

Reagan's 1981 America

Similar to that of 2009

President Ronald Reagan believed in small government and delivered some classic lines during his 8 year term. "The most terrifying words in the English language are: I'm from the government and I'm here to help." "Government's first duty is to protect the people, not run their lives." And probably his best line, "Governments view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it." I'm sure President Reagan would be pretty upset at what is going on today in this great nation of ours.

I revisited President Reagan's first inauguration speech given in 1981. America in 1981 was similar to America in 2009. Reagan had just defeated a very unpopular incumbent, in an electoral landslide and entered office in very tough economic time as President Obama has today. But Reagan delivered a much different speech than President Obama did last month.

Reagan said, "In this present crisis, government is not the solution to our problem. From time to time, we have been tempted to believe that society has become too complex to be managed by self-rule, that government by an elite group is superior to government for, by and of the people. But if no one among us is capable of governing himself, then who among us has the capacity to govern someone else? We are a nation that has a government-not the other way around. Our government has no power except that granted it by the people. It is time to check and reverse the growth of government which shows signs of having grown beyond the consent of the governed."

As our economic crisis worsens today, it seems our leaders have the opposite view and look to the government to solve their problems. Reagan's vision of a limited and smaller government has ended and this crisis has pulled us down a new path towards

Social Democracy. Webster defines Social Democracy as a democratic welfare state that incorporates both capitalistic and socialist practices. These new government programs and bail-outs along with the rules and regulations that go with them fit Webster's definition.

In the modern world, two countries are prime examples of Social Democracies, France and Great Britain. We recently read a great article in the British Sunday Times about how this Social Democracy has worked in England. This article points out that parts of the United Kingdom have become so heavily dependent on government spending that "the private sector is generating less than a third of the regional economy." The study has found that the government's share of output and expenditures "has now surged to more than 60 percent in some areas of England and over 70 percent elsewhere." And experts think this percentage will increase as the recession forces the Labour Government to create more government jobs to soak up unemployment.

"In the northeast of England, the state is expected to be responsible for 64.4 percent of the economy, up from 58.7 percent when a similar study was carried out four years ago. Across the whole of the U.K., 49 percent of the economy will consist of state spending, while in Wales, the figure will be 71.6 percent-up from 59 percent in 2004-5. Nowhere in mainland Britain comes close to Northern Ireland, where the state is responsible for 77.6 percent of spending. The state now looms far larger in many parts of Britain than it did in the former Soviet satellite states such as Hungary and Slovakia as they emerged from communism in the 1990's when state spending accounted for about 60 percent of their economies."

This is the model that America has now chosen. As government becomes bigger, it not only crowds out the phenomenon of the private sector but also suggests the non existence of entrepreneurial activity.

Small business and independent shops find it hard to compete with the massive capital, pricing power (most programs are free) and marketing of the state.

The question we pose is what happened us? Why do we have to go down this path at all? And has Social Democracy worked in England? Has all of this government involvement prevented them from imploding? Has it helped strengthen its currency (the Pound and Sterling are at 350 year lows)? Has it made them a dominant global economic force over the past 50 years?

28 years ago, Ronald Reagan said “It is no coincidence that our present troubles parallel and are proportionate to the intervention and intrusion in our lives that result from unnecessary and excessive growth of government.” Since 1980, US government’s involvement in America’s economy has grown substantially while our economic growth rate has slowed down considerably. According to the St Louis Federal Reserve, total government

expenditures as a percent of GDP has grown almost 25 percent since 1980. It will grow at a much faster rate over the next 8 years.

Reagan’s words ring hollow today as most Americans demand that government takes a bigger role in not only the economy but our everyday lives. They are becoming not only the first choice, but the only choice. This is a dangerous precedent.

Government does have some role to play. As Reagan said, government should “work with us, not over us, to stand by our side, not ride on our back. Government can and must provide opportunity, not smother it, foster productivity, not stifle it.

These are words we should all read again and again before we decide to let government control our existence. “Our government has no power except that granted by the people.” Let us, the people, retain that power over government and decide and dictate our own economic future.

Big Wave coaches traders, online investors and individuals. Through our coaching and trading seminars we develop trading systems to help you become a better trader. Workshops are held on a regular basis to teach you’re the ins and outs of trading. If you would like to learn more about trading workshops and private coaching, check out website at www.bigwaveadvisors.com or email me at dave@bigwaveadvisors.com or call at 630-682-5520.

Copyright © Big Wave Advisors Inc.

This message is intended only for the personal and confidential use of the designated recipient(s) named above. If you are not the intended recipient of this message you are hereby notified that any review, dissemination, distribution or copying of this message is strictly prohibited. Big Wave Advisors makes no representations or warranties that the information contained in this publication is suitable for the particular purposes of the subscriber or any other party. Big Wave Advisors assumes no responsibility or liability of any kind for the use of the information contained herein. This communication is for information purposes only and should not be regarded as an offer to sell or as a solicitation of an offer to buy any financial product, an official confirmation of any transaction, or as an official statement of Big Wave Advisors, Inc. Individuals or entities should consult their financial advisors and address their risk profile before acting on any financial research or commentary. Email transmission cannot be guaranteed to be secure or error-free. Therefore, we do not represent that this information is complete or accurate and it should not be relied upon as such. All information is subject to change without notice.