

# ***PERSONALLY SPEAKING***

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## **THE FUNDAMENTALS ARE NOT STRONG**

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**Are the fundamentals of the U.S. economy strong? One presidential candidate says that even though the fundamentals are strong the economy is at risk. Not wanting to be trapped into saying that the fundamentals are not strong, but still eager to attack his opponent, the other candidate retorts that his rival “just doesn’t get it.”**

**Mayo Research Institute does not bear the burden of having to appeal to the U.S. voter. *The fundamentals of the U.S. economy are not strong.* The U.S. economy is like an aging, overweight left tackle on the offensive line. Big but not strong. Not willing to watch what he eats and drinks and maintain a vigorous off-season training regimen. No longer quick enough to protect his quarterback from a younger, trimmer, stronger defensive end. Reluctant to retire and give up his hefty salary and the hope of winning a Super Bowl ring.**

**The economy is a human system and as with any system built and operated by humans such as the judicial system, the military system, the educational system, it depends critically on the underlying culture – the totality of ideas, beliefs, convictions, ideals, values, principles shared by a people and expressed through their language, customs, music, art, religion, rituals, practices, mannerisms. Standing and singing the national anthem before a sporting event is deeply embedded in the American culture. So too are gifting the bride and groom at their wedding reception, attending worship service on the Sabbath, allowing an adversary to speak without interruption, swearing in a witness, paying one’s respects to the family of the deceased. The fundamentals are not strong because they have been undermined by a culture that increasingly is coarse and corrosive.**

**The culture shapes and forms everyone raised and conditioned within its reach and in turn is re-shaped and re-formed by each new generation. Human beings as economic agents in effect carry that culture with them like a purse or wallet into the marketplace and the workplace. Notice, in this regard, the historical importance to the U.S. economy of getting to work on time, recognizing the customer as always right, treating superiors, subordinates, and peers with respect, demanding no more than what is owed and giving more than what is required, sealing an agreement with a handshake, delivering in full according to the terms of the agreement, putting in extra time and effort when the company faces a deadline or crisis.**

**Just as from time to time new items are added to one’s purse or wallet and others removed, American culture is not what it once was and in our opinion has become coarsened and corroded. Several examples follow.**

▶ Luck not hard work is the key to success. A sign over every casino reads “abandon hard work all you who enter, you’re going to get rich today with the roll of the dice, the turn of a card.”

▶ At the university, athletics competes with academics for resources. If fundamental values are expressed in financial terms, what does it say about U.S. universities that nearly all of the football coaches of the top 25 teams in the AP preseason poll are millionaires?

▶ Whatever is legal is ethical. If there is no law that prohibits an action or practice, not to worry, just do it.

▶ No pay is okay. If you *want* something like designer clothes or jewelry, you can have it even if you can’t afford it. If you *need* something like housing or emergency room care, you have a right to it even if you are unable to pay for it. Millions of Americans file for bankruptcy every year because they are overwhelmed by credit card debt and other bills. Others pay a premium for their purchases to cover debts that have been dismissed through bankruptcy.

▶ Death is the answer. When nothing else is effective in resolving a problem, death is the answer. Shooting sprees in the workplace, in the classroom. Growing acceptance of the idea that there is a life which is not worth living, of physician-assisted suicide, mercy killing, murder-suicide and, with a shrug of the shoulders, gang-banging.

▶ Elected officials constitute a privileged class. Power, influence, and money drive decision-making in public affairs where all three are worshipped. Thus many incumbents hold office for decades with little fundamental regard for the public good.

▶ Scapegoat your problems to someone else. If you’re a Democrat, Bush did it. If you’re a Republican, the Democratic Congress did it. If you’re a reformer, insiders did it. If you’re a worker, the boss did it. If you’re a boss, the union did it. If you’re a teacher, parents did it. If you’re a preacher, the devil did it. If you’re ultra-conservative, fluoridation did it. If you’re far-left liberal, Wall Street did it.

▶ “Gotcha” is all that matters. Attack, intimidate, misrepresent, ridicule, demean, smear, and lie have become essential weapons in public discourse.

▶ Wet or dry, injected or ingested, legal or illegal, there’s a drug for every ailment. To make access easier, there’s a government program to either provide or pay for many of those drugs.

To connect American culture to the performance of the U.S. economy, visualize the economy as a twin-engine aircraft which flies higher, faster, with a heavier payload when both engines operate at maximum efficiency. One of those engines represents the energizing force of competition, the other the driving force of cooperation. The plane’s control surfaces such as its flaps and rudder allow the pilot to handle the aircraft in flight. Those surfaces stand for the limits imposed on the economy by public agencies such as the Federal Reserve, SEC, FDIC which help assure the safe functioning of the system. The pilot represents business leaders notably entrepreneurs who decide where the economy is headed and which route to take to its final destination.

The engines operate on a fuel supply which represents the credit available through the financial sector. At this very moment, a huge crisis in the financial sector threatens the entire economy in the same manner that contaminated fuel threatens an aircraft in flight. The immediate problem for the crew is how to siphon off the contaminated fuel while the aircraft remains in flight and replace it with clean fuel. The fuel became contaminated by human failure in the refining, transportation, storage, or handling of the fuel as it was being pumped into the aircraft's fuel tanks. Any failure on the part of the crew could result in a crash.

Similarly, today's financial crisis is directly attributable to human failure in mortgage origination, securitization, trading, and asset valuation, brought on by a new cultural environment which has tossed aside the tried and true practices of the past. Those *toxic* mortgage-backed securities must be removed from the system through de-leveraging. In the end the federal government will acquire them, hold them, and hope to re-sell them later when normal, stable conditions return to financial markets, or will have to write them off as worthless. The contaminated fuel, in other words, must be reformulated to make it usable again or it will have to be dumped.

For years John Paul II warned the west of its downward spiral into a culture of death and despair, to which we add crippling dependency. We are seeing the consequences of that descent in current economic affairs. All is not lost, however, if only we would embrace once again a culture of life, hope, and personal responsibility. It can be done, but it won't be easy.

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