

The Other Opioid Crisis

September 2018

From the National Institute of Drug Abuse:

“In the late 1990s, pharmaceutical companies reassured the medical community that patients would not become addicted to prescription opioid pain relievers, and healthcare providers began to prescribe them at greater rates. This subsequently led to widespread diversion and misuse of these medications before it became clear that these medications could indeed be highly addictive.^{3,4} Opioid overdose rates began to increase. In 2015, more than 33,000 Americans died as a result of an opioid overdose, including prescription opioids, heroin, and illicitly manufactured fentanyl, a powerful synthetic opioid.¹ That same year, an estimated 2 million people in the United States suffered from substance use disorders related to prescription opioid pain relievers, and 591,000 suffered from a heroin use disorder (not mutually exclusive).^{5”}

According to the Henry J. Kaiser Foundation, male opioid overdose deaths are almost twice that of females.

What are the behavioral symptoms of opioid abuse?

The Wellness Resource Center tells us that opioid addiction symptoms include slowed thinking, impaired judgement and problem-solving, feeling detached from one’s surroundings, difficulty concentrating, emotional swings, sudden, unprovoked outbursts, irritability, depression and paranoia.

“Yes, yes, yes, Armchair, we’ve seen some of this story. We get the problem opioids have created in our society. But, what does this have to do with economics?”

It has a lot to do with economics. Let’s follow the rabbit trail...

Why have so many people become addicted to opioids? One reason seems to be that they have become too easily available in the medical community. Fine, but an individual first needs to have a health problem before they seek a solution from the medical community. So, what health problem has been growing in the U.S. to require such widespread opioid use? From the Armchair’s perspective, the health problem is a mental health problem—broken self-esteem.

Broken self-esteem leads people to seek a quick fix, particularly a quick “high” that relieves emotional distress. Opioids have become that quick fix. But the bigger issue is the broken self-esteem. Where has that come from?

There are several causes behind the collapse of self-esteem.

The destruction of the traditional nuclear family has left many people emotionally fragile. Divorce rates exploded in the 1970s and remain high today. Rates, still close to 50%, have started to fall for the college educated, but they have risen for the working class. Children who grow up in broken families surely have lower self-esteem than those who come from intact, stable families.

Blue-collar job losses caused by globalization have reduced the capability of many working-class males to successfully step into the traditional family breadwinner role. Not being able to fill this role, a role that's been around for thousands of years, likely won't increase one's self esteem.

The transition from a production- to a service- and consumption-based economy has reduced the number of well-paying, working-class (manufacturing) jobs. If using your physical capabilities for work is most natural but fewer of those jobs exist, you are at risk of feeling/being lost in the working world.

The rise of females in the work force has coincided with this transition from a production- to a service- and consumption-based economy. More female breadwinners make it harder for males to accept a "lesser" role. This is not to suggest that females should all be stay-at-home moms; it's simply to point out that there have been consequences to this push towards gender "equality." For every action, there is a reaction.

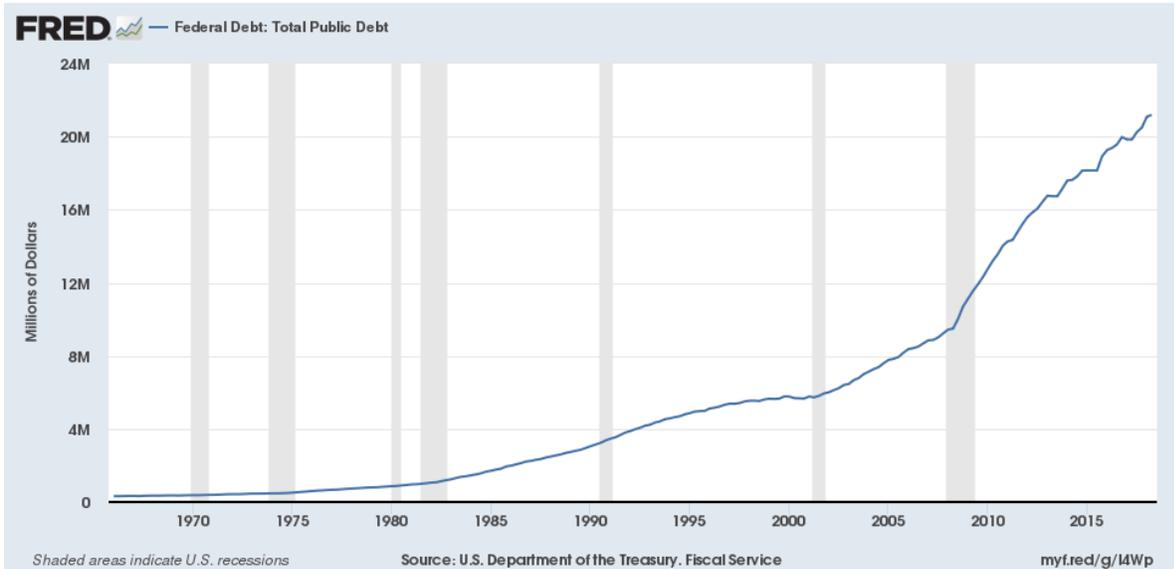
This march of gender equality has also caused confusion over the roles and responsibilities between men, women, spouses and parents. Confusion over one's role as an adult in life doesn't help self-esteem. In addition, a high divorce rate means there is less ability for the "more successful" spouse to comfort and support the "less successful" spouse. And today's "master of the universe" role models presented in media inspire and reinforce individual achievement over that of a team.

And then there's technology's enormous reach, from its march to destroy many traditional jobs to the explosion of "news" and information that's created a Too Much Information problem. As Rudy Giuliani recently said, "Truth isn't truth." If the definition of truth is confusing to Giuliani, many less intellectually gifted people will be confused as well. Confusion over what the truth may be leads to less confidence, which can lead to lower self-esteem.

The aforementioned perspectives focus on socioeconomic challenges at the individual level. But this opioid crisis also serves as a metaphor for a larger economic situation. The U.S., as do most western economies, has its own current addiction: easy money.

Check out the following charts from the St. Louis Federal Reserve.

This first chart shows the growth of U.S. federal debt. Notice the steady rise since the early 1980s, followed by an explosive rise since the last recession. U.S. Federal debt to GDP in 1981 was 31.7%. In 2008, it was 67.7%. Now U.S. Federal debt to GDP is around 105%.



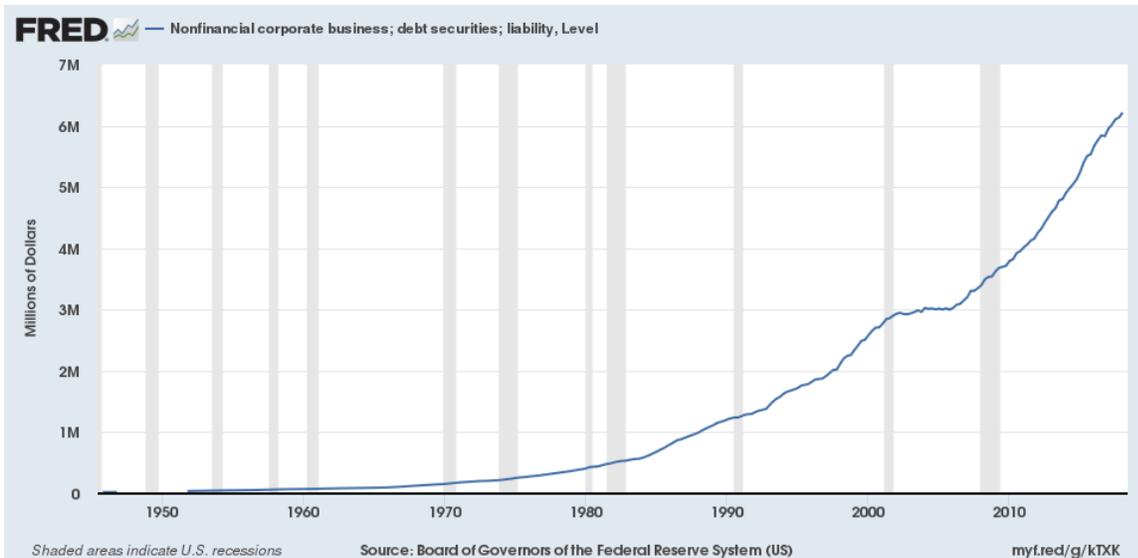
U.S. federal debt (total public debt): 1965 - 2018

In this next chart, we see the growth of the Federal Reserve’s balance sheet. Notice that around 2008, the Fed held total assets a bit over \$800B. That jumped to over \$4.4T during the Obama years. In essence, the U.S. Federal Reserve added around \$3.6T to the money supply since the last recession. (This means they “printed” money to inject into the economy.)



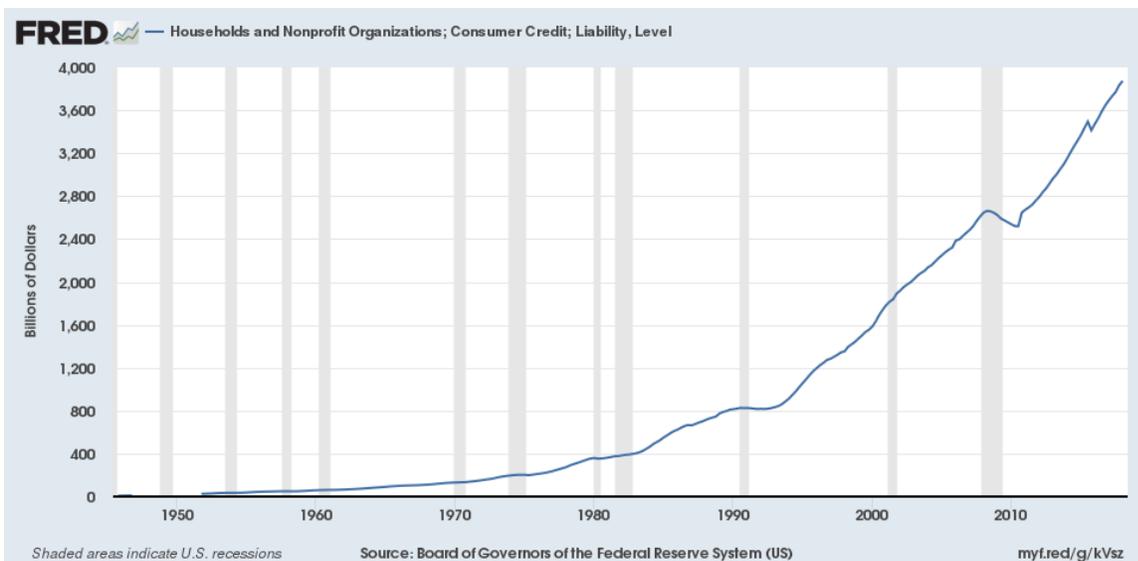
The Federal Reserve Bank’s total assets: 2003 - 2018

How about corporate debt? Per the next chart, it sure looks like U.S. corporate debt has also risen measurably since the 1980s and then exploded again after the last recession.



Nonfinancial corporate business' debt securities and liabilities: 1950 - 2018

One final chart, this one on household debt.



Household and nonprofit organizations' consumer credit and liabilities: 1950 - 2018

The conclusion seems obvious. Easy money (mostly debt) is our current economic opioid.

It became easier and easier to borrow more and more money as the cost of capital declined. As an example, in 1981 the average interest rate on a 30-year mortgage was 17%. In 2008 the average rate was 6.03%. Then in 2016 the average rate was 3.65%. (As a reminder, between 1981 and today, federal debt to GDP has risen from 31.7% to over 100%.)

As rates fell, the government, companies and people could borrow more and more money. This explosion of borrowing is what has kept the U.S. economy "growing" for well over a decade. Now rates have started to rise. But how can they rise much at all if our economic growth won't

support higher “mortgage payments” for all manner of debt? What happens when we reduce the amount of economic opioids to an economy that has become addicted to them?

Remember the symptoms of opioids? Let’s replace the word “opioids” with the phrase “easy money.”

Easy money addiction symptoms include slowed thinking, impaired judgement and problem-solving, feeling detached from one’s surroundings, difficulty concentrating, emotional swings, sudden, unprovoked outbursts, irritability, depression and paranoia. How do those symptoms compare with what we see in our daily blasts of “news” from the media?

When considering the actual opioid crisis and the economic opioid crisis, it becomes apparent that the socioeconomic policies coming out of Washington haven’t really done this country much good over the last few years...decades, maybe.

So, when we go to the polls this November (and next November and the next and the next and the next), it may be helpful for us to separate the “pharma” pushers running for office, who will only reinforce our addiction, from those who seem to understand that if we don’t improve our economic environment very soon, this addict could also end up in the morgue.

A handwritten signature in black ink, appearing to read "Douglas". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

Douglas A, Leyendecker
713-862-3030
doug@armchaireco.com