

### SIN NO. 13: AMERICAN DEBIT –SHOT IN HOLLYWOOD?

*“One for the money. Two for the show.”* Though unintentionally, the first verses of Carl Perkins’s song<sup>1</sup> provide a rocking snatch of American-style capitalism (some still make it synonymous with the American dream). What is it all about? Not a dream, not a nightmare either. It goes like a Hollywood movie –for some. It is just a reality –for most. Whatever it is, America is the epicenter of the latest crisis –and of many of the recent crises.

Does this crisis mark *“The End of American Capitalism?”*, as Anthony Fajola asked in The Washington Post, or at least *“the end of American capitalism as we knew it,”* as LSE Professor Willem Buiter summed it up in the Financial Times?<sup>2</sup> The question may be asked, especially in view of an almost 100-percent “Made in U.S.A.” (or, for rednecks, home-made) global crisis. The fact is that the system worked inside and was exported outside with great success -and occasional resistance- throughout the twentieth century, especially after World War II. No room for a long historical recap here (see the hints and sins under other headings, and movies flowing to a theater near you), but a few snippets will wrap it up.

Inside. The model doesn’t work as it used to do. The pessimists -or the optimists, depending on where you stand on a pro- or anti-Americanism scale- even consider that the system doesn’t work anymore.

*“But I got a great big house on the hill here  
And a great big blonde wife inside it  
And a great big pool in my backyard  
And another great big pool beside it  
Sonny it’s money that matters, bear what I say*

---

1 *“Blue Suede Shoes”*, written and first recorded by Carl Perkins (Sun Records, 1956), best known in Elvis Presley’s cover.

2 Fajola in The Washington Post (October 10, 2008); Buiter in the Financial Times Maverecon column (September 17, 2008), available on <http://blogs.ft.com/Maverecon>.

*It's money that matters in the USA  
It's money that matters  
Now you know that it's true  
It's money that matters whatever you do*"

Those words from a Randy Newman song<sup>1</sup> tell more about the root of the problem than many books. Yet some of these still come in handy to dig deeper. Daly and Cobb, an economist and a theologian; and Loy, a professor of philosophy, write: "... *our shift to consumption values, which, in the U.S. at least, has revolutionized the way we relate to each other. Shopping has become the great national pastime... On the basis of massive borrowing and massive sales of national assets, Americans have been squandering their heritage and impoverishing their children. So much for their patrimony...*"<sup>2</sup> Quite rightly, the New York Times columnist Joe Nocera puts much of the blame on credit as a whole.<sup>3</sup> Though not recent (before the 1929 crash, U.S. debt level already was at 120% of GDP), the debt problem -and cost- has kept on worsening ever since. In 2007 U.S. total debt (excluding financial institutions) reached 230% (or more than 300%, according to some estimates) of GDP. These last years some firms borrowed up to \$30 for every \$1 they owned. What's going on? Households, banks and the government have already spent some (or much) of their future earnings: "*The current crisis marks the point at which the bills begin to get paid.*"<sup>4</sup> What's up? Eric Zencey thinks that all crises that have beset the U.S. economy in recent years are "*crises of debt repudiation. And we are unlikely to avoid more... until we stop allowing claims on income*

---

1 "It's Money that Matters", from the album "Land of Dreams" (WEA-Reprise, 1988).

2 Herman E. Daly, and John B. Cobb, Jr.: "For the Common Good" (Beacon Press, 1994), cited in "The Religion of the Market", by David R. Loy, in the Journal of the American Academy of Religion (Summer 1997).

3 "A Piece of the Action: How the Middle Class Joined the Money Class", by Joseph Nocera (Touchstone, 1995).

4 As written by David Leonhardt in the Herald Tribune ("Debt is whittling away at U.S. economic power", October 13, 2008).

*to grow faster than income.*"<sup>1</sup> A Silicon Valley venture capitalist cuts it down: "You can bail out the economy, but you cannot bail out the environment. America has been borrowing money from China to buy oil from the Middle East. This 'borrow, buy, burn' model has to change."<sup>2</sup> The driving, housing, buying, borrowing and burning models have been exported with great success, courtesy of Hollywood, and contributed to define an "American way of life", regarded and preached by some as "my way or the highway", in a way that probably doesn't perfectly reflect what the Founding Fathers had in mind but shows what freedom just means to some: a big something. Shouldn't the latest crisis ring the "Liberty Bell"?<sup>3</sup> Thomas Jefferson said in 1802: "I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations... will deprive the people of all property..." For the many kind things he wrote about the U.S. in the nineteenth century, Tocqueville also pointed to serious flaws, of which a majority of people living "in the perpetual utterance of self-applause", the "tyranny of the majority", and the "exceedingly wearisome" pursuit of wealth.<sup>4</sup> What does the current situation tell us? Advice from the highest levels, from President Obama to the Congress, inviting the Americans to spend more and again after they have already spent so much is in the worst case ill-advised and outdated Keynesianism and in the best case a replay. Yet well-intentioned and rich in progressive and "greening" ingredients, that doesn't necessarily bode well toward another economic and

---

1 "A living, breathing economy", by Eric Zencey, Professor at the Empire State College (Herald Tribune, April 15, 2009).

2 Words of John Doerr at the Harvard Business School centennial summit held in October 2008, quoted by the Financial Times (October 21, 2008).

3 "Liberty Bell" is one of the symbols of America's independence and a military march composed by John Philip Sousa.

4 Alexis de Tocqueville: "Democracy in America" (first published in 1835-1840. Republished by Chicago University Press, 2002). Small excerpts picked by Ted Widmer in "Tocqueville on the Bush years" (Herald Tribune, January 13, 2009).

social model. Never mind, voices from the right side call for a remake: Mike Pence (an Indiana Representative) fears “*European-style socialism*”, and the capitalist preacher Mitt Romney says that “*we’re going to have to fight... to make that America stays America.*”<sup>1</sup> Which America is this? John Wayne’s, with a home, a gun, a credit card, an imported car?

Outside. Many of the features that characterize capitalism were invented, made or most developed in U.S.A., and then exported abroad. To paraphrase FT’s Martin Wolf, “*what is/was good for Wall Street is/was deemed as good for the world markets.*”<sup>2</sup> Like Hollywood movies, by the way. The list would include good things -from entrepreneurship to innovations, and hundreds of others that would include blue jeans and Apple Macintosh- but also disputable or bad ones (such as mediocre 24/7 TV<sup>3</sup>, the MIC-based Hummer, empty streets, one quarter of world’s waste for less than 5% of world’s population, etc.), and various sins (from short-termism to greed –all meanings). Exporting U.S. troubles is not the least, even when these are packaged as a Hollywood movie (which can often be labeled as good marketing for a standardized and formatted script).<sup>4</sup> “*What has been going on may well not be the globalisation of world markets, but their Americanisation,*” wrote WPP Chief Executive Sir Martin Sorrell in his analysis of market trends in the company’s annual report, adding that “*we may now be witnessing a change from Americanisation to globalisation*”, because, “*at times in history, when a country or empire seemed to have total political, social or economic hegemony, things changed and the vacuum was filled...*”<sup>5</sup> Newsweek Editor Fareed Zakaria is much in

---

1 See: “*Advice for the U.S. spender*”, by David Leonhardt in the Herald Tribune (February 12, 2009); the Lexington column in The Economist: “*More nonsense about Europe and America*” (March 1, 2009).

2 Martin Wolf: “*Cutting back financial capitalism is America’s big test*” (Financial Times, April 15, 2009).

3 Well described in Bruce Springsteen’s “*57 Channels (And Nothin’ On)*” (on “*Human Touch*”, Columbia, 1992).

4 It is still surprising to see Hollywood Oscars advertised by some (even outside the U.S.) as an international competition, with one single category in twenty-plus for the “*best foreign language film*” (sic). All other major film festivals are way more international, but just less hyped.

5 “*What we think*”, in WPP annual report and accounts 2006.

line: in a book<sup>1</sup> that he describes “*not about the decline of America but rather about the rise of everyone else*” -it is both, actually- he refers to three “tectonic” power shifts over the last five hundred years: first, the rise of the Western world; second, the dominance of the U.S.<sup>2</sup>; third, “*the rise of the rest*”, which is happening now. “The rest”? We wouldn’t put it such an ethnocentric way (ironically, most of the the examples listed by Zakaria in his first chapter are defined by American yardsticks, from the tallest buildings to the casinos and movie studios), but the author gets part of the point.

“*Three to get ready.*” Enter the “*post-American world.*”

---

1 “*The Post-American World*”, by Newsweek Editor Fareed Zakaria (W. W. Norton & Co, 2008).

2 Lest we forget, dominance was also marked at macroeconomic level. For the benefits of the Marshall Plan and the dollar, the misbehavior resulting from malign effects of “Benign neglect” inspired policies should not be forgotten. Remember the words “*The dollar is our currency, but your problem,*” said by Nixon’s Treasury Secretary John Connally in 1971.