

# NIA Responds To Harvard Economics Professor about Inflation

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*Note from Pastor Kevin Lea: It appears from the following article that we are on the precipice of economic collapse, which (when we are pushed over the edge) will affect the entire world. Some blame politicians, the Federal Reserve, Bankers, etc. Could it be that these are only symptoms, and that the real cause points to our turning away from the God of the Bible, His laws, and His Savior, Jesus? God's word prophesies that a people who turn away from His laws will become debtors to the extent of being destroyed as a nation. If we repent, then politicians, bankers etc. who fear God and His laws (like: Thou shall not covet, Thou shall not steal) will again be in power and allow us to prosper.*

*Deuteronomy 28:43-46 – The alien who is among you shall rise higher and higher above you, and you shall come down lower and lower. He shall lend to you, but you shall not lend to him; he shall be the head, and you shall be the tail. Moreover all these curses shall come upon you and pursue and overtake you, until you are destroyed, because you did not obey the voice of the Lord your God, to keep His commandments and His statutes which He commanded you. And they shall be upon you for a sign and a wonder, and on your descendants forever. (NKJV)*

The National Inflation Association (NIA) - <http://inflation.us> - today responded to an article Harvard economics professor Gregory Mankiw wrote in the NY Times yesterday entitled, "It's 2026, and the Debt Is Due." In this article, Mankiw gave a hypothetical Presidential address the President of the U.S. might make in the year 2026 after a failed bond auction. Mankiw's hypothetical Presidential address takes place in a scenario where in the year 2026, the U.S. Treasury "tried to auction its most recent issue of government bonds" but "almost no one was buying." According to Mankiw's hypothetical speech, during this 2026 crisis the President will admit, "The private market will lend us no more."

Unfortunately, Professor Mankiw fails to understand that the U.S. has zero chance of surviving until the year 2026. What Mankiw predicts will happen 15 years from now is already happening today right under his nose, but somehow he fails to realize it.

The public today has already stopped buying U.S. treasuries. The Pimco Total Return Fund, which was the largest private holder of U.S. government bonds, has just reduced their holdings down to zero. The private sector was buying 30% of U.S. treasuries, but today is no longer buying at all. The Federal Reserve is currently buying 70% of U.S. treasuries. If it wasn't for the Federal Reserve buying U.S. treasuries, we would already be experiencing failed bond auctions today.

According to Mankiw, the President will say in 2026, "Today, most of the large baby-boom generation is retired. They are no longer working and paying taxes, but they are eligible for the many government benefits we offer the elderly." The fact is, the last baby-boomer turned 46 years old in 2010 and 46 is the age in which the average American reaches peak consumer spending. Therefore, even though most baby-boomers might not be retired, baby-boomer spending is now in free-fall while baby-boomers are simultaneously signing up for entitlement programs at record pace. This will begin to affect our economy today, not 15 years from now.

Mankiw's hypothetical speech has the President admitting in 2026 that we "have to cut Social Security immediately, especially for higher-income beneficiaries. Social Security will still keep the elderly out of poverty, but just barely" and we "have to limit Medicare and Medicaid. These programs will still provide basic health care, but they will no longer cover many expensive treatments. Individuals will have to pay for these treatments on their own or, sadly, do without." The truth is, if the U.S. government cut 100% of all spending except for Social Security, Medicare, and Medicaid, we would still have a budget deficit

from these entitlement programs and interest payments on our debt alone. If the U.S. wants to prevent hyperinflation and survive until 2026, we need to make major cuts to these programs today. By 2026, it will be over a decade too late and these programs will no longer exist at all.

Mankiw's hypothetical 2026 Presidential address goes on to say that "over the last several years" the U.S. has experienced a "vicious circle of rising budget deficits" and "as the ratio of our debt to gross domestic product reached ever-higher levels, investors started getting nervous". Does Mankiw realize that the U.S. just reported a budget deficit for the month of February 2011 of \$222.5 billion, more than the entire fiscal year of 2007? In our opinion, our budget deficits can't rise much more viciously than what they already are today, without the U.S. experiencing an outbreak of hyperinflation. We need to begin sharply reducing our deficits immediately or else hyperinflation this decade is inevitable.

Our real debt to GDP ratio in the U.S. today is already north of 500% when you include unfunded liabilities for entitlement programs, as well as other commitments like the backing of Fannie Mae and Freddie Mac. It will simply be impossible for this figure to rise much higher without the U.S. experiencing hyperinflation. NIA believes that unless the U.S. government completely eliminated Social Security, Medicare, and Medicaid, there is no way the U.S. government will be able to stay afloat for another 15 years with such an unprecedented level of debt.

In 2026, Mankiw believes the President will admit that, "Our efforts to control health care costs have failed." He suggests the President will proclaim that, "We must now acknowledge that rising costs are driven largely by technological advances in saving lives. These advances are welcome, but they are expensive nonetheless." Does Professor Mankiw own a laptop computer, plasma TV, or mobile phone? These technologies are improving by leaps and bounds yet prices are falling. Technological advances are not driving health care costs higher! It is the government's involvement in the health care sector and their failure to allow the free market to operate that is driving health care costs through the roof.

Professor Mankiw believes the President will continue by saying, "We have to cut health insurance subsidies to middle-income families." NIA believes it is the very same subsidies Mankiw is referring to that are driving health care costs sky high. It is just like in the college education industry. If the government didn't provide subsidies for students to learn voodoo Keynesian economic theories from professors like Mankiw, college tuitions would be a lot more affordable.

To solve this supposed 2026 crisis, Mankiw believes the President will announce, "We will raise taxes on all but the poorest Americans. We will do this primarily by broadening the tax base, eliminating deductions for mortgage interest and state and local taxes. Employer-provided health insurance will hereafter be taxable compensation." Although NIA believes employer-provided health insurance should be taxable compensation because it would end the employer based health insurance system and make health insurance cheaper for all Americans, we believe it will be impossible for the government to raise any additional revenues from tax increases. We are at a point where any additional taxes will drive economic activity overseas and result in less tax receipts. When hyperinflation soon arrives, taxes will become irrelevant. The government will fund over 99% of its spending by printing money and less than 1% from taxation.

Mankiw also believes the President in 2026 will, "increase the gasoline tax by \$2 a gallon. This will not only increase revenue, but will also address various social ills, from global climate change to local traffic congestion." Come 2026, gasoline will probably cost \$20,000 per gallon, if we are lucky. An additional \$2 gasoline tax will be absolutely pointless and meaningless.

Mankiw suggests that the President in 2026 will, "secure from the I.M.F. a temporary line of credit to help us through this crisis." The I.M.F. recently sold a large percentage of its gold reserves and by 2026 will likely be broke. Even if the I.M.F. was still around 15 years from now and did provide the U.S. with a line of credit that helps it survive the crisis, the largest line of credit the I.M.F. could possibly

financially provide would only support a U.S. government that is less than 1/10 of its size today. Therefore, NIA believes the U.S. government should begin dramatically reducing its size immediately, before it is in need of a line of credit from the I.M.F.

It would be nice to think that the U.S. will be able to borrow and print money for another 15 years to fund endless budget deficits and that 2026 is some magical year when all of our debts will come due. The economy does not work this way and it is disgraceful that our nation's most prestigious ivy league schools are teaching such dangerous economic principles. Considering that a large percentage of our highest ranking government officials graduated from Harvard, it really explains a lot when you look at who is teaching economics at Harvard. Mankiw is the same professor who in April of 2009 called for the Federal Reserve to implement negative interest rates. Mankiw called for savers to be punished and for all Americans with \$100,000 in the bank to have only \$98,000 one year later.

It is the destructive Keynesian theories of economists like Mankiw that have gotten the U.S. economy into the dire situation it is in today. Mankiw and other professors like him are brainwashing American students into believing that forcing people to spend is the key to a healthy economy and the way to solve all economic problems is to create a lot of inflation. All across America, students are graduating colleges with hundreds of thousands of dollars in debt, no jobs, and no idea of how the economy actually works. They will spend the rest of their lives paying off their debts and trying to get the false economic information they were taught out of their heads. The college education system in America is the single largest fraud that exists today, and NIA is going to expose the truth about the government's conspiracy to turn American students into debt slaves in our next feature documentary, coming in April.

It is important to spread the word about NIA to as many people as possible, as quickly as possible, if you want America to survive hyperinflation. Please tell everybody you know to become members of NIA for free immediately at: <http://inflation.us>.