

Mythical Methane and Me

by Martin Bryant

"Be the change you want to see in the world" – Mohandas Gandhi

About a month ago, I commented on a news website about a political humor blog entry entitled "You might be a tea-partier if...". I got a response to my post from reader Aggie95 who posted ""you might be a liberal if you believe in counting on unicorn farts for our future energy needs". Now, I thought I zinged back pretty well ("you might be a conservative if you believe that Satan buries dinosaur bones and gene codes just to mislead us into believing in evolution") but something about Aggie95's comment stuck with me.

I read another article that same day by a business writer, Maria Rodale, who, talking to an executive, identified in the latter's casual comments a succinct summation of our country's economic woes: "I just don't know where the growth is going to come from". That's it - that's the problem. Our economy is retracting and we don't know how to grow it.

Back in the 90s we had expansion. Many people (myself included) were surprised by its vigor and stamina. I thought the U.S. had moved too much of our economy away from a natural resources based industrial economy to a service economy and that it would be difficult to build a hard-driving expansive economy on that. I was wrong. Dot com bubbles came and went - but our U.S. economy, property values, and stock portfolios all grew, pretty consistently. Along with it - the tax base grew and our nation's deficit, built up during the Reagan years of trying to out-defense spend the collapsing Soviet government, began to shrink. In fact in 1994, government economists were predicting that by this year, 2011, we'd be enjoying a government budget surplus.

Ten years ago we experienced a terrible attack on our country. Instead of mobilizing our allies and resources to identify and punish the "criminals" our new President responded by declaring a "War on Terror" and instituted policies which brought that war home. With the "Patriot Act", the TV show "24" and the TSA's colored alerts - we all became aware that we were locked in a conflict with rather abstract enemies and we weren't necessarily winning.

Now here's a little secret about economics that all economists know. People think that it's like physics - that it has LAWS of mathematics that govern it. That's true only to an extent. Underneath everything – as any reader of the bestseller "Freakonomics" knows - economics is about the measurement of human behavior. It's about the decisions of people - and that means economics is about emotion, about hope and fear. When there is hope - people save, they invest, they expect more good things, including economic good things to happen. They think long term. When there is hope people are more generous and creative. However, when fear prevails - people look out for number one. They may "eat drink, and be merry for tomorrow..." a bit, but they don't invest long

term. They want quick returns. Hope and fear are major economic drivers. Economics is about mass psychology - about hope and fear.

So we experienced a decade of our government telling us to "be afraid, be very afraid" and guess what? The rate of growth in our economy shrank. And our deficit skyrocketed. Part of this deficit was spending on a war we should have never started and another we've spent far too long at, but the biggest single cause of our enormous deficit is a sluggish economy and the resulting smaller tax base. The deficit is a symptom for the most part - the cause is shrinking economic growth and the hemorrhage of precious jobs - the lifeblood of any economy. Our sluggish economy and aging population threaten our social security program. Our sluggish economy and the resulting deficit threaten the value and role of the dollar in the world. It threatens us more than terrorists. In a real sense – "the only thing we have to fear – is fear itself".

In 2008 a smart guy ran for President and his advisors - some of them economists told him "We need growth - you've got to inspire hope". So he talked about hope. But he came into a pretty nasty situation and rapidly discovered that talking about hope wasn't enough to sustain enough hope to create growth. You can't blame him for trying though - it wasn't a terrible idea. Even a little hope works – if only as a placebo - and we were in a very bad situation.

The fact is our capitalism is sick - it's sicker than our democracy. I think the people involved in the "Occupy Wall Street" movement know this – even though they are made fun of sometimes for not knowing how to express it.

We used to have a rich, multilayered economy with local economies, regional economies, a national economy and participation in the international economy. Different industries found different levels to settle at and our multi-layered government promoted and managed these different levels. Retail was local. Agriculture, food processing, banking, real estate and energy were mostly local, some regional. Manufacturing, transportation, and communications were regional and national. Markets were fully functional with competition, innovation, and new entry. Some businesses failed and some succeeded grandly and international markets were available.

But after decades of consolidating and biggery we have a much harsher economic reality where the local share of retail is small and shrinking. Banking, manufacturing, communications, energy, even food and agriculture are now all national and international. And many of these businesses are "too big to fail". Due to the costs of franchising and large scale advertising, entering even a traditional small business like a coffee shop or haircut place is much more difficult. Fewer businesses are run by creative, moral entrepreneurs and more are run by large amoral corporations. As of 2006 more of our jobs are in large corporations than small businesses.

States and local governments are ineffective at regulating these large businesses. They are in competition for the jobs and economic activity these large companies represent and the state with the most regulation rarely wins. They give away tax incentives and cut regulatory oversight and become weaker and weaker.

So the current debate is on how to treat this ailing economy and grow it. Conservative politicians would lead you to believe that the problem with our economy is that the government is too big - too much taxation, too big a deficit, too many regulations. If the government would get out of the way - Adam Smith's "invisible hand" will correct markets and opportunity will assert itself and the economy will grow. They promote tax cuts - in particular for the rich - because in the past this has been a good way to encourage growth.

The problem is they've already tried this and it didn't work. The Bush Administration cut taxes for the wealthy and the economy continued to shrink. In an international economy, wealthy Americans are as likely to invest in Khuzestan directly or indirectly as they are in Detroit. It's not working. The invisible hand can't fix markets when there are only a few large players and no entry or real competition. The Bush administration even tried another tried and true way to grow the economy - war. Usually war grows the economy and the deficit. We fought two of the longest wars we've ever fought in the last ten years and the economy continues to shrink - we only got the growing deficit part. Many economists are coming around to the idea that these solutions just won't work at this time.

So what about government spending? Cut it or expand it? As we discovered in 2008 & 2009 - government spending can be a short term spur for the economy. The stimulus seems to have in part saved us from a very bad situation. Now I don't think the government can spend us into growth - but I know that cutting government spending and laying off government workers does shrink the economy. Government jobs are jobs and we need every job we have. Because they represent poor foreign policy and exact a heavy toll on our service people and their families, I think we should end the wars - but I worry about how we are going to replace all that spending in our economy.

So back on topic - where will the growth come from?

This writer, Ms. Rodale, decided to find out and she looked into the fastest growing parts of the economy over the last ten years. She found some surprising things. Two of the "growth stars" in the last ten years could be summarized in two broad categories - "sustainability" and "healthy living". The first group includes renewable energy like wind and solar, and energy conservation. The second includes organic farming, yoga, fitness, alternative medicine. Now these things are a small part of the economy - but they are growing and they are growing at a rate that automobile manufacturing, mortgage lending, and other industries lust after. For my employer, OSIsoft, a software company - renewable power and energy conservation projects are the fastest growing segments of our business.

So what if we could expand the number of people who are interested in sustainability and healthy living from 6 million (about 1% of Americans) to 300 million (a fifty fold increase) and about half of our population? They would buy smaller cars, they'd ride the train or a bike. They'd buy power from a renewables-sourced power company or generate their own. They'd buy food from local growers. They'd work out a little more. And some of these things would have them spending money on necessarily local things. You can't buy power from overseas – if you are smart about buying your groceries – you'll buy them from small local farmers, you can't go to a gym in India.

I'm not promoting isolationism but we should think twice when we buy our eyeglasses from Hong Kong on the internet because it is cheaper and then wonder the next day why Cousin Ellen was laid off at EyeMasters down at the mall.

What if individual consumers brought "think globally, act locally" into their spending habits? All of this redirection would provide growth and it would provide growth in new smaller companies and local economies. What if we began to realize that we don't just have an opportunity to change the world with our vote every two or four years – but every day in our spending and lifestyle choices.

Ms. Rodale asks "Wouldn't it be amazing if the growth of our future came from industries that are actually making the world a BETTER place rather than sucking out the value, spitting out the waste, and leaving a trail of damage and destruction in their wake?"

What if we could get our growth from things that would make our world and our bodies healthier? What if we could get our growth and our hope in the same place? What if our most important deficit is one of optimism? What if – to turn President Roosevelt's phrase – "the only thing we need hope for – is hope itself"?

I'm sure Aggie95 and maybe you would say I'm proposing that we believe in the power of unicorn farts. I've been accused of being a hopeless Pollyanna before. But I'm rejecting the hopeless part of that.

Because I'm going to try it - I've moved so I don't have to drive so far to work, and I'm now paying more to get my power from a company that only uses renewable energy. I've been buying more local, organic food and now that the weather's better I'm thinking about getting my bike fixed up. I'm going to encourage you to do these things. Over time a fifty fold increase is not that hard...

I'm going to believe in the power of unicorn farts. I'm not sure it isn't as good a plan as any other I've heard.