

3-30-2009

Learn This Lesson: We Really Can't Have It All

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Recommended Repository Citation

Hughey, Aaron W.. (2009). Learn This Lesson: We Really Can't Have It All. *The Lexington Herald-Leader*, March 30, 2009.

Original Publication URL: <http://www.kentucky.com/589/story/743658.html>

Available at: http://digitalcommons.wku.edu/csa_fac_pub/39

Opinion – Op-Ed

Monday, March 30, 2009

Learn this lesson: We really can't have it all

By Aaron W. Hughey

At issue | March 22 Associated Press article by Ted Anthony, "Saving vs. spending is an American paradox, Consumerism is part of our identity; can we change?"

Ted Anthony's story should be required reading. Anthony acutely identifies a fundamental flaw in our world view: the notion that we — individually as well as collectively — have the right to buy things we cannot pay for, principally through the use of credit. "Buy now, pay later" has been the mantra of our nation for the past several decades.

As Anthony notes, our economic system is based on an irrational belief in the ability of consumerism to sustain never-ending economic growth. Our insatiable desire for more and more, will be our ultimate undoing. Unrelenting advertising and marketing that offer simplistic answers to complex problems only make the situation infinitely worse.

My faith in the inherent and irrefutable advantages of the free-market system has not been shaken in the least by the current economic imbroglio.

There is not the slightest doubt in my mind that the economic policies espoused by Friedrich von Hayek (free markets) will eventually be redeemed and those of John Maynard Keynes (government intervention; central planning) will be relegated to the trash bin of history.

Government regulation, whenever it is in opposition to the free market system, has never worked, and will never work, to promote long-term economic prosperity. It is diametrically opposed to our democratic ideals and antithetical to the fundamentals on which our country was founded.

So where is this philosophy leading us? To quote a favorite line from *Ghostbusters*, one of my all-time favorite movies, we are "headed for a disaster of biblical proportions."

Recent projections by the Government Accountability Office indicate that if we continue on our current trajectory, the national deficit is expected to grow by at least \$1 trillion a year over the next decade.

This is inherently unsustainable and, if we do not make significant changes to our economic policies soon, will inevitably lead to the full-scale collapse of not only our economy, but the entire global economic system.

For those who might counter that I am being too extreme and alarmist, my response is: Compared to what? The ultimate repercussions of a national deficit spiraling out of control with no end in sight?

So what should be done?

First, we need a constitutional amendment mandating a balanced federal budget — except under extreme conditions (war, for example).

Second, we need strict laws that protect responsible investors and punish those who act incompetently or unethically. This is not governmental regulation. Investors have a legitimate right to reap the profits when their stocks perform well. By the same token, they should accept their losses when investments falter. Knowing the government will bail them out when losses mount gives investors a sense of security they are not entitled to.

Finally, we need policies that encourage fiscal responsibility: stricter limits on individual credit based on a more realistic assessment of ability to repay. A system that rewards people for saving would also help immensely.

I realize these recommendations will not meet with universal acceptance. But the consequences of not taking immediate and concrete steps to deal with our financial problems will prove disastrous. We have to drastically alter the way we think and act in this country.

The truth is that we cannot have it all. Sometimes difficult and unpopular decisions have to be made in the short-term for the benefit of our long-term strength and well-being. The sooner we accept this, the better off we will all be.

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