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Summers Speaks at CFR on Economic Policy

If Summers' lack of faith in the free market isn't revealing enough, he put the administration's position in a nutshell when he said its objective "is to protect the market system from its own excesses." He tried to soften this by adding that the administration does not want to supplant or replace markets, yet it all boiled down to an unconvincing denial that the administration was fostering bigger and more intrusive government.

Summers claimed that the president did not run for office to manage banks, car makers, or insurance companies; the administration was instead acting out of necessity, not choice, to avert unacceptable outcomes. He also stated that this intervention is designed to "go with, rather than against, the grain of the market system." While he maintained that the intervention is minimally intrusive and temporary, he foreshadowed just the opposite when he said that the Obama agenda is going to turn from crisis management to "crisis prevention through stronger regulation."

As a 20-year member of the Council on Foreign Relations, Summers definitely chose the right venue to make these stark declarations. The CFR has been around since 1921, and its roster of former and current members reads like a who's who of government and business. Though the group styles itself as an independent, nonpartisan think tank and publisher dedicated to creating a better understanding of America's foreign policy choices, it primarily focuses on promoting socialistic, international solutions to problems at the expense of U.S. national interests. Diehard members in high positions, like Summers, are notorious for carrying this to extremes.

It was thus surprising and refreshing to find that even a CFR official disagrees with Summers regarding Keynes. Forbes.com published on May 15 a piece by CFR Senior Fellow and Director of International Economics Benn Steil entitled "Why Keynes Was Wrong." The article is also reproduced on the CFR website. It assumes some knowledge of economics on the part of the reader and is not an exhaustive analysis, but its main point is that the Keynesian economic model — the one Summers is pushing — doesn't work: "In the long run, this almost certainly means crippling debt, inflation or both. But Keynes, of course, advised against thinking too much about the long run."

Bravo to Steil for pointing out that Americans *must* think about the long run before it's too late. For instance, the Competitive Enterprise Institute has just released figures showing the impact of federal regulation on the U.S. economy. Their *Ten Thousand Commandments* report for 2009 pointed out that "regulatory compliance costs hit $1.172 trillion in 2008," almost as much as the $1.2 trillion collected in individual income taxes. Obama and Summers want more: more rules, more regulations, more costs borne first by businesses and then passed on to consumers through higher prices.

The short view is believing that these regulations will solve a perceived current problem. The long view is recognizing that the regulations already in existence have been part of the problem, are now part of the problem, and will continue to be part of the problem if they are not reduced. Increasing this regulatory burden is absolutely out of the question.

Summers needs to add to his reflections the fact that federal regulations stole over $1 trillion from the economy last year, money that could have helped the market achieve balance by being saved, invested, put into research and development, used to pay off debt, or given to charities, among many other possibilities. America needs to be saved, not from market excesses, but from an excess of government.