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Government must rein in spending

By David Breuhan

A perfect storm has emerged as the Federal Reserve has reduced interest rates, injected hundreds of billions of dollars to relieve a solvency crisis, further weakening the currency in the process and increasing the cost of goods, oil and other commodities.

Transportation costs are rising, and shippers must pass on the costs. Dow Chemical raised prices by 20 percent, then announced another increase of 25 percent to combat the relentless rise of commodity prices. United Airlines is unable to make a profit.

Food prices are skyrocketing. As the Fed omits food and energy to measure core inflation, the realities of the marketplace are ignored for the convenience of classroom theory. Combined with the inflationary impact of a \$150 billion fiscal stimulus, prices are rising.

Manufacturing jobs have disappeared, but payrolls of government and public-sector jobs have increased.

Government must cut costs now, as inflation is a monetary phenomenon, and the government is simply creating too much money.

The federal government needs to initiate a hiring freeze at all levels, except for defense and public safety. Where possible, assets need to be sold to raise revenue. Governments need to begin layoffs, just as the private sector is doing. Officials must recognize that a gold price of over \$400 per ounce signals inflationary market expectations. Gold nearing \$1,000 per ounce warns of great danger.

The federal budget must be amended through a bill reducing expenditures in fiscal year 2009. A portion of FICA taxes, those funding Social Security, should be temporarily halted for six months, for both employers and employees. This 6.2 percent pay increase for individuals and businesses will lessen the burden through the end of the year, without having inflationary impact. The government reports that Social Security is still solvent and this temporary abatement would not weaken the currency or increase the national debt.

Longer term, the entire Federal Reserve system should be reviewed by Congress. Since 1913, we have witnessed the virtual destruction of the currency through guesswork and debauchery. Inflation has been the result, with the dollar now seriously in jeopardy of permanently losing its place as the world's reserve currency.

The Fed has failed at maintaining price stability. Congress must abolish the Federal Reserve's authorization to buy treasury securities. Short-term rates should be controlled by the market and gold should be recognized as a signal of inflation. Rather than adding to the Federal Reserve's tasks, as some are advocating, responsibilities should be removed.

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