

The 21st Century Energy Initiative

The book is available at www.energy2025.com

How to Fix Our Economy

Or... Where has common sense gone?

To be clear, I am a free-market, capitalist and believe very strongly that the market knows better than any government could. However, some Government participation in the business of a democracy makes sense. Like the Constitution and Bill of Rights.

The United States and indeed the world have become much more complicated in the past 200 years. And with this change, a few events have transpired in the past three or four generations that concern me greatly, and may bring pause to you. Especially in light of the financial meltdown in the past year. Coupled with dramatic increases in oil prices, one might wonder how they are related. And what can be done to correct it.

Past events, current responses

[1] In response to the banking failures of 1929, two acts of Congress came to pass: the Glass-Steagall Act and Banking Act of 1935, which prohibited banks from investing and limited interest rates, among other things.

=> In March of 1980, Regulation Q from the Glass-Steagall Act (from the same time period) was repealed. The "Savings & Loan Crisis" ensued. (Jimmy Carter was president.)

=> In 1999, other provisions – that prohibited bank holding companies from owning other financial companies – were repealed. Robert Kuttner (co-founder The American Prospect) criticized the repeal of the Glass-Steagall Act as contributing to the 2007 sub-prime mortgage financial crisis. (In 1999, Bill Clinton was president.)

I literally cringed when the Glass-Steagall Act was repealed... In 1999, I had a gut-wrenching feeling that it was a short-sighted thing to do, due to the very reason it was created: To ensure stability in the financial markets. It's demise has had destabilizing effects we are now witnessing.

[2] The Bretton-Woods system of 1944 provided that the United States would maintain the dollar value of gold at \$35 and other nations' central banks would maintain the dollar value of their currencies. If all countries were fixed to the dollar and the dollar was fixed to gold, the fixed exchange-rate system was anchored, a design that kept monetary inflation in check.

=> In 1973 the Bretton Woods Agreement was disbanded and gold immediately increased to \$140 an ounce, effectively devaluing the dollar. Inflation became rampant and in fact, stagflation (recession and inflation - the worst of both worlds) came into being. The price of oil (mainly due to the OPEC-led oil embargo) increased dramatically. (Richard Nixon was president.)

Today, a major cause of oil (and gold) inflation has to do with the precipitously falling dollar - due in no small part on how our U.S. economy has been led (read Government spending). Or misled. By Democrats - and now Republicans. (The dollar has declined 25% in the last 5 years.)

[3] In the strong economy (& U.S. dollar) of the 1950s and 1960s, we had utilities that were encouraged to find ever-more profitable ways to reduce energy costs. Passing a portion of the savings on to consumers while being allowed to keep some of it (in case we forget, they are called profits.). Now we seem to discourage this behavior. Since the 1973 oil embargo, we have viewed oil companies as the bad guys, and taxed their "excess" profits. The unintended consequence of this action is that oil companies and utilities did not invest as they could have, ramping up our dependence on foreign oil – resulting in much higher gas prices which has affected the world economy. Blackouts due to lack of investment in transmission lines and power plants have also effectively reduced our quality of life.

[4] In the strong economy of the 1950s and 1960s, we had smaller budget deficits, Republicans weren't in cahoots with Democrats (with our hard-earned \$s), nor were they spending like drunken sailors - on hundred-million \$ bridges to nowhere, or, multi-billion \$s, no-exit-strategy wars.

[5] In the strong economy of the 1950s and 1960s, utilities were rock-solid. Banks were rock-solid. Inflation was tamed. The United States led the world. In democracy. In ethical behavior. In Doing What Is Right.

[6] Outsourcing: From a business perspective, it "seemed" like a good idea to export our jobs to lower-wage (read lower-quality / lower-ethic) countries. But with contaminated pet food, lead in toys and counterfeit software and other products, we are finally waking up to the reality that not everyone has the same ethics as (most) Americans.

[7] BRIC: Brazil, Russia, India and China are growing at such a rate that their economies are (also) driving up oil prices. Guess who and what are fueling their growth? (Answer: U.S. demand for "cheap" goods.)

[8] Obesity and being a victim: Americans seem to feel the Government owes them a living. Including free health care. Which will require vast sums of money and cause further erosion in the value of the dollar. The deferred gratification that comes with longer life (later) due to better behavior (now) seems to be a difficult concept to grasp for many Americans.

[9] Lack of common sense: When politicians (effectively) print more money to "give back" over \$150 billion – in an election year – the alarm bells should be ringing. Between Government "largesse", failed domestic policies and reduced international standing, it should be clear where we are headed, and why we are headed there.

What does all this mean?

If you put all these seemingly disparate facts / events together, one can see how this came about: Death by a thousand cuts: Those cuts being the erosion of profit as a true motivator (led by anti-capitalists, responding to rampant greed in some quarters). It is interesting that this contrarian view makes sense, when you unwind the unintended consequences caused by too much government meddling – in the first place.

(Side note: Portland is a microcosm of this mismanagement: We are spending precious time and resources on naming streets, building bike paths and determining when a mayoral candidate is a candidate, instead of creating an environment where clean, sustainable businesses are encouraged to set up shop - to bring in a net in-flow of people to the community. Instead, we tax businesses and investors, which decreases jobs – the exact opposite of what Oregonians like to tout as a strength. Unintended consequences, indeed!)

The choice is ours

We have a choice in front of us. We have the talent, resources, capitalist (read free-choice) system and capability to again be a world-leader: economically, technologically, politically and even morally. And we certainly have the capability to become a net-exporter of renewable energy technology – to solve our energy problems, once and for all!

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The United States deserves more. Its citizens deserve more. And you deserve more.

We need leadership. We need focus. And we need to marshal our collective will and considerable resources to work together to solve all these problems, in a way that bodes well for our children and grandchildren.

Instead of the political parties trying to undermine one another, instead of the PUC disincentivizing utilities to find innovative ways to move to clean energy, instead of additionally taxing oil companies' profits - why not focus on what would solve many problems?

Why not focus our resources on incentivizing, supporting and even funding renewable energy technologies that would enable the United States to become a net-exporter of renewable energy? Not high-jobs-per-kilowatt-hour. But high-density, clean energy production.

A simple (simplistic?) solution is to move away from oil entirely and rely on electric vehicles, using renewable grid-electricity production. Yes, driving range is an issue. As is battery technology / energy storage, but most of us drive fewer than the average range of current-technology plug-in cars. By converting even 10% to 20% of vehicle usage to electric vehicles, greenhouse emissions would decrease significantly, as would oil prices. These are personal as well as business decisions, and it seems our car companies have been negligent in "getting it". And we may not be helping them with our purchase-choices.

Root cause?

The root cause of our economic problems is that we are a net importer - of goods and energy. No economy can withstand the hundreds of billions of dollars being sent to non-friendly states year after year. The root cause of us being a net-importer is that in general, we are complacent. Yes lots of great people and organizations are doing lots of great things. But America appears to be in not only a cyclical decline but a long-term decline.

As a free country (so far), you have the ability to vote with your signature and your pocketbook.

The Solution

Let's help Government become more responsible by only electing those people who "get" this notion and actually do something by focusing on the *root cause* problem: Becoming a net-exporter of renewable energy and renewable energy technologies.

How do we do that? With your vote. Twenty-six years ago, John Anderson (1980 Independent presidential candidate) had tremendous foresight and ran on a ticket to solve our energy problems by adding a 50 cent per gallon gasoline tax. Had he been elected and this policy enacted, those billions of dollars would have been spent to solve our oil dependency. Instead of the quagmire we now find ourselves in. He received 7% of the popular vote. "We" made that choice, then. I hope today's voters are wiser.

Use your signature on a letter to your congressmen/women - to fund renewable energy technology development. Your children and grandchildren will thank you.

Only buy cars that are electric or hybrid. That is, vote with your dollars. Use your signature to write the CEOs of U.S. car manufacturers to build plug-in electrics. Then buy them.

In Conclusion

Let's vote the right candidates in to office and let's vote with our pocketbook... for clean technology!

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About the Author:

Mark has led small to public companies in interim executive roles, and has consulted with hundreds of small to mid-sized companies. He has successfully brought advanced technology to market over the past 30 years. He held senior executive positions at a Northrop Corporation, where he built a 250-person, \$50 million international technology business unit in 2 years. Mark had full P&L responsibility for this business unit. He is an Executive-in-Residence at Oregon's Technology Business Incubator, published *The Entrepreneur's Survival Guide*; and *How to Attract Significantly More Customers*; has a degree in Physics (U.C.I.), a patent and is passionate about enabling the United States to be a net-exporter of renewable energy / technologies. He is President & CEO of NXergy, Inc. – a Renewable Energy Technology Accelerator.

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