

A Chronicle of the Age of Consequences

Chapter 11 State of the Union

“Values have shrunken to fantastic levels; taxes have risen; our ability to pay has fallen; government of all kinds is faced by serious curtailment of income; the means of exchange are frozen in the currents of trade; the withered leaves of industrial enterprise lie on every side; farmers find no markets for their produce; the savings of many years in thousands of families are gone...”

“There must be an end to a conduct in banking and in business which too often has given to a sacred trust the likeness of callous and selfish wrongdoing. Small wonder that confidence languishes, for it thrives only on honesty, on honor, on the sacredness of obligations, on faithful protection, on unselfish performance; without them it cannot live.”

“Happiness lies not in the mere possession of money; it lies in the joy of achievement, in the thrill of creative effort...when there is no vision the people perish...”

“...the only thing we have to fear is fear itself.”

Excerpts from Franklin Delano Roosevelt’s State of the Union address, March 3, 1933.

The state of the Union today is unsettled.

The immediate source of our unease is the economic and emotional impact of the financial atomic blast of 9/15, which continues to spread around the nation like radioactive fallout. On the numbers front, economists say we are witnessing the greatest destruction of wealth in U.S. history. The stock market continues to swoon (in only thirteen months all the gains investors made in the bull market run of the past eight years have been completely wiped out). In the 4th quarter of 2008, the economy shrank the most since 1982. Consumer spending over the last two quarters took the worst dive since World War II. Millions of people have lost their jobs and unemployment may hit 10% by early next year.

It’s more than numbers, though. It’s something much bigger.

I believe that 9/15 not only marks the commencement of the current crisis, *it marks the end of the Fiesta* – the sixty-year party that has come to define our economy, our culture, our very way-of-life in this nation. It blew itself out with a bacchanalian orgy of greed, duplicity, arrogance, and great jokes by late-night comedians. The Fiesta is over. Let the Hangover begin.

It’s just a theory – only time will tell if it’s accurate or not. But I know this for certain: many powerful forces will work hard to convince us that the Fiesta continues. Party on, they will tell us. Have another drink. Turn up the music. Keep dancing. How the public responds to this come-on will tell us a great deal of the future course of events, in my opinion. If the American people want to keep dancing and drinking, then a certain sequence of events will unfold. If they want to sober up (and the current spike in savings rates suggests they are considering it), then we’ll head down a different path. It’s a critical fork in the road – and a difficult decision too, especially because we can’t see very far down either path.

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The end-of-the-Fiesta is not just my theory. In a column published on December 31st, business journalist Robert Samuelson says this about the current crisis: “It’s the end of an era. We know that 2008, much like 1932 or 1980, marks a dividing line for the American economy and society. But what lies on the other side is hazy at best.”

Adding to the uncertainty, writes Samuelson, is a frightening fact: everyone was wrong. The risk posed to the economy by subprime mortgages was supposed to be small. Wrong. Home values wouldn’t drop. Wrong. Banks couldn’t fail. Wrong. Credit wasn’t supposed to dry up. Consumers wouldn’t stop consuming. Globalization would cushion any economic downturn... Wrong. Wrong. Wrong.

“What will emerge from these shattered illusions?” Samuelson asks. “Will the crash stir social unrest, abroad if not here? Will Americans become so thrifty that they hamper recovery? Will economic nationalism surge? Much depends on whether the frantic policies to combat the recession succeed. Probably they will, but there are no guarantees. Our ignorance is humbling.”

Indeed. No wonder we’re feeling unsettled.

Another observer, the ever trenchant Jim Kunstler, worries that the public will be all-too-eager to be duped by their leaders again (his forecast for 2008, by the way, was right on the money: “I can’t imagine any scenario in which the U.S. economy doesn’t end up on a gurney in history’s emergency room,” he wrote). Once the current recession is over, he believes, we will eagerly try to recreate 1999, replete with easy mortgages, blue-light-specials, shopping on credit cards, and endless happy motoring.

“The political theater of the moment is...focused on the illusion that we can find new ways of keeping the old ways going,” he writes on his weekly blog. “Many observers have noted lately how passive the American public is in the face of their dreadful accelerating losses. It’s a tragic mistake to tell them that they can have it all back again...Not only will they discover the impossibility of getting back to where they were, but they will see the panicked actions of Washington drive what remains of our capital resources down a rat hole.”

According to Kunstler, Americans need to leave their fantasy-based world behind and enter a reality-based one – a world in which we are guided again by a sense of purpose and history, with modest expectations and old-fashioned habits of delayed gratification and impulse control. It’s not so far-fetched. There is a great deal of raw material across this nation, he argues, waiting to be shaped into something useful and productive again.

“Many Americans of good will stand ready to face reality,” he writes, “to roll up our sleeves, ditch the video games and the Nascar and the microwaved cheese treats and the internet porn and all the other noxious, narcolepsy-inducing distractions of our time, and put our shoulders to the wheel to haul this nation into a plausible future.”

The key will be leadership. But on this score, some commentators are not sanguine. For example, in his book *The Limits of Power* (published before 9/15), professor Andrew Bacevich opines that

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the “American grand strategy since the era of Ronald Reagan, and especially throughout the era of George W. Bush, has been characterized by attempts to wish reality away.”

Policy makers, he argues, have been engaged in a de facto Ponzi scheme intended to extend indefinitely the American line of credit. To this end, leaders have engaged America in a wide variety of foreign and domestic ‘adventures’ designed to keep this line of credit open, including the current war in Iraq.

“For the United States the pursuit of freedom, as defined in an age of consumerism,” Bacevich writes, “has induced a condition of dependence – on imported goods, on imported oil, and on credit. The chief desire of the American people, whether they admit it or not, is that nothing should disrupt their access to those goods, that oil, and that credit. The chief aim of the U.S. government is to satisfy that desire...”

Take, for example, last summer’s \$4-a-gallon gasoline. The public outcry was so loud that politicians in Washington, led by Democrats in Congress, began dismantling obstacles that stood between the American driver and new sources of domestic oil, including a decades-old prohibition on sea exploration in the Outer Continental Shelf. Republicans, for their part, did little more than chant “Drill, baby, drill!”

And our unease grew.

Another observer, novelist Barbara Kingsolver, sees a different key to our future: wisdom. During a commencement address last spring at Duke University, she had this not-so-tongue-in-cheek advice for students: “Quit smoking and observe posted speed limits. This will improve your odds of getting old enough to be wise.”

We need wisdom because we’ve become, as she put it, a bizarrely globalized people in which the extravagant excesses of one culture wash up as famine or flood on the shores of another. We need wisdom because our planet is collapsing under the weight of our productivity – our climate, our oceans, migratory paths, things we believed were independent of human affairs.

We were wrong, she told the graduates. Nature cannot be managed independent of human affairs after all. “Our paradigm has met its match,” she said.

“We raised you on a lie,” she continued. “Everything you plug in, turn on or drive, the out-of-season foods you eat, the music in your ears. We gave you this world and promised you could keep it running on *a fossil substance*....This will be the central question of your adult life: how to escape the wild rumpus of carbon-fuel dependency in the nick of time.”

This will be a difficult thing to accomplish, of course. But doing difficult jobs is not unprecedented in American history. “We abolished slavery,” she reminded her audience. “We granted universal suffrage. We have done hard things before.”

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But this means taking the fork in the road less traveled, which won't be an easy decision for most Americans. In an essay for *Time* magazine titled "The End of Excess," Kurt Andersen explains why: our nation has been saturated from the top down by an ideology of profligacy.

The trouble began in 1980, he writes, when "we began to think magically." That's when our culture and economy of excess began its steady rise. By the end of 2007, he notes, the median price of a new house had quadrupled; the Dow had climbed from 800 to 14,165; the share of disposable income in each household spent servicing debt climbed 35%; saving dropped from 11% to less than zero; casinos and gambling became a growth industry; the size of an average house increased by half; and the size of an average American increased too. In 1980 15% of Americans were classified as obese. Now a third are.

"It's as if we decided that Mardi Gras and Christmas are so much fun, we ought to make them a year-round way of life," he writes.

True, median household income stagnated over this period, but that was offset by our booming stock portfolios, right? Any bump in the economic road, we were assured, would be smoothed out by the Internet and the New Economy (recall that the bursting of the 'tech bubble' in 2000 caused the stock market to stumble only briefly). The arrow of Progress still pointed upward sharply, we were repeatedly told.

"The '80s spirit endured through the 90s and the 2000s, all the way to the fall of 2008," Andersen writes, "like an awesome winning streak in Vegas that went on and on and on....But now everything really has changed....The party is finally, definitely over."

Like the famous cartoon character Wiley E. Coyote, we ran at top speed over a cliff and stayed suspended in midair for a while, spinning our feet, before finally plummeting.

"Those of us old enough to remember life before the 26-year-long spree began will probably spend the rest of our lives dealing with its consequences," he writes.

To make his point, he retells the fable of the Ant and the Grasshopper. You remember: the Ant busied itself during summer, storing food, building a strong home, getting ready for winter, while his buddy the Grasshopper indulgently idled his time away, taking naps, playing games, watching TV. When the cold weather arrived, the Ant thrived while the Grasshopper starved.

"It's time to get in touch with our inner ant," Anderson cautions, "to be more artisan-entreprenuer and less prospector-speculator, more heroic Greatest Generation and less self-indulgent baby boomer, to return from Oz to Kansas, to become fully reality-based again."

The key to the future, he believes, is the so-called Millennial generation – young adults who came of age during a time defined by the digital revolution, 9/11, financial bubbles bursting, recession, and the election of Barack Obama. According to Andersen, these events comprise "the making, frankly, of a healthier, more useful generational creation myth than assassinations,

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antiwar protests and countercultural bacchanalia (which, by the way, enabled the risk-taking, party-hearty, quasi-utopian paradigm of the past quarter-century).”

Andersen is hopeful because he sees the events that shaped the Millennial generation as a catalyst for important new development: the idea of sustainability. Business-as Usual is not an option for an increasing number of young people today, he concludes.

In other words, as we stand at the fork in the road caused by the end of the Fiesta, the Millennials are likely to be the ones to boldly go where their parents fear to tread.

My hope is that they do.