

**2009: YEAR IN REVIEW**

*The man and the hour have met.* —William Yancey

**REVIVING A 6,000 POUND ELEPHANT: THE U.S. ECONOMY**—Our current economy is a three-ton elephant with four bad limbs. Like the fierce earthquake and tsunami that devastated Chile and the deadly mudslide that devastated the villages in Uganda, our troubled economy continues to teeter on the brink of a precipice. We are still slipping, although the rate has slowed. At the local, state, and national levels, policymakers continue to debate over the best course of action to solve our economic problems, while people continue to be laid off. In the state of Georgia, things simply do not look too peachy at the moment. Teaching positions continue to be sliced, transportation costs cut, and federal aid reduced. Potholes and cracks on the streets are becoming increasingly prevalent, while construction and road projects are left abandoned or slow to a crawl. The sounds of gunshots are on the rise while the number of policemen on patrol is on the decline. Full recovery anytime soon will be difficult, if not impossible, given our limited funds.

Virtually all areas of our economy are struggling to recover. The households, resource markets, firms, and markets for goods and services sectors are still trying to stem the flow of blood. Production, consumption, and investment are picking up pace; but any good faith effort to nurture this gigantic beast of an economy back to health and get it moving full speed again requires not only great insight and ingenuity, but also a deep understanding of how our cash-strapped government operates; how the disillusioned consumers behave; and how the unstoppable exogenous forces such as wars, natural disasters, and civil and political disruptions continue to collectively collide and shape the economic landscape. So far, the White House has invested billions of dollars in public subsidies for green-energy projects to jolt the economy back to life. But where do these billions come from? The answer is, from overseas.

In his magnum opus, *The General Theory of Employment, Interest and Money*, John Maynard Keynes analyzed the workings of national economies in order to explain how recessions turn into depressions. His analysis of the business cycle shaped the way economists today think and tackle complex problems on the national and global scales. One macroeconomics idea, indirectly connected to Keynes' business cycle analysis, involves using central banks to stabilize a wobbling business cycle. The concept of centralized banking existed long before Keynes released his publication in 1936. The First Bank of the United States, for example, planned by Alexander Hamilton, was created in 1791 to generate wealth. But what Mr. Hamilton did not foresee or anticipate was that public and political distrust would eventually play a critical role in transforming the centralized banking concept into a powerful machine known to us today as the Federal Reserve System. The Fed, created in 1913, plays an integral role in supplying money and credit in our economy by making periodic adjustments in interest rates. Despite its tremendous power to shape the economy, the Fed can do only so much if other dynamic forces fail to cooperate—forces such as our economic outlook and job security, two factors that play essential parts in altering our spending habits.

Economics 101 does not teach us what to do if we average hardworking Americans are earning less, spending more, and incurring mountains of debt. Are we supposed to take on more loans, work overtime, or hope things will simply improve by themselves? What if there are no jobs to be found? What if the bank or our friends and family refuse to lend us money? Well, we could declare bankruptcy and start over, or we could come up with some creative schemes that will bring us new wealth. Or, we could ask the government for help. But what if the government is also tight with money? Let's face the facts. We all know that it takes money to make money. To open up an opportunity requires a down payment. The final payoff from this down payment, at worst, may not be realized. If that is the case, every aspect on our home front will be affected. Any policy we impose on ourselves, or any policy government imposes on us, whether cutting up credit cards or reducing interest rates and passing new banking, tax, or labor laws, holds the potential of creating unanticipated consequences. A fortuneteller who says that he can predict the exact future is a fool, and an economist or stockbroker who claims that he can calculate the exact outcome of tomorrow's stock market is a liar. Forecasts and predictions are an inexact science. That is why we refer to them by those names.

In 2010, despite the slight economic upturn as a result of the billions that have been poured into the economy, the future still looks gloomy. The fact remains that jobs are still being lost. Our grander vision to wage war and save the world from natural or human made disasters, whether with good or bad intentions, adds to our budgetary crisis. We are simply spending money that we don't have. If this trend continues and tomorrow's bad weather prevents the trees that we have planted from bearing fruit, we all will be in for a wild ride. If and when that day comes, the limping elephant will be engulfed by the approaching storm.

That is the ugly truth.



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