



The Wonder Springs Chronicle

6 May 2009; Volume 11, Number 18

The Wonder Springs Chronicle

Contact Information:

Jerry Bannon

Publisher

Wonder Springs

36 Merkel Road

Kettle Falls, Washington 99141

phone: 509.496.5855

blog: www.wondersprings.org email:

jerryb@wondersprings.org

chronicle@wondersprings.org

*©2009; non-commercial education
& forwarding encouraged, please
give a citation credit all other rights
reserved. This work is licensed under
a Creative Commons Attribution-
Noncommercial-No Derivative
Works 3.0 United States License.*

*For past Chronicle archives or to
subscribe to this weekly email please
visit our web site at:
www.wondersprings.org*

Economic Ecology

I am currently reading a biography on the life of J Harlen Bretz, who in the 1920s was the geologist that discovered that massive floods, completely beyond the scope of human understanding, determined the unique scabland topography of much of Eastern Washington State. Those floods were caused by the release of melt waters from glacial lakes, primarily Glacial Lake Missoula, resulting from the melting of the Cordilleran Ice Sheet during the geological Pleistocene era.

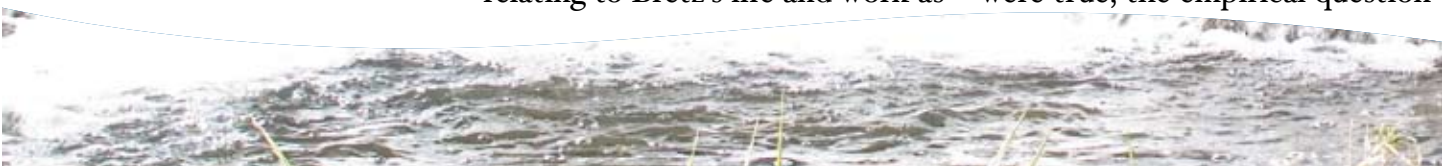
Bretz was able to come to this revolutionary conclusion, by an unusual process for geologists of his era; he spent time in the real field trying to make some sense of what he saw in nature. This was contrasted with the preponderance of geologists who spent their time doing geology in their government or university offices.

Two notes of importance relating to Bretz's life and work as

they relate to a biblical creation worldview. First Bretz was raised in a very legalistic Christian home, which interpreted all of life as moral requirements. Bretz did not see this legalism in nature and hence rejected his parent's religious views.

Creation is filled with Natural Law as well as Common Grace, as such it establishes the reality of absolutes, but that absolute reality is beyond the scope of human moral capacity and hence either leads to atheism, as in the case of Bretz, or a search for specific grace beyond Christian legalism so prevalent in much of historical and contemporary American evangelicalism. That specific grace is found only in the gospel of Jesus Christ and his propitiatory sacrifice for the sins of humanity and his resurrection from death three days hence.

In the geological time scale these floods happened eight to ten thousand years ago. If that were true, the empirical question



arises, “Where is the dirt?” As a general rule topsoil is believed to be created at a rate of about 0.01 inches per century. If that rule is anywhere close to reality then the scablands and the lands to the north under the glaciation should be covered with eight to ten inches of topsoil. In reality that depth is two to three inches, much more in line with a young earth and an ice age following a Genesis Flood.

Now as unenlightened as this young earth concept sounds, the Institute for Creation Research icr.org has found radioactive carbon fourteen in diamonds. This peer reviewed research dates these diamonds at about forty thousand years, where as evolutionary geology dates diamonds as one of the earth’s oldest gems. Perhaps the earth age has more to do with your religious presuppositions than it does to natural observational science.

Bishop Ussher’s well known “biblical” six thousand year creation account was created in the seventeenth century, long before the existence of and ice age with continental ice sheets were known to exist. In Ussher’s light, the Biblical Exodus would have to take place somewhat benignly in the Sinai while all of the temperate Northern Hemisphere was frozen in ice, raped by ravaging winds, and inundated by gargantuan floods. Rather than sticking to a literal six thousand year biblical chronology, creation science points specifically to an young earth history of thousands, rather than millions and billions of years, with a biblical ice age requiring a minimum of at least five hundred years, more likely a longer time period.

Getting back to Bretz’s observations, this leads us to the question of why economists, like most geologists do their work in the their academic office, rather than in the real world surrounded by reality and real people? In that field based aspect, economics should be a study in ecology rather than mathematics.

Part of that sheltered worldview creates the same logical error that kept and keeps geologists from doing real geology and that is the theory of uniformitarianism; the present is like the past, and models the future. In that

model catastrophes don’t happen, it is slow steady progress onward and upward. It really makes no difference that this theory ignores the natural laws of thermodynamics or the reality of catastrophes, or as I would rather call it stupendous change.

So in the last year around the world, fifty trillion dollars of what is described economically as wealth has disappeared, or just evaporated. Now the world, led by the United States will make it reappear by printing more money. Well we are really not printing more money, that would take too long, what we are doing is creating, bytes of electronic data that we call money, using the biblical term, *ex nihilo* out of nothing . Is it any wonder then that a great mass of humanity cannot understand why money now seems so worthless? That is especially true, when they invested what they thought was their money wealth and it has now disappeared into a still economically undefined black hole.

Our entire current economic stimulus is designed to get the consumer economy going again, so people will again buy more stuff they don’t need, simply to follow the uniformitarian model. Tomorrow will be better than today, as we all evolve towards, the great essence of something which we have call temporal prosperity, defined as the totality of stuff and money under your control.

I read an interesting article this week in which a real trained economist defined prosperity as GDP per capita. That was it, no spin, no debt, no illusions; just simply a country’s wealth is the sum of the country’s gross domestic product divided by the number of residents. What I found great is that this is a directly linear function. Furthermore if you factor out true inflation you can define prosperity in absolutely constant monetary units over time.

Now if we introduce cheap money in the form of debt financing, and you pool that debt in some other fancy form of “paper securities,” and sell them around the world to investors and central banks, you have the prosperous reign of US Fed Chairman, Alan Greenspan. You can call it the Reagan Revolution if you are an American Republican, or an era of limited government if you are more liberal, or you say, as does President Obama, we will rebuild that catastrophe by direct government spending as “Change you can believe in.”

This brings us to two fundamental questions, which relate directly to economic ecology. The first question is, "What does this action do to us?" The second question is, "What does this action do for us?" Very similar questions, but each can produce very different results, sometimes much more complex than if the questions are studied independently.

Now to the first question, under the Obama Administration's continuance of cheap money stimulus creation to alleviate the Greenspan catastrophe, began by the Bush Administration's bank bailouts, we see a continual rise of federal budget deficits. These limited wealth producing expenditures will one day have to be addressed either by future high taxes to pay for this current spending, or it will be inflated away, or all this current debt will be repudiated. All of which do not follow the laws of uniformitarianism but rather the other prevailing geologic theory of catastrophism.

The answer to the second question, in Obama's growth of government is that it gives us the sense of security through government action. Again this action relies on the economic theory of uniformitarianism and denies catastrophism, but furthermore denies the reality in the natural law that, "there is no free lunch." So it would seem that Obama's spending plans are unsustainable, if you truly look at the reality of the proposed spending, or their proposed security of life on a hostile planet. Therefore, in the long run they change the nature of human freedom and destiny.

If you look at the economic growth of the United States, factoring out such things as significant wars and other catastrophes, it has proceeded pretty much along a linear fashion until about the time President Nixon closed the gold window in the early 1970s. Prosperity was defined as GDP per capita. Furthermore the United States was the lender to the world. Today America is the debtor to the world and many countries are beginning to question the real worth of that debt.

Back in those good old days you were defined as who you were and what you believed in. Today you are defined by your stuff and your

credit score. In that ancient history you could buy a house with the income of one skilled artisan or professional. Today with the collapse of the mortgage financing meltdown catastrophe, that former American reality is just a dream even with two good and secure yearly incomes.

I recently picked up real estate flyers for Northeast Washington State, one of the more depressed areas in the nation. While not specifically analyzed but from my impressions, there were about an equal number of homes advertised for less than 200,000 as there were over a million. Furthermore there were probably equal quantities between 200,000 to 300,000 as there were over 300,000 to a million. Who can afford to buy these homes when probably the average working wage in this area is about 15 per hour?

So let us estimate that middle house with a value of 250,000. In the old days and the present that would require a 20 down payment or 50,000. In my super duper mortgage calculator that would require a payment of about 1250 per month, at 5 interest, and a yearly income of about 45,000. That is if you could come up with the down payment and would let the mortgage lender use 50,000 for free for the next thirty years.

Now you hear advertised zero down home loans are still available with an astronomical credit score. Then your payments would be around 1500, per month, again at 5, and a qualifying income of 55,000. This is in an area where one person might make 30,000 and a couple may make 60,000.

Again historically you could not get a mortgage in which your monthly payment exceeded 30 of your gross income. In this case the 30,000 wage earner would qualify for payments of 750 per month and the couple 1500 per month. A 750 payment would qualify you for a loan of about 140,000. Those homes even in Northeast Washington are few and very far between.

These payments are really not that bad if you look at the way we consider money today. What is really appalling is the disconnect between wages and the price of housing. If one person loses their job, your housing dream falls to catastrophe. Similar stories with much higher real estate values and slightly higher wages and incomes is the reason that the housing bubble burst nationally and worldwide.

Most of that bubble was propagated by government interference in the historic real estate markets, because politicians were more interested in their own careers and giving people something for nothing, than they were about the country's economic health. The other option was that they were just too stupid to understand that the world is not an evolving uniformitarian utopia.

So back to our two ecology questions. In the first instance, the relative increase in real estate compared to real wages makes owning a home under standard historical conditions difficult if not impossible. In the second question even with linear growth in GDP per capita, it does not give regular working people the access to wealth accumulation through historic American principles and forces them to search for security in other means much more susceptible to catastrophic world realities.

Back when the United States had a sound monetary policy based upon wealth creation and accumulation, if you worked hard, had or acquired some business acumen, you as an individual could create on your own some wealth yourself and use that to buy or build the home of your dreams. Way back in those good old days, the American Dream was a real reality. Today the American Dream for most Americans is an illusion. Get a job, keep your head down, don't make any waves, and hopefully you can survive the year, unless of course some unforeseen event kills your hope.

As we mentioned last week, in the world's historic context, Americans have been the entrepreneurs of the world. The Japanese may have taken those entrepreneurial concepts and built better cars, but the innovation always came from America. In a similar automotive sense, the Germans engineered better cars than the Japanese, and that engineering came with a price, but the American concept of the automobile has defined transportation around the world to this day. Today America's transportation industry, including and especially automobiles, is a bankrupt, basket case.

Innovation is always a bottom up enterprise. That is simply at the bottom the potential rewards for risks taken, can materialize into new wealth creation. Bureaucracies exist to maintain

the status quo. In other words, bureaucracies can never create wealth; they can only shuffle it around, and in many cases destroy true wealth creation incentives through leveraged mergers and acquisitions.

There are two paths that could take place, in which American entrepreneurs would again make the United States the innovator to the world. These would go a long way to funding a government or private resources to improve the lives of those less fortunate, both in this country and around the world. At the present time these concepts would have a better chance of enactment if alien invaders from a deep space odyssey instituted them. So don't attempt to hold your breath.

The first, in our existing tax structure, would be to make investments in start up companies up to a certain cap rate, say two to five million dollars, free from capital gains taxes until after such time they were sold by the original investors. The second would be to eliminate the current tax system entirely and replace it with a flat tax without the influence of special rights special interest groups. Merging the two also would not have to be mutually exclusive.

What do these actions do to us? It creates an ecological environment that has applications in the real world, and forces people to get their wealth and money the old fashioned way, to earn it by working, not by playing with leverage and debt divorced from real world realities.

What do these actions do for us? They provide true linear growth of GDP per capita, which provides sustainable funding for not only continuing national and world economic growth, but also provides a sustainable source of tax revenue for essential government services and infrastructure development and creation. Exported to developed and emerging economies around the world this entrepreneurial spirit provides for freedom, liberty, security, and increases the world's true prosperity.

The major problem with this economic ecology paradigm does not lie within the science or the wealth creation potential. The real problem arises from the uniformitarian economists around the world that have their mathematical models which forecast more of the same from more of the past.

Just as it took about forty years for geologists to accept J Harlen Bretz's reality of the post glacial floods for the formation of the Eastern Washington scablands, it may take that long for economists to realize that a quarter century of leveraged prosperity disappeared, because it was a similar money reduction catastrophic flood that destroyed a world they thought they knew, but never really existed in the real world outside their isolated offices.