Are we becoming a nation of fiscal dropouts?

After seeing the latest December unemployment numbers that reflect a mere 0.10% (one-tenth of one percent) drop in unemployment from the previous month, it got me to thinking about the real statistics that undergird this obscenely high figure that has stayed above 8.0% for over 30 months. It's what the unemployment stats DON'T say that worries me. They don't include the chronically unemployed, those who've totally given up looking for work and those who are underemployed (occupying part-time instead of full-time jobs).

It also doesn't mention the approx. 150,000+ jobs that must be created each month just to accommodate the new entrants to the labor market. I don't study these figures like the professional statisticians, but I do know sleight of hand when I see it, and this oversimplification of our true unemployment is deserving of inclusion in a David Copperfield show. Black magic didn't get us into our current economic morass; it was a number of factors that came together over time. One of them was: we took American business for granted and forgot to 'check in' on them once in awhile to see what they were doing with their profits, investment dollars and manufacturing strategies. Big scandals like Enron, individual shysters like Bernie Madoff and the recent MF Global debacle where $1.2 billion of clients' money is MIA, made some of us sit up and take notice of these prime time abusers.

Others have just shrugged their shoulders, clucked their tongues, demanded a little more oversight and were placated by the regulators and a 'there there' pat on the head by our government. "Everything (like Fannie Mae and Freddie Mac) is going to be alright," said soon-to-be-retired Congressman, Barnie Frank. "Trust us." Somewhere along the way we dropped out and thought that due diligence was something other people did. We didn't connect the dots or forgot that the first duty American business has (to its stockholders) is to survive.

Companies will do what's necessary in order to survive, and that includes off-shoring manufacturing jobs and investing profits overseas instead of here.We turned a blind eye to corporate excess in the boardroom, too. CEOs' salaries, bonuses and golden parachutes escalated at an alarming rate, and no serious attempts were made to make mandatory a change in the way preferred stockholders vote on these benefits packages (they should be detaching or decoupling the benefits votes from all the other votes taken at annual general meetings). It's no surprise then that these absurdly high benefits have continued to increase, markedly. Whose fault is it anyway? Answer: ours.

When large profits were being racked up by corporations who were investing them in non-productive investments (read: not manufacturing or infrastructure), stockholders did not object because all boats were rising on the same tide...or so we thought. Stock prices indicated America's strength as did America's home values. Meanwhile, many Americans hit the 'off' button and stopped trying to understand the economic challenges facing our country because they were too complicated. We trusted the Federal Reserve and the President as we 'bailed out' and 'TARP'ed' our way forward with borrowed money. What we didn't realize was, that like everything in life, there comes a day of reckoning, of paying the bill or when somebody yells, "Hey, the emperor not only has no *new* suit of clothes, he has <u>no clothes at all.</u>

America's markets have always behaved like our children who, when given something for free (and in the case of our banks a massive capital infusion and blank check to act however they want) don't respect the hard work it took to earn that something. Instead, their sense of entitlement grows and they return with an open hand for another helping. The trouble is that the cupboard is now bare and the cookie jar is filled with IOUs. Value is no longer king, because value has plummeted down the rabbithole. We must realize that real value is not only determined by supply and demand and stock prices. It is also a function of *perception*. If we are to survive this recession – and for many the recession is still very much alive - we must get a grip on our expectations and our national debt and get re-engaged in the running of our companies <u>and</u> in our political process. The Administration has rolled the Trojan Horse of America's long-term debt squarely onto Main Street and is downplaying its impact on us. To ignore this future debt and retreat into inertia (or worse spend more) would be the ultimate drop-out decision. That's simply unacceptable when so much is at stake.

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