

US Economic Conditions Scream ‘Buy Gold’

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An illustration of the US dollar linked to gold. (Illustration by The Epoch Times / Shutterstock)



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Commentary

The manufacturing and consumer confidence weaknesses of the United States are deeply concerning, particularly considering that all

those allegedly infallible Keynesian policies are being applied intensely.

Considering the insanity of deficit spending driven by entitlement programs, the decline in the headline University of Michigan consumer sentiment index in March—from 76.9 to 76.5—is even worse than expected. Let us remember that this index was at 101 in 2019 and has not recovered the brief bounce shown by the reopening effect in March 2021. Consumer confidence is still incredibly low, and a decline in the expectations index fully explains the most recent decline. Persistent inflation, high gas prices, and declining real wages may explain the poor expectations of the average citizen. Furthermore, this poor consumer confidence reading comes after poor control group retail sales last month.

No, this is not a strong economy. The consumer confidence index, labor participation, and unemployment-to-population ratios, as well as real wage growth, remain significantly below the pre-pandemic level, and this after \$6.3 trillion in new public debt that will likely reach \$8 trillion by the end of 2024.

The manufacturing weakness of the United States is also a problem because this should be a period of high growth, considering the opportunities generated all over the world. Industrial output bounced 0.8 percent in February, but the January figure was revised to a larger 1.1 percent slump. If we factor in the decline in the Empire State survey, to -20.9 in March, it looks like the manufacturing decline will persist.

The shape of the U.S. economy also reflects the impossibility of the soft-landing narrative. Inflation remains well above target, and bond yields are reflecting the reality of persistent inflation. Furthermore, money supply growth stopped declining months ago.

If the money supply rises and government spending continues to rise, the Federal Reserve will be unable to cut interest rates, and the impoverishment of citizens by a loss of purchasing power will continue.

This is the result of an insane fiscal policy that increases spending and taxes. Weak growth, manufacturing decline, and worsening consumer

confidence.

Demand-side policies and Keynesian experiments are leaving a once-strong economy on the same path as the eurozone: stagflation. A warning sign should be the fact that the increase in public debt completely justifies the gross domestic product recovery.

This is the problem of extraordinary monetary and fiscal experiments. Governments embrace massive spending and debt monetization under the premise that they will implement control policies if the warning signs appear, but when they do, they never stop spending. Economists close to the government said that the administration would reconsider and adjust its budget if inflation rose, and alarm bells rang. Now we have heard all the alarm bells, and the administration continues as if nothing happened. The Inflation Reduction Act became the Inflation Perpetuation Act; the rise in government borrowing is now evident in the 10- and 30-year curve; and the private sector is in an obvious contraction.

Trusting governments to moderate spending after an expenditure binge is simply an extremely dangerous bet that always ends with worse conditions for citizens. Once they start, they cannot stop, and the inevitable end is higher taxes, weaker growth, lower real wages, and a decline in the purchasing power of the dollar. All the figures in the U.S. economy scream “buy gold” because the government will always prefer to destroy the currency than to moderate the budget deficit and government size in the economy.

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