

ECONOMIC FORECASTING

DESPITE GOOD REPORTS, THE ECONOMY IS STILL STORMY

Economic forecasters exist to make astrologers look good. But the recent jubilation is enough to make even weather forecasters blush.

“The economy is going gangbusters! Just look at consumer spending!”

“Look at home prices! Look at the bull market!”

Please.

I can understand the jubilation in the narrow sense that we’ve been down so long, everything looks up. Plus, economists who are paid by Wall Street or corporations tend to cheerlead because they believe that if consumers and businesses think the future will be great, they’ll buy and invest more — thereby creating a self-fulfilling prophecy.

But prophecies can’t be self-fulfilling if they’re based on wishful thinking.

The reality is we’re still in the doldrums, and the most recent data gives cause for serious worry. Jobs are still scarce. The share of the working-age population in jobs remains the lowest in 35 years, before wives and mothers began streaming into paid work.

And wages are still going nowhere. Most of the new jobs created since the recovery began pay less than the jobs that were lost in the recession, which means consumer spending will slow because consumers just don’t have the money to keep spending.

Yes, consumer spending is up. The Commerce Department reports that consumer spending rose 3.4 percent in the first quarter of this year.

But that’s only because Americans have been saving less. The personal savings rate dropped to 2.3 percent — from 5.3 percent in the last quarter of 2012. We’re down to the lowest level of savings since before the Great Recession. You don’t have to be an economic forecaster, or an astrologer, to see this can’t go on.

Yes, home prices are rising. The problem is, they’re beginning to rise above their long-run historical average. (Before the housing crash they were way, way above the long-run average.) We’ve been here before: The Fed is keeping interest rates artificially low, allowing consumers to get low-cost home-equity loans and to borrow against the rising values of their homes. Needless to say, this trend, too, is unsustainable.

And, yes, the stock market is roaring. But, as we’ve learned before, that has little if anything to do with widespread prosperity. More than 90 percent of the value of the stock market — including 401(k)s and IRAs — is held by the wealthiest 10 percent of the population.

The main reason stock prices have risen is corporate profits have ballooned. But this is largely because corporations have slashed their payrolls and kept them low. Which brings us full circle, back to the

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fundamental fact that most Americans’ wages are going nowhere.

Not even fat corporate profits are sustainable if American consumers don’t have enough money in their pockets. Exports can’t make up for the shortfall, given the rotten shape Europe is in and the slow-down in Asia. So don’t expect those profits to continue. In fact, the latest Commerce Department report shows that corporate profits shrank in the first quarter, reversing some of the gains in the second half of 2012.

If all this wasn’t enough reason to sober up, bear in mind that we still aren’t feeling the full effect of the cuts in government spending. The sequester is expected to be a substantial drag on the economy in the months ahead.

Look, I don’t want to rain on the parade. But any self-respecting weather forecaster would tell you to zip up and take an umbrella.

Don’t be swayed by all the sunny talk about increased consumer spending, rising home prices and a bull market on Wall Street. The only things that really count are jobs and wages. And by these measures, most Americans are still in a bad storm.

Robert Reich, a former U.S. secretary of labor, is professor of public policy at the University of California at Berkeley.

PHYSICS ENVY

PSYCHIATRISTS AND OTHER HEROES OF UNCERTAINTY

We’re living in an empirical age. The most impressive intellectual feats have been achieved by physicists and biologists, and these fields have established a distinctive model of credibility.

To be an authoritative figure, you want to be coolly scientific. You want to possess an arcane body of technical expertise. You want your mind to be a neutral instrument capable of processing complex quantifiable data.


The people in the human sciences have tried to piggyback on this authority model. For example, the American Psychiatric Association has just released the fifth edition of the Diagnostic Statistical Manual of Mental Health Disorders. It is the basic handbook of the field. It defines the known mental diseases. It creates stable standards, so that insurance companies can recognize various diagnoses and be comfortable with the medications prescribed to treat them.

The recent editions of this manual exude an impressive aura of scientific authority. They leave the impression that you should go to your psychiatrist because she has a vast body of technical knowledge that will allow her to solve your problems. With their austere neutrality, they leave a distinct impression: Psychiatrists are methodically treating symptoms, not people.

The problem is that the behavioral sciences like psychiatry are not really sciences; they are semi-sciences. The underlying reality they describe is just not as regularized as the underlying reality of, say, a solar system.

As the handbook’s many critics have noted, psychiatrists use terms like “mental disorder” and “normal behavior,” but there is no agreement on what these concepts mean. When you look at the definitions psychiatrists habitually use to define various ailments, you see that they contain

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vague words that wouldn’t pass muster in any actual scientific analysis: “excessive,” “binge,” “anxious.”

Mental diseases are not really understood the way, say, liver diseases are understood, as a pathology of the body and its tissues and cells. Researchers understand the underlying structure of very few mental ailments. What psychiatrists call a disease is usually just a label for a group of symptoms.

All of this is not to damn people in the mental health fields. On the contrary, they are heroes who alleviate the most elusive of all suffering, even though they are over-matched by the complexity and variability of the problems that confront them. I just wish they would portray themselves as they really are. Psychiatrists are not heroes of science. They are heroes of uncertainty, using improvisation, knowledge and artistry to improve people’s lives.

The field of psychiatry is better in practice than it is in theory. The best psychiatrists are not austere technical, like the official handbook’s approach; they combine technical expertise with personal knowledge. They are daring adapters, perpetually adjusting in ways more imaginative than scientific rigor.

The best psychiatrists are not coming up with abstract rules that homogenize treatments. They are combining an awareness of common patterns with an acute attention to the specific circumstances of a unique human being. They certainly are not inventing new diseases in order to medicalize the moderate ailments of the worried well.

If the authors of the psychiatry manual want to invent a new disease, they should put Physics Envy in their handbook. The desire to be more like the hard sciences has distorted economics, education, political science, psychiatry and other behavioral fields. It’s led practitioners to claim more knowledge than they can possibly have. It’s devalued a certain sort of hybrid mentality that is better suited to these realms, the mentality that has one foot in the world of science and one in the liberal arts, that involves bringing multiple vantage points to human behavior.

Hippocrates once observed, “It’s more important to know what sort of person has a disease than to know what sort of disease a person has.” That’s certainly true in the behavioral sciences and in policymaking generally, though these days it is often a neglected truth.

David Brooks is a New York Times columnist.



AS I SEE IT

GARY MELTZ ON POLITICAL DYSFUNCTION

WHAT INTERNS SEE ON CAPITOL HILL

Every Thursday from January through April of this year, I spent a few hours with a group of interns from the University of Kansas — my alma mater. This year, all but one of them worked on Capitol Hill in Washington, D.C. They interned in the House and the Senate and for both Democrats and Republicans.

While they all liked their offices and colleagues, many expressed general disillusionment with politics and Congress. This should raise a red flag for everyone who believes that a functional political process is the cornerstone of a healthy democracy.

After all, the future needs these interns with an interest in politics and public service to return to Capitol Hill or perhaps even run for political office themselves. Will this happen if they were dispersed by what they saw there? If they don’t take those jobs, who will, and what will be their motivations?

When I was an intern in 1997 for Sen. Richard Durbin, (in the same program I manage now) I was thrilled with the experience and intrigued by the political process. I distinctly remember that this perspective was shared by a vast majority of the other interns I knew and worked with in Congress.

So what has changed?

To anyone who follows the news, the answer is obvious. Congress is becoming more and more irrelevant because they only pass legislation at 3 a.m. — probably a few hours past a deadline, which risks grinding the whole government and country to a stall. Besides that, the members spend most of their time arguing and jockeying for position over blame.

The partisan arguing on Capitol Hill is nothing new. But as recently as just a few years ago, the bickering transitioned into actual lawmaking.

The lawmaking was why everyone was there. Liberal or conservative, Democrat or Republican, those working in Congress wanted to affect the laws and policies that govern our nation. Even if it was just inserting a few lines into a piece of legislation, that contribution had meaning. They had left their mark on history and, in their view, had helped to make the country or the world a better place — even if just a little.

Sadly, for today’s interns all they know about working on Capitol Hill is the never-ending partisanship, stalling tactics and brinkmanship. It’s no wonder they have their doubts about Congress.

It’s not all bad news, though.

First, Congress has many opportunities over the next few months to address some important issues: immigration,

gun, budget and tax reform are all issues that many Americans are hoping that Washington will address in a bipartisan way. These are certainly partisan and contentious issues, but people across the nation believe that coming together with some compromise on these issues — where both Democrats and Republicans get something they want — is better than the status quo.

Second, while the interns expressed concerns about the political dysfunction of Capitol Hill, they remained hopeful about this nation’s future and showed no signs of a willingness to just accept that things in Washington are broken. Many of them are hoping to come back to Washington after college and try to find ways to actually get things done.

Third, Congress has a countless number of matters to address, which means an almost infinite number of opportunities to get back to lawmaking. This fact, along with the knowledge that many of the interns think Congress can do better, is reason to hope that things can improve, and Capitol Hill can again function as a place where politics reigns supreme but is a means to an end, rather than the end itself.

Gary Meltz works at a public relations firm in Washington, D.C., and supervises the University of Kansas Washington D.C. Internship Program. He previously worked as both an intern and as a congressional staffer on Capitol Hill.

WHAT OTHERS ARE SAYING

THE POOR NEED FOOD HELP

The details of federal food and agriculture policy have always been notoriously complex. The politics have not.

Every five years Congress passed a farm bill that represented a deal between urban and rural states. The city folk got food stamps to help the urban poor, and the rural folk got subsidies for commodity producers. That’s starting to change. The rise of a Republican-majority House tilted toward the tea party, coupled with the doubling of food-stamp spending since the Great Recession, has set off a movement to curtail that \$80 billion-a-year program.

Congress may fail to pass a bill because of House and Senate differences over how much to cut food stamps. People can debate how much help the poor should get and whether it’s optimal to deliver aid in the form of food stamps. But it’s beyond debate — or should be — that government has a role to play in helping them.

The Washington Post

THINGS ARE TOUGH ALL OVER

A new study that finds almost a third of Canadian households report never or hardly ever having any money left to save after paying their bills is a sobering reminder of trouble ahead in a society that already seems not highly predisposed to save and plan for the future.

The spectre of zero wealth accumulation hovers spookily over many young Canadians today.

There are plenty of anxious parents out there all too familiar with the consumption ethic of generation Y — a demographic that thinks of affordability only in terms of whether it can afford to pay the interest on money borrowed.

The fact is many Canadians will be financially unprepared for their retirements simply because they never bothered to plan properly. They took on too much debt and bought heavily on credit.

It makes one wonder why savings and budget strategies aren’t part of the regular school curricula.

The Edmonton Journal