

A new world with a new economy--or no world and no economy

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UHM

September 29, 2009

For the Industrial Relations Research Association, Hawaii Chapter

In the blurb I wrote to summarize my little talk today, I said:

Hawaii, and the world, is entering a new era of economic and labor relations.

From the end of World War II until 1980, America, like most industrial nations, was a kind of welfare state. Unions were strong, wages were fair, taxes were progressive, the gap between the richest and the poorest members of society not too great, and debt (national, corporate, and individual) modest and manageable.

Then from 1980 until 2008, America, Hawaii, and the world went on an economic rampage where all of those things were reversed. Unions were weakened, wages for workers stagnated, taxes were regressive, the gap between rich and poor widened massively (and in a way that resulted in a greater proportion of rich people than ever before, while the number of people in the middle and working classes declined), while debt--including individual debt--ballooned to unknown heights.

Until the balloon burst.

What will be the future of economic and labor relations in Hawaii and the US? Every effort is being made to restore the economic system of the 1980s and following. These efforts may be successful. But since the world faces novel challenges in energy, the environment, and governance, it is also highly likely that a new economic system will evolve.

Today, I will discuss some alternative economic and political futures for Hawaii and world, but first I need to find out what you guys think about the present and the immediate future?

1) Is the worst of the economic crisis over? Will things likely get better from now on so that the political economy of the immediate past will be restored, here in Hawaii and everywhere?

2) or is the crisis not over; are we just in a lull or an uptick in what is basically a long-term downward trajectory?

Which we believe and how we act on our beliefs is very important. Like all other unionized workplaces, the University of Hawaii is being threatened in entirely unique ways. Though UH--and the state--has been subject to many busts and a few bubbles in the past, what is happening now is without precedence. Thus, I need to be careful what my answer to my question is because my fate as well as that of one of the most magnificent institutions in Hawaii, if not in the world, is in jeopardy,

The current governor of our State (which my union twice supported for election), strikes me as a Palin wannabe and a local lame duck who may have no real interest in the future of Hawaii. Her current actions suggest that she is doing everything she can to enhance her national credentials by destroying organized labor, especially in the public sector here, as part of the general Republican/Libertarian plan to destroy the ability of all governments to govern so as to leave it all up to the entrepreneurial private sector.

And she is going about doing this in the way that always works with us here in Hawaii--but saying this is a temporary crisis that affects us all, and thus that we need to stop being selfish, and to sacrifice for the general good. If we do that, she says, then we can weather the storm, and all will be well again. But if we are not willing to give up wages, benefits, and time, then we are selfishly making things worse for everyone.

I am not sure she really believes the storm is temporary, but I feel fairly confident that she is primarily using it to destroy unions and to further cripple and discredit government--and it appears she will get away with it. How can anyone get a counter story out? Our newspapers have been stripped of reporters and editors and reduced to the four page penny-rags of two hundred plus years ago, while the news bureaus in our television stations have been "consolidated" and staffed with people even more afraid than print journalists to present truly contrasting views--not that anyone has been given any useful news on TV recently, or read any helpful news in the newspapers. If it bleeds or titillates, it not only leads, but it also fills up the entire time and space designated for news.

There are blogs, and tweets, and e-lists, of course, but none of those offer a counter analysis that has sufficiently wide readership to make a difference. And there is rightwing radio doing its thing stupendously well.

So, from my point of view, even if the crisis is temporary and the old system recovers, we still all lose big time.

But if, as I believe, we are in the early stages of a very long process of political, economic, and environmental transformation, then we need to focus on that, and determine how we can turn that transformation into a triumph and not the tragedy it will otherwise be.

Here is the story. When I began as a futurist here, many centuries ago, and began working with thousands of citizens to envision a better future for Hawaii, I joined with people like Jan Newhouse, Tony Hodges, Ira Rohter and others to point out that by the early 21st Century, the world and Hawaii would have serious population, energy, and

environmental problems. However, I differed from Jan, Tony, Ira and the rest, because I knew there were many potential high tech solutions to all of those problems. I assumed that if intelligent people here were made aware of the serious dangers ahead and shown magnificent ways of solving them, that they would of course embrace the solutions and avoid the dangers in a timely manner.

I also knew that those high tech marvels could, if properly aligned, transform Hawaii and the planet into a sustainable world of abundance and leisure--a world where artificial intelligences assisted humans so well, that humans would barely need to work at all--we would be free to play and pray, which is what most of us prefer to do.

What I naively did not know was that Hawaii and the world would choose to turn from being a secure, progressing, mildly-liberal welfare state possibly on its way to high tech transformation and abundance, into a neoconservative economic and social fantasy-world based on what was correctly identified by an early Republican opponent to it as "voodoo economics". The ideas supporting it were so preposterous and absurd that I could not believe that intelligent people would fall for them. But, through very clever manipulation of media content by the proponents, most people did.

We were sold that stunning bill of goods by a succession of skillful right wing futurists in the Hudson Institute, the Heritage Foundation, and, in the case of Bush the Lesser, by the New American Century Foundation, on the one hand, and by a group of economists hawking long-discredited theories on the other. Their basic aim was to rig taxes and debt instruments so as vastly to enrich a small fraction but still a large number of people, while destroying most of the middle and all of the working class, especially those organized into unions.

I considered the proposals to be so ludicrous that I could only laugh. But when I saw the Democratic Party here in Hawaii embrace those very same policies--ending progressive taxes and deregulating banking and lending--I was astonished, and protested as best I could but to no avail.

Our growth-only obsessed economy is so obviously unsustainable that I have been predicting a global economic depression for many years. Every time the stock market has taken a major header since the 1970s, I have thought this might be The Next Big One.

But no. The managers of the neoliberal economic system have so far been endlessly ingenious, and have come up with all sorts of debt-instruments that keep pushing the inevitable day of reckoning into the future. At some point it won't work, but, from their point of view, so far so good--for them, if not for most of the rest of us whose incomes have declined over the past 30 years while their unearned wealth has ballooned astronomically.

The way they have prevented economic collapse is by coming up with more and more clever ways to make Americans go into debt--nationally and personally.

Let me put this process into brief historical perspective by recalling that it was not the Keynesian policies of the New Deal that ended the decades-long Great Depression of the 1930s. WWII ended that depression. Economists, then and now, developed models of so-called "rational behavior" that have made it impossible for them to learn what is actually going on at the macroeconomic level. Thus they don't really know how to create and manage a sustainable economy. In spite of obfuscating mathematical models that win Nobel Prizes, they don't know any more about the real economy than so-called political scientists, like myself, know about real politics. The ignorance of political scientists is harmless, but the ignorance--and hubris--of economists is tragic because they have become the new priests of our current Dark Age who offer Wizard of Oz-like visions of endless wealth for everyone with no pain or strain to anyone.

So, after a brief but powerful explosion of pent up wealth and demand after the Second World War, when recession threatened again, policy-makers invented "The Cold War, Part One" (1950-1970), and began a now long-playing drama of ever-deepening national debt ostensibly to defend against an endless list of imaginary enemies, whereas the policies really are aimed at keeping the economy appearing to grow by going into debt. For long-standing ideological reasons, Americans will not permit deficit spending for social or environmental purposes, but will eagerly indebt themselves for anything that is called a "War against" something.

Then, when it looked like the economy was about grind to a halt with the first wave of automation and unemployment in the 60s, the economic policy-makers came up with consumer credit cards that now are the major way (other than shoplifting) by which most folks are able to participate in the economy. As a consequence, Americans have had what are euphemistically called "negative savings" for many decades so that they can acquire all the incredibly abundant goodies that tumble off of production lines, but can't afford--now or ever--because their wages are so low. Thus the economy is able to continue to appear to grow by fueling demand by advertising and then allowing acquisition of goods by debt piled endlessly on top of debt.

Wages are low; debt is high; workers are disciplined, and all is Right with the world.

When that was not enough at the end of the 1970s--remember the two oil crises and "stagflation"?--we renewed the "Cold War, Part Two" with the Soviet Union (1980-89) in order to allow the government to engage in even more massive deficit spending. And so the voodoo policies of Reaganomics transformed the US from being the number one creditor nation in the world in 1980 to being the number one debtor nation by 1983, where we remain, mired in debt ever deeper with each passing second.

It is important to understand that there was no security reason for the huge military expenditures that began under Reagan--the Soviet Union was not suddenly a new serious threat. To the contrary, the 1970s were a wonderful period of détente and cooperation between the US and the USSR in many ways. Reagan's renewed Cold War was entirely our way of getting unemployable youth off the street and under discipline, and keeping

our otherwise declining industrial base operating by producing weapons mainly for export.

And then there was the savings and loan bubble, crisis, and obscene bailout of the 1980s, when future President W and others made millions of dollars while destroying the lives of millions of small investors. The main lesson learned from that experience was that the government will always bail the big guys out and let the small guys suffer. We proudly privatize gains, but duplicitously socialize loses. It is plainly stupid to be cautious, efficient and responsible. Go for broke, because if you lose big enough the government will never let you be (broke). But if you live modestly and thriftily, the government will let you hang out to dry.

And so we had the dotcom bubble, crisis, and the invention of new, ever more fantastic debt instruments in order to keep the economy going.

But, after the first year of the reign of Bush the Unelected, a tiny group of discontents crashed airplanes into various American icons. He responded by proving once and for all that America is not the land of the free and the home of the brave who resolutely maintain "give me liberty or give me death" but that, to the contrary, we are craven cowards who are willing to give up our so-called "sacred liberties" at the sight of our own shadow while leaping eagerly into the bottomless debt-funded pit of an endless War on Terror.

Suddenly, everyone loved Big Brother, and wanted to be protected from and tattled on their neighbors. Overnight, privatization was out and government bureaucracy was in. The very first thing we did was to abolish private security agencies at airports and create the cumbersome TSA followed by the erection of as UnAmerican a named agency as I can possibly imagine: Homeland Security. When I first heard that name, I thought I had died and gone to Germany.

Meanwhile, with the help of interest-rate swaps, credit-default swaps, quant-funds, hedge-funds, derivatives, credit-derivatives, auction-rate securities, and collateralized debt obligations, vastly enabled by the MERS (the Mortgage Electronic Registration System that circumvented legally-required land-ownership registration procedures) and other such devices, a new real estate and stockmarket bubble hyperinflated and then spectacularly burst. The press called it the "subprime mortgage" scandal, as usual blaming the poor and poorly uninformed for damage caused by the very logic of the financial system itself.

http://www.nytimes.com/2009/09/27/business/27gret.html?_r=1&ref=business

America's response to that collapse, first with President Bush and then with equal glee by President Obama, has been to pour trillions of dollars (that are stolen from future generations rather than taxed from present generations) into the very same institutions, and often the very same people, who caused the most severe economic disaster since 1929.

And, in spite of a great deal of huffing and puffing--including in Pittsburgh recently--once again, absolutely no reforms have been made to the system that ruined the lives of millions of hardworking Americans. Indeed, the market in the same debt instruments that brought about the collapse is once again brisk, and, just as I feared, the gnomes of Wall Street are busily dreaming up new and even more scandalous debt instruments, among the most appalling being "securitized life settlements" which bundle together thousands of life insurance policies in the obscure and unstable manner analogous to other derivatives.

Moreover, in "addition to securitizing life settlements, some banks are repackaging their money-losing securities into higher-rated ones, called re-remics (re-securitization of real estate mortgage investment conduits). Morgan Stanley says at least \$30 billion in residential re-remics have been done this year."

http://www.nytimes.com/2009/09/06/business/06insurance.html?_r=1&th&emc=th

Thus it is absolutely clear that the global financial system is nothing but a gigantic Ponzi scheme whose roots go back to the late 1960s and early 70s when our economy was about to crash as production outstripped the ability of most of us to buy the super-abundant products, because wages were too low. The con game was kept going by inventing debt instruments that ultimately produced pain for the middle class and poor but avoided collapse of the system. Perhaps new debt instruments will successfully avoid collapse and transformation this time yet again.

But I am not so sure.

The reason is that so far I have only been focusing on the economy, and that has been our major problem for the past 30 years. We have made the same mistake the communists did. We have allowed our economic follies and fantasies to blind us to environmental, energy, and social realities that are vastly more urgent and important.

If we only focus on the small number of variables that economists tell us are important, we may indeed conclude, as so many economists are concluding, that the recession is about over and all will soon be well. So suffer a little now, stay the course, and good times, for some, will return.

As you may know, over the last several years, I have been going around town telling anyone who will listen that Jan, Ira and Tony and that gang were right and that I was wrong. Though warned accurately and clearly long ago, decision-makers ignored the warnings, and so now we are all going to have to deal with the things we were warned against. Indeed, Ira and I teamed up two years ago to give joint talks around town about this. I was very angry with him when he decided to die without any warning at all a few months ago. I really need his continuing perspective on things, and now he is suddenly and selfishly gone. Perhaps I should join him.

The phrase I have been using to describe the challenges I believe we must focus on is, "The unholy trinity, plus one."

Now, before I explain what the unholy trinity is, let me say that my message is one of hope and vision. It is NOT one of doom and gloom. I want us to work together to make the best possible Hawaii we can out of the forces of the unholy trinity. If we don't, then things could become very, very gloomy indeed. But I hope I can convince people, such as you, who care about Hawaii and the future of Hawaii, to look for yourselves at the facts I present, and help shape them into a desirable future for us all.

That is why I have been talking to civic clubs, churches, business groups, nonprofits, Hawaiian activists, and now you--people who care about Hawaii and the working people of Hawaii, and don't just see Hawaii as a place to exploit and move on like so many of the so-called economic developers do. My family and I are here to stay no matter what the future of Hawaii is, and I imagine that is true for most of you. Thus it is essential we look ahead honestly, and do the best with what we see before us.

So what is this Unholy Trinity?

First of all I use that phrase because, like the Holy Trinity of Christianity, it is three things that are often considered to be separate, but are actually one. Economists focus on the economy, and other people focus on other things, but few people focus on all three, which is what we all must do.

The first person of the Unholy Trinity is:

1. The end of cheap and abundant oil before any equivalent replacement takes over. This is the so-called "Peak Oil" issue--the fact that we have used up half of all the oil in the ground in little over 100 years, even though demand was comparatively small then. As a consequence, the remaining oil will get more and more expensive and scarce as global demand increases.

Some of us here in Hawaii are slowly coming to realize how totally dependent we are on oil for everything. And yet, the era of cheap and abundant oil may be over before we will be able to transit to other energy bases. Oil will become more and more scarce and expensive from now on. Even though the sky-high prices of a year or so ago are now lowered, and while new oil fields are announced daily, and while demand is now currently down because of the global recession, the long-run facts of peak oil cannot be denied. And yet, most of us are still in ignorance or denial of them.

Many energy solutions exist in principle, but none are nearly ready to take over from oil. I thought 30 years ago that warning people about this would cause us to use the time from then to now to transit smoothly from oil to something else. We did have a brief spurt of energy innovation here in Hawaii in the late 1970s, and then gave up when the rigged economy made oil appear to be cheap again. So oil almost certainly will get more and more expensive and then in effect "run out" for us. A gap of uncertain duration may exist before other energy forms take over and fuel us once again. That gap may last forever if we continue to delay.

This will be a disaster for Hawaii if the situation is not urgently and effectively addressed. Tourism, of course, but also our own travel, may end. All the food we eat and materials we consume are dependent on plentiful cheap oil to bring them to us. We here must become as energy- and food- self-sufficient as possible as quickly as possible. Among other things, that means preserving current ag land and not turning them into housing and other construction no matter how badly certain unions say they need those jobs. There are many other things that need to be constructed, maintained, and repaired that can make up the loss. We must begin to provide enough food to sustain us all here before the crisis hits. And yet everyday we become less and less able to feed and otherwise sustain ourselves by our own resources here.

When considering energy solutions, a fundamental fact often overlooked is that of *Net Energy*--it takes money, time and energy to create new energy sources. We must get more energy out than we put in. Remember that when you hear of marvelous solutions to our energy problems. So far nothing is close to being net-energy producing, and while we are making some efforts locally, we are still losing ground.

2. The second person of the unholy trinity are all the environmental challenges we have known about for so long, but ignored.

The focus of life globally will have to switch from the production and consumption of goods to addressing long-neglected--and exacerbated--environmental issues such as global population growth and local population decline; global and local climate change; sea level rise; severe water shortages; new and renewed diseases; environmental refugees, and more. These all will very seriously impact us here.

Once again, we were warned about all of this 30 years ago, but ignored the warning. Now it is too late to prevent environmental transformation. It is happening and can't be stopped. It will take a lot of money, time, energy, intelligence, and luck to address these looming issues. We should start doing so now with extreme urgency. And we are not. We are wasting valuable time continuing to argue about something we should have begun to address thirty years ago when the problems were less urgent and more tractable. We are trying to revive our old economy by making people into even more mindless consumers rather than by becoming wise and efficient conservers.

As the Australian Commission on the Futures said many years ago about sea-level rise:

If we act as if it matters, and it doesn't matter, then it doesn't matter.
But if we act as if it doesn't matter, and it matters, then it matters.

3. The Third Person of the Unholy Trinity is the collapse of the global economic system that I have already discussed. Creating a new, real economy here in Hawaii based on conservation and human welfare and not on blind continual growth is an urgent necessity. It is here that unions and other workers play a vital role. Never have unions been more important than they are now and will increasingly be. But they need to understand it is not business as usual for them, or for anyone else, from now on. Labor needs to become

very actively involved in envisioning and creating a new, real, sustainable economy in a sustainable environment, in light of the unholy trinity.

Now, I said I call this perspective the unholy trinity plus one, so *what is the plus one?*

The plus one is the fact that government--national and local--can not help us solve our problems.

Government can't help because of 30 years of bad-mouthing, downsizing, privatizing, outsourcing, and tax-starving--each of which was intended to drive nails into the coffin of effective government.

Stupendously massive and extrapolating debt is the final nail. Please understand that the huge national debt was incurred on purpose. It is not an unfortunate consequence of certain policies. It is the INTENT of those policies.

We drove government and ourselves deeper and deeper into debt not so much to solve real problems but rather to make it harder and harder for people to act collectively through government in the future at all. The intent has been to destroy effect government and to leave everything up to private and not public forces--what Naomi Klein calls the "Disaster Capitalism" of such profiteers as Blackwater, Battell, Halliburton, et al.

And the policy has worked. The US has become something new under the sun: a Strong Nation with a Weak State. While Americans remain fundamentalistically loyal to the symbols of the American nation--the Flag and the Constitution especially--we hate government, politicians, and civil servants, and have now made it impossible for any governmental policies to be made or to be administered that will effectively address any of the unholy trinity--or anything else. Obama's inability to get needed legislation on health care, and our State legislature's inability to increase taxes so as to provide public services that everyone wants and deserves--in spite of overwhelming majorities in both cases--are two cases in point.

This division between a strong nation and weak state is unsustainable, and if the economy does not recover and if oil does rise in price and decline in supply while the seas rise and the climate alters, it is possible things could get very nasty indeed in Hawaii and throughout all of America. The fact that a census worker was killed and hung in Kentucky may be a sign of very horrible things to come.

So I think it matters whether you think the recession is about over and good times are returning, or whether you feel, as I do, that we are faced with unprecedented long-run challenges that we must and can address positively, collectively, and quickly, or some very bad times could be in store for us all.

You and I did not profit from any of the previous bubbles. Nor did we cause the current collapse of the economic system. But all of us suffer because of it and now all of us

(instead of those who profited from and caused it), are unfairly being made to pay for it. That may be a harbinger of far worse things to come.

Of course I could be wrong. It might be that the economic crisis is temporary, oil is plentiful and cheap, the seas will not rise, the tourists will keep coming, and the bright neocon world is the everlasting marvel of the ages.

I don't think so. How about you?

Thank you.