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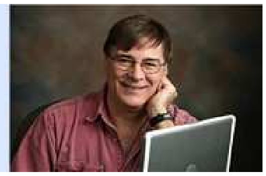

Social Enterprise Survival Tactics and Some Very Uncreative Economic Fix-Its

New York Times writer David Segal has rounded up a group of folks offering "creative" solutions to our economic problems. The #1 solution comes from an economic illiterate who proposes to fix the economy by lowering the retirement age. In reality, that is just another fiscally unsustainable way of giving away money.

Please consider Some Very Creative Economic Fix-Its, an article whose primary merit is the opening sentence.

> We are not going to shop our way out of this mess.

The article could have ended right there. Indeed, I would have given the article glowing accolades had Segal changed the title to "We Can't Shop Our Way To Prosperity" with a one sentence body "Therefore, we should not even try."

If Segal wanted to add additional body to the article he could have solicited opinions from leading Keynesian clowns and trashed them. Instead he solicited opinions from Keynesian clowns and dreamers calling the ideas "creative".

Segal continues ....

> What's needed is a path to sustained growth. That means a strategy for the millions who have lost their jobs in recent years and some hope for the more than 125,000 new entrants to the United States labor market each month.
>
> Got any ideas?
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> Many academics do, though fair warning: some of their concepts are a little out there, a reflection, perhaps, of the severity of our problems.
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> "Age and disease will be our next engine of growth," says Teresa Ghilarducci, a professor of economics at the New School. "That's the really good news."
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> The aging of America presents a different sort of opportunity to James K. Galbraith, a professor at the University of Texas, who opened an interview with this very succinct expression of pessimism:
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> "We're likely to see a situation that makes people angry and miserable for years."
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> But Professor Galbraith said he saw a way to alleviate the misery of one large group of Americans: the jobless elderly. Instead of sending them unemployment checks, the government should temporarily allow workers who are, say, 62 years old, to retire with full Social Security benefits. In essence, he said, the government would continue providing these people with assistance, but through retirement benefits instead of unemployment insurance.
>
> Not only would they no longer be forced to compete for jobs they are unlikely to get, they would have 22.5 percent more purchasing power than they would have if forced to wait until 65, the age when full Social Security benefits kick in. Collectively, that added purchasing power would drive demand for a variety of health and home care services — also known as jobs.

Is that creative enough? Hells bells, why not just give everyone money? That would get the economy humming according to most Keynesian clowns. Of course doing so in a size big enough to matter would cause prices to go soaring.

One look at the public pension woes of Greece, Spain, and France should be enough to tell you why Galbraith's idea is absolutely loony. All of those countries are in fiscal trouble and need to increase retirement age. We are in fiscal trouble and Galbraith wants to reduce retirement age.

The big problem with Keynesian clowns is they cannot look ahead (assuming of course they can think at all). They never bother explaining where the money comes from, what happens to prices, interest on the national debt, what jobs (if any) are created by their proposals, or anything else of merit that needs explaining.

The article was supposed to cover "We are not going to shop our way out of this mess" yet the lead "creative" idea is to give give money to those over 62 so we can continue shopping our way out of this mess, even though experiences in Europe as well as common sense should tell you the idea is potty.

However, the article is not entirely worthless because it continues with some common sense statements as follows.

> “Growth doesn’t come from big federal programs,” says John H. Cochrane of the University of Chicago. “The government didn’t tell us” to create the vast variety of profitable businesses on the Internet, but “it did tell us to buy houses and look what that got us.”
>
> Professor Cochrane and others counseled against a search for quick fixes. Mark A. Calabria of the Cato Institute went further, emphasizing that time was a key ingredient to a recovery.
>
> “I think we also have a bubble in the labor market for state and local government employees,” he said, “and over the next two years we might see as many as one million of these employees lose their jobs.”

Unfortunately Calabria then blows it by professing an "upside" to 3 or 4 percent inflation:

“*If you have a house worth $200,000 and a mortgage of $250,000, inflation is going to raise the nominal value of your home,” he said. “But your mortgage will stay the same. For borrowers who are underwater, inflation will get their heads closer to above water*” said Calabria.

What if wages do not keep up? What if people retire and cannot keep up with property taxes? Bear in mind property taxes that should have dropped with falling property values but did not. Does inflation guarantee job growth? Does it even guarantee wage growth in an era of global wage arbitrage? What the hell are these people thinking?

David Segal then dives off the deep end asking ...

> Is there no technological marvel on the horizon that could create an unexpected bounty in jobs?
>
> How about a cheap technology that our mortal minds can’t currently fathom? A decade ago, who could have imagined that more than a million people would pay $1 for a portable phone video game in which you slash watermelons with a Japanese sword? Who, in other words, could have envisioned the Fruit Ninja app?

Is that really a creative idea?

Pardon me for asking the obvious question, but if iPhones and iPads and thousands of Apps and all kinds of technology advancements are not providing a source of robust jobs, are we to believe the next Fruit Ninja app will do so?

Thankfully Gar Alperovitz, a professor at the University of Maryland, addresses that set of questions with a simple, if not overly polite response, “*That’s a pretty wispy hope.*”

In a far more fruitful discussion ....

> Professor Alperovitz pointed to local co-operatives that are sprouting up around the country. They tend to be employee owned, and get off the ground with private and foundation funding. Many of his favorite examples are found in Cleveland, of all places — like the Evergreen Cooperative Laundry, an employee-owned firm that provides laundry services to hospitals, which started in 2009.
>
> Professor Alperovitz tracks and catalogues enterprises like the cooperative laundry on a Web site, community-wealth.org. He says he sees in these companies the stirrings of a movement animated by the cold reality that neither the government nor private enterprise is on the verge of large-scale hiring.
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> “If the economy and the government don’t have an answer to a problem,” he says, “people are forced to try social enterprise.”
>
> Perhaps we are entering the era of the self-starter. Prof. Andrew Caplin of New

York University thinks so. He begins with the premise that in the coming global economy some people will succeed and others will not, and income inequality will grow.

He says he expects a rise in what he call "artisanal services," like cooks, nutritionists, small-scale farmers.

He sees services emerging that aid the wealthy at the intersection of health and genetic science. He imagines a rise in technology services, too — experts who keep clients current about technology which can advance their interests in business, in the media, on search engines and so on.

Professor Caplin worries that this concept might be caricatured as "cater to the rich." But he suggested that this country could use a lot more non-judgmental thinking about the future of the United States economy.

Survival Mentality

That last block above is likely where we are headed. It depicts survival mentality with growing income inequality. It certainly does not address David Segal's lead premise "*What's needed is a path to sustained growth.*"

Thus, the article does not live up to it's billing. It provides no realistic answers to the premise.

I am sure there are numerous other "creative" ways to spend other people's money, but none of them will be any good either. The cure is time and innovation from private enterprise, not government-mandated socialism or Keynesian claptrap.

Eventually there will be innovation that will create jobs, I suspect on the energy front.

In the meantime, raising taxes to give money away to unproductive members of society will drain money away from private enterprise's need and ability to develop real solutions. That is the second tragedy in Galbraith's absurd proposal.

Social Enterprise Survival Tactics

Ironically, Segal could have gotten two good articles out of one poor one, by explaining why "creative" Fix-Its are doomed, followed by an article on the implications of social enterprise survival tactics.

We have already seen survival network success stories like Craig's List, Groupon, various coupon networks, Facebook, and Monster job advertising, all of those to the detriment of newspaper advertising and mainstream media opportunities, all the the effect of increasing the flow of information and lowering prices, all to the benefit of shoppers.

Groupon is a smashing success as noted in Google to Offer Groupon $5-6 Billion; From Startup to Megabucks in 2 Years; "Grouponicus" Holiday Deals

The success in Groupon is certainly the opposite of what Monetarist clowns like Ben Bernanke want. Groupon gets buyers and sellers together for group bargain prices. People will survive better if prices are lower not higher.

The latest trends towards frugality involve kids from college moving back in with their parents and taxpayer attacks on public union wages and benefits. Those changes all have a common theme of getting the biggest bang for the buck.

With boomers headed into retirement underfunded and overleveraged, most in desperate need of downsizing, social enterprise survival tactics constitute a much needed deflationary force.

We need more for our money not less. For more on this theme, please see Unthinking Economic Parrots and Deflation Fighting Madness

The point being, we are not going to inflate (or shop) our way out of this mess, and Japan shows it is a fool's errand to try. Unfortunately, "creative" ideas keep propping up, not only keep to keep the existing fiscal insanity humming, but to make things cost more on top of it. The math doesn't work.

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