

The Genie Is Out of the Bottle

August 2016

After the last few GDP prints, it seems the U.S. is catching the same economic lethargy that Japan and Europe already have, which is only adding fuel to the fire of globalization skepticism. There have always been embers of discontent with globalization. But poor economic results, struggles with immigration and a feeling of fragility since the 2008/2009 recession are showing deep cracks in the “everyone wins” globalization pitch.

While nationalism and populism are on the rise, embedded status quo leadership is working hard to get people to trust them even more. The most obvious example is the British establishment’s effort to convince voters of the catastrophic perils that would come from leaving the EU.

The same “keep to the current path” pitch is playing out in the U.S. presidential election. No need to buck the establishment here, we’re doing just fine at 1% GDP growth. It’s also the message we hear from all global trade proponents. Can anyone guess where their bread is buttered? Instead of Hope and Change, established political actors are now preaching Fear of Change.

But change is inevitable. The beauty of democracy is that no matter how well entrenched and powerful sitting governments may be, the collective consciousness of the people still translates into one powerful voice. The nationalism that drove the Brexit shot heard ‘round the world is revealing itself in multiple other countries, and, emboldened by Brexit, with more and more momentum. Although our stay-the-course “doctors” continue coming up with newer and newer prescriptions to combat economic malaise, it’s obvious a whole lot of people still haven’t felt the cure.

Sitting elites, all caught off guard by Brexit and the rise of Donald Trump and Bernie Sanders, have obviously not been listening to those distracting “hecklers” in the back. Where did all this unhappiness come from, they surely ask. Have you not been hearing from our press releases how good of a job we’ve been doing?

No matter if the status quo candidate, Hillary Clinton, gets elected in the U.S., and the status quo governments in Germany, France, Italy and others remain in power, the collective consciousness momentum for change is not going away. It can’t go away because the status quo can’t improve our current economic lethargy.

Europe and Japan have pushed themselves into such economic black holes that negative interest rates, helicopter money and guaranteed minimum incomes, all once considered heretical economic policies, are at the top of recovery new math. This is nothing more than the canary in the coalmine of growing global fragility, and a reason so many now question the value of globalization.

A different snake oil is being sold by the much more “prudent” U.S. economists and politicians. We need to replace the anemic catalyst of monetary stimulus with more forceful fiscal stimulus, they argue. And where is that money going to come from? Increased taxes? Maybe on the “rich,” but there’s not near enough money to collect from them to make a meaningful difference.

When everyone learns how little tax increases will help, the next pitch from established elites will be the same one they’ve been hawking for years—more Keynesian deficits will trigger economic activity

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that generates greater tax receipts that pays off the debt used to stimulate economy. So let's see, U.S. federal debt has virtually doubled over the last eight years, and where is our economy today? What's that they say about doing the same thing over and over again only to get the same undesirable outcome?

More and more fiscal and monetary stimulus is not the answer to our economic lethargy. What we need is structural change in our public sector infrastructure and much more productive industrial and social policy. But these changes are impossible for the status quo to execute; they would dramatically change the status quo's sustainability.

No matter. Running an election campaign is about having a "fresh" strategy. Monetary stimulus has dominated the headlines over the last few years, so our current batch of tent pole preachers are hoping voters won't notice this "invest in infrastructure" strategy is really nothing new. Fool me once, shame on you. Fool me twice, shame on me. Try to fool me a third time and you could get punched in the gut, as just occurred in Britain.

There is a simple reason why this revolutionary call for dramatic change is swelling...

By its nature, globalization erodes nationalism.

As sitting governments dedicate more of their attention to juggling the needs of globalization and basking in their power at global conferences like Davos, they lose sight of the needs of their sovereign citizens. There is only so much time in the day, even for sovereign leaders. Annoyed by the voices of domestic concerns, they apply a bread and circus policy of appeasement and distraction, hoping to placate the disgruntled masses. And if that doesn't work, promise them more bread and give them more circuses.

Examples of the bread in the U.S. are longer unemployment benefits, greater access to welfare, free health care, wiping out college debt, increasing "investment" in education, "solving" income inequality and increasing the minimum wage. The circus is focusing attention on all that divides us rather than all that binds us together. Let's talk about gun control, abortion, income disparity, gender inequality and LGBTQ rights.

Make the enemy each other, not the establishment in government.

As our economic lethargy drags on, it seems that a growing number of voters are starting to see the light. The effort of putting lipstick on the pig of our economic and social outcomes may have finally run its course. More and more citizens are starting to see their emperors pontificating in their birthday suits.

Productive change can occur. There is a path out of this economic lethargy, which has overwhelmed so many parts of our socio-political economy to a point of dysfunction. But the legacy fixtures of our leadership will not lead productive change. **You can't think outside the box if you've spent all your life living in it.** This is what the current revolutionists have come to believe.

As Picasso said, "Every act of creation is first an act of destruction." If not in the coming elections, dramatic new leadership with radical new ideas will eventually win out. The genie is out of the bottle,

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and it is highly unlikely the status quo can improve the economic situation well enough to put it back in. More status quo will likely only get us more economic lethargy and more divisive societies.

A handwritten signature in black ink, appearing to read 'Doug', with a stylized, cursive flourish.

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