

Saul Shrugman on the New Economics



GOODING

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Were you hung over during those boring economics lectures back in undergraduate school? Maybe you were fantasizing about sex, or maybe you were just too preoccupied with other important aspects of your personal life to concern yourself with all those tedious graphs and curves and intersecting lines. Guns and butter? Puh-lease. Guns are for toothless hillbillies and surly militia types; and don't you know what butter does to your cholesterol? Let's talk about something *interesting* and *relevant*. Did anybody see *Jerzy Whores* last night? Let's spend a truly meaningful class period exchanging stories about our sex lives and discussing the "reality show" as a cultural phenomenon. Who wants to learn about boring stuff like economics when there's so much we can learn about each other and ourselves?

Maybe you're one of those sad plebian types who never had the luxury of a college education. You "work for a living," as the old saying goes, and therefore you're not really interested in trying to figure out how or why the supply and demand curves converge where they do on some silly graph. Opportunity cost? What's it worth to you? You can explain that one without ever setting foot on a college campus. If you don't get your butt out of bed in the morning and saunter off to your menial job, you'll have made your choice between paying the mortgage and joining the unemployment line. Do you need a college education to understand that?

So maybe you don't know the difference between GDP and GNP (one letter?), but it doesn't matter because all that stuff is passé anyway. Thanks to a phalanx of highly trained and

mutually sympathetic economists at some of our country's most well-endowed universities, that old "supply-side" stuff is about as relevant as last week's drink specials. Milton Friedman is dead, along with all those other once-revered dead white guys and their dead white-guy ideas. A new day has dawned, a new era has begun, a paradigm shift has occurred. Quick, give me another cliché to spout, another mindless platitude. They're the opiate of the people, you know.

All you need to know about economics you can learn from the modern master, the great Saul Shrugman. This guy is not just a hotshot Harvard professor, a Nobel laureate, no less; he's a columnist for the paper of record, and you don't earn that prestigious post by diddling with numbers in some musty corner of the library. You got to have some pi-zazz to get that kind of gig; you got to be known by the people who know.



Nobody knows like ol' Saul, they say. He won notoriety among his colleagues for his breakthrough theories of foreign trade. ("We sell them stuff; they sell us stuff.") But he won fame among the masses by penning gems for his favorite daily newspaper, the world's foremost provider of authoritative news. If money changes hands anywhere in the world, ol' Saul can explain the who's, the why's, the what's, and the wherefore's of the transaction. And then he'll write a column and explain why we poor simpletons *don't* understand them. Maybe you think you know something about finance just because you can pay

your bills every month and still put food on the table. But it takes a big Harvard brain to understand how money *really* works.

Let's listen in as ol' Saul schools a new generation of eager economic acolytes on modern economic realities. Maybe we'll learn something. As uncertain as times are—economically speaking—we could use some reassurance.

Shrugman: Let's review, people. Let me explain again why this “deficit” you've been hearing so much about is nothing to concern yourselves over. Now, the government has two kinds of expenditures, the Gottapays and the Begfors. The Gottapays consist of all those financial obligations the government has accumulated over the years and just absolutely has to pay. These are expenses that people expect and just absolutely won't live without. They pay for all those bedrock entitlements that are the hallmark of a progressive republic.

Student 1 [whose hand has just shot up]: Professor Shrugman?

Shrugman [impatiently]: Yes?

Student 1: Why does the government *have* to pay these obligations, Professor? Aren't they obligations to its own citizens? Can't the government just change its policies in the interest of reducing the national debt? Can't it cut spending if it needs to? You know—just to save future generations the pain of paying for present splurging? Can't it cut back even a little?

Shrugman [curtly]: It can. If it's interested in committing political suicide. You said yourself, these are obligations to its own citizens. And who does the voting? Not our undocumented visitors—at least not yet. Any politician who wants to incur the wrath of the Organization of Old Folks can deliver the happy news that those Social Security checks won't be in the mail next month—or if they are, they'll be smaller than previous checks. Or perhaps the politician would like to take on the National Association of Self-Serving Teachers of Youth instead? How would that be, hmm? Perhaps that politician would like to be the one to deliver the news that

those pensions are getting to be just a little too steep for the taxpayers' taste? You want those education professionals in the classroom or in the street? You want them smearing dyed grease on the whiteboard or human excrement on the hallowed halls of government? Go



ahead, pick your poison. Let's see if you ever get elected to the county board of commissioners, much less the U. S. Senate.

[Student 1 now properly chastened, the master surveys the room, searching for other potential dissidents. Seeing none, he proceeds with the lecture.]

Shrugman: Now the Begfors are the expenditures the senator or congressperson has to make to keep the folks back home happy. Give them that lint museum they want, for example. Or pay for that new habitat for the spotted tree slug. Maybe even fund some important new research on the mating habits of suburban teenagers. The Begfors pay for those pet projects that are immediately visible to the good folks back home. Those good folks back home are the ones that do the voting, remember. The Gottapays are the cake, but the Begfors are the frosting on the cake. And we just love our frosting, don't we?

[The master beams momentarily at the splendid analogy he has made. He recognizes that analogies are indispensable pedagogical tools.]

Student 2: Professor Shrugman? Professor Shrugman? [Doesn't wait to be acknowledged.] Is it really prudent to spend hard-earned tax dollars on a lint museum when the national debt is growing, the economy is shrinking, and

government spending continues to increase at a staggering rate?

Shrugman [a little snidely]: I knew your father back in undergraduate school. He's never worked hard for a dollar in his life. And that corporation he runs has been well taken care of by the folks who collect those hard-earned tax dollars. What would you rather do, pay a few extra tax dollars—and maybe kick in a campaign contribution once in a while—or have to be looking over your shoulder at the competition all the time? Those tax



dollars and campaign contributions ensure that your well-heeled father and his bloated corporation continue sailing merrily along. And if your father runs that bloated corporation into the ground, those tax dollars will be there to dig him out of the hole he's made for himself and send him and his company on their merry way again. So let's not hear any carping about taxes

from the likes of you. Not unless you want Big Papa and his slick corporation to have to compete with some Mom and Pop outfit from Alabama. Would you like that, hmm? Do you want to leave this glorious institution with a diploma in your hand and walk right into a six-figure salary and a life of luxury? Or would you rather have to work for a living? Hmm? What do you say to that? Perhaps you'd like to share your dorm room with some hayseed with a repulsive Southern accent? Have you thought about that? Maybe your old man can't keep up with that Mom and Pop outfit, and then it's *their* kid sitting in my classroom instead of his. Have you thought about that? Have you even for one moment considered *my* stake in all this? The next thing you know I've got some smelly hick sitting in the middle of the classroom munching cornpone or grits or collards—or whatever they eat down there. [Makes a face.] Have you thought about that? Have you thought for a moment about the

potentially disastrous long-term consequences of cutting taxes on people like poor papa and his giant money pit?

[The professor seems to catch himself mid-digression, as if suddenly remembering where he is. He pauses to compose himself and then pans the whole classroom again. Then his gaze settles back on Student 2.]

Shrugman [Sniffs.]: And as for that lint museum—well. Ask your father about *that* when you have the chance. It is the pet project of none other than Senator Turd Kennelworth, a man who has devoted his entire adult life to representing the citizens of this state and the public good in general. Ask your father about *him* when you have the chance. Your father was with the future senator and me back in undergraduate school, you know. I hope you don't need to be reminded of that. I know that *father* of yours shouldn't need to be reminded of it. [Seems to forget where he is again—momentarily—and speaks passionately but distractedly to nobody in particular.] Why, I held that great man's head in my hands when he was pouring out his very soul to the porcelain god one night. I held his head in my hands, and I knew—I knew even then the momentousness of that one paltry gesture. I knew what it represented. I knew then that it was my own destiny, and the destiny of this very nation, that I was holding in my hands. Symbolically, of course. I recognized even then the absolute need to protect such a noble lineage, to protect it at all costs. Up from nothing they came! [Gestures wildly.] Up from nothing to take their rightful place in the nation's aristocracy. I knew it! And I stood behind Senator Kennelworth, even later, when they were saying those terrible things about him. All right, so he had his vices. Can you even imagine what the good people of this great state would do without him? Hmm? Have you thought about that? Rest assured, you sniveling young ingrate, you pompous, pampered, puerile, pusillanimous pile of privileged poop—rest assured that *I* have thought about it. I have thought about it, and I know what it means. Perhaps one day, should you ever remove your head from your own rear end long enough to be enlightened—perhaps then you too will understand.

[The great master of modern economics pauses again, renews his effort to recover his composure. Again he seems to become aware of his own surroundings.]

Shrugman [apparently deciding that a change of tack in his teaching is due]: All right, class. Let us return our attention to that great whiz-bang theorist of 20th Century economics, to whom we are indebted for so much modern monetary wisdom. [Straightens his tie and tugs lightly at the cuffs of his shirtsleeves.] I am referring, of course, to Juan Menor Quens, who taught us what great dictum about how to stimulate a failing economy?

The entire class [in robotic unison]: “Print more money!”

Shrugman: That is correct. When there is not enough money to be found, consumption is flat, production is down, don’t just hem and haw around [Gestures to class.]

The entire class [in robotic unison]: Print more money!

Shrugman: When those tight-fisted businessmen won’t invest, nervous Nellies playing close to the vest, remember that we are still truly blessed, ‘cause we can

The entire class [in robotic unison]: Print more money!

Shrugman; Who needs the private sector anyway? Their job is to make wealth so we can take it away, so if those tightwads decide they don’t want to play, we’ll just

The entire class [in robotic unison]: Print more money!

Shrugman: So stop it with your worries about the money supply; it’s easy to make the green stuff multiply; just set those presses in motion and watch them fly as we

The entire class [in robotic unison]: Print more money!

Shrugman: Who cares if growth is real or fake? We’ve got so many people on the take, so don’t sit around and bellyache, let’s

The entire class [in robotic unison]: Print more money!

Shrugman: There's no reason to moan or fret; some poor sucker will always buy our debt. Why, our credit rating hasn't even been lowered yet, so let's

The entire class [in robotic unison]: Print more money!

Shrugman: Future generations may rue this day, but who cares about them anyway? Let Rome burn as long as Nero can play, and we can

The entire class [in robotic unison]: Print more money!

[This review of previously covered material, having taken on the exuberant character of a revival meeting, at least for Shrugman, seems on the point of swinging and swaying right on through the rest of the day, or at least the rest of the class period, but then a solitary arm shoots up in the air, and the professor, after ignoring it for an entire verse of the review, apparently determines that he can ignore it no longer.]

Shrugman [testily]: Yes?

Student 3 [tentatively]: Professor Shrugman? My parents own a small business in Arkansas. A restaurant. Well, now a small chain of restaurants. They started it fifteen years ago, when I was just a little girl. Why, I can still remember Mama waking me up at four-thirty every morning so we could open up the restaurant and start serving breakfast at five. [Begins to address the whole class, a number of whose members actually seem interested in the story.] Daddy had to keep his day job for the first few years until the restaurant was making enough money that we could survive on it. But through my parents' endless sacrifices and tireless efforts, that family business thrived. And in the last few years my parents have realized a sufficient return on their investment that they might actually consider themselves modestly affluent. Why, they were even able to send me here, to one of the most expensive diploma mills in the whole country—and without borrowing a cent! I'm the first member of our family ever to attend college. And all because of the ambition, the foresight, the determination,

and the perseverance of my wonderful parents, who gambled time and again (those new restaurants don't pay for themselves, you know) that they could make each new investment pay off, make all their years of hard work worth the effort, make their modest dreams come true. And now they find themselves paying more and more in taxes, paying more and more to meet increasing regulation—and all the while their money is worth less and less because you just keep making more of it! Where is the justice, Professor Shrugman? Where is the justice in any of this?

[Shrugman tries to wither her with the look he sends back her way. Of all the contemptible breeds of creature who come his way each semester, hers is the most contemptible. The spoiled progeny of great moneyed moguls mostly annoy him; the scholarship cases actually tug at his heart strings and tickle his fancy for revenge against the moneyed class (his own class); but these petit bourgeois types, these hardworking self-reliant types, these pull themselves up by their bootstraps types—why, they just *disgust* him. Who do these people think they are, anyway? Do they really think their little Mom and Pop venues—their pizza parlors and body shops and tire stores—do they really think those pathetic little ventures put them up in the same business class as the Armani-clad crowd in corporate America? Hell, most of these people have never even *been* to Manhattan, much less occupied prime office space on one of its magnificent corporate corridors. They wouldn't know uptown from downtown, most of them! Didn't Marx show particular scorn for the petit bourgeoisie? And we all know Marx was no dummy! In Shrugman's mind these small-business types represent far too large a share of the economy, for one simple reason: They don't know what they don't know, and that makes them dangerous. They think their meager money-making exploits actually amount to something. They think they've actually *achieved* something. But how many of these morons have ever seen an MBA, much less donned the robe to receive one? Let the world of finance be managed by those who have the proper academic training—not to mention the proper social and political beliefs—to manage it. Let the rubes go back to the sticks where they belong.]

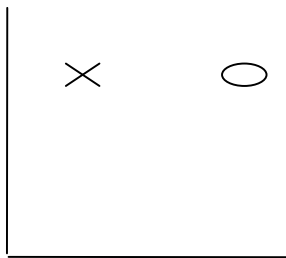


Shrugman: “Justice,”
girlie? You’re looking for
“justice”? Didn’t those
entrepreneurial parents of
yours ever tell you that life
isn’t fair? Justice is what
both you and they will
receive when you leave this
grand institution with a
diploma in your hand. You’ll
walk into a great career

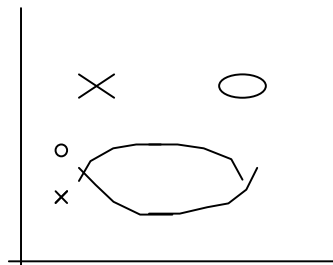
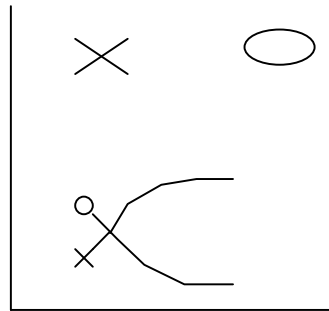
where you can climb right up the corporate ladder—once you figure out which butts to kiss—and you can visit Mom and Pop back in Mayberry at Christmas. Now sit down! [Pans the rest of the class to show that his sense of outrage is not merely to be inflicted on Student 3, however much she may deserve the brunt of his intellectual (and perhaps moral) condescension.] If I may *presume* to teach my own class again?

[Silence is the response. Shrugman composes himself yet again to continue.]

Shrugman: You will be wondering why the government’s financial obligations cannot be paid *solely* through higher taxation—by taking a greater share of that wealth which is already produced by the private sector, including [Pauses to glare briefly at Student 3 again.]—including those self-styled “entrepreneurs” out there. A fair question. [Although he has a computer and a full projection system at his disposal, he disdains them now for the “hands-on” approach of the grease board. Some teaching, Shrugman feels, is simply best done the “old-fashioned way.” He picks up the grease pen and begins writing on the board.] You will observe the graph I have drawn. Note that X denotes the tax rate while O denotes total tax revenues.

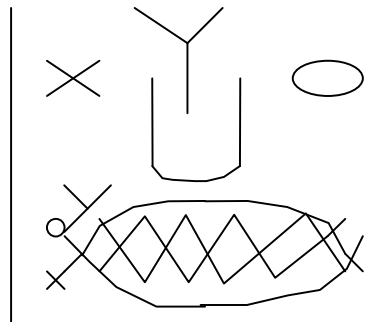


As we see in the graph, the relationship between X and O is perhaps not what we would expect. As the tax rate increases, revenues actually level off and then *decrease*. Conversely, as we decrease the tax rate, revenues begin to increase again. We call the graphic



representation of this phenomenon the Laughter Curve because it looks like the damn thing is *laughing* at us. And when we factor in the relationship between inflation, Y, and unemployment, U, we get this jaggedy thing that makes no sense whatsoever and

we call that the Phyllis Curve after my aunt from New Jersey, who doesn't make sense either, and now we have to throw the whole thing out because as you can see it's completely incomprehensible and has to be back engineered to tell us anything anyway, so all we're doing is inventing



explanations for the phenomena that confront us and how is that any different from squatting around a campfire telling stories about earth mothers and moon gods? All we can learn from the old economics is that it's complicated; it's really complicated. I'm starting to get a headache just thinking about it. Why would anybody study this stuff in the first place? That's what I'm wondering. You can't make sense of it—why bother to try? [He seems momentarily to be talking to himself again, rather than to his class—but then he remembers himself yet again and returns his attention to his young charges.] However, there is one thing that is *not* complicated, am I right? And what one thing is that?

The entire class [without enthusiasm]: Print more money?

Shrugman: That is correct! Perhaps there's hope for your generation after all.

Student 4 [with some trepidation, having witnessed the professor's scathing responses to earlier comments and questions from students]: Forgive my ignorance, Professor Shrugman.

Shrugman: I'll do my best.

Student 4: Yes, well—with all due respect, your economic philosophy seems a bit too . . . well . . . a bit too pat. It might even be viewed—by *skeptics*, mind you—as, well, a little simplistic.

Shrugman [steam blowing from both ears]: “Pat,” my petulant young pupil? “Simplistic,” my simpering young simpleton? Why, of course, I might expect such nonsense from the lesser minds of the world. It's not for nothing that I won that Nobel prize, you know. They don't just give that thing away, you know. It's not some kind of popularity contest, you know, no matter what you may have heard.



Student 4 [backpedaling]: Yes, Professor Shrugman. Of course, Professor Shrugman. It's just that—well, how can there be no consequences for continually printing money?

Shrugman: “Consequences”? It's consequences you want? Did I hear you correctly that consequences are what you're after? Well, I'll tell you about consequences. The consequence is that I've got a whole yacht-load of friends at some of the world's leading financial institutions, and those people have obligations too, you

know. Those private schools don't come cheap. *You* of all people should know that—as much as your old man's laid out for your education these last fifteen years. My friends need some cash to play with—or what are they supposed to tell their investors? That there's no money to be made out there? I don't *think* so. The consequence is that we've got a stock market that won't collapse as long as we have a government that's willing to churn money into empty investments and false promises. Is that enough of a “consequence” for you?

Student 4: Forgive me, Professor, please. It's just that—well, I always believed that debts needed to be repaid.

Shrugman [sympathetically]: Of course you did. That's the old economics talking again. So what are you afraid of? You think our creditors are going to come over here and repossess the Statue of Liberty or something? Is that what you're afraid of? You think they'll come and haul off Manhattan? Faneuil Hall? The Golden Gate Bridge? The Grand Canyon, for the love of all things monetary? What can they do to us, mister economic savant? You think they'll stop doing business with us, is that it? Not on your life, sonny. Not on your life. We may be the shadow of our former selves, productivity-wise, but we are still the best game in town, at least for the time being. They may carp; they may complain. But they will *not* stop buying our bonds. Not if they know what's good for them.

[Abruptly, a hand shoots up, the hand of a young economist who has just experienced an epiphany. Shrugman acknowledges it tiredly.]

Student 5: Professor Shrugman, Professor Shrugman, Professor Shrugman!

Shrugman: Out with it, already.

Student 5: I understand, Professor Shrugman! And I have an idea that will make everybody happy!

Shrugman: I can hardly wait.

Student 5: Since all we have to do is print more money to keep the economy moving, let's eliminate taxes altogether. Nobody will pay taxes for anything, and the government will still have all the money it needs! It's a win-win situation, Professor Shrugman! Everybody will be happy!

Shrugman [claps a hand to his forehead in consternation]: No, no, no! You know absolutely nothing about the new economics. Why am I wasting my breath? Are you people incapable of learning? Are your ignorance and stupidity terminal?

[Various students show sympathy for their classmate's suggestion and try to come to his aid. They can't understand why, given their visionary professor's answer to all economic questions, their government can't simply forego taxes altogether and print whatever money it requires to pay its expenses. They pelt him with questions in protest, but he shoos them all away.]

Shrugman: There's no hope for any of you. Leave me. Leave me. Go off to your frat parties and sorority affairs. Go sit on your barstools—or wherever it is you position yourselves to drink away your parents' money. Leave matters economic to those who are intellectually equipped to manage them. Go now. Go. And may God help us all!

