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Is the world broke?

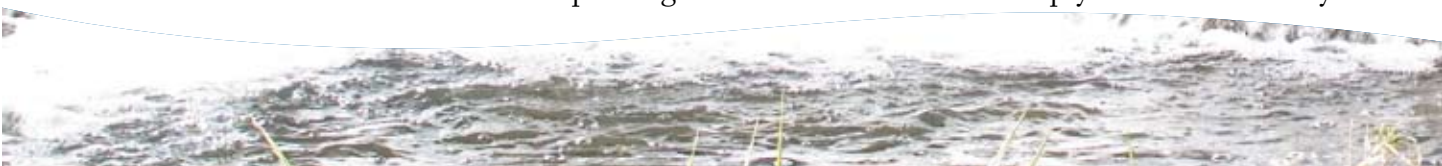
Late last week I tuned into the Fox Business Channel and at the bottom of the screen was the tag, “Is the world broke?” What little time I listened to the discussion, it seemed that the participants were questioning the broke concept as in bankrupt. However when you consider the concept of bankruptcy you generally link the term with being or running out of money. In a world in which nations print their own money either individually as in the case of the United States, China, and most other nations of the world, they can always print more money and devalue their currency, so broke in their literal sense is impossible.

For the Eurozone going broke makes a little more sense in the fact that certain countries may run out of Euros and other countries or financial institutions fail or refuse to give them anymore. In that sense the Euro only will continue to work, if its support is linked to the willingness of all parties to adopt a somewhat consistent approach as far as spending and taxes.

In the United States we are told that it is impossible for the states to go broke literally, as in bankrupt. Since they cannot create their own currency however, that makes for the between a rock and a hard place a reality that many states now face, but as of yet are unwilling to create the austere conditions to bring into harmony unsustainable spending and limited revenues. This means that eventually they will come to the Federal government for funding not all that different from what is now faced by Eurozone countries.

However, there is another definition of broke, that as of yet none of the world’s political leaders, business moguls, spin merchants, or any other group that claims some sort of elitist power or authority, will admit. That is the world in which they say they created, know what is going on, or hope again to set on the right path is truly broke, like broken, it no longer works.

Last December in “Humpty Dumpty in a New Century” we



describe Humpty Dumpty in American terms, but now we see that good old Mr. Dumpty has returned to his continental roots as well. Just as in the American story, the refrain remains pretty much the same. "If we, all the kings horses and all the kings men, all come together and work diligently we can surely put Humpty Dumpty back together again!"

The question no one is asking today is, "Could the reason Humpty Dumpty fell off the wall in the first place, is all the kings horses and all the kings men are responsible?" If that is the case and you just replace Humpty Dumpty on a shaky wall of the world's financial condition, even if for the short term, things might get a little better, but there are really only two alternatives for a long lasting solution.

Our first idea is to believe that the smart elite (the kings horses and men), can fix government, the financial markets, the lack of good jobs, the global warming crisis, the Gulf oil spill, and again put us on the course of peace and diversity, affluence and sustainability. However seems that type of change we can believe in is becoming a wider and deeper leap of faith almost by the hour. This pretty much proceeds along the path, "If it ain't broke, don't fix it!" So they continue to dink around the margins of a potential catastrophe and believe no one notices.

The other opportunity would be to admit that a century of bigger is always better, especially if our government or a major corporation is in charge, is a broken worldview. The wizards behind the curtain are just normal people and individually and collectively they make the same stupid, and sometimes dangerous, decisions as the rest of us. The problem is that inane human ability to mess things up, has much more dire consequences through collective leadership than if you and I, and some of our best friends try it out first. If and when we are successful we can ramp it up until such a time that economies of scale intersect with the law of diminishing returns. The concept of 2 Big 2 Fail must be tensioned with the reality that there comes a time when a collective bureaucracy becomes 2 Big 2 Work.

Since the end of WW II in Europe and since the early 1960s here in the States, there has been an increasing quest for a free lunch counter where we could not only get a free lunch, but also the other

two hots and a cot, and a spiffy early retirement at the same time. In the finest gourmet French tradition when we wanted everyone to eat cake, we all thought we could have our cake and eat it too and somehow the means to pay for it all would just appear by magic. What we once called magic now goes by its real name, "Unsustainable Debt."

It seemed so easy because if we linked all our currencies into one happy global community, through international cooperation we could borrow from Peter to pay Paul and then leverage the risk of Paul defaulting, with some of Paul's own borrowed money. It worked so well that where you could buy a decent new car in America during the 1960s for two to three thousand dollars, today that same car will cost you twenty to thirty-thousand. Of course technology has taken us a long way baby, but the question remains, what really is the debt component of our new High-Definition television and what is actually the wealth component. And the world leaders say, "Huh...? Don't worry, be happy!"

Along the way, Adam Smith's Invisible Hand was replaced by visible hands of the politician who's main goal was to get reelected and retire early, hands of the bureaucrat that sought government or corporate security long enough that they could amass enough through single, double, or triple dipping of the pension funds and could retire early, and hands the crony corporate executives that believe they could deserve a mega-million salary and a golden parachute, if things didn't quite workout.

So the wealth that made the lunch counter possible in the first place, was forced to change the concept of a charity lunch into an entitlement, and now into a government sponsored and funded right. The only problem is wealth that provisioned charity was ignored and now the means of production of the lunches themselves are threatened. The lunch counter had to close, because they were unwilling to borrow more money to feed those who were unwilling to pay their lunch tabs.

To put it in simple terms, the world has become driven by short-term speculators, mortgaging the future's wealth. That future debt has been called and the world now is beginning to understand that it is broke, (like bankrupt) because money has ceased to relate to the real world, and the system is broken, because the true wealth producers, can't get the

liquidity they need to generate new wealth and grow the what existing wealth that remains.

I realize that none of this makes any sense to those trained in late twentieth century economics, but it is really quite a simple natural analogy, as simple as a forest and the trees.

When we walk into the growing forest we notice all the green. There is green, green everywhere and most of what we see is in the trees. That is true in the natural model and also in the economic model. Soon it is human nature to start looking at the different trees and noticing that this tree is bigger than that tree, and this tree is a Douglas Fir and that tree is a Ponderosa Pine, over there by the creek is a Western Red Cedar.

What we miss in our vision is if we were to put a fence or some other discernible barrier around the area just outside our three big trees, within the fence there might be a number of little trees of our species above, or some other tree types. The more we look closely at the area, we see some bushes. There are more bushes than all the trees, a few types we know are snowberry, buck brush, vine maple, service berry, and choke cherry but there are a number of other bushes we really haven't got a clue what they are called. That pretty much takes care of what we would call the woody plants. For sake of argument, within our enclosed area there are six big trees, thirty-five little trees less than ten feet high, and maybe a hundred fifty woody shrubs.

Now we come to the herbaceous grasses, only two I know by name, there is cheatgrass (*Bromus tectorum*) and *Poa bulbosa*, because the seed on the heads look like little bulbs. The cheatgrass is green now but pretty soon it will dry up and you will get the seeds stuck in your shoes and socks. There are many other types of grasses, some are bunch grasses, some are taller and look much more like you would find in meadows.

Then there are the more traditional flowering plants. There are some white flowers on long stocks, and some that look like white umbrellas. Then there are dandelions, and beautiful lupines, and what my parents called milk weed now coming into bloom, but it really isn't real milk weed in the scientific sense, it was milk weed because the fluid in the stem is milky white. I would venture a guess that in our fenced forest plot there are one hundred

species of herbs. So in our forest section of half a dozen big trees, we consider important, there maybe one hundred thousand plants, and I forgot to mention the mushrooms that are popping up all around because of the moist spring.

Then there are a couple a pine squirrels, at least one gray squirrel, maybe twenty chipmunks, probably some rats and mice also, but they sort of keep out of sight. Sometimes in the morning it smells like a skunk visited in the night. Then there are the birds, lots of robins, sparrows, a few Stellar jays, and the hummingbirds that can devour a quart or so of sugar water in a day. Then there is the eagle that comes to sit in the top of the tall pine, and watch for fish in the river. Lest we forget there are also millions of worms, bugs, and bacteria.

What this all goes to show is the reality of the natural law of unity in diversity. They all work together to form the forest, in symbiotic relationships that take into account the full amount of the suns radiance, the rain from the sky, the moisture in the ground as well as the soil nutrients and the beneficial and harmful bacteria that allow the ecosystem to grow and develop over time.

And we humans come by and say, "Look at that dinky little forest of just six real trees, the rest of it don't amount to nothin'! If we take care of the big trees we will save the world and everything else will be all right."

We treat the world's small business operators and entrepreneurs the same way, "They don't amount to nothin', look at Wall Street, and the government to give us a secure retirement , and BP to solve our energy needs, and all we need to do is sit back and let it all happen."

So the world is broke (like bankrupt), because we think that collective big trees are all that matters. The world is also broke, like broken, it no longer works like it once did. The leaders of the world say they have a solution that more of the same will work better this time, trust us, we know what we are doing, we bring change you can believe in, even though you are too stupid to understand, have faith and we will make you wealthy again, for we are just like the collective Robin Hood, appropriating from the rich to give to you, who are too poor to make it on your own. We will show you the money, because we will make it become more worthless every day.

The simple truth of this now broke world is stated in a children's nursery rhyme:

Humpty Dumpty sat on a wall,

Humpty Dumpty had a great fall;

All the king's horses and all the king's men

Couldn't put Humpty together again.

On Wednesday installment III of Redux Rendezvous, provides a simple solution that looks at real forest human enterprise, and not just a bunch of trees that we might use to make lumber.