October 7, 2011

Thinking About the "Occupy Wall Street" Protests

We view the "Occupy Wall Street" protests sweeping the United States as another example of the unrest that has erupted around the world this year as a result of the current monetary inflation and economic downturn. The unrest seems to be virtually everywhere, the U.S., Europe, China, Israel, and many Arab countries.

The specific grievances of the protesters vary significantly, but the underlying grievance is common globally: political leaders are not alleviating the consumer squeeze taking place today as a result of rising living costs and stagnating, or even, vanishing wages. This is manifested by calls for: toppling dictators for new democratic governments (that might have a better chance of succeeding), economic growth and higher wages, expanded social safety nets, or monetary reform. Of course, there are fringe groups such as animal rights protesters who have latched on to these massive demonstrations of anxiety. But these are the exception. Instead, the Occupy Wall Street protests and other such demonstrations are the voice of labor around the world demanding improved economic conditions.

We believe that the straw that broke the camel’s back and ignited the Occupy Wall Street rallies were: 1) the recent considerations by the Federal Reserve to re-initiate its inflationist, quantitative easing policies; and 2) the global, government-coordinated efforts to bail out European and even U.S. banks in the wake of the PIIGS sovereign debt crisis. The message American labor hears is: the U.S. economy is getting worse, our leaders will continue to inflate the dollar in a misguided effort to bail out the economy, which will only accelerate rising living costs, and banks could receive hundreds of billions of dollars in additional government support as opposed to the consumer. Of course, these protests will take place at the regional Fed banks and the Treasury.

The bottom-line is, if American labor does not experience improved economic growth soon, it will increasingly demand an expanded social safety net as the 2012 elections approach.

Democrats, from the party that traditionally represents labor, are generally saying that they are sympathetic to the protesters, and they will very likely step back from deficit reduction policies toward new spending programs. This could be a significant threat to Republicans who, when they champion austerity instead of growth, lose in the polls to Democrats.

Unfortunately, House Majority Leader Eric Cantor has called the protests "angry mobs." Mitt Romney said yesterday that the protests are "class warfare" and "dangerous."

Herman Cain said, "This is an attempt by the left to create a distraction from the failed policies of this administration."

So far, President Obama and the Democratic Party have pursued a class warfare strategy by, for example, proposing a millionaire tax to fund new spending. It has failed to produce a meaningful turnaround for them in the polls. If they, however, abandon the tax-hiking ideas while promoting the necessity of protecting and even expanding the social safety net, then the Republican Party, with its current strategy, will start to lose the large political lead it has today.

The best thing that Republicans could do right now is not view these protests as partisan, but rather as anti-establishment. Importantly, Ron Paul has described them as a reaction to the "deeply flawed" Keynesian policies, including a debasement of the dollar, which is biased against the poor and middle-class. Indeed, the rich, who have assets that inflate, are at a relative advantage today compared to the poor and middle-class who fall even farther behind in the pack and who have an even harder time making ends meet.

With Paul being on point, today's protests are an enormous political opportunity for him, just a few months before the start of the Republican primaries. It could even be an opportunity for Perry, who has been silent about the movement thus far, if he can find the anti-establishment message he had in August... Herman Cain must focus on how his 9-9-9 tax plan and sound money ideas (which are still unclear) will help to fix today's stagflation problem... And Mitt Romney needs to fire all the economic professors on his staff. His economic plan and response to "Occupy Wall Street" reflects a lot of what is wrong with the Republican Establishment, which does not aggressively seek a pro-growth agenda, nor realize the devastation that today's monetary chaos is creating.

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