even estimable) in recent federal government spending programs: TARP and other bank bailouts, the AIG rescue, the rescue of Fannie and Freddie ($360 billion), the $1 trillion or so FHA loans made since it stepped in during the crash (and no one yet knows how many are bad), cash for clunkers and the auto bailouts, the over-hyped American Recovery and Reinvestment Act, and quantitative easing.

[7]Indeed, it would appear that the U.S. government is already laying the groundwork. The recently passed Foreign Account Tax Compliance Act requires U.S. taxpayers to inform the IRS of their foreign investments, and also requires foreign funds to name their U.S. investors on pain of a flat 30 percent confiscation tax each year. As one (non-U.S.) institutional investor informed us in private correspondence, "Naturally, we are divesting ourselves of all U.S. holdings." This does not augur well for the future of the United States as a magnet for foreign investors; it also raises specter of the seizure of private gold holdings in 1934.

Long-Term Outlook for the U.S. Economy

The long-term effect of U.S. economic decapitalization will not necessarily be apparent in day-to-day headlines. Instead, the process will be almost glacial: mostly slow but utterly devastating in its longer-term impact.

For all of its history, the United States has enjoyed many advantages over most other countries: abundant wealth and capital, world-class education and technology, a highly innovative culture and, underpinning these, a freer economy. However, the U.S. economy is now far less free than it used to be 80 or more years ago. Partly because of this, but partly because of the natural ongoing processes of globalization, the United States is steadily losing its other advantages as well. Owing to globalization and the outsourcing and transfer of wealth that has brought about, the United States has long lost many of its advantages of technology and education against Europe and Japan. The same process then started relative to the small "tiger" economies of East Asia and, more recently, relative to the giant Asian economies of China and India, whose wage levels are still only a fraction of those of the United States. In the long run, American citizens can expect higher living standards than Chinese or Indian citizens only if they maintain some edge over them. However, as the U.S. capital stock gradually dissipates and the capital stocks of emerging Asian economies increase, that edge will become increasingly tenuous and living standards will converge. Consequently, over the long term, there is no reason to expect U.S. living standards to exceed those in countries such as China, Malaysia, Thailand, and Brazil that are coming to equal the United States in many of its factor inputs.

Americans might also take heed from the experiences of other once wealthy countries whose economies were crippled by progressive decapitalization. Britain was still a wealthy country at the very frontier of technological advance in the late 1930s. However, when World War II broke out the government took complete control of the economy and seized its entire capital stock, foreign investments and all. Over the next decades a bloated state sector and onerous controls deprived British industry of the capital it needed to refit, and the country went into long-term economic decline. By the late 1970s, in consequence, Britain was being referred to as the new "sick man of Europe" and British living standards by the late 1970s were 30 percent lower than its European competitors' and half those in

the United States. By contrast, West Germany, which had suffered much more devastation in the war and the loss of most of its physical infrastructure, rebounded quickly under the free-market policies implemented by Konrad Adenauer and Ludwig Erhard from 1948, and soon rebuilt both its capital stock and its prosperity.

Another role model to avoid is Argentina, one of the world's wealthiest economies in 1930, with enormous foreign exchange reserves from wartime trading as late as 1945, which embarked on wildly extravagant schemes of corruption, nationalization, and income redistribution. Successive governments tried to restore Argentina's position—it was after all superbly endowed with resources and in the 1940s had a highly competitive education system—but without adequate access to capital were unable to do so. The result was progressive impoverishment, repeated debt defaults, and the country's descent into its present socialist squalor, in which even with high commodity prices it comes between Gabon and Libya in the global table of GDP per capita. This could well be the fate of a decapitalized United States if current policies persist.

What Can Be Done?

Radical reforms will be needed if U.S. living standards are to improve. Any reforms need to be based on a diagnosis of the underlying problems, however, and one of the most important of these is, quite simply, that U.S. policymakers place too much emphasis on the short term and fail to take adequate account of longer-term consequences. Nor should this be any surprise: the political environment in which they operate—the fact that they are accountable only over limited terms of office—encourages them to focus on the short term, so it is only to be expected that they would respond to such incentives. What happens after their watch is not their problem.

As far as monetary policy is concerned, these short-termist incentives create an inbuilt expansionary bias that has manifested itself in repeated asset price bubbles and now the prospect of renewed inflation. The solution is to create institutional barriers to contain this bias. The key is to reduce or eliminate the Fed's discretionary powers, putting a stop to those who would meddle with the short-term interest rate and so kill the asset bubble cycle at its root. Interest rates would then be higher (and more stable) than they have been over recent years, and thus provide a stronger incentive for saving.

One possible reform would be to "Volckerize" the Fed and give it a single overriding objective—price stability—and reform its institutional structure to protect its independence from the federal government. A far better reform—and a far more appropriate one given the Fed's dismal record since its founding—would be to abolish the Federal Reserve and anchor the dollar to a sound commodity standard. A natural choice would be a gold standard, with the currency issued by commercial banks but pegged to and redeemable in gold. Interest rates and the money supply would then no longer be determined by central bankers but by market forces subject to the discipline of the gold standard. An alternative anchor might be some broader commodity basket, which has the additional attraction of promising greater price-level stability than a gold standard .[8]

Yet monetary reform on its own will not be enough to reverse the destruction of U.S. capital. The federal government also needs to reform its own vast range of capital-destroying policies. Such reforms would include the following:[9]

- Government should stop meddling in the financial system. It should stop giving guarantees such as mortgage guarantees or deposit insurance guarantees, and it should implement measures to prevent future bailouts and abolish government-supported enterprises such as Fannie and Freddie, whose machinations have devastated the U.S. housing market.
- Reformers should acknowledge the tendency of government to grow and be excessively short-term focused, and push for a systematic program that will cut government back and limit any

[8]An example of such a scheme is the "almost ideal monetary rule' suggested by Dowd (1999). The idea is to create a monetary rule that stabilizes the CPI without the central bank having to buy and sell the CPI basket of goods and services itself, which would obviously not be feasible. Instead, the Fed creates a new form of CPI-based financial derivative that would be a perpetual American put option on the U.S. CPI, the term "American" here being used in the sense of standard options language to refer to an option with unrestricted early exercise rights. The Fed would then buy and sell these contracts on demand at a fixed price, and the system is so designed that its only zero-arbitrage equilibrium is one in which the expected change in the future CPI is zero, ensuring that the system delivers price-level stability. In our (preferred) free-banking version of the scheme, commercial banks would be allowed to issue dollar-money on this same basis, and the Fed could then be abolished.

[9]For more on these reform proposals, see Dowd and Hutchinson (2010).

future growth, the goal being to return the government back to the levels of the Coolidge administration (motto: "the business of America is business") in the 1920s.

- A range of tax reforms is needed to abolish tax-based incentives to borrow. Moreover, the government should remove tax penalties from saving, investing, and transferring capital between generations.
- Government should tackle major budget imbalances. This requires a major reversal of current expansionary fiscal policies.

The longer-term fiscal prospects for the United States are dire, but the good news is that most actuarial deficits are not so much hard and fast debt obligations as projections of what would happen if current policies persist, and there are obvious economies that can be made once the U.S. government finds the courage to tackle these problems. Moreover, recent political developments—in particular, the recent Congressional elections, the rise of the Tea Party movement, and increasing dissatisfaction with the Federal Reserve—suggest that the United States is at least beginning to move in the right direction.

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