

edward j dodson's cooperative individualist view



They say that “the game isn’t over ‘til the fat lady sings”. Well, there are signs aplenty that the economic game is over—and the home team has lost big time. Many of us are singing. The tune is: “We need change”.

The economic news in the United States is not good. In response to declining profit margins, businesses large and small are doing what they always do in such periods: they are ditching employees, closing down production facilities and offices, and seeking government subsidies.

At the core of the US economic engine is declining employment—for even the well-educated and technically-competent. While government puts unemployment at 5.5%, analysts put the real rate at nearly 11%. And even this level is coloured by the growing public payroll: more people are now employed by government in the US than in producing goods.

Across the US more than a half million people are homeless. 60% of those are single men, but a third are families. For a quarter the situation is more or less permanent.

When people loose their jobs or experience a fall in income, they quickly absorb whatever savings they have and then stop paying creditors. We should not be surprised that the number losing their homes to foreclosure continues to rise. Where land prices had been climbing for over a decade, lenders and owners ignored history (and common sense): Arizona, California, Florida and Nevada—the US’s ‘high growth’ regions—are experiencing the highest rates of foreclosure. Over 1.5 million US homeowners defaulted on their mortgages during 2007: in 2008 2.5 million could lose their homes.

Predatory lending practices and other forms of mortgage loan fraud have played their part in this crisis. They show a high correlation with communities whose residents were lower income, minority and elderly. Another factor shared by distressed communities is a very low effective rate of taxation on land values. Foolishly, many states have been imposing restrictions on property taxes or providing rebates. Revenue shortfalls are made up by higher taxes on sales and/or income, or by cuts in expenditure on public goods and services.

Another symptom of deeper problems is banks falling into insolvency. Numbers are still small by historic standards: but analysts are forecasting about 200 bank failures over the next few years. Institutions whose business plan focused on construction lending are particularly at risk as demand for new homes continues to fall. Banking giants that securitised billions in sub-prime mortgage loans are absorbing huge losses, and reserving billions more against forecasted losses to come.

We also face the multifaceted problem of our huge prison population. Although the US has less than 5% of the world’s population, our prisons hold nearly one quarter of the world’s prisoners—over 2.3 million and climbing. The correlation between poverty and criminal behaviour is strong, and roughly one million more people are falling into poverty every year.

As the US population continues to age, the number over 65 living in poverty has also increased. The poorest elderly today are women living alone on their survivor benefit: many have no pension and minimal savings or investment income.

We have reached a watershed moment in this country. The fat lady is singing to us, but her song tells of deepening distress. The rules of the game brought us to the point of collapse. Widespread criminal behaviour is doing the rest.