

TRENDS AND OBSERVATIONS

Passing of an era?

BY RAUNO PERTTU

The banking “bailout” was the latest in a series of events that could mark a historic turning point for the world economy and, more importantly, for us in America. The bailout and other changes could mark the beginning of the end of an era where we have been the dominant economic and military superpower.

Many changes seem to point to this possibility, of which the bailout is only the latest. It has been apparent for several years that China’s economy could overtake ours in the next several decades. This financial crisis could allow China to catch us sooner than forecast. The stimulus package passed by congress will not solve the underlying economic crisis. It will only be designed to ease the blow until real solutions can be enacted. There will be no quick and easy road back to a booming economy.

Numerous economists have pointed out that our current crisis is creating a massive buying opportunity into U.S. banks and corporations. Dollars held by China and India, as well as Middle Eastern oil money, are buying U.S. stocks and assets that have become very cheap during our bank crisis. This buying is transferring ownership of these banks and corporations, and creating worries not just for us, but also for the foreign buyers.

Alia McMullen reported in the *Financial Post* on October 1 that Mr. Fan Gang, consultant to the People’s Bank of China monetary policy committee, worries that China’s huge holdings of U.S. securities will decline in value in this crisis. He additionally worries that China’s export sales to the U.S. also will suffer. He is concerned about reinvesting into the U.S. economy as opposed to diversifying by investing elsewhere in the world, but stated that outside the U.S. “There’s not many assets you can buy because basically

it’s the U.S. that issues the bonds and borrows the money.”

This banking crisis has created worldwide fallout. A likely result is that the dollar will continue to have increasing competition as the dominant international currency, and the U.S. will be looked upon with suspicion as a place for foreigners to invest. To avoid further dependence on our economy, China, for one, hopes to replace at least part of its lost U.S. sales market by increasing its own domestic demand.

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Other factors are contributing to our erosion from the position of the world’s leading superpower. For example, in an October 1 online article “Tectonic Shifts Create New World Economy,” *Business Week’s* China Bureau Chief Dexter Roberts stated that another reason for this shift in superpower status is the fact China and India graduate about half a million scientists and engineers per year versus 60,000 here (and he could have added many of our PhD students return to their native countries such as China and India on graduation). According to Mr. Roberts, economists are seeing a major shift in technological advancement from the western countries to Asia. New technological advances will create the high-paying jobs and strong companies of the future—in China and India. He stated that the power shift toward China and India is geopolitical as well as economic.

Much has been written about this ongoing major economic, geopolitical and military shift. In an orderly

economic world, the emergence of China and India has been forecast to occur over a period of decades. In the aftermath of this crisis, if our economy stalls and if China’s economy can overcome the initial blows created for it by our problems and resume its rapid economic growth, its economy could overtake ours much sooner.

The world has seen many superpowers emerge, bloom and fade. So, what happens to superpowers when they fade? We were anointed with the throne of superpower after World War II. Russia, although a major military power, never achieved our economic and cultural status. With the collapse of communism, we were alone on the superpower stage. Europe had already begun to fade from the world power stage before World War II and could give us a peek into our possible future. Today, Europe has a high standard of living. It doesn’t spend nearly as much as us on military budgets, and doesn’t feel the same need to fight foreign wars to protect its interests. For the time being, this has worked out well for Europeans. Only time will tell if this works long-term.

We can’t assume that we would ease into the same comfortable post-superpower prosperity as Europe. For better or for worse, we have been the world’s policeman. During the Cold War era, this was probably critical for Europe’s survival. In today’s world, playing the world’s policeman seems to have at least as much downside as upside. As we give up our exclusive position on the superpower scene, China, to a lesser extent India, and possibly Russia with its petrodollars and nukes, will become dominant players. This is not a particularly comfortable scenario.

As China and perhaps India begin to emerge as new superpowers, their standards of living are rising rapidly.

From an optimistic view, ignoring any potential aggressive intentions of China, this could be beneficial. If this continues, coupled with technological advances, many of the world’s long-standing humanitarian problems associated with poverty and population will improve. Of course, these gains will be coupled with increased demands on the world’s resource supplies and increased environmental stress.

An improving standard of living is coupled with declining birth rates. Declining birth rates in turn allow even stronger economic growth. Europe’s continuing prosperity has been in part due to its very modest and even negative population growth. Of course, this situation has created its own problems with an aging population. To further complicate matters, one key segment of new population growth in Europe is its poorly integrated young Muslim minority.

The United States is the only economically advanced nation with a strongly growing population. To maintain our standard of living, our economy has to continue to grow by at least the same rate as our population. As in Europe, the growth of our ethnic group of European origin is minor to even negative. Our projected continued dramatic population growth is by our Hispanic, and secondarily by our Asian ethnic groups. As a result, our future culture will almost certainly be quite different from today.

The effect of this current economic mess on our future is unclear. One aspect of the future that does appear likely is that our role as the world’s only real superpower may be ending. Future historians may point to this current bank crisis as a key historical moment in that transition.

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VETERANS

As it looks, basic medical services in the Applegate are off the table with the success of their transport vans. The powers-that-be believe that medical services and support can best be delivered at the SORCC. However, mental health services are still on their agendas.

In Grants Pass, there has been a shuffle at the Veterans’ Center. Wayne Price has retired (thank you for your service, Wayne), and a new group leader, Mark Levno, is digesting the old responsibilities and new agendas. Unfortunately, at the time of this writing, Mark had not been brought up to speed on what we are trying to do in the Applegate. However, Mark was open to being filled in and has promised to cram. As I understand it, options are being explored on the “what’s” and “how tos” of bringing mental health counseling for Veterans to the Applegate. It’s on the agenda under the “Can Do” list. We have the space graciously offered

by the Applegate Community Church. We will have vans for transport and we have the patients. All we need now is the talented Dr. WHO?

Please, veterans and friends, place a call to Mark Levno. Please thank and encourage him for progress toward achieving the goal of a therapist in the Applegate. A few calls could help. Oh yes... and welcome him to the neighborhood. His phone number is 541-479-6012.

Side Notes:

- VPC-ITO will be having a follow-up meeting on Thursday the November 13 at the Applegate Community Church at 8 pm. Call 541-227-4871 to confirm date.
- Veterans Exchange and VPC-ITO are looking for:
 - 1 Woodcutters and wood buyers.
 - 2 Labor seekers and job seekers
 - 3 Caretakers and caretaking situations

- 4 Renters and landlords
- If you are in the Applegate corridor—come see us. Let us match you up. Let’s keep it local and it’s a free service.
- Looking for submissions of your

PTSD symptoms and how they affect your relationships or lack thereof.

- Also seeking Veteran Prose/Poetry. Until next...Out. Victor Cortez

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