

## **The Invalid Economy?**

It's time to stop pretending that we are preeminent whether it be in design, manufacturing or marketing, and it's high time that our economy and job market find its elasticity and re-capture the fundamentals necessary to return us to the world's top spot in any one or all of those three areas.

In some circles, that statement would be interpreted as unpatriotic, but for those who study the world's economies and markets, it's probably regarded as reasonable when considering the paucity of our exports and the anemic investment in manufacturing in the USA. We must not view ourselves as a dowager nation searching for a comfortable chair, limping along with a bad case of economic gout from living too high on the hog, the victim of spending our wealth before it's earned, but it's hard not to.

Our public sector has grown way too fast in the last decade and especially during the past three years of the Obama administration which has added nearly five trillion dollars of debt and over 100,000 government jobs while losing 13 million private sector ones.

### **Who's at fault?**

Our unemployment rate has stayed above 8.0% (and even hit the terrible 10% mark) for over 30 months while the number of workers that have given up searching soars from month to month and is now thought to be around 20 million. Our export growth rate (which should be analyzed in terms of volume and diversity of goods produced/sold and not solely as a dollar figure relative to GDP) has lagged behind many of our competitors' while our companies steadily contract for more manufactured goods (originally designed or developed in the USA) to be made overseas.

Our economy has been robbed of its vitality and jobs by sins of commission as well as omission, but the blame cannot be placed on outsourcing alone. We need to drill down into the fundamental structure of our economy for the real reasons.

### **Where are the advocates for common sense?**

Labor unions and right-of-center talk shows and cable news channels were, up until the President's recent manufacturing charm offensive, the lone voices crying in the wilderness about job losses, especially those due to off-shoring. Off-shoring, however, is a fig leaf covering our unwillingness to tackle the BIG problems (over-regulation, government intrusion into the free marketplace, a Gordian Knot tax system, etc.).

We're living on borrowed time, and the clock is rapidly ticking while we attempt quick government fixes like 'Stimulus Packages' that are only postponing the inevitable day of reckoning when we could see whole industries fall by the wayside and new small business start-ups stop dead in their tracks. Job-creating foreign investment has slowed to a trickle in an America that was once thought of as 'Treasure Island,' the place where fortunes were made and where real estate turned freely and often.

America's factories, office buildings and now homes lay empty waiting for the day when the *For Sale* sign is replaced by the *Repo* sign. Real corporate values have plummeted, and while some would say that these are market corrections or periodic adjustments, others offer a more dire explanation and posit that they are the harbinger of a serious flight from risk-taking and a wholesale desertion of confidence in the American engine of growth. To many, we're looking more like the "Little Engine That Could" as we chug along, trying our best to get up the hill towards prosperity, buoyed by our own cheerleading.

## **What about infrastructure?**

Our country is a dike that has sprung many leaks from neglect. Our infrastructure is crumbling. Apart from the obvious roads and bridges that desperately need repair throughout the USA, we need a massive investment in our energy grid that could cost upwards of \$1.5 trillion.

Our broadband coverage in some parts of the country is truly third-world. We have no coherent short-term or long-term workable energy plan that will assure us the energy we need to jump-start energy-intensive industries and provide for the general public's mobility. If the President is looking for a 'Sputnik moment' to galvanize the country and move us out of our economic morass, he's going to need to make it himself with sound leadership by addressing some of the problems I've described.

Incurring more government debt won't cut it. Pouring money helter skelter into fledgling industries or companies like recent billion dollar plus investments in solar energy companies or electric cars won't cut it, either. That will get you a temporary bump in the polls among academicians, scientists and special interest groups, but the general public knows that these fixes aren't easy ones.

Good speeches and bad investments won't solve the problems we are facing.

The Wall Street Journal recently published an article ("Manufacturing Decline," Feb. 17, 2012). In it they propose that we should take heart, because our manufacturing sector is not as bad off as we think, pointing to advances in productivity as one of the main reasons that we should not despair. But everybody knows that worker productivity has grown because fewer workers are doing more work due to retrenchments in the workplace AND because of a steady adoption of automation.

## **Technology's not to blame**

None of us should be against new technology or technology-spurred innovation in America's workplaces, but all of us should be concerned that a country our size cannot live by selling services to one another (the service sector, as a percentage of GDP in 2010, grew by 24% while manufacturing grew by only 11.7%). While the problem of right-sizing the American economy is enormous, we have no choice but to tackle it both as virus that's attacking our immune system and as a debilitating illness.

Antibiotics and short-term measures may kill what's immediately assaulting our system, but we also need a lifestyle change which includes going offline for awhile and thinking through the impact of all of the decisions we make that will ultimately affect our economic lives.

Author: Site Admin