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Ichabod's World

She named the boy Ichabod, saying, "The Glory has departed from Israel"—because of the capture of the ark of God and the deaths of her father-in-law and her husband.

— 1 Samuel 4:21, Daughter-in-law of Eli, Israel's High Priest

The glory has departed – the whole world.

"What's up Doc?" said Bugs Bunny.

"Bugs, sad to say, things ain't that peachy keen, all over the globe, it has simply become Ichabod's world!" replied Elmer Fudd.

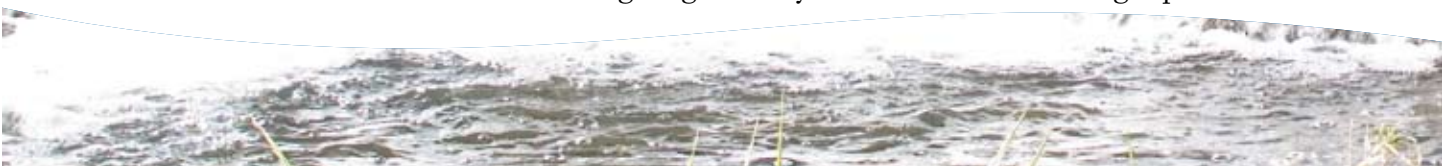
Again sadly, we are forced to live in a real world. The cartoon financial fantasies of the twentieth century have forced us to look at the twenty-first; there to take off the rose colored glasses and not only look at a real three dimensional world, but for the first time, in a very long time, to question some of the assumptions that have guided our make-believe world of our past epoch.

I realize that this is rather a stark way to look at the world and the country, especially this week when the nation celebrates its Thanksgiving Holiday. But

when you seriously look at what is happening, Ichabod seems like a just description. This week besides tomorrow's thanksgiving feast, we are marketed the hype that this will be "Turkey and Professional Football Day," the nation's pseudo religion. That followed by Black Friday when we practice feeding the god of consumer gluttony.

Lest we forget today was also the day when the American Congress, Democrats and Republicans, were supposed to begin to act like adults and make a true token gesture in beginning to reign in some of the federal government's excessive spending, in a somewhat controlled environment.

The \$1.2 trillion in savings over a decade however was really way less than a token, the real work would have been to make those savings on an annual basis. A true functioning republic would have



seen it within reason, to make those annual cuts to one percent of GDP, so that we could have seriously begun to restructure and rethink the role of government, so that it represented the vast majority of our people; not those just on the conservative and liberal extremes of their political parties.

Thanksgiving this year means, thus far my move to Reardan has gone very smoothly. Monday was supposed to be my tenants last day, and when I came by to check out what was happening Sunday afternoon I found the place vacated and cleaned to a satisfactory level.

So begins the task of doing some upgrades and repairs, which are required in this century old house after thirty years of being a rental. I recently found out it has been in my parent's extended family since 1943. Considering the bones are still in pretty good shape and the place has never been seriously "remuddled," some time and money will make a good home for a prairie kid.

Reardan is a small town, population 571 (2010 census), where I went to elementary school and my dad was my school principal. After I got my driver's license in high school, I stayed in this old house with my grandparents when I bucked bales and drove truck in wheat harvest during the rest of my high school and three summers while going to college. So other than the time I spent in Seattle, I am coming back to family roots on my dad's side. Reardan is where my dad spent many of his early years, as well as his mother. The German family homestead was patented not that far away in 1890; a year after Washington became a state.

About fifty to sixty miles to the west, were the Washington Territory roots of my mother's-mother's family, arriving in 1883 after ten years in Oregon proper, moving there from the east, where we can trace ancestry to the Carolinas to before the American Revolution. On her dad's side, this summer my cousin was able to go back to Denmark and trace back that vintage to about that same period.

So after shampooing the carpets and a fresh coat of paint, by the first of December my stuff that has mostly been in storage for my time at the mouth of Big Boulder Creek at its confluence with

the Kettle River, will be piled in rooms and the process of changing a house into a home will begin.

Revisiting Ichabod, and contrary to most of the world's politicians and a lot of economists and financial gurus, by taking a realistic look at where we are, it sure seems to a somewhat honest observer that Ichabod was born about the turn of this century; but Uncle Sam was hoping to have a more traditional son to carry on his heritage a lot longer.

Staying with the Bible narrative, it is rumored that Uncle Sam has not died, but has decided to exile himself until the American people begin to look at their historic roots for their substance; rather than some utopian scheme to rebuild the tower of Babel. So in a real world, created by God, a time of serious angst, brought on by totally human folly, looks indeed like a Sabbath rest for the glory of God, while Ichabod grows and he matures to the point where he decides to change his name.

The two political extremes around the world, to whom each camp contends the other is at fault for this debt extravaganza, seem to think the defect either lies with too much government and taxes, or capitalism and not enough social justice. But what if, these are just superficial results of a much deeper and older problem?

My formal economics training came as I pursued an MBA; the rest I have picked up through reading and video seminars, really since 2008 when the official Great Recession began. My financial training came through about thirty years of being a not overly successful entrepreneur and what I picked up putting a wife through a similar program at the University of Washington and her later adventures into international banking, during one of those all too common Latin American debt crises.

Ecology, both terrestrial and aquatic, as well as a smattering of chemistry and engineering, is my true formal higher learning. That historic jack of all trades master of none, or in its more formal understanding of a generalist rather than a specialist, forces you to look beyond the trees to see if you can describe the forest, or even more broadly the forest ecosystem.

Since we humans are still somewhat alive, an ecosystem model also fits the current enterprise structure we tried to build during the last century. In the eco-squeak sense it is unsustainable, but really the eco-squeak solutions, such as proposed by Al Gore,

only attempt to shift the ecological equilibrium from laissez faire capitalism, a method they oppose in religious belief, to their faith in “progressive” collective elitism. That human religion is as old as the fall of man, and first illustrated in historic literature as the Tower of Babel.

Western civilization however, through the dark ages, the Renaissance, the Reformation and the Enlightenment, followed by evolutionary progress, has not really been built on a money foundation, in any sort of historic sense. We have had hard money, soft money, until now we have totally intangible electronic fiat money, supplemented by paper and some base metal coins. The ecological forest beyond the trees, the grasses and the birds and the bees however rests totally on the assumption, and it is an assumptive religious and material paradigm, of compound interest as a true, definable and measurable worldview to manage economic growth.

The search for “Compound Interest” is what drove the Age of Discovery, the Industrial Age and the building of our modern global enterprise. Throughout human history, money has always been the end, but compound interest has always been the means.

When you look at the current global debt endgame, the problem is not so much with the bits and bytes of electronic money and banking, but the problem is that the lender system wants compound interest from the “borrowers,” but recipients don’t have the means to repay. The straight reality is both sides of the contract expected essentially a free lunch. In the real ecologically sustainable world, there are no free lunches.

If we put it at the levels of human totally positive morals; both sides honestly believed that the compound interest process would work. It wasn’t a failure to communicate, it was the reality that compound interest in our Ichabod world can’t adequately measure the risk associated with any human endeavor.

All the various insurance, reinsurance, credit default swaps, and the universe of other ways to hedge monetary investments are really just a mechanism to control risk. Yet we continually look at the money and in Ichabod fashion, think we are smart enough in a collective laissez faire world to

determine risk properly and use it as a means to allow money to manage human enterprise.

To control and manage risk properly, we need to understand the measurement of risk as an asset class, rather than a debit class. What that means in ecological terms is the return on investment must be measured as a component of growth. In other words as growth occurs our return is not fixed but variable with the growth itself. That is totally the antithesis of compound interest, which essentially states that growth will be managed by equal, measurable means, and will return enough “profits” via that mechanism to make the “compound interest” payments.

Austerity alone is not going to make Greece work, or any of the other countries burdened with excessive debt. Just debt and measurable debt service doesn’t work in a variable operational world. Even Ichabod will grow to understand that simple fact of life. The world doesn’t work based on the models of mathematical constants and this is not going to change.

The problem really isn’t with the people, the bankers, the politicians, the common man, the problem with our enterprise model; solely, exclusively, at least for the last generation, is based upon a false assumption of an operative invisible hand, which we really don’t believe truly exists. Hence the true Invisible Hand is letting us learn an Ichabod lesson.

True wealth is based upon growth, and bluntly Industrial Age specialization is too simplistic to comprehend these complex diverse growth dynamics. Common sense tells us that; yet we have reduced men and women to a credit score, nations to their GDP, where in reality GDP only can track the movement of money within a culture that is willing to play by the GDP-compound interest paradigm.

The reason that human civilizations have always been, except for part of the last century, based upon agriculture is because agriculture, its good years and its bad, doesn’t work through compound interest, but compound agricultural returns that include a tangible risk-reward premium. That return is not measurable on the front end, except through the dreams and hopes of the planter, the rancher, the agriculturalist. The returns are truly only known and can be counted once the harvest occurs.

Ichabod has returned. His endgame is playing out. You can’t eat compound interest and the risks of

Ichabod's world currently do not acknowledge that reality. Since noble readers, if you didn't have an inkling of that reality, you would not be reading this unconventional column; hence you have something to be thankful for that most living Ichabod's world do not.

Happy Thanksgiving! God willing by next week we will be reporting from Reardan, Washington,.