

# Opinion

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## EDITORIAL

# Public money & fossil fuel investing

Oregon has more than \$130 billion in state money invested. It's invested to make money for schools, for state retirement plans and more.

And some people want the state to pull its investments from fossil fuel companies and other companies deemed inappropriate or undesirable.

For instance, state money is invested indirectly in NSO Group through the state's investments in a private equity firm. Apple announced a few days ago it was suing the Israeli-based company because its Pegasus spyware is used to breach Apple products. Pegasus was allegedly used to gather information that led to human rights activists, journalists, business executives and others to be targeted. The Washington Post reported Pegasus was used to target phones connected to Jamal Khashoggi. He was the Saudi columnist who was killed in 2018 in the Saudi embassy in Istanbul. NSO has said it does not operate the software that its clients use.

Are you proud as an Oregonian your tax dollars are invested in fossil fuel companies and companies like NSO?

Perhaps not. But the state can't just pull its money out. As state Treasurer Tobias Read and other members of the state's investment council have pointed out, the overarching guidance and state law for the council's investments is "to make moneys as productive as possible." State law would need to be changed.

There's also been long-standing debate about the power of divestment. If it is done with the direct intention of financially wounding companies, it may not be that effective. Other investors may just scoop up the opportunity to buy in when some divest.

Divestment can, though, create or reinforce a stigma against certain kinds of businesses or business practices. That may have a more powerful long-term economic impact than just moving money around.

Divestment policy can get complicated. Who would decide what is an inappropriate investment? What would be the triggers? How often would that be updated? Oregonians are already facing an unfunded liability of more than \$20 billion in its state retirement system. If Oregon makes less money in those investments, the liability goes up. That would mean school districts in the state would have to pay even more money for retirement plans for their employees and less money on other school needs.

Divestment policy will make for good questions for the candidates for governor in 2022.

*Unsigned editorials are the opinion of the Baker City Herald. Columns, letters and cartoons on this page express the opinions of the authors and not necessarily that of the Baker City Herald.*



## Your views

### City should test water from new well for chemicals

Baker City has been under terrible management for a long time. Unethical, self-serving, incompetent? At times, I'd conclude all of the above but today it's the incompetence that bothers me. Look no further than the top of Hillcrest and the city's new "drinking-water well" to see the latest example of bad planning at the cost of millions of dollars. Who was city manager during the inception of this project?

Baker City's municipal golf course was first opened in about 1935. Therefore, the golf course ground has

undergone heavy chemical treatment for the past 85 years. By this time, I would suspect the groundwater below the golf course might glow or be carrying toxins that might cause cancer. The more we learn about glyphosate and other herbicides the more we are learning about the dangers of contaminated groundwater below golf courses. Research the topic on the internet and you'll find volumes of information.

Before going further into the most expensive phase of this project, the city should first test the groundwater. Specifically, the city should test for ni-

trates, nitrites, and what are referred to as "forever chemicals."

When the city climbed to the top of a hill to drill down another 500 feet below the base of that hill, to tap into a probable toxic-stew, someone with sense should have stepped in to stop them.

After writing the above letter-to-the-editor, I learned the state is going to test 17 water sites in Oregon and two sites in Baker County. I wonder if the new drinking-water well is one of the two sites to be tested.

**Brian Addison**  
Baker City

## OTHER VIEWS

# Build Back Better, and inflation

By **TRACY C. MILLER**

After working on it for several months, the House of Representatives recently passed the Build Back Better Act. Its status in the Senate is uncertain, but if enacted, it's expected to increase government spending by \$1.75 trillion over 10 years.

With the legislation's tax increases and tougher IRS enforcement, the Congressional Budget Office estimates a smaller, \$250 billion increase in the deficit. But if temporary and sunset provisions designed to keep the official cost down are eventually made permanent, as is likely with such things, the total could conceivably increase by as much as \$2.5 trillion over those 10 years.

Whether or not the sticker price is worth it, we must consider the hidden cost of inflation. President Biden claims that because of the benefits to American workers and their families, it would reduce inflation. But the more it adds to the national debt, the more inflation will rise.

Inflation is not directly caused by government deficit spending. It's the result of the money supply, which is controlled by the Federal Reserve, increasing faster than the output of goods and services. Since the beginning of the pandemic, there has been close to a one-to-one relationship between increases in government deficits and increases in the money supply.

Government deficits are funded by selling treasury bonds. If deficits are not too large, they can be funded by borrowing from the public and from foreign investors. But foreign investors have been

buying fewer U.S. government bonds in recent years, and U.S. investors have not increased their purchases of bonds as the deficit has increased. Thus, the only way for the federal government to sell the trillions of dollars of additional bonds required to fund our recent, rapid growth in government debt is for the Fed to buy those bonds. This is where the money supply increases.

We're already experiencing the highest rates of inflation in 30 years, and it can be blamed on the expansion of the money supply since the beginning of the pandemic. In 2020, the money supply increased by about 25%, and it continues to increase at close to a 13% annual rate in 2021.

As households spend more and more of the additional money they accumulated from the various stimulus programs over the last two years, prices will continue to increase. Unless, that is, the Fed reduces its purchases and instead raises the interest rate it pays on bank reserves. But large government deficits in the future would make it harder to reduce bond purchases and could increase political pressure on the Fed to keep interest rates low.

That's why the president's claims that the Build Back Better Act would reduce inflation is not based on sound economic analysis. In addition to its impact on deficits, some of the spending, such as the expanded child tax credit (CTC), is likely to discourage work. The original CTC, enacted as part of the Tax Cut and Jobs Act passed early in the Trump Administration, provided a benefit that increased with earned income. The expanded CTC reduces this

incentive because parents with little or no income receive the full amount of the credit as a check from the government. According to one estimate, it could reduce employment by 1.5 million. Anything that reduces employment would reduce output, which would raise price inflation further.

The most expensive item in the Build Back Better Act is a tax cut that will largely benefit those in the top 20% of the income distribution in high-tax states. Almost \$300 billion of the bill's estimated cost comes from increasing the cap on state and local taxes that can be deducted from one's federal income tax liability.

Rather than increasing deficit spending and restoring tax loopholes for the rich, why not focus on fully funding Social Security and Medicare benefits for retired Americans, since those programs' trust funds will soon run out of money? It's not exciting, but taxes earmarked for those programs no longer bring in enough to cover promised program benefits — which increase with inflation. Why not consider cutting spending or using revenue from proposed tax increases to cover those shortfalls? Reducing deficits would make it easier for the Fed to reduce the size of its bond portfolio and raise interest rates as necessary to bring inflation down.

Legislators must make these decisions, but let's be clear about the true costs.

*Tracy C. Miller is a senior policy research editor with the Mercatus Center at George Mason University.*

## CONTACT YOUR PUBLIC OFFICIALS

**President Joe Biden:** The White House, 1600 Pennsylvania Ave., Washington, D.C. 20500; 202-456-1111; to send comments, go to [www.whitehouse.gov](http://www.whitehouse.gov).

**U.S. Sen. Jeff Merkley:** D.C. office: 313 Hart Senate Office Building, U.S. Senate, Washington, D.C., 20510; 202-224-3753; fax 202-228-3997. Portland office: One World Trade Center, 121 S.W. Salmon St. Suite 1250, Portland, OR 97204; 503-326-3386; fax 503-326-2900. Baker City office, 1705 Main St., Suite 504, 541-278-1129; [merkley.senate.gov](mailto:merkley.senate.gov).

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**Oregon Gov. Kate Brown:** 254 State Capitol, Salem, OR 97310; 503-378-3111; [www.governor.oregon.gov](http://www.governor.oregon.gov).

**Oregon State Treasurer Tobias Read:** [oregon.treasurer@ost.state.or.us](mailto:oregon.treasurer@ost.state.or.us); 350 Winter St. NE, Suite 100, Salem OR 97301-3896; 503-378-4000.

**Oregon Attorney General Ellen F. Rosenblum:** Justice Building, Salem, OR 97301-4096; 503-378-4400.

**Oregon Legislature:** Legislative documents and information are available online at [www.leg.state.or.us](http://www.leg.state.or.us).

**State Sen. Lynn Findley (R-Ontario):** Salem office: 900 Court St. N.E., S-403, Salem, OR 97301; 503-986-1730. Email: [Sen.LynnFindley@oregonlegislature.gov](mailto:Sen.LynnFindley@oregonlegislature.gov)

**State Rep. Mark Owens (R-Crane):** Salem office: 900 Court St. N.E., H-475, Salem, OR 97301; 503-986-1460. Email: [Rep.MarkOwens@oregonlegislature.gov](mailto:Rep.MarkOwens@oregonlegislature.gov)

**Baker City Hall:** 1655 First Street, P.O. Box 650, Baker City, OR 97814; 541-523-6541; fax 541-524-2049. City Council meets the second and fourth Tuesdays at 7 p.m. in Council Chambers. Mayor

Kerry McQuisten, Councilors Jason Spriet, Shane Alderson, Joanna Dixon, Heather Sells and Johnny Waggoner Sr.

**Baker City administration:** 541-523-6541. Jonathan Cannon, city manager; Ty Duby, police chief; Sean Lee, fire chief; Michelle Owen, public works director.

**Baker County Commission:** Baker County Courthouse 1995 3rd St., Baker City, OR 97814; 541-523-8200. Meets the first and third Wednesdays at 9 a.m.; Bill Harvey (chair), Mark Bennett, Bruce Nichols.

**Baker County departments:** 541-523-8200. Travis Ash, sheriff; Noodle Perkins, roadmaster; Greg Baxter, district attorney; Alice Durflinger, county treasurer; Stefanie Kirby, county clerk; Kerry Savage, county assessor.

**Baker School District:** 2090 4th Street, Baker City, OR 97814; 541-524-2260; fax 541-524-2564. Superintendent: Mark Witty. Board meets the third Tuesday of the month at 6 p.m. Council Chambers, Baker City Hall, 1655 First St.; Andrew Bryan, Jessica Dougherty, Chris Hawkins, Travis Cook and Julie Huntington.