

The Problem That Can't Be Solved

Some problems have no solutions. In college I took a course in The Sociology of Social Problems. The problems seemed endless and the solutions few to none. One unsolvable problem is the Israeli-Palestinian conflict. No solution on any horizon. The Great Depression was another one, one in which nothing helped. In the modern economic world, the great Japanese economic bubble fueled by massive growth in real estate values, led to a collapse that has never turned around, and their sense of prosperity has never returned, resulting in a malaise in the deflated Japanese stock market for two decades.

Now the U.S. and European economies are in an inescapable conundrum. Their wealth of the last few decades has been based on conditions that no longer exist, except for one, and that one is massive government spending, -spending that was foolishly initiated during the good times when revenue was more plentiful. The situation has now reversed. Government has attempted to reverse the decline in consumer spending by "priming the pump" with replacement "stimulus" spending. But the pump refused to be primed. What's wrong? Why has this time been different from all the previous recessions that followed the 1930s?

It's because of a new paradigm, and that is the massive federal borrowing that's growing at an alarming rate like an aggressive form of cancer. The federal debt has now become the 800 pound gorilla that can't be ignored any longer. Many people are worried and afraid for the future, and so they limit their spending on indulgences and non-necessities. When is that going to stop? It's not.

There will be no return to the previous periods of prosperity because the circumstances that supported those periods are no longer present, and won't be returning. But many don't realize that that is the case because their thinking is still stuck in the past and doesn't take into account the real-world changes that have happened while they weren't paying attention. They fail to recognize that the world they once knew is gone. Instead they feel that the goal is to get it back even though it was all based on illusions.

Those illusions were of a prosperity that wasn't likely to end in the foreseeable future. The value of real estate continued to rise wonderfully. Loans were very affordable. Home equity could be used like a savings account. Stock prices continued to rise, though collapses scared many out of the market. But jobs were fairly secure, plentiful, and inflation was low.

But there were dark clouds gathering, clouds of higher costs for fuel, for health care, for college, two wars to pay for, and massive homeland security costs to fund, -as well as sky-rocketing consumer and student debt. Once the financial crisis went full-blown as the value of sub-prime real estate loans became an albatross around the necks of many banks, financial firms, and quasi-government loan organizations, credit and credit worthiness were about to totally freeze.

The government and Federal Reserve responded and disaster was averted. But when one comes too close to falling off a very high cliff, one does not forget it. And many people came close, and many people did fall off the cliff, in a sense, as their jobs disappeared, along with any prospect of finding another one equal to it.

Pundits and politicians are consulted and questioned about how to turn the economy around, and they spew a lot of twaddle about getting businesses to hire more people, as if they are responsible to create jobs that have been lost because there was no demand for the goods and ser-

VICES that became unwanted as consumers retrenched from the profligate indulgence spending that fueled the illusion of never-ending prosperity. When six millions jobs either vanish or are transferred to nations with more affordable labor, and less government regulation, the realistic take on that situation is that it's not going to magically be reversed. That street is one-way. Those jobs are not coming back.

What pundits and politicians want to see is a return to the faux prosperity of the bubble economy because that is the only kind of prosperity they know. They can't grasp that a stable economy and nation cannot be based on illusions that result in and from bubble levels of indulgence spending, -a behavior that eventually will decline leading to fear and unemployment.

They need to take a realistic look at the economic and psychological landscape and realize that we are in a "new normal", and that we are not going to return to the old normal, not as a nation, nor as an economy, nor as consumers. It's time to wake the heck up and smell the coffee. Stop dreaming and face reality. It's a dangerous world we live in these days, whether viewed from the perspective of financial crisis, -which is very, very deep and probably contagious, but also from a perspective of threats from nature.

The East coast of the United States recently dodged a bullet when a major hurricane lost strength before slamming into the densest population corridor in the nation. Next time we might not be so lucky, as in the cases of Katrina, and the Gulf oil platform disaster that contaminated the Gulf, as well as massive flooding in various heartland areas, along with devastating numbers of tornados. Such disasters, along with earthquakes, tsunamis, massive fires, and drought threaten our national economy every year. And the truth is that there are more threats, and even worse, where they came from.

So the prosperity of the past is a thing of the past, and the only way to reinflate the bubble economy that will once again tempt consumers to return to the malls and spend their earned, or borrowed money, is a change of atmosphere. The following conditions are needed to make that happen.

Ten things needed to restore consumer's willingness
and ability to indulge in indulgence spending:

1. Absence of major natural disasters
2. Absence of man-caused disasters like Sept. 11th.
3. Absence of the threat of world-wide financial chaos resulting from the European debt crisis.
4. Absence of fear of U.S. federal debt consequences
5. Reduction in the business-smothering interference of federal regulation
6. An improving housing market
7. An improving jobs market
8. An improving stock market
9. A moderate to inexpensive energy market
10. An increasing willingness to buy on credit

With the exception of the first two, those conditions are currently absent, and their return any time soon is not on the horizon, especially with so many jobs having been lost to China, Mexico, and automation -jobs which are not coming back.

It's been said that the U.S. has moved away from being primarily a manufacturing economy which sold to the rest of the world, to being a service economy (which now buys from the rest of the world) But it was the wealth resulting from those manufacturing jobs, as well as from harvesting natural materials, that made the service jobs possible. The service jobs mostly exist to pamper consumers and indulge their appetites, but if the consumer's job has been moved to China, then he/she won't be indulging in services that were previously affordable.

So what is the way forward to return to the prosperity of the recent past? There isn't one if we don't change business as usual in Washington. And changing that is like changing the course of a super-tanker. The only way to accelerate it is to "throw the bums out" and vote in people who see reality as it is, not as it once was but won't be again as long as they are in office and continuing the policies of spend-&-regulate (or fail to regulate) that got us into this mess.

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