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Human Reactions to Today's Economic Realities: Some Thoughts

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CORNHUSKER ECONOMICS

June 11, 2008

University of Nebraska–Lincoln Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
<http://www.agecon.unl.edu/Cornhuskereconomics.html>

Human Reactions to Today's Economic Realities: Some Thoughts

Market Report	Yr Ago	4 Wks Ago	6/6/08
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$90.89	\$93.81	\$93.76
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.....	122.36	123.73	125.58
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.....	123.95	108.25	114.62
Choice Boxed Beef, 600-750 lb. Carcass.....	152.72	155.33	156.90
Western Corn Belt Base Hog Price Carcass, Negotiated.....	70.34	78.56	71.85
Feeder Pigs, National Direct 50 lbs, FOB.....	59.00	41.21	36.86
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.....	73.38	77.73	77.89
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.....	101.75	88.75	116.75
National Carcass Lamb Cutout, FOB.....	254.91	250.05	264.84
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.....	5.08	7.85	7.85
Corn, No. 2, Yellow Omaha, bu.....	3.93	5.90	6.19
Soybeans, No. 1, Yellow Omaha, bu.....	7.70	12.99	13.55
Grain Sorghum, No. 2, Yellow Dorchester, cwt.....	6.54	10.07	10.46
Oats, No. 2, Heavy Minneapolis, MN, bu.....	3.03	4.02	3.92
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.....	136.00	*	195.00
Alfalfa, Large Rounds, Good Platte Valley, ton.....	*	77.50	77.50
Grass Hay, Large Rounds, Premium Nebraska, ton.....	*	*	*
* No market.			

In recent days, the media has been full of economic news—much of it unsettling and hard to even comprehend:

- Gasoline hits a historic \$4.00 per gallon for the first time in the U.S.
- Angry protests gather in developing nations over surging food prices.
- Expected world food production shortfalls mount as weather factors cut into production levels.
- From locally to globally, extreme weather events (a reflection of global climatic change) are occurring with increasing frequency—and with them, severe economic disruption.
- Unemployment levels rise as the U.S. economy slows.
- Consumer confidence falls to a 16-year low.
- The value of the dollar continues to erode relative to the Euro and other world currencies.

As I observe people's reactions, I'm reminded of the *stages* (or aspects) of *grieving* that virtually all of us experience at the tragedy or death of a loved one. Often included in the grieving stages are the following, which I believe may have some relevance to how we are reacting to these economic times at both the individual (micro) and societal (macro) levels.

Shock is often the initial reaction. *Can this be really happening?* To be told of a terminal medical prognosis or the sudden news of a fatal accident is numbing. We don't handle the full implications right away—it's too much.

Likewise, we as economic participants may be processing this surge of economic events in somewhat of a mind-numbing mode. We just pay the \$4.00 per gallon at the pump and not deal with how we can or cannot continue doing this. We just keep on driving! Similarly, business leaders and policy makers in the established economic system are not always quick to pick up on forces that may be transforming historical economic frameworks. (Wouldn't you think

someone in General Motors management would have argued convincingly long before now that the Hummer was destined for the fate of the Edsel?)

Denial soon follows on the heels of the initial shock. *“This can’t be happening—she had such a future ahead of her.” “I can’t believe I’m getting laid off.”*

We can also be in denial of economic conditions. *“The U.S. dollar falling against foreign currencies due to relative weakness in the U.S. is simply an anomaly since we are the world’s bell-weather economy.” “Global climatic change is a farce.” “There’s plenty of oil left.” “We are not really in a recession.” “We can produce all the food the world needs.”*

The list of denial statements can go on and on. But just as with grief in losing a loved one, denial can exist for only so long before it becomes debilitating. In the case of these economic times, denial of fundamental economic realities will only compound the future adjustments we need to make as individuals, firms, government and society.

One huge economic reality of today is that we are in a world-wide Energy Transformation. The era of cheap/abundant fossil fuels has essentially ended, and the environment’s humble capability for dealing with the spillover externalities of this stored-carbon economy has maxed out. To keep doing what we have done since the beginning of the industrial revolution is not sustainable. With this transformation will come major, fundamental shifts that will not allow us the luxury of much time—they have already arrived on our economic door-step.

Anger often accompanies the grieving process. *“It is wrong.” “This is not fair.” “They are the problem and they should be held accountable for what they have done.”*

In today’s economic times, anger is surfacing on many fronts. For the Haitian parent who can no longer meet the minimal daily food needs of their children, it is only natural to react in anger. And while conditions in the U.S. are not as dire, to be sure there is mounting frustration at rising food and energy costs, accompanied by “finger-pointing” at the ethanol industry and the OPEC nations. The chasm between the **“haves”** and the **“have-nots”** seems to be widening, only to create further societal disruption.

Ironically, we as individuals often lash out in anger towards others when we, ourselves, are at least part of the problem. Economically and culturally, it appears to be no different.

Rather than reacting in anger which only escalates the problem, might it be necessary for us to accept more personal responsibility for the conditions before us? At the individual level, we in the U.S. have tended to take on very consumptive lifestyles as if they were some form of entitlements. As an economy, we have been reluctant to account for serious environmental and societal spillovers. And as a citizenry, we have opted to heavily discount the

well-being of future generations and reduce long-term societal investment in order to limit our short-term tax obligations and keep our disposable incomes as high as possible (for example, had we enacted a modest carbon tax over the past years, we would have greatly reduced the economic adjustments we now face). In short, once these factors come into proper perspective, we can see there is plenty of blame to go around.

Finally, essentially the last stage of grieving tends to be one of **Resolution**. Sometimes it is referred to as a stage of acceptance and hope—getting beyond the hard time and looking forward and upward. In my own personal pilgrimage through grieving, I have experienced this stage as one of seeing a new chapter in life evolve, not forgetting the past and the good memories, but rather building on them to move into today and tomorrow.

In today’s economic times, there are, to be sure, some people who are embracing the realities and looking with anticipation at what the future, albeit different, can hold. They are the “change agents” who view these crisis times as one of opportunity. They are businesses leaders looking beyond the fossil-fuel based economy and investing their capital for the coming economic era. They are individuals who are seeing the futility of excessive consumerism and opting towards a more frugal and benevolent lifestyle. They are policy makers who see the resurgence of community instead of unthrottled individualism, and building a shared vision of a higher quality of life for all citizens. Though their motives may vary, they all have moved beyond the *shock, denial and anger* stages into a resolve to contribute to a future that is economically sustainable, ecologically sound and societal-enhancing. And they are willing to make some short-term economic sacrifices in order for that to happen.

But the question remains. Where do you and I and the majority of U.S. citizens fall on the continuum? Are we in the shock or denial stage? Are we frustrated and angry? Or, are we looking ahead with realistic hope? The answer to that may well be the determining factor in how this country and the rest of the global community respond to this time of monumental economic transformation before us.

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