

To Rachel Maddow: On the State of the Union

Rachel, I am a Jamaican who listens to your typically well researched, balanced, informative and thought provoking program most nights and many other such political discussions on MSNBC in particular and others like Zakario, Hard Talk, Meet the Press, etc., elsewhere.



A new paradigm. iStockphoto

Whereas I fully understand the impatience with Obama, by main street America in getting America back to the Halcyon days of sub 6 per cent unemployment and surpluses, I am more and more convinced that this unrealistic expectation could herald in a period of one term Presidents. Main Street remains convinced that the status quo ante is redeemable in the short term, oblivious of the fact that the fundamental relationships of the system that gave birth and sustenance to that relatively long period of abundance in America, have been eroded, mainly because of greed, abuse and short sightedness on the part of those "interests" who were and still are, the major beneficiaries of a society now in decline.

Simply put, the USA's bubble has burst (or is at best losing air fast) ? and that's the primary cause - not the housing bubble, nor the dot-com, nor sub prime, nor any other - those are mere symptoms, but the USA's bubble - the system that was and now, to a lesser extent is, the envy of the world.

Manufacturing and allied industries, which, in the post World War II era, created the "real" wealth, surpluses and consequent high demand for the trappings of fine living, which in turn created more jobs in other lifestyle support sectors, was the nucleus that was primarily responsible for the evolution of the large, confident, highly productive and financially secure middle class, in the then job-rich upwardly mobile USA.

In the more recent and post cold war years, in the name of market competitiveness, manufacturing, has been substantially bequeathed to other nations initially offering lower labor and payroll associated costs. Over time, these countries sought and benefited from more and more of the value chain as their investment in education and training began to pay dividends. The USA has since transitioned from the greatest exporter and has claim only to the greatest importer today. In addition, for this and other reasons, it has exchanged the title of greatest creditor nation, for that of the greatest debtor.

This recent financial meltdown, resulting in the massive decline in jobs, would have been experienced even earlier than 2009, but for extended demand that eroding savings financed, credit - backed by the unrealistic valuation of real estate, corrupt mortgage and other credit qualification practices, etc., thereby facilitating sustained purchases, mostly involving high contents of products produced OUTSIDE of the USA.

To further compound this, the USA continues to prosecute wars it can ill afford and in which its superior might, expensively built for theatres associated with the cold war era, is hardly now relevant. This major and significantly irrelevant burden, driven by ?special interests? rather than logic, continues to sap the energy from the budget, while those that gave life, limb or sanity are forgotten once the final official ceremony is acquitted.

The elasticity of "creative" credit is not limitless and although it has served to extend the period of "main street's" false security and temporarily supported jobs in the services/construction/retail/financial and public sectors, it also had the negative effect of driving up the country's indebtedness and export/import imbalances.

This Ponzi-like phenomena has ended with the sub-prime debacle, but its effect on the assets and liabilities of individuals and country will take far more than two presidential terms to remedy, even if the domestic manufacturing, based on new technologies, is

given top priority.

The USA lived beyond its means ? no question, but while enjoying this lifestyle, it became less competitive as its primary and secondary education systems, once the envy of all, became increasingly uncompetitive - especially in the sciences, compared with some of your main and evolving trading partners. Unions none the less, continue to protect teachers at the expense of students. Your Ivy-league tertiary system, like your superior medical technologies and institutions, are luxuries Main Street America can ill afford in the main. And health insurance to the many, which enjoy neither better health care nor longevity than most in developing countries, is increasingly out of reach.

In addition, your financial sector finds it more attractive to create "virtual" wealth from high risk derivatives and other such investments, than to practice traditional banking that once "red carpeted" the American entrepreneurial spirit and the cornucopia of innovations that made America great. Consequently, both innovation and jobs, which were once fueled by a dynamic small business sector - America 's only hope for revival in the medium term - suffers. The red alert is this: like any living organism, if this entrepreneurial spirit is stifled for any sustained period, it will surely die.

Main Street's conviction however, is that your President has access to some economic and other leavers which, in less than a year, should have been effectively manipulated to reinstate the status quo ante, or at the very least, have had the ship of state turned around and visibly steaming full speed ahead to this utopia of near zero unemployment and a significantly declining debt. And although many wise persons on both side of the political fence may very well recognize this, it is not politically expedient for either side to present this axiom to Main Street. America therefore has become as partisan in its political behavior, as any of us Third World nations. Where are the great statesmen of the past, who thought primarily of the next generation? Your politicians, like ours, think only of the next election?...and ?Special Interests? whom they depend on to finance their election.

In this type of thinking, they fail to recognize that the backbone which supported this quality lifestyle in the past - a competitive, secure, local manufacturing and export sector - has been outsourced by the very interests that were the main beneficiaries of large middle class with great purchasing power, supported by secure and well paid manufacturing and associated jobs. Was this not short term thinking born of greed and myopia, or was it natural evolution in a more competitive, complex and interrelated post cold war world?

In outsourcing manufacturing, America also outsourced the associated technology and so too the ability to develop and improve, to countries who learned well from the USA that human capital is a prerequisite to all other capital and consequently was able to extract far more from the value chain. In the process they are increasingly becoming the producers (creators of wealth) and America the distributors and consumers. Indeed, so successful have countries like China become, that their challenge is now tied up with yours, but only in the sense that they now have to buy your debt so that America can continue to prolong its lifestyle and thereby import their goods. So now they, like India , Brazil , etc., are working on increasing their own domestic demand by improving their domestic standard of living, in order that they may absorb the phenomenal growth in production and productivity.

Will American exporters be able to take advantage of this rising demand in these high growth countries, or will these new juggernauts be the sole beneficiaries of their increasing domestic markets? Or will uncompetitive health insurance costs, decreasing competitiveness and other productivity and production inhibitors, supported by America's ?banana peel at the doorway of success? - Special Interests - in their short term thinking, continue to make manufacturing uncompetitive. Bear in mind that in this post cold war era, there are increasing direct trade links between so called developing countries which once traded primarily with and through USA.

Yet it seems that Main Street is oblivious of and uninterested in what's happening outside your shores. One gets the feeling that Main Street still sees comparisons with others as specious, demeaning and irrelevant and therefore, ignore important comparative data which shows relative performance, while others continue to narrow the education, technology, productivity and other gaps that once made the America manufacturing machinery the envy of the world.

To top it all, special interests, who have strong influence over most of your media and more so Congress, have seemingly hijacked your democracy. Your Supreme Court gave them even greater powers recently. Now they can openly buy the willing within your Congress and provide unlimited support for the opposition of those who will not do their bidding - without redress. They continue to ship your middle class jobs and their production abroad and their "quarter over quarter" short term "stock market" thinking, has lead to increasing foreign dominance in many of your traditional markets - automotive being only one such example.

The irony therefore, is that your contracting and less affluent middle class can be traced to the same short term thinking of these "special interests". In their everlasting quest to reduce corporate costs to satisfy Wall Street's unforgiving, short term and blinkered expectations and to earn mega bonuses, they ignore the axiom - if earning power declines, so does purchasing power. Mergers and acquisitions may increase productivity and profitability in the short term, but mainly by reducing jobs.

Where is the spending to come from therefore, to recreate the demand so jobs can return? Manufacturing is out, you have outsourced that. IT, administrative and customer contact centers? Also outsourced. Agriculture? Either automated or too menial for Americans. Retail and other service type? Chicken and egg - you need a buying public to "jump start" that. Small business/innovators? Banks find more "profitable" and innovative high risk activities, resulting in mega bonuses if they win and Main Street bail out if they loose.

Stimulus? Dubious short term benefits and America is too impatient to await benefits of R&D that could spawn new innovative industries. It also increases the debt and interest burden - at least in the short term and that too is political anathema.

In my view, the halcyon days seem irretrievable - by Obama or any other, as you have become the victim of that which made you great and now, like most Third World countries, you are in a debt trap. Debt that was used not for capacity building, infrastructure nor your human capital, but war, consumption, satisfying the behest of big business, and "currying" favour with the rich. Interest expense, which, like us, is fast becoming one of your largest budgetary items, can only be eliminated by discharging debt and surpluses needed to do this, can only come from excess revenue over expenses. Work the math.

Raising taxes is political suicide and may further exacerbate the problem of a depressed economy. Drastic cuts in expenditure, including withdrawing from Iraq and Afghanistan, has its obvious challenges and will not jump start the economy. Indeed it may very well bankrupt some of the industries that benefit from war and lobby generously for it continuously. Defense Budget seems to be sacrosanct. Without a surplus the debt cannot be retired or reduced....and ironically, like us Third World countries, you don't have the IMF to force your hand. LOL!

The "transformational" leadership that is required at this time, to change Americas imminent destiny - as Obama has now realized, will never be permitted by the "special interests" which now control your Congress. As is wisely said, unbridled capitalism is as destructive as unbridled socialism.

And believe me Rachel, I take no pleasure in expressing this rationale. For quite some time I too avoided this conclusion and still hope time proves me wrong, because as you may know, when America sneezes, countries like ours contract pneumonia. The world today is in one grand mess. I certainly don't envy your President, for no doubt he ponders these options and limitations daily. No doubt we are beginning to experience the realignment of the world. Let's hope for the rising tide that lifts all boats.

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