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The End of Excess: Is This Crisis Good for America?

By Kurt Andersen

Don't pretend we didn't see this coming for a long, long time.

In the early 1980s, around the time Ronald Reagan became President and Wall Street's great modern bull market began, we started gambling (and winning!) and thinking magically. From 1980 to 2007, the median price of a new American home quadrupled. The Dow Jones industrial average climbed from 803 in the summer of 1982 to 14,165 in the fall of 2007. From the beginning of the '80s through 2007, the share of disposable income that each household spent servicing its mortgage and consumer debt increased 35%. Back in 1982, the average household saved 11% of its disposable income. By 2007 that number was less than 1%. (See TIME's top 25 people to blame for the financial crisis.)

The same zeitgeist made gambling ubiquitous: until the late '80s, only Nevada and New Jersey had casinos, but now 12 states do, and 48 have some form of legalized betting. It's as if we decided that Mardi Gras and Christmas are so much fun, we ought to make them a year-round way of life. And we started living large literally as well as figuratively. From the beginning to the end of the long boom, the size of the average new house increased by about half. Meanwhile, the average American gained about a pound a year, so that an adult of a given age is now at least 20 lb. heavier than someone the same age back then. In the late '70s, 15% of Americans were obese; now a third are. (Read "What's the Best Diet? Eating Less Food.")

We saw what was happening for years, for decades, but we ignored it or shrugged it off, preferring to imagine that we weren't really headed over the falls. The U.S. auto industry has been in deep trouble for more than a quarter-century. The median household income has been steadily declining this century ... but, but, but our houses and our 401(k)s were ballooning in value, right? Even smart, proudly rational people engaged in magical thinking,

acting as if the new power of the Internet and its New Economy would miraculously make everything copacetic again. We all clapped our hands and believed in fairies.

The popular culture tried to warn us. For 20 years, we've had Homer Simpson's spot-on caricature of the quintessential American: childish, irresponsible, willfully oblivious, fat and happy. And more recently we winced at the ultra-Homerized former earthlings of *WALL[BUL]E*.

We knew, in our heart of hearts, that something had to give. Remember when each decade, not long after it finished, assumed a distinct character? We all knew and know what "the '50s" mean, and they definitively ended with the Pill, J.F.K.'s assassination and the Beatles — just as "the '60s" ended when Americans got tired of being alarmed and hectored, and "the '70s" ended when stimulants became more popular than depressants and AIDS appeared. But in all salient respects, "the '80s" — Reaganism's reshaping of the political economy, the thrall of the PC, the vertiginous rise in the stock market — did not *end*.

The '80s spirit endured through the '90s and the 2000s, all the way until the fall of 2008, like an awesome winning streak in Vegas that went on and on and on. American-style capitalism triumphed, and thanks to FedEx and the Web, delayed gratification itself came to seem quaint and unnecessary. So what if every year since the turn of the century the U.S. economy grew more slowly than the global economy? Stuff at Wal-Mart and Costco and money itself stayed supercheap! Even 9/11, which supposedly "changed everything," and the resulting Iraqi debacle came to seem like mere bumps in the road. Even if deep down everyone knew that the spiral of overleveraging and overspending and the prices of stocks and houses were unsustainable, no one wanted to be a buzz kill.

But now everything really has changed. More than a year into the Great Recession, we still aren't sure if there's a bottom in sight, and six months after the financial system began imploding, it's still iffy. The party is finally, definitely over. And the present decade, which we've never even agreed what to call — the 2000s? the aughts? — has acquired its permanent character as a historical pivot defined by the nightmares of 9/11 and the Panic of 2008-09. Those of us old enough to remember life before the 26-year-long spree began will probably spend the rest of our lives dealing with its consequences — in economics, foreign policy, culture, politics, the warp and woof of our daily lives. During the '80s and '90s, we were Wile E. Coyote racing heedlessly across the endless American landscape at maximum

speed and then spent the beginning of the 21st century suspended in midair just past the end of the cliff; gravity reasserted itself, and we plummeted.

In the Road Runner cartoons, after each fall, the coyote is broken and battered but never dies. America isn't going to expire either. But unlike him, we will be chastened and begin behaving more wisely. For years, enthusiasts for unfettered capitalism have insisted that the withering away of enterprises and entire industries is a healthy and necessary part of a vibrant, self-correcting economic system; now, more than at any time since Joseph Schumpeter popularized the idea of creative destruction in 1942, we must endure the shocking and awesome pain of that metamorphosis. After decades of talking the talk, now we're all obliged to walk the walk.

We cannot just hunker down, cross our fingers, hysterically pinch our pennies, wait for the crises to pass, blame the bankers and then go back to business as usual. All that conventional wisdom about 2008 being a "change" year? We had no idea. Recently Rush Limbaugh appeared on Sean Hannity's Fox News show, panicking not so much about the economy but about how the political winds are blowing as a result. If we finally manage to achieve something like universal health care, Limbaugh warned, it would mean "the end of America as we know it." He's right, but that's not necessarily a bad thing. This is the end of the world as we've known it. But it isn't the end of the world.

Yin and Yang

You know the story of the ant and the grasshopper? The ant is disciplined, the grasshopper parties as if the good times will last forever — and then winter descends. Americans are, bless us, energetic grasshoppers as well as energetic ants, a sui generis crossbreed, which is why we've been so successful as a nation. Our moxie comes in two basic types. We possess the Yankee virtues embodied by the founders: sobriety, hard work, practical ingenuity, common sense, fair play. And then there's our wilder, faster and looser side, that packet of attributes that makes us American instead of Canadian: impatient, hell-bent, self-invented gamblers, with a weakness for blue smoke and mirrors. A certain fired-up imprudence was present from the beginning, but it required a couple of centuries for the most extravagant version of the American Dream to take hold: starting with the California Gold Rush in 1849 — riches for the plucking, with no adult supervision — we have been repeatedly wont to abandon prudence and the tedium of saving and building in favor of the fantastic idea that anybody, given enough luck and liberty, can make a fortune overnight.

It's time to ratchet back our wild and crazy grasshopper side and get in touch with our inner ant, to be more artisan-enterpriser and less prospector-speculator, more heroic Greatest Generation and less self-indulgent baby boomer, to return from Oz to Kansas, to become fully reality-based again.

Just as our two-sided national character has always toggled back and forth between its steady and skylarking aspects, so does our national history run in cycles, as writers have noted almost from the beginning. And so once more we are making the periodic shift from an unfettered zeal for individual getting and spending to a rediscovery of the common good, from "the business of America is business" seeming inarguably true to sounding narrow, callous, a little crazy.

But in fact, there are two cyclic waves in American history: one for politics and the general national spirit, the other for economic growth and contraction. Think of the two wave systems as running along the same timeline but perpendicular to each other — politics on the horizontal, weaving left to right; economics on the vertical, weaving up and down. Each affects the other, but unpredictably. A political or economic era can be as brief as 10 years or as long as a quarter-century, but the politics and economics don't move obviously in sync. Prosperity, for instance, can reinforce the "natural" political shift toward the right, as it did after World War II and for most of the past 25 years, but it can also accelerate a turn to the left, as it did in the early 1960s. Or the social discombobulations provoked by a given zig, as with the late '60s, can make the zag that follows more extreme; thus the long political period we've just been through.

Every now and then, the drastic end of flush economic times happens to coincide with the natural end of a conservative political era. Such was the case in the 1930s — coming after three straight conservative presidencies, a period of whizbang technological progress (electrification, radio, aviation) and a culture of *bon temps rouler* — and such is the case now.

We'll see soon enough how well President Barack Obama copes, but long before the collapse, he clearly sensed the nature of the historical moment. His Democratic opponents were all over him a year ago when he gave the Reagan Revolution its due, but he was exactly right: "Ronald Reagan changed the trajectory of America ... He tapped into what people were already feeling ... [He] transformed American politics and set the agenda for a long

time ... In political terms, we may be in one of those moments where we can get a seismic shift in how the country views itself and our future. And we have to take advantage of that."

Work the Program

Given that we've brought on the current crises through a quarter-century of self-destructive financial excess and overdependence on debt and fossil fuels, during the same quarter-century we've all become familiar with a way of thinking about self-destructive excess and dependence. The vocabulary of addiction recovery could come in handy just now. We are like substance abusers coming off a long bender, hitting bottom (we can only hope) and taking the messes we've made as a sobering wake-up call. I've always thought many of the 12 Steps were superfluous, so here is a streamlined, secularized Three-Step Program for America — Bubbleholics Anonymous? — to start getting back on track:

- Admit that we are powerless over addiction to easy money and cheap fossil fuel and living large — that our lives had become unmanageable.
- Believe that we can, individually and collectively, restore ourselves to sanity and normal living.
- Make a searching and fearless moral inventory of ourselves and be entirely ready to remove our defects of character.

Of course, when addicts finally quit, it feels awful for a while, and that's where we are right now. The recession, provoked by the sudden, essentially cold-turkey abandonment of spending, lending and borrowing, is something like our national equivalent of the jitters, sweats and seizures that addicts experience right after they give up the junk. Actually, the applicable addiction trope is more like food (or sex) than drugs or booze, since as economic creatures, we can't quit; we just have to teach ourselves to buy and borrow in moderate, healthier ways. The new America must be about financial temperance, not abstinence.

Our great national rehab won't be easy. But it wasn't only in olden times that Americans have coped with breathtaking flux and successfully undertaken dramatic change. In fact, *we've just done it*. During the era recently ended, we adapted to hundreds of TV channels and multiple phone companies and airlines that arise and disappear as fast as strip-mall stores. Women have come close to achieving real equality; being gay has become astoundingly public and unremarkable. And speaking of shaking off addictions, half again as many of us smoked cigarettes in the early '80s. We watched (and helped) the Soviet Union

and its European empire collapse and watched (and helped) China change from a backward, dangerous Orwellian nation into a booming, much less Orwellian member of the global order. During just the past 15 years, we've managed to reduce murders in New York City by two-thirds; grown accustomed to the weird transparency and instant connectedness of the new digital world; sequenced the human genome; and inaugurated a black President. That's change.

This time around, though, in contrast to the early '80s, it's much clearer from the get-go that one era has ended and a new one is about to begin. A lot of the change will be the result of collective political choices, as we clear away the wreckage, consider the bad habits and ill-advised schemes that got us here and try to refashion our economic and health-care and energy systems accordingly. But at least as much of the new America of the 2010s and beyond will be the result of transformed sensibility, changes in our understanding of what's important and sensible and attractive, and what feels hollow or silly or nuts.

Begin Again

The reset button has been pushed. So what will be the protocols and look and feel of the America about to emerge?

Only six months ago, we thought we might be on the verge of a remarkable new era — thanks to the possible election of Obama. It is bizarre how secondary that epochal change now seems. It's as if Jesus had returned — but just afterward extraterrestrials landed, and as a result everybody stopped paying much attention to the holy dude. But it's also a perfectly apt and gratifying turn of events: candidate Obama positioned himself as a smart, steady character who happened to be black, and the economic emergency that helped ensure his election has pushed the fact of his race and its heavy symbolic freight into the shadows of public consciousness. Once the crises have passed, however, I think we'll rediscover the ramifications, small and large, of the enlightened national turn we made last Nov. 4 and start enjoying the dawn of a new era of racial reconciliation.

A big reason for Obama's election and high approval ratings is his privileging of the empirical and pragmatic ahead of ideological reflex. We have not, of course, arrived in a golden age of fair-minded, intellectually honest postpartisanship, as proved by the congressional votes on the stimulus package and the redoubled ferocity of brain-dead partisans. But a majority of Americans out in America are dialing back or turning off their ideological autopilots, thanks to the economic crises, Obama's approach and the post-Cold

War realities. With the Soviet Union gone and China socialist in name only, the specter of communism is no longer haunting us, and charges of socialism have lost the political power they had for most of the past century. Rather, it's suddenly capitalist piggishness that provokes genuine rage. When nearly half the House Republicans vote for a confiscatory 90% tax on Wall Street executives' bonuses, the old "class warfare" lines seem moot.

We haven't come to the end of ideology, as Daniel Bell asserted in 1960 and Francis Fukuyama restated in 1992, but the familiar polarities of right and left are losing their salience. For a while, America will be in a state of ideological flux — which means we'll be unusually free to improvise a fresh course forward. We can have universal health coverage *and* public schools unbound from the stultifying grip of teachers' unions. We can tax fossil fuels so that solar and wind become more economical *and* commit seriously to nuclear power. We can impose sensible regulatory mechanisms *and* enthusiastically promote free markets and free trade. We can grow the armed forces to fight all necessary wars but *also* forgo pork-barrel weapons systems.

It's not that disagreements about government intervention won't disappear — and we'll continue to have true believers on the left and the right. But with the economy in uncharted territory, we'll come to recognize that party-line adherence to old political convictions won't provide any easy way out. Given that it was our unthinking trust in the unthinking certainty of "experts" that got us here — securitized debt? credit-default swaps? uh, sure, *whatever* — Americans can now revert to their ruthlessly pragmatic, commonsensical selves. Admitting that we aren't certain exactly how to proceed is liberating, and key. Hyperbolic rants and rigid talking points, in either Limbaughian or Olbermannian flavors, now seem worse than useless, artifacts of a bumptious barroom age.

The utterly international nature of our present economic hell makes it all the scarier. But in the long run, I think we will also see an upside: the meltdown amounts to a spectacular moment of global consciousness, this generation's version of the Apollo astronauts' iconic 1968 photograph of the earth from the moon — an unforgettable reminder that all 6.7 billion of us are in this together, profoundly and inextricably interdependent. (The sublime always has a bit of terror mixed in.)

If you want to feel encouraged about our economic near future — not this damned decade but the one to come — ignore the stock traders and go talk to some venture capitalists. They aren't quite giddy (after the '80s and '90s and '00s, beware all giddiness), but they are

optimistic about an imminent tide of innovations in technology, energy and transportation. Recall, please, the national mood in the mid-'70s: after the 1960s party, we found ourselves in a slough of despondency, with an oil crisis, a terrible recession, a kind of Weimarish embrace of decadence, national malaise — and at that very dispirited moment, Microsoft and Apple were founded. The next transformative, moneymaking technologies and businesses are no doubt coming soon to a garage near you.

The present chastening can't mean turning into a nation of overcautious, unambitious scaredy-cats. This is the moment for business to think different and think big. The great dying off of quintessentially 20th century businesses presents vast opportunity for entrepreneurs. People will still need (greener) cars, still want to read quality journalism, still listen to recorded music and all the rest. And so as some of the huge, dominant, old-growth trees of our economic forest fall, the seedlings and saplings — that is, the people burning to produce and sell new kinds of transportation and media in new, economic ways — will have a clearer field in which to grow.

The ecology of business and employment at the high end has already been transformed by the Wall Street crash. The end of the boom in the financial industry means that careers manipulating money will no longer be so seductive to such a disproportionate share of our best and brightest. Among the 2007 graduates of Harvard College who went straight to work, half the kids heading to banks and consultancies said that if money weren't an issue, they'd be embarking on different career paths, and the 20% of the class that went to work in public service, politics, the arts and publishing would instead be 39%. In the postbubble economy, plenty of smart and ambitious young people will still pursue financial careers, God bless them, but other fields will get a bigger share of the cream.

The baby boomers were historically fortunate: they missed the Great Depression and World War II, and though they grew up with the hideous ambient hum of potential nuclear Armageddon, until they reached middle age, the only great national trauma was the one — the '60s and Vietnam — in which they were the self-regarding stars. The so-called millennials, on the other hand, have come of age during a period defined by the digital revolution, 9/11, financial bubbles bursting, a possible depression and the election — possibly their election — of an African-American President: the makings, frankly, of a healthier, more useful generational creation myth than assassinations, antiwar protests and countercultural bacchanalia (which, by the way, enabled the risk-taking, party-hearty,

quasi-utopian paradigm of the past quarter-century). In other words, the kids are all right. (Read stories from people who lived through the Great Depression.)

Whether or not Congress passes some kind of carbon-taxing scheme that ushers in a true alternative-energy era, "sustainability" is going to be shaping individual and public-policy decisions. And I don't just mean eating locally grown foods, driving more fuel-efficient cars and using weird lightbulbs. Annual increases of 10% and 15% in real estate prices were not sustainable; endlessly lowering taxes and expanding government isn't sustainable; Medicare and the war on drugs as currently constituted are not sustainable. Sustainability in this sense is as much old-fashioned green-eyeshade Republicanism as it is newfangled *kumbaya*-ish green talk, and achieving it will require partisans on both sides to face facts and make unpleasant choices.

Yes, we must start spending again, and we will. But we've all known people who, having survived the 1930s, never lost their Depression habits of frugality. And so it will be again. We don't need to turn ourselves into tedious, zero-body-fat, zero-carbon-footprint ascetics, but even after the economy recovers, deciding to forgo that third car or fifth TV or imperial master bathroom or marginally cooler laptop will come more naturally.

The housing industry is comatose, yet even that has a silver lining. We have a moment to pause and reflect before we begin building again. When big-time real estate development resumes, we can move beyond the incoherent, anything-goes paradigm of the postwar era and produce more places to live along the lines of the towns and cities everyone instinctively loves, communities designed to become true communities. "The days where we're just building sprawl forever," Obama said in February in South Florida, "those days are over. I think that Republicans, Democrats — everybody recognizes that that's not a smart way to design communities."

Although certain self-parodying epiphenomena of the Age of Profligacy — so long, Paris Hilton! — are about to disappear, fun will endure. Hollywood is doing fantastic box-office business, thanks to insanely unserious movies like *Paul Blart: Mall Cop* and *Madea Goes to Jail*. *The Colbert Report* has been a special haven of sanity amid the sky-is-falling hysteria. And again, history is encouraging in this regard: *Saturday Night Live* and modern comedy were born during the malaise-y '70s, just as wit and humor — the *New Yorker*, the Marx Brothers, screwball comedy — flourished in the '30s. I'm even hopeful that the meltdown and resulting reset might jar the culture in deeper ways. For three decades, too much of art

and design and entertainment has seemed caught in a cul-de-sac, almost compulsively reviving styles and remixing the greatest hits of the past. (Think: post-Modern architecture, pop music based on sampling, '60s-style shift dresses, pseudo-midcentury home décor.) Since we're now finished with a 25- or 30-year-long era in both politics and economics, maybe a new cultural epoch will emerge as well. Maybe more of the next big things will be actually, thrillingly *new*.

Second Verse, Same as the First

Sixty-eight years ago, a founder of this magazine, Henry Luce, published an essay in LIFE celebrating a national history that had "teemed with manifold projects and magnificent purposes ... It is in this spirit that all of us are called, each to his own measure of capacity, and each in the widest horizon of his vision, to create the first great American Century." And so we did. The question now is how far we can extend our heyday of manifold projects and magnificent purposes. Golden ages and empires do come to an end.

"History doesn't repeat itself," Mark Twain is supposed to have said, "but it rhymes." Does America in 2009 rhyme with the Britain of 1909? Back then, the British were finishing a proud century as the most important nation on earth — economically, politically, militarily, culturally. But the U.S. was coming on fast, having already overtaken the Brits economically. Between the beginning of World War I and the end of World War II, as America turned into the unequivocal global leader, Britain became an admirable also-ran, radically diminished as a global player. If the 21st century rhymed, China would be the new us — feverish with individual and national drive, manufacturer to the world, growing like crazy, bigger and much more populous than the reigning superpower. And our next half-century would, according to the analogy, unfold like Britain's in the first half of the 20th century, requiring a downsizing of our national ambitions and self-conception.

In fact, we surely will have to adjust the ways we think of ourselves. Still an exceptional country, absolutely, but not a magical one exempt from the laws of economic and geopolitical gravity. A nation with plenty of mojo left, sure, but in our 3rd century, informed by the wisdom of middle age a little more than the pedal-to-the-metal madness of youth.

The same goes for our individual senses of lifestyle entitlement. During the perma-'80s, way too many of us were operating, consciously or not, with a dreamy gold-rush vision of getting rich the day after tomorrow and then cruising along as members of an impossibly large leisure class. (That was always the yuppie dream: an aristocratic life achieved

meritocratically.) Now that our age of self-enchancement has ended, however, each of us, gobsmacked and reality-checked by the new circumstances, is recalibrating expectations for the timing and scale of our particular version of the Good Life. Which, of course, fuels the ferocious anger at the Wall Street rich even now getting richer with subsidized eight-figure bonuses.

However, if most of our hypothetical individual futures don't look quite so lavish, as a nation we have two not-so-secret weapons that, managed correctly and given a little luck, could allow us to remain at the top of the heap for a long time to come: technological innovation and immigration.

For our past two centuries, a key to national prosperity and power was the extraordinary physical scale of our land, our population, our natural resources. China has similar advantages today, and partly because we have already been there and done that, paving the way, it has been able to develop in fast motion, cramming 100 years of development into 30. But I'm reminded of Philip Johnson's apt, bitchy description of Frank Lloyd Wright during the forward looking 1930s "as the greatest architect of the 19th century." Twenty-first century China is the greatest country of the 20th century. Muscular industrialism gets you only so far. Further increases in productivity and prosperity require ingenuity and enterprise applied at the micro scale — digital devices and networked systems, biotechnology, subatomic nanotechnology. As China and other developing countries finally achieve the industrial plenty that we enjoyed 50 years ago, the U.S. can stay ahead once again by pioneering the next-generation technologies that the increasingly industrialized world will require. (Read "Will China's Stock Market Rebound Before the S&P?")

And no other nation assimilates immigrants as successfully as the U.S. The sooner we can agree on a coherent national policy to encourage as many as possible of the world's smartest and most ambitious people to become Americans, the better our chances of forestalling national decline. The waves of exotic foreigners who arrived in the 19th and early 20th centuries were unsettling, but previous generations got over it, luckily, since those newcomers were instrumental in forging the American Century.

The next new America that hatches will not be some bizarro world opposite of everything that came just before. History proceeds dialectically. The New Deal era ended, but its basic social and economic underpinnings have endured. Notwithstanding the backlash against the 1960s, the changes born of that decade's sharp left turn — civil rights, feminism, gay rights,

environmentalism, sex, drugs, rock 'n' roll — became part of the American way of life. In the same way, even as we now rediscover the need for sensible regulation and systemic fairness, the fundamentally good lessons of the Reagan age — entrepreneurialism mostly unbound, proud Americanism — will endure. The babies will not be thrown out with the bathwater.

We are in a state of shock. In a matter of months, half the value of the stock market and more than half of Wall Street's corporate pillars have disappeared, along with several million jobs. Venerable corporate enterprises are teetering. But as we gasp in terror at our half glass of water, we really can — must — come to see it as half full as well as half empty. Now that we're accustomed to the unthinkable suddenly becoming not just thinkable but actual, we ought to be able to think the unthinkable on the upside, as America plots its reconstruction and reinvention.

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