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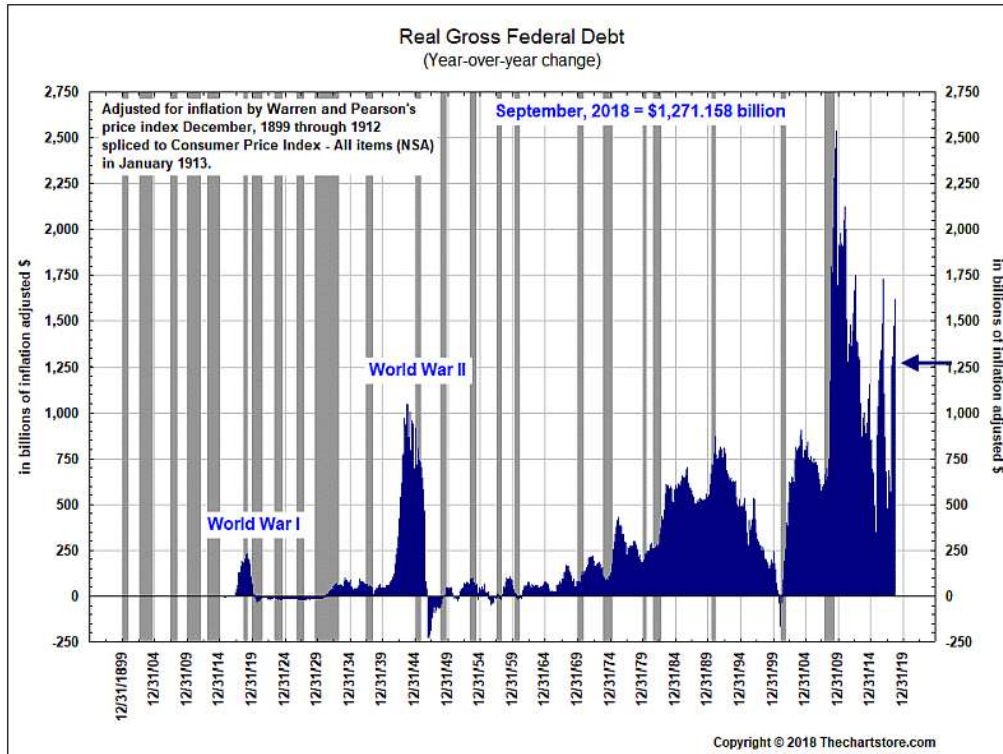
Extraordinary Confiscations by The State

The two ways the state aggrandizes itself is through raising taxation to levels that prompt protest. Ambition beyond these revenues has been funded through excessive debt issuance made easier to service through currency depreciation. Within the classical world, Rome enjoyed a relatively free economy until there was enough accumulated wealth to fund bureaucratic ambition – eventually without limitation or accountability. Rome turned into a murderous police state, which ruined the economy and the Empire, becoming a predatory bureaucracy, collapsed.

The next experiment in authoritarian government also thrived upon confiscated wealth with the bullion shipped from the New World. Beginning in 1500, bullion shipments eventually became the biggest “windfall” of wealth in history. But it was inadequate to unlimited ambition driving that experiment in authoritarian government, which over time corrupted the Church. Confiscatory taxation, debt issuance, currency depreciation and many defaults eventually finished Spain as the supreme power of the period. The consequent Great Reformation is best followed as it occurred in England beginning in the early 1600s.

Many are hoping that today’s US supremacy will fail and be replaced by a one-world government. Not going to happen. The experiment in authoritarian government has run for over a hundred years and is, at last, ripe for reform. The last successful popular uprising took down the Berlin Wall and Communism. No mean feat. Democrats and their rent-a-mobs, while now very menacing, are nothing compared the malevolence of communism at its peak of ambition. Just plain folks won then and in many countries they can again be successful.

The current great experiment in authoritarian government essentially began in 1900 and has continued. Employing the ancient forms of aggressive finance it would be tedious to repeat the mantra. But “funding through serial bubbles” comes to mind. The following chart reviews debt issuance in the senior economy. Which has become excessive. Perhaps excessive enough to ruin the economy, which would end the experiment. Notes below provide the reasons for the three extraordinary expansions. The 120-year chart provides perspective.



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- 1917 to 1918: To fund the defeat of a belligerent military dictatorship.
- 1942 to 1945: To fund the defeat of belligerent military dictatorships.
- 2008 to 2016: To fund the expansion of a belligerent welfare dictatorship.

Most know Bastiat through his classic description of the welfare state *“The great fiction whereby everyone tries to live at the expense of everyone else”*. However, a recent essay (August 29, 2012) on the philosopher at www.fee.org provides even more timely perspective.

Bastiat thought the modern bureaucratic and regulatory State of his day was based on a mixture of outright violence and coercion on the one hand, and trickery and fallacies (sophisms) on the other. The violence and coercion came from the taxes, tariffs, and regulations, which were imposed on taxpayers, traders, and producers; the ideological dimension that maintained the current class of plunderers came from a new set of “political” and “economic sophisms” that confused, misled, and tricked a new generation of “dupes” into supporting the system. The science of political economy, according to Bastiat, was to be the means by which the economic sophisms of the present would be exposed, rebutted, and finally overturned, thus depriving the current plundering class of its livelihood and power: “I have said enough to show that Political Economy has an obvious practical use. It is the flame that destroys this social disorder, Plunder, by unveiling Trickery and dissipating Error” (“Physiology of Plunder”).

Each inordinate bureaucratic predation has had a compelling banner. In Rome it was the “Genius of the Emperor”. Then it was the “Infallibility of the Pope”. Now it is the genius of policymaking which for a hundred years has boasted that the Fed would prevent recessions by preventing the financial setbacks that preceded contractions. There has been 18 recessions since the Fed opened its doors in that fateful January of 1914. “Managing” the economy has been an exercise in audacity in spinning belief rather than being practical.

Of course, the greatest audacity in history has been the ambition to “manage” the temperature of the nearest planet.

Both ambitions are subject to adjudication by Mother Nature as well as by the public which is becoming increasingly independently-minded.