



Written by [Bob Adelman](#) on November 5, 2010

## Restoring the American Dream

The incessant and never-ending drumbeat of bad news about the economy was deftly summarized here, which concluded that 16 new records had been set over the past 12 months, “and they are all bad.”

These records included:

- more than 100,000 homes were repossessed in September;
- 41 million Americans are on food stamps;
- 43 million are living in poverty;
- Sales of new homes in July declined to the lowest level ever recorded;
- Banks are holding an inventory of more than 1 million foreclosed homes; and
- 50 million Americans are now on Medicaid, the government program designed specifically to help the poor.



Attempts to analyze and then offer solutions for these problems are ubiquitous. One such analysis [from a German perspective](#), Spiegel Online, blamed the recession on Americans attempting to live beyond their means and encouraged to do so by loose lending standards, ample supplies of cheap money, and governmental pressure. The article quoted President George W. Bush: “Owning a home lies at the heart of the American dream.” And it was one of President Bill Clinton’s “goals of his presidency ... to create 8 million new homeowners.” By providing subsidies and tax benefits estimated to be worth about \$100 billion a year, millions jumped at the chance to buy a home they couldn’t afford in normal market conditions. Spiegel quoted a University of Chicago professor, Raghuram Rajari, who explained, “It was easy for people to get credit, and when home prices went up they felt rich, borrowed more money and spent it.”

And this worked for a while, until it stopped. Now that the ensuing and predictable real estate mortgage bubble has burst, Americans are “despondent, hopeless and pessimistic.” And this has led to the alleged rise of demagogues, hatred and rage such as that found “on television stations like Fox News,” as well as among the Tea Partiers.

The problems facing the economy, said Robert Reich, author of *Aftershock* and former Secretary of Labor under President Clinton, constitute a “perfect storm”: the rich keep getting richer, the government isn’t helping the poor, and there is a tiny upper class which controls most of the wealth. This results, he continues, “in an outbreak of isolationism, nativism and xenophobia.” A good example of this, says Spiegel, is the huge popularity of Dinesh D’Souza’s new book, *The Roots of Obama’s Rage*, the title of which, says Spiegel, “ought to be a joke.” Spiegel then defends the President:

It has been a long time since the United States has had such a level-headed president as Obama, a man who governs so dialectically and didactically, who spend[s] so much time listening, weighing options, and calmly arriving at his decisions.



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Spiegel finally gets to possible solutions: "One of the last hopes is the US Federal Reserve, *the same institution that helped maneuver the United States and the global economy into the crisis in the first place.*" (Emphasis added.) In the end, the only path out of the crisis leads through monetary policy [being implemented by the Fed]." Such policies as continuing to flood banks with newly created reserves have their risks, according to Spiegel:

More money means that the value of the dollar falls relative to other currencies. This is an advantage at first, because it makes exports cheaper and imports more expensive, making the US economy more competitive. But ... what happens if the world loses confidence in its reserve currency and unloads its dollar reserves onto the market? The resulting dollar crash could plunge the global economy into the next abyss.

Others have their doubts about monetary policy solving the current economic crisis. Spiegel quotes John Makin of the American Enterprise Institute: "We are in the drug trial phase of monetary policy. We have some very nice ideas, but no experience to show whether they work."

Spiegel Online leaves off where it started: a pretty clear idea of how the crisis began and who was behind it, but concluding that the answer lies with the institution that started it all: the Federal Reserve System. With sidebar rants about hatred and Fox News, and ingratiating praise for the President who promised fixes and failed, Spiegel, for all its global "perspective" offered little of substance to help.

However, when Lew Rockwell [wrote recently](#) about "The Killing and Reviving of the American Dream," he knew exactly where to start: "Economics isn't just about trade statistics, retail sales or GDP. It is the very pith of life." And the link to the current economic recession goes back to 1971 when President Nixon severed the last restraining chain of gold to the dollar.

This is the event that set up the explosion of government growth, of credit addiction across the population, of massive malinvestment in housing and many other sectors, of the gutting of American savings, and most seriously, of the loss of freedom.... Long term, our living standards have been eroded in fundamental ways that have a profound cultural effect....

What was once the American dream is turning into the American stasis. We are [living] not in a land of opportunity but a country of barriers, thickets, difficulties and struggles against artificially created potholes on the way toward success.

In every case, we can easily trace these trends to economic realities, which in turn are profoundly affected by government policy trends and monetary policy in particular. Monetary policy is truly the hidden hand behind the strangulation of the American dream. It is the secret force at work that erodes our living standards, funds the growth of the leviathan state, and makes every sector of economic life dependent upon rising debt.

But Rockwell isn't optimistic that recent gains by Republicans, fueled by Tea Partiers, in the midterm election are going to amount to much. He emphasized, "It isn't clear that ... these activists really understand that ending despotism will require a gutting not only of the current crop of state managers, but the entire apparatus of state management itself.... It is not enough to cut back or even end the welfare state; the imperial warfare state must also be dismantled."

Just how will such dismantling be accomplished? Rockwell explains it takes place first in the world of ideas. "What we are ... working toward [is] a dramatic sea change in the ideas that people hold toward freedom itself. It is in the realm of ideas, and not in the sector of political action, that the real battle is being waged."



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The greatest revolution since the [invention of movable type](#) and the Gutenberg Press in 1455 is the Internet. Says Rockwell, "In the last Great Depression, the Austrian school [of free-market economics] had a hard time getting the word out about an alternative way of looking at the causes and consequences of central management of money, banking, and economic life. This time around, we have access to a fantastic global communications machinery."

As a result ... the government plan to stimulate us to the point of death has not gone unchallenged. The Keynesian policy consensus in Washington and the academy is truly unraveling as never before. The entire rationale for government management of economic life is under a level of strain not seen in the whole of the 20th century.

Beneficiaries of the awakening of interest in the current battle for freedom versus slavery include not only Rockwell's website, [LewRockwell.com](#) (one of the most highly visible and heavily visited websites in this arena), but also [RedState.com](#), [Townhall.com](#), and [the Daily Bell](#), among many others, including this site.

The revolution currently under way, Rockwell reminds his readers,

is and will be fundamentally a philosophical one. Ideas remain our most potent weapon in the struggle between freedom and power. Ideas are the means by which the weak fight against the entrenched, the independent against the establishment, the free against the state.



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