

# Forbes

## Let's Be Serious, There's No Such Thing As A \$1 Trillion Coin

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October 10, 2021

When Cato Institute co-founder Ed Crane traveled to the Soviet Union in the early '80s, the visit brought clarity. Seeing the tragedy of communism up close; the wreck that the cities were, the sad site of hunched over, miserable people, he knew. He knew that the Left had misread communism near completely, as had the astrologists with PhDs who'd for the longest time crafted models indicating near economic parity between the U.S. economy and that of the Soviet Union. What a laugh. There was no economy to speak of in this country that quite literally smelled of failure.

Of course, Crane's criticism of the Left forty years ago wasn't an endorsement of the views held by a more hawkish, anti-communist Right. Their belief that the Soviets required an arms race to be broken was similarly bankrupt in Crane's mind. A country with no economy most certainly lacked the means to fight a war.

Crane's excellent essay on the now-defunct Soviet Union was required reading then, and it should be now. By both sides once again.

For background, thoroughly confused members of the Left are presently opining that an easy solution for President Biden on the matter of the debt ceiling would be for him to mint a trillion dollar coin. Presto. Debt limit evaded in concert with \$1 trillion in new spending power.

It all sounds so simple. For those who naively believe money is wealth, the easy answer to a lack of money is to create it.

Except that money isn't wealth. Money is an *effect* of wealth creation. We produce or provide goods, services, and labor with an eye on attaining commensurate goods, services, and labor for

our production. Money is merely an agreement about value among producers that we producers seek in return for our production. Since it's an agreed upon measure of value, there's subsequent "getting" when our work results in monetary compensation.

What's important about this is that absent production, there's quite simply no consumption. Consumption is what happens after production. It's the consequence.

Applied to the economic fantasizing of some on the Left, President Biden can in no way create \$1 trillion in spending power, or "new" demand. You can't print demand. Put another way, there's no such thing as a \$1 trillion coin.

More realistically, there's only production. With government, it has no resources. The false notion that is government demand or the fiction that is "government spending" isn't "government" as much as Joe Biden presides over a political entity that has arrogated to itself a percentage of the production of the most enterprising people on earth. Government's resource, it's "demand," is that it owns a piece of what we produce.

If anyone doubts this truth, they need only consider the old Soviet Union. Rubles were abundant in the country, which is the point. The citizenry of the U.S.S.R. was awash in rubles precisely because they weren't exchangeable for much of reasonable economic value. In other words, enormous Soviet savings denominated in rubles wasn't a sign of parsimony on the part of the people; rather it was a sign that the people were incredibly unproductive. When there's little economic freedom, and no reward for enterprise, production tends to be slight. And since it was, the Soviet people had living standards that were a tiny fraction of American living standards. Lest readers forget, consumption is what comes after production.

In the Soviet case, the people were paid in rubles for production that was desperately small. In fact there was a Soviet saying that vivified this truth: "They pretend to pay us and we pretend to work." When there's no work, money has no meaning. And certainly no exchangeability. Paradoxically, the surest sign the Soviets were so poor was that they were ruble rich.

Looked at modernly, imagine if Kim Jong Un were to mint a trillion Won coin. The act of doing so would be met with derision in much the way it would have been had Leonid Brezhnev issued one while he was the Soviet Union's General Secretary. Indeed, while economists had their ridiculous models showing Soviet economic strength, actual market signals reflect reality. The Soviets couldn't have issued a trillion ruble coin, and likely couldn't have issued in a billion ruble coin either. Such is life for economically collapsed countries. Governments can only "spend" insofar as they have a piece of real production. Again, spending is what happens after production.

In Biden's case, he has no spending power. No government does. Governments just have economic growth to extract from. Biden's \$1 trillion coin is American production. Real economic growth is what makes government spending possible. Assuming there were a constitutional way for Biden to mint \$1 trillion in spending, it would only be possible insofar as the 46th president extracted \$1 trillion in private sector production. Once again, without work money is meaningless. Which is why currencies tend to shrink to nothing when errant governments presume that they can print wealth.

At the same time, members of the Right shouldn't be so smug. Lest they forget, the cost of government has hardly shrunk under their leadership in modern times. Indeed, while conservatives pat themselves on the back for shrinking Biden's spending plans to the \$1 or \$2 trillion range, they leave out that the last budget President Clinton signed was \$1.8 trillion. Federal spending during President Trump's last year in office was something on the order of \$9 trillion.

The lesson seems to be that politicians exist to spend, and regardless of ideology. It's not about deficits, or surpluses, or the oft-stated bit of nonsense of what we as a nation can "afford;" rather it's about production. Government can print dollars, but it can't create demand. Only the private sector can. There's no government spending, nor are there \$1 trillion coins. There's just government waste of precious, privately created wealth.