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Americans and Russians Both Love Fairy Tales

By Alexei Bayer

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If U.S. President Barack Obama loses on Nov. 6, it will be because of the economy. Or rather, because Americans have come to expect economic miracles.

There was a time when the Soviet Union had a monopoly on faith-based economics. Armed with Karl Marx's theory, Communists abolished private property and introduced rigid central planning, convinced that they would achieve miraculous results. For a time, it worked, as the Soviet Union developed an industrial base and produced machinery and armaments. But its miracle economy was unviable, and after hobbling along for several decades it finally collapsed in 1991.

But by then, the belief in economic miracles had taken root in the United States. A nation that once took pride in its realistic common sense embraced President Ronald Reagan's policies: low taxes, less government regulation and massive, deficit-financed military spending. In the 1980s, Reaganomics did produce strong growth, and since then it became America's holy

grail.

Under such policies, business did extremely well, and a super-rich class emerged, consisting of business elites, entrepreneurs and financial wizards. But the rest of the economy failed to benefit from the much-touted "trickle-down" effect. The middle class kept working more and earning less, while quality jobs disappeared and were replaced with sporadic service sector ones with few benefits. Quality education and medical care became increasingly out of reach for the average American.

People who believe that spectacular results can be achieved by some magic trick such as communist economic theory or supply-side economics tend to fall for financial schemes. After the collapse of the Soviet Union, Russia still hungered for economic miracles, and the entire country was caught up in the infamous MMM pyramid scheme. Americans were just as bad. They bought into the dot-com frenzy in the 1990s. Once that bubble burst, they began buying homes on cheap credit.

But while ordinary Americans were taking out junk mortgages, a far worse pyramid was being created by their government. Former U.S. President George W. Bush slashed taxes and started two wars without bothering to pay for any of it. The economy had a burst of growth, but then it all collapsed, creating trillion-dollar budget deficits, financed mostly by overseas borrowing, and destroying millions of half-cocked service-sector jobs overnight.

For the past four years, the U.S. economy has been in a holding pattern. It still doesn't collect enough taxes, relies on massive military spending and runs huge budget deficits. But Obama at least stabilized the collapsing economy, stopped job losses and didn't increase the deficit. He also brought the dreaming nation down to Earth by emphasizing real-life challenges facing U.S. economic policymakers. This is perhaps why he's now struggling to get re-elected. Victims of financial pyramids are never happy when such schemes are shut down. Some participants in the MMM pyramid scheme still blame the Russian government for ruining a good thing.

Republican presidential candidate Mitt Romney believes in supply-side economics and promises to do the economic miracle all over again. Many American voters seem inclined to trust him.

This is a very dangerous path, not only for the United States but for the rest of the world as well.

Russia, in particular, has been a key beneficiary of the U.S. miracle economy, which drove up oil prices and created a bubble in commodities markets. It stands to gain a lot if Romney succeeds in rebuilding the pyramid — and a lot to lose when it eventually crumbles.

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