The Economic Recovery Has No Clothes

by Hendrik Van den Berg
UNL Economics Professor

In April 2009, as the country was reeling from the economic crisis, I wrote in the Nebraska Report that “We’re Never Getting Back to ‘Normal.’” I detailed ten economic trends that, up through 2007, were clearly not sustainable over the long run. My point was that—even under the best of circumstances—the recession was destined to be a long one because we couldn’t just go back and resume what we’d been doing.

At the start of 2011, a full three years since the financial collapse, as expected, the U.S. economy shows little real growth. Of course, the financial press and cable networks increasingly hype the ‘coming recovery,’ and the stock market indeed has recovered a very substantial part of its losses. In this article, I will review each of the unsustainable trends I highlighted two years ago and examine where we stand today.

In the next issue of the Nebraska Report, I will examine what still needs to be done to establish a new, viable ‘normal.’

The Unsustainable Trends

A quick review of the ten unsustainable trends suggests that little has changed since early 2009:

1. “Over the past 25 years, we let our trade deficit rise to 6 percent of GDP by selling our assets to foreign investors and governments.” The trade deficit actually fell sharply in 2009, but only because overall economic activity collapsed everywhere. With the modest economic rebound, the trade deficit is rising again and on track to return to 5 percent of GDP. At this percentage growth, our foreign debt is set to grow faster than our economy will ever grow, even in the best of times.

2. “We have nearly 3 percent of our working-age population incarcerated or in some way restricted from living normal lives by our criminal justice system.” Incredibly, despite massive fiscal deficits and budget crises at all levels of government, there has been a reluctance to seriously cut back on incarceration practices.

3. “We have let our healthcare industry be manipulated by private conglomerates even though public funds and subsidies are involved in 60 percent of all medical expenditures. Americans now pay nearly 17 percent of their GDP for healthcare, over 5 percentage points more than other high-income countries, who, by the way, achieve better health outcomes than we do.” Healthcare continues to get more expensive, and the 2010 healthcare bill, in some respects, actually exacerbates the problem, because it forces individuals to buy private insurance—thus boosting demand without any offsetting regulations or a public option to contain private costs. In the meantime, the number of uninsured is still rising rapidly, having now passed 50 million persons. There have also been large cuts to Medicaid expenditures (dental care has been slashed in most states), and the President’s Fiscal Commission is calling for more cuts in Medicare.

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FOUR REASONS TO DEPLORE

LB 48
(and seek its immediate defeat)

Just as we feared, State Senator Charlie Janssen of Fremont has introduced an Arizona-style anti-immigrant bill in the Nebraska Legislature: LB 48.

This mean-spirited legislation promises nothing but trouble and heartbreak for Nebraska. The last thing our state needs now—as we’re contending with a protracted economic downturn and massive budget crisis—is to replicate the errors and horrors coming daily out of Arizona.

Here’s FOUR REASONS WHY THIS BILL MUST BE DEFEATED—and quick—before it gains any political momentum:

• THE ECONOMIC COST: The State of Nebraska will waste millions of dollars in litigation attempting to defend the constitutionality of this law that clearly intrudes on the federal government’s authority. Plus, expenses for local, county and state law enforcement are sure to spike with the increased burden of trying to enforce this misguided legislation.

• THE SOCIAL CONFLICT: This bill is guaranteed to create bad blood between residents and tear communities apart. We don’t want every town and city in the state going through what the city of Fremont is experiencing. The rift in the social fabric that’s developed in Fremont is destined to haunt that community for years to come. And it was all so unnecessary…

• THE NEGATIVE PUBLICITY: The social turmoil that will arise from this racially charged legislation can’t help but generate negative publicity for the state. Nebraska is certain to garner the same kind of ‘bad press’ Arizona is getting—and that’s ‘bad for business.’ Investors tend to avoid controversy and conflict because they threaten profitability.

• THE MISPLACED PRIORITIES: At the very moment when the Legislature is having to contend with an almost billion-dollar budget deficit, it’s a waste of state government’s time and resources to be spending energy on a socially divisive and almost certainly unconstitutional bill like LB 48. Our state senators need to be working on solving the real problems facing our state—not scapegoating immigrant children and their families.

Passage of LB 48 would be a major social and economic disaster for Nebraska. Let’s stop this disaster before it starts.

Our state’s got enough problems on its plate without adding LB 48.
The Economic Recovery Has No Clothes, continued

4. “We stopped expanding our stock of human capital in line with technological change by undermining public education, making students pay much more for college, and demonizing science.” College tuition is rising faster than ever: 6 percent per year in Nebraska and as much as 30 percent in states like Nevada and California. In the meantime, Obama touts junior colleges and charter schools as the solution to our educational needs. We can, therefore, expect more unequal educational opportunities in the future.

5. “We demanded tax cuts and cheered on those who dismantled our government; now government no longer handles either emergencies or many routine tasks very well.” The National Guard is off fighting overseas, government budgets are tighter than ever, and few stimulus funds have been used to improve emergency preparedness. Last month, the Northeast could not even clear up a winter snowstorm.

6. “Income inequality grew to where it was in the early 20th century.” We will not have data on 2009 and 2010 for another two years, but the high unemployment rates, the sharp rise in the length of unemployment, the obscene rates of youth unemployment, and the continued decline in real wages for lower-income workers suggest that income distribution has not improved.

7. “We let the minimum wage fall to about 60 percent of what it was 40 years ago, we reduced workers’ ability to organize unions, and we massively cut taxes on the wealthy.” Obama’s ‘tax compromise’ extended tax cuts for the wealthy and the upper middle class, who stand to gain much more than the lower classes, who pay very little, if any, income tax. It also increased the amount of income exempted from the inheritance tax to where up to $10 million inheritances pay no tax at all. Millionaires gain hundreds of thousands of dollars from the tax compromise—those earning less than $20,000 per year gain a few hundred dollars. The cut in Social Security contributions seriously undermines one of the few remaining social programs, which is, no doubt, why the Republicans agreed to this temporary provision, intended to replace the “Making Work Pay” payments.

8. “The real wage of the median worker has remained about the same for 40 years now, which implies that the gains from economic growth have gone almost entirely to the very wealthy.” Real wages have fallen further, and social mobility has fallen because high unemployment rates and the fear of losing healthcare locks workers into poor jobs. Corporate profits, on the other hand, have recovered very nicely since 2008.

9. “We raised defense expenditures (when fully accounted for across all parts of the government) to about 7 percent of GDP.” U.S. military, anti-terror, surveillance and foreign war expenditures have continued to rise, and the U.S. continues to finance half of the world’s total military expenditures.

10. “And all this occurred while humanity went from consuming 70 percent of the Earth’s capacity to provide renewable resources such as water, air, soil, waste management, etc. to consuming about 120 percent of that capacity. The astonishingly rapid loss of biodiversity may yet make climate change the lesser of our big problems.” Climate legislation never even made it to a vote in the Senate, thanks in part to Senators Nelson and Johanns. And the Obama Administration accomplished at the Copenhagen and Cancun international environmental conferences what George Bush repeatedly failed to do—kill any movement towards global and national limits on greenhouse gas emissions. Bowing to pressure from U.S. industry, President Obama has even delayed allowing the EPA to act on its authority to regulate greenhouse gases, until more study on the economic impact is conducted.

In sum, U.S. policymakers have not provided constructive solutions to the economic, social and environmental imbalances that threaten our economic wellbeing over the long run. More disconcerting, still, has been the failure to even deal efficiently with the short-term issues.

Dealing with the Crash

Policymakers have failed to address the fundamental causes of the financial crash of 2008. The well-publicized “Dodd–Frank Wall Street Reform and Consumer Protection Act” of 2010 does little to stop even the most blatant abuses. They will happen again soon.

70 percent of that capacity. The astonishingly rapid loss of biodiversity may yet make climate change the lesser of our big problems.” Climate legislation never even made it to a vote in the Senate, thanks in part to Senators Nelson and Johanns. And the Obama Administration accomplished at the Copenhagen and Cancun international environmental conferences what George Bush repeatedly failed to do—kill any movement towards global and national limits on greenhouse gas emissions. Bowing to pressure from U.S. industry, President Obama has even delayed allowing the EPA to act on its authority to regulate greenhouse gases, until more study on the economic impact is conducted.

In sum, U.S. policymakers have not provided constructive solutions to the economic, social and environmental imbalances that threaten our economic wellbeing in their legislative ‘victory,’ lobbyists for the financial industry were already writing the new procedures and pushing for their people to occupy the critical positions. The Republican control of the House and further appointments of former financial industry executives to the White House staff (Lew, Sperling, Daley, etc.) eliminates any remaining hope of real financial regulation.

Given the huge cost of the economic recession in terms of taxpayer bailouts and income and job losses, the fact that the financial industry was able to get such as benign bill passed shows how corrupt our political system now is.

Banking Is Not What You Think It Is

Most financial activity today does not occur in the familiar banks on the corner. Rather, it occurs in a ‘parallel’ financial sector that revolves largely around the

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Global Day of Action on Military Spending

April 12, 2011

For decades, the “Stockholm International Peace Research Institute” has annually issued what is regarded as the foremost assessment on global military spending. On Tuesday, April 12—the release date of the Institute’s 2011 statistical report—“A Global Day of Action on Military Spending” is being held around the world to to focus international attention on the $1.6 trillion now being annually squandered on war-making. Conceived by the Nobel Prize-winning “International Peace Bureau” (the oldest international peace federation, founded in 1891) and the Institute for Policy Studies (based in Washington, D.C.), the global day of action has been endorsed by host of U.S. organizations, including Peace Action, Pax Christi, FOR, Global Exchange, the National Priorities Project (and our own Nebraskans for Peace).

The biggest culprit in this costly (and deadly) enterprise is, of course, the United States.

Our government’s military-related expenditures annually account for $1 trillion of that $1.6 trillion global total. (The Pentagon budget in 2010 totaled over $700 billion. Additional funding for Homeland Security, the Energy Department’s nuclear weapons research program, the FBI’s ‘counter-terrorism’ activities, NASA’s spy satellite surveillance, the CIA, foreign arms sales and interest on the military-related share of the federal debt push the annual price tag over $1 trillion.)

- All told, we are currently spending $3 billion a day on the military—roughly equal to what state government in Nebraska spends in a year.
- Over half (59 percent) of every federal tax dollar goes to fund some military function of the U.S. government.
- U.S. military spending is greater than the rest of the nations of the world combined. (The second-highest nation—China—spends a tenth of what the U.S. spends and hasn’t got a single foreign military base.)
- Finally—by the Pentagon’s own admission—it cannot account for 25 percent of what it spends. (Way back in 2002, former Secretary of Defense Donald Rumsfeld acknowledged that the Department of Defense “cannot track $2.3 trillion in transactions.”)

If our politicians are serious about reducing the federal deficit, they can start by cutting the Pentagon budget in half. It should be at the top of the list, because they couldn’t find a more glaring example of waste, fraud and abuse.

REDUCE THE DEFICIT
Cut the Pentagon Budget

Everything You Wanted To Know about Your Government You Had To Learn from WikiLeaks

by Bud Narveson, Lincoln NFP Chapter

In his recent book, Bomb Power, Garry Wills writes that the U.S. executive branch keeps information secret not primarily from foreign enemies, but from its own citizens, and from Congress.

Documents released by WikiLeaks support and illustrate Wills’s claim. As one commentator put it, “The Times and Guardian stories describe how these official U.S. documents reveal constant U.S. Executive Branch lying to the American people.”

Wikileaks as well as other sources have confirmed U.S. drone strikes from bases in Pakistan. The Pakistani government publicly denies and condemns the attacks but quietly approves. Other Wikileaks documents report U.S. Special Forces fighting alongside Pakistani soldiers in Wazinistan.

In Afghanistan and Pakistan, the CIA apparently acts as another military force. A Washington Post article (9/22/2010) reports that some cables refer to operations of an “OGA” (“other government agency”), a term generally used in reference to the CIA.

Wired and CNN are among other news agencies that have run stories, based on Wikileaks releases, about CIA bases in Afghanistan from which are run ‘snatch and grab’ operations targeting insurgent leaders, as well as drone attacks on claimed militants, frequently resulting in deaths of innocents.

U.S. Strategic Command’s name is never specifically cited in the documents. It’s instructive for Nebraskans to know, however, that StratCom is integrally involved in the execution of all of the aforementioned ‘black’ operations through the use of its space, intelligence and global strike assets.

Hardly surprising, given earlier reports of torture at Guantanamo and at ‘black sites’ in Europe and Asia, are the Wikileaks cables revealing secret U.S. assassination squads in Afghanistan and Pakistan, torture of prisoners, and ‘potential crimes’ committed by coalition troops.

Whether targeted bombings and assassinations are productive tactics is of course open to question. A recent Mother Jones article about General Stanley McCrystal’s tenure as commander in Afghanistan reports his opinion that for each person the U.S. military kills, it creates ten new enemies. U.S. and Afghan authorities are both reportedly seeking to negotiate with the Taliban in hopes of ending conflict by bringing them into power-sharing arrangements. On the face of it, the targeted killing of Taliban leadership might accordingly appear counterproductive for such negotiation efforts.

In the geopolitical context of the Mideast, the WikiLeaks diplomatic cables have prompted conflicting conclusions from hawks and doves over the Arab states’ views regarding potential U.S. military action against a nuclear threat from Iran. The hawks claim that Sunni leaders fear an increasingly powerful alliance of the Shiite states of Iran and Iraq, and they see Sunni leaders as favoring U.S. attacks on Iranian nuclear facilities. Doves, by contrast, quote the same sources as evidence that Sunni states fear negative consequences for Arab interests from any such attacks.

And on the home front, growing uneasiness on both the right and left about the U.S. deficit may, sooner rather than later, force cuts in troop numbers and foreign military bases, which currently total over 1,000. As one recent article asks, do we really still need troops in Germany to guard against an increasingly unlikely Russian attack?

Despite such rumblings, the Pentagon budget and spending on other military-related programs for the coming fiscal year will easily top one trillion dollars. That obscene sum is equal to the combined military spending of every other nation on earth—including China, Russia, Iran, North Korea, Venezuela and Israel.

But then, we didn’t need WikiLeaks to tell us that, as a nation, our priorities are dangerously skewed and we’re ‘Goin’ Broke Paying for War.’
The Omaha Public Power District prides itself on serving more customers than any other power district in the state. Governed by a non-partisan, eight-member board of directors who are publicly elected to six-year terms, OPPD is required by law to deliver the most affordable and reliable electricity to the rate-payers in its 13-county service area.

Well over half (57 percent) of that electricity is currently generated from coal mined from Wyoming’s Powder River Basin and transported by the Union Pacific Railroad to OPPD coal-fired plants in North Omaha and Nebraska City. Oil and natural gas (27 percent) and nuclear energy (15 percent) constitute the other two major power sources in OPPD’s generation portfolio.

Only one percent of OPPD’s electricity is derived from renewable energy, though the board of directors has set a goal of producing ten percent of their energy from renewables by 2020.

This past January, at OPPD’s regular monthly meeting, representatives from 350.org—Nebraska and Nebraskans for Peace addressed the board on the climate threat posed by global warming and the need to end our public power system’s dangerous reliance on coal.

As meteorologist John Pollack (whose statement to the board is reproduced below) stated, a ten percent renewable energy goal by 2020 is too little too late. If we’re to avert climate chaos—and the end of civilization as we know it—utilities like OPPD need to ramp up their energy efficiency programs to reduce waste and demand, boost their renewable energy target to 40 percent by 2020, and start leaving that polluting coal behind.

I’m here today because I’m a meteorologist concerned about climate change. I’ve been following the issue for 40 years, including my recent 30-year career with the National Weather Service in Omaha. I’m convinced that the need to reduce carbon emissions from OPPD’s coal-fired plants is urgent, and the consequences of inaction are rising for our service area.

Burning fossil fuels, especially coal, is one of the main causes of global warming. Burning coal puts twice as much CO2 into the air than natural gas. To stop global warming, the experts tell us that we need to change from burning coal and generate at least 40 percent of our electricity from renewable sources by 2020. OPPD’s goal is only ten percent by that year.

I’m well aware of the irony of addressing the ‘global warming’ issue on a cold winter day. Even though severe winter weather has been in the headlines lately in both the U.S. and Europe, there is more to this than appears to the casual observer. The basic cause of this weather is a pattern that meteorologists call “high latitude blocking.” In this pattern, unusual high pressure aloft over the Arctic forces the jet stream further south. This results in intense storms. It also pushes arctic air further south than usual into the continental U.S., causing cold outbreaks and huge snowstorms.

The current pattern is amazingly intense to an experienced meteorologist. In brief, there is an area of high pressure and warm air aloft in northwest Alaska. This is a monster block in this blocking pattern. The intensity of this high would be unusual in midsummer for this region and is extraordinary now, in the winter. To put a number on it, this is a four-sigma departure from normal for western Alaska, expected to occur once every few hundred years.

The trouble is, climate change caused by burning fossil fuels, has shifted what used to be ‘normal.’ We’re seeing these four-sigma events with increasing frequency. There was an October storm that produced the lowest pressure ever recorded in the interior U.S. by a wide margin. There have been two ‘500-year’ rainfall events in Iowa in three years.

The OPPD service area has been lucky so far. However, we can expect larger ice storms to cause more frequent and severe damage in this area. A wind or ice storm driven by a four-sigma weather anomaly would be a major disaster. So would a summer heat wave.

This is something we all have a direct stake in. The climate is shifting as carbon dioxide levels rise. It is time to protect ourselves as best we can by advance planning, and by reducing carbon emissions as rapidly as possible. I urge you to set a goal of 40 percent renewable energy by 2020.

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**350 ppm**

The maximum amount of carbon dioxide we dare put in the atmosphere if civilization on earth is to survive

(We’re currently at 390 and rising)

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Old King Coal is a lethal old soul,
A lethal old soul is he:
He called for his pipe
[to pour smoke and CO2 into asthmatic lungs and the global atmosphere];

He called for his bowl
[to pour mercury into child brains and money into Senatorial campaigns];

He called for his fiddlers three
[to fiddle while his miners die and the planet burns].
Global Warming =

Global Food Scarcity
- The U.S. produces 40% of the world’s corn. For every 1°C of global warming (1.8°F) there will likely be 11% loss in corn yields, creating a potential 77% reduction in U.S. corn by the end of the century.
- The U.S. produces 38% of the world’s soybeans and at 4°C (7.2°F) of global warming, there will likely be a 35% loss in soy yields. On our current path we will likely increase global temperatures 4°C (7.2°F) to 7°C (12.6°F) by the end of the century with a possibility of 4°C temperature increase by as early as 2060.
- The Global Demand for food is predicted to increase by 50% by 2030.

Global Fresh Water Scarcity
- Half of the world’s 6.9 billion people depend on rivers whose freshwater source is mountain glaciers. At the rate glaciers around the world are currently melting, over a billion people are projected to face water shortages by mid-century.
- Water scarcity translates directly into food scarcity, as 70% of our fresh water resources are used for irrigation of crops.

The Destruction of our Great Coastal Cities
- The melting of the icecaps is expected to raise sea levels anywhere from 1 to 5 meters this century. A 1 meter (3.3 foot) sea-level rise would create a 1-in-100-year storm surge in New York City every 4 years, causing billions of dollars in flood damage, which would make rebuilding economically prohibitive. At just a 1-meter increase in sea level, we would lose Charleston, Miami, New Orleans, Tampa, much of Ft. Lauderdale—indeed, coastal cities around the country would be under siege.
- All of the great ice sheets would eventually melt over several centuries leading to a sea level rise of 250 feet. This would place all of our major coastal cities—including the nation’s capital—under water.

The Destruction of the Ocean Food Web
- The dramatic increase in the earth’s carbon dioxide levels is acidifying the oceans and destroying aquatic habitats like coral reefs, which are home to 25% of marine species and provide a source of protein for a billion people.
- The rise in ocean sea surface temperatures has accounted for a 40% decline in ocean phytoplankton since 1950. Though barely visible to the eye, phytoplankton are the base of the ocean food web and produce half of the world’s oxygen.

Dustbowlification
- The Southwestern United States (from Nebraska in the North to California in the West) is predicted to be turned into permanent dust bowls along with southern Europe, northern Africa, southern Africa and Western Australia. In Central and Western Nebraska, protracted drought and increased heat are expected produce a 10-degree (F) rise in temperature by 2100.

Irreversible Consequences
- 25% of the CO2 we release today will still be affecting the climate after 1,000 years, and 10% will be affecting the climate after a 100,000 years. Once global temperatures rise beyond a certain level (a ‘tipping point’), feedback loops—like increased ocean heat absorption from Arctic sea ice loss and methane releases from frozen tundra—kick in, significantly amplifying global warming.

Economic Collapse
- Taking the necessary actions to stop irreversible climate destabilization would require (according to most economic models) an investment of 2% of global GDP to 2050. A 2% reduction of global GDP to 2050 means that there would be a 1-year delay in the doubling of average incomes—a tiny investment to preserve civilization as we know it.
- If we do nothing, we risk losing 1/3 of the world’s wealth (Nicholas Stern, author of the most important economic model).

Global Warfare
- Crop losses, fresh water shortages, and rising sea levels from global warming will usher in an era of refugee migrations that will lead to resource wars all over the planet.
- The drought-driven conflict in Darfur provides a tragic case in point, where migrations brought on by climate change have led to a bloodbath. To date, 400,000 civilians have died and nearly 3 million have been displaced.

Planetary Emergency
- James Hansen of NASA, who is one of the world’s most distinguished climate scientists because he has predicted most of the effects of climate change over the past 30 years, has said that global warming has “reached a point of a planetary emergency.”

The Solution:

Existing Technology
We will not be saved by some dream technology in the future: rather, through existing technology and technology in development we can now rapidly switch to renewable energy.

Energy Efficiency
The U.S. can reduce emissions 40% by 2030 through energy efficiency alone (according to a study by the McKinsey Global Institute, and other studies.)

Solar
According to a 2007 Department of Energy study, there is enough harnessable solar power in the Southwest through concentrated solar power to meet nearly seven times the electricity needs of the entire US. New techniques of storing this energy in molten salts would allow continued energy output after sundown. A recent study from Stanford University maintains that solar energy could produce 30 times the power needed to power the whole world.

Wind
A 1991 Department of Energy study asserted that North Dakota, Kansas, and Texas had enough harnessable wind energy to satisfy national electricity needs. The Stanford study argues that wind energy could produce 5 to 15 times the power needed to power the whole world.

Geothermal
There is 50,000 times more heat energy in the upper 6 miles of the earth’s crust than all of the world’s oil and gas reserves combined.
Having just emerged from yet another political campaign brimming over with meaningless twaddle, I have a gnawing suspicion that our system can’t handle serious issues. The clowns have taken over the circus, and the implications for our future are downright ominous.

Citizens of the United States have a fondness for characterizing our political system as a democracy, in which the will of the people means something. Our system still does retain traces of popular sovereignty, and if enough people get mad enough—and get organized—they can have an effect.

More often than not, however, politics as usual in the United States functions on a daily basis as a special-interest oligarchy run by lobbyists paid by large corporations; government of those well-heeled enough to hire representation and manipulate public opinion with the drumbeat of sly advertising.

Whatever its defects, our government does not customarily shoot us in the back or send us to gulags if we dissent from the party line. More likely, we will be allowed our indulgences. We will be allowed to debate serious issues in out-of-the-way places (witness this column in a ‘Peace & Justice’ publication). But the really big media juggernaut rolls on after Lady Gaga’s latest taste in midriff-bound red meat. The temperature rises and editorial eyes roll.

**Politics in the Glibocracy**

Our political system is not very good at compelling people to do things that are necessary but uncomfortable. We live in a ‘Glibocracy’ fueled by the ‘Newspeak’ of our age: Fun and easy? No problem. Profitable? No problem. Tough but necessary? Big problem. Our presidential campaigns have been very artfully contrived to turn real issues into personality-driven, feel-good pap and patriotic clichés.

There’s a lot of stump-talk about ‘Washington being broken.’ But the real issues receive very little oxygen in campaigns that are filled with rituals and personal attacks. And the question that gets to the very heart of our ecological crisis is never addressed: Can a corporate-run state that survives mainly by granting favors to established interests segue to a sustainable future? And if enough people are going to have to redefine our present-day notions of life, liberty, and the pursuit of happiness—of ‘having’ and ‘being.’ How hot does the weather have to get to make such things acceptable to most voters?

Someday, in the ‘Greenhouse Gas Museum,’ circa 2100, there may be a video display showing Republicans in the U.S. Senate, June 6, 2008, filibustering to death the first serious effort under the U.S. Capitol dome to severely restrict carbon-dioxide emissions. The narrator may remark at stalling tactics such as compelling a clerk to read the text of the 491-page “Climate Security Act,” frittering away ten hours of precious legislative time, while accreting greenhouse gases continued to carry all of us to a date with climatic destiny.

Our necessary segue to sustainability faces broader cultural and philosophical hurdles as well.

How suited to sustainable solutions is an economic system in which ‘more’ is often assumed to be better—particularly the disorganized character of that growth… the very attributes cancer cells exhibit in the human body.

**Can Capitalism Change its Character?**

A major—perhaps the major question facing an Earth and its human denizens in a time of worldwide environmental crisis—is: can capitalism change its character? A sustainable environment would not preserve… the disorganized character of that growth… and the tendency of capitalism to ultimately destroy the environment that sustains it—the very attributes cancer cells exhibit in the human body.

Can Capitalism Change its Character? A major—perhaps the major question facing an Earth and its human denizens in a time of worldwide environmental crisis—is: can capitalism change its character? A sustainable environmental solution is an economic system more likely to live serenely ‘green’ lives?

Are we ready to make a measure of material sacrifice a civic virtue?

The late environmentalist Edward Abbey was fond of calling capitalism the ideology of the cancer cell. Abbey was not making mere word-play, but commenting on the capitalist system’s need for growth. Can Capitalism Change its Character? A major—perhaps the major question facing an Earth and its human denizens in a time of worldwide environmental crisis—is: can capitalism change its character? A sustainable environmental solution is an economic system more likely to live serenely ‘green’ lives?
The Economic Recovery Has No Clothes, continued

creation and sales of ‘derivative’ assets (financial entities built upon traditional underlying bank assets). The now-infamous ‘sub-prime mortgages’ are one example of this alternative financial practice. These questionable mortgages were bundled into new securities—which, after some creative repackaging—were marketed as safe assets throughout the world. Another example is the growth of ‘credit default swaps,’ which are insurance schemes linked to the future values of ‘securitized’ assets such as those repackaged mortgages. The securitization of mortgages permitted banks making home loans to immediately pass those loans on to others, and the ‘insurance’ schemes permitted financial firms and their wealthy clients to gamble on the future values of the questionable assets bundled into the securities.

The principal difference between traditional banking and the modern deregulated financial industry is that the former earned its profit from the interest differential between deposits and the loans it held on its books, while the latter now earns most of its income from (1) creating derivative financial assets that permit it to capture expected future profits immediately and (2) earning margins on the sales and purchases of the many layers of derivative assets. The traditional system was relatively stable; the latter is prone to booms and busts. The instability of the modern financial system is largely due to the fact that the people making the decisions capture their profits immediately when they sell securities to others, while the others (who may also be financial firms) are left holding the risky assets. So the profits are booked and paid out to stockholders and as bonuses, but the eventual earnings may or may not pan out. When they don’t, the entire system becomes insolvent, and government assistance is required to prevent a complete freeze of financial activity.

Traditional banking earned its income from lending money out at higher interest rates than they paid on their deposits. Such intermediate activity on the part of banking institutions served to channel savings to productive and—when done properly—the most productive investments. Banks held their loans as assets on their balance sheets until they matured. For example, a savings bank used its deposits to make long-term mortgages to home buyers. There were occasional problems, as when savers withdrew their savings in the short run while banks held mostly long-term assets that could not be quickly converted to cash. But this potential insolvency was minimized by the obvious motivation banks had to make sure their long-run assets were sound. That is why banks required substantial down payments, they did lengthy credit checks on prospective borrowers, and they carefully assessed the values of properties. There were also various insurance schemes run by the government, such as the Federal Deposit Insurance Corporation, and the Federal Reserve could act as a lender of last resort in order to quell runs on banks and maintain financial stability.

This traditional form of banking was not profitable enough for the financial industry, however. The financial industry has always tried to branch out into, for example, buying and selling stocks and conclusion on page 10

What’s HOT, conclusion

ment can make good business. Witness the growth of alternative forms of energy. Can capitalism factor respect for the Earth that sustains us all into its calculus of development? If so, it may be a positive force in a new, sustainable world. If not—if it retains the attributes of the cancer cell—then ultimately, our progeny will inherit an exhausted, poisoned world.

Can capitalism, with its appetite for pell-mell (and often environmentally destructive) growth, survive in a new world in which geophysical reality demands that we restrain our demands upon the Earth? Are we prepared to operate with an accounting system that holds us all responsible for the toll that our activities exact on the Earth and its atmosphere?

Can we fashion a system in which polluting the atmospheric commons is defined as a criminal act? Such a system would re-define some present-day free choices (e.g. trashing the commons) as illegal. Are we ready, for example, for a stiff tax on the emission of greenhouse gases that will squeeze these dangerous byproducts out of our production chain? NASA climatologist James Hansen suggests that we rebate such a carbon tax to the poor and middle class. Would most of us see this as climate justice—or a socialist (and therefore unacceptable) expansion of the state? Are we ready to move past a parochial nationalism to realize that the problem is global, demanding fundamental changes not only in the ways that we produce and consume energy, but also in the ways that we define personal and national success, happiness and prosperity?

‘Business-as-usual’ will perpetuate an international political and economic system that may well conduct us right into an environmental hell—“another planet” in the words of Jim Hansen.

Is ‘green capitalism’ an oxymoron, or the engine of transition to a new world?

When I am in a darker mood, I believe that we not only have a special interest-driven system, but politicians who won’t lead even when a problem is obvious—not if action may cost constituents money and risk the loss of their vote. ‘Democracy,’ such as we have it, may be the death knell of the world we know.

On better days, I like to think that people will compel change, that we will survive, and that the better aspects of capitalism will contribute to that survival. But with the climate of the Earth at stake, I wish we weren’t facing such a gamble.

Bruce E. Johansen is Jacob J. Isaacson Professor at the University of Nebraska at Omaha and author of The Encyclopedia of Global Warming Science and Technology (2009).
Anne Else

*Presented by Omaha NFP Chapter Member Elaine Wells*

Omaha NFP member Anne Else has done so much for Peace & Justice throughout her lifetime that a recitation of her resume would take three times as long as the period I’ve been allotted, so here are just a few of the highlights.

She started working for Civil Rights and racial justice more than half a century ago when as a high school student in the South in 1954 she was a delegate to a Black youth conference. Over the next decade she worked to integrate public lunch counters and register voters in Mississippi.

Moving to Omaha in 1966, she fought housing and job discrimination and police abuse and promoted busing to end school segregation, all the while continuing to register Blacks to vote and empower them politically.

The anti-war protests of the late ‘60s launched Anne on a life-long quest for Peace & Justice on an international scope. Following the end of the War in Vietnam, her activism ranged from assisting Haitian refugees to opposing the Apartheid government of South Africa. (She was instrumental, for example, in spearheading the campaign for the divestment of Omaha Public Schools pension funds from South Africa.) And for the past several years, she has played a leadership role in the Omaha NFP Chapter’s ‘Palestinian Rights Task Force.’

Her commitment to seeing justice done has repeatedly taken her into the legal domain. For over two decades, Anne has been actively involved in the ongoing efforts to free Mondofe Langa (David Rice) and Edward Poindexter, both of whom have been designated ‘political prisoners’ by Amnesty International. On both the local and national level, she has worked with advocacy groups and the families and friends of prisoners to improve prison conditions and to defend prisoners’ rights.

Much of this work has been done as a volunteer. But Anne’s employment record is a model of public service on behalf of the dispossessed. From 1980-1990, for example, she worked at the Legal Aid Society. From 1991-94, she was employed by the Nebraska AIDS Project, where she countered fear of people with AIDS, sought services for them, and promoted equality for gays, lesbians, bisexuals and transsexuals. And from 1994-2001, she worked at Mercy Housing to provide better housing options for low-income individuals and families.

For these and other reasons to numerous to name, Anne Else is being honored as a ‘2010 Peacemaker of the Year.’

Conor Oberst

*Presented by NFP Secretary Jill Francke*

Conor Oberst is a legendary Omaha singer-songwriter. Best known for his work with the Omaha indie rock band “Bright Eyes” formed in 1998, Conor went on to become either the founder or key member of several other successful bands, including Desaparecidos, the Mystic Valley Band, and Monsters of Folk. Saddle Creek Records, the independent label he co-founded in Omaha in 1993, has introduced an impressive roster of new musical talent to the national and international scenes. In 2008 *Rolling Stone* magazine named him best songwriter of the year.

But we are not here today to honor Conor for his contributions to American music. We are here to salute his efforts on behalf of the causes of Peace & Justice.

During the 2004 election season, Bright Eyes toured with Bruce Springsteen and R.E.M. on the “Vote for Change” tour. In May 2005 on “The Tonight Show with Jay Leno,” Conor performed the song “When the President Talks to God,” drawing nationwide attention to his political message critical of Bush Administration policies, particularly the Iraq War.

He is not afraid to turn down money from sources he considers—rightly so—to be ethically bankrupt. In 2005 he canceled a Bright Eyes concert in St. Louis after discovering a link between the venue and right-wing radio and concert promotions corporation Clear Channel, which he has long boycotted.

Most recently, his outspoken opposition to the threat of Arizona-style immigration measures in Nebraska has drawn considerable media attention. In July he organized and headlined the “Concert for Equality” in Omaha to benefit the ACLU’s legal fight of the Fremont immigration ordinance.

For his commitment to using his musical art in the service of Peace & Justice we are very pleased to honor Conor Oberst as ‘2010 Peacemaker of the Year.’
The Economic Recovery Has No Clothes, conclusion

bonds, offering various types of insurance, real estate brokerage, managing wealth for rich people, and operating over-the-counter (proprietary and non-transparent) bond and foreign exchange markets.

Historically, there was a massive switch by the financial industry towards such non-bank activities during the early 20th century. Financial industry profits rose during the 1920s as banks increasingly speculated on assets with depositors’ money and earned additional profits by encouraging wealth holders to buy and sell ever greater varieties of financial assets that traded in the over-the-counter markets operated by the financial industry. A financial bubble was created by this expansion of financial transactions in the financial industry, which crashed in 1929 and—because the Federal Reserve and the conservative Hoover Administration did not act to counter the economic contraction—resulted in the Great Depression.

FDR’s Regulation of Banking

The Glass-Steagall Act of 1934, priority legislation pushed through by President Roosevelt, put an end to the financial free-for-all of the 1920s. Also, more than one thousand bank officials were prosecuted and convicted of financial crimes. There were no further financial crashes in the U.S. until deregulation in the early 1980s. But persistent lobbying by the financial industry succeeded in eventually loosening the regulatory constraints.

First, under the Carter Administration, banks were increasingly permitted to engage in ‘non-banking activities,’ and bank consolidation across state lines was also permitted. Mergers and acquisitions soon proliferated. Then, deregulation in the early 1980s under President Reagan permitted savings and loan banks to engage in more risky activities. As a result, the profit-motivated institutions promptly went bust by the hundreds. Several hundred bank officials were convicted of fraud as they channeled depositors’ money to pet projects and foreign bank accounts. U.S. taxpayers coughed up over $200 billion (today’s money) to bail out the system after the ‘S&L crisis.’

Nevertheless, industry lobbying continued, and, ironically, it was during the Democratic Clinton Administration that the industry finally managed to have the most critical regulatory structures erected by FDR overturned. Glass-Steagall was completely repealed in 2000, putting the now much larger and consolidated financial industry back in the 1920s regulatory vacuum. This laid the foundations for the 2008 financial crisis, and the banks moved wholesale into the new parallel financial sector described above. Soon, few banks created real wealth that in turn can back up the financial assets whose value is totally based only on expectations. Whether this will work depends on the underlying reality of our economic situation.

People, however, will begin buying houses again—thus raising housing prices—only if they have jobs and see their income rising over time. The value of commercial real estate, which was also financed through securitization in the parallel financial market, will also not rise in price unless real production and wealth expands. If the economy falls into a second recession, as Britain is now doing, then the entire financial system will collapse. The U.S. economy is now barely sputtering along with trillions of dollars of Federal Reserve purchases of dubious financial assets from the parallel financial sector and direct bailouts of individual financial firms.

By failing to re-regulate financial activity, we are destined to live on the edge, with nothing more than unsubstantiated hope and wishful thinking holding us up. And we will fall off sooner rather than later because we have not dealt with the economic reality consisting of the ten trends outlined above.

It is obvious that we are not dealing with either the financial industry or the unsustainable trends because remedies are resisted by the special interests, a.k.a. the economic elite that control our political system. The financial industry pays the political parties to let it continue earning profits from creating and marketing unproductive financial assets. The energy industry buys politicians to ignore greenhouse gas emissions. And military contractors manipulate patriotism and pay off politicians who buy their weapons and war services. The economic elite want to keep increasing their incomes. They can only do this by avoiding the costs of dealing with the fundamental imbalances of our economy.

In truth, the costs of this self-serving—and unsustainable—conduct must be paid by someone. The elite themselves can only avoid accountability by inflicting even more damage on those who, at the bottom of society, have no lobbyists to buy political influence. Also paying are the future generations who are isolated from the present by the elite’s incredible myopia and short-term greed.

Hope over Reality

“This will be the year the U.S. makes its comeback,” writes Jim O’Neill, the CEO of Goldman Sachs (Financial Times, January 11, 2011). True, the stock market has performed well over the past year or so, but it was likely stimulated by the Federal Reserve’s policies of acquiring large amounts of assets in the parallel financial markets (this is called ‘quantitative easing’) to prop up asset values and prevent a complete collapse of the parallel financial system. The hope is, apparently, that real economic activity will soon pick up to

We have not even begun cleaning up the mess the financial industry has left behind—nor have we yet dealt with the other messes that have been building. Far from the U.S. economy having decked itself out in a new suit of clothes, it’s looking increasingly naked… And a chill wind is about to blow.

I couldn’t forgive him or like him but I saw that what he had done was, to him, entirely justified. It was all very careless and confused. They were careless people… they smashed up things and creatures and then retreated back into their money or their vast carelessness, or whatever it was that kept them together, and let other people clean up the mess they had made.

—The Great Gatsby.

We have not even begun cleaning up the mess the financial industry has left behind—nor have we yet dealt with the other messes that have been building. Far from the U.S. economy having decked itself out in a new suit of clothes, it’s looking increasingly naked… And a chill wind is about to blow.

To be continued…
Speaking Our Peace, conclusion

like Camara though, we were to honestly explore why the poor of our nation are poor, one obvious explanation is that we have spent our inheritance on militarism. The federal debt now stands at nearly $14 trillion ($13,872,528,054,411.59)—about $45,000 per person. If one includes the costs of our wars, the war debt, the Pentagon budget and the military part of the Energy Department—plus the cost of military pensions and medical care—about half of the $14 trillion is result of war-making. Yet, if one asks Tea Partiers, Libertarians, Republicans, and even some conservative Democrats, their solution for paying down the national debt is to cut earmarks, Social Security, the Department of Education, Medicare... the so-called ‘nanny state’—everything but ‘national security.’ Even a CNN analysis of the budget followed this pattern.

Yet, after having spent $7 trillion, our security as a nation seems more elusive than ever.

Our CIA’s and military’s wars in Vietnam, Cambodia, Guatemala, Nicaragua, Chile, Iraq, Iran under Mossedegh, Afghanistan, and the Congo under Tschombe have not provided the security we seek. Nor have our seemingly endless array of weapons systems. We are the greatest military power in the history of the world, and yet, our security appears increasingly precarious. Abroad, America is rarely loved, and religious-based terrorism (directed at ‘the great Satan’) can now be found literally around the world.

It’s at the individual household level though that militarism has taken its toll. As UNL economist Ann Mari May has shown, the assumption that war produces domestic prosperity reflects only the special circumstances of WWII. In most cases war overheats economies, creates price controls and fosters severe economic dislocation. Our military do not live in a capitalist economy where they exchange goods for other goods. Theirs is a command economy. The government just commands production—most of it never consumed. A “2002 Congressional Budget Office report found that every $10 billion spent on weapons generates 40,000 fewer jobs than $10 billion spent on civilian programs (Gold 2002).” Thus, our $7 trillion military debt has deprived us of the equivalent of 28 million jobs—more than the ten percent unemployment we’re currently facing. For sure, the now decades-old trend of exporting jobs to Mexico, China and India has also hurt the jobs market. Wall Street’s profit-motivated downsizings have hurt. But compared to the military, these are sideshows.

The reality is this, as Dwight D. Eisenhower said in 1953, “Modern weapons take food from the hungry and shelter from the homeless: Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed. This world in arms is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children.” Why?

(The second editorial in this series will explore the macroeconomic reasons for our self-destructive military spending and propose a blueprint for NFP action.)

“The ‘National Center for Children in Poverty’ (which believes the federal poverty level to be too low and sets its poverty level at twice the federal level based on an analysis of what it takes to meet basic family needs here) calculates that we have 232,919 Nebraska families living in poverty—and almost 500,000 children. Depending on which standard is used, either 12 or 35 percent of our families are impoverished.
We are poor. We now see the wreckage of Nebraska the Good Life… of America the Good Life. Too many of us cannot feed ourselves good food, educate ourselves well, or provide ourselves decent housing. The census says that one in six Americans are poor.

We seem poorer than most of our ancestors of 60 years ago. White Nebraskans of that era could feed their children, raise their families healthily, buy their homes and secure their farm homesteads. (This of course was not true for people of color who had to contend with the onus of segregation and legalized discrimination.)

Now virtually all Nebraska families are two-job families, some of them ‘latchkeyers’ with three or four jobs. Lincoln is probably our most consistently affluent city, but even it is hurting. This past December, the Lincoln NFP Chapter sponsored a program examining the problem of poverty in our capital. The featured speaker was Beatty Brasch, a long-time member of Nebraska for Peace who created the “Center for People in Need” which provides direct services in food, clothing, housing and employment-training to thousands of Lincolnites and Nebraskans.

Over the Thanksgiving holiday, the Center conducted a survey of about 2,000 Center clients to collect and analyze their stories. The findings:

- 61.6 percent… live week to week or day to day.
- 64 percent… sometimes, often or always have to choose between buying food and paying bills. More than 12 percent answered “always.”
- More than 27 percent [were] in danger of having their utilities cut off that month.
- 13.5 percent [had had] their utilities… shut off already.
- 7.6 percent… didn’t know where they’d be staying in a week.
- 11 percent… didn’t know where they’d be staying in a month.
- 43 percent… did not have health insurance.
- 69 percent… sometimes, often or always need help from multiple programs to have enough food.
- 46 percent… sometimes, often or always skip meals because of a lack of food.

Pertinently, these people said they had no support network of friends and family—no community—to fall back on. Nebraska’s North Omaha has the highest child poverty level of any U.S. Black metropolitan area. Three of the top ten American poverty counties in America have often been Nebraskan. Even now, two of the top 100 counties are: Thurston and Keya Paha. More than one in eight Nebraskans live in poverty—over 200,000 people. *

Do we not care about the hungry, cold, sick without insurance and homeless? How do we read Jesus’ exhortations in Matthew 25 or the admonishing of the Hebrew prophets or the preachments of the Koran on the obligation to care for the poor? Over 90 percent of Nebraskans profess to follow one of these three religions.

We have deliberately lost our sense of community—‘common weal.’ The economic proponents of capitalism would have us believe that we support the common weal by enriching ourselves at the expense of others. Adam Smith pictures the rich farmer growing beautiful grain fields to satisfy his greed but actually feeding thousands. Ayn Rand, the guru of Libertarians and Tea Party people, says that 19th century robber barons, starving their laborers and giving them unsafe places to work, were the world’s “greatest humanitarians and the greatest benefactors of mankind… because they had brought the ‘greatest good’ and an impossible standard of living—impossible by all historical trends—to the country in which they functioned.” Seduced by such grotesque thinking and unable to create true community, we divide ourselves into ‘haves’ and ‘have-nots,’ bullies and bullied, with the former taking silent satisfaction in the latter’s suffering. Lazarus—covered with sores and begging outside our door—serves only to remind us of how comely and superior we believe ourselves to be.

As a nation, we have become too poor of heart and spiritually bankrupt to do anything about Lazarus. Bishop Helder Camara of Recife once said, “When I fed the poor, they said I was a saint. When I asked why the poor were poor, they said I was a Communist.” If, conclusion on page 11