The Politician Approach Avoidance Complex

It should not come as a surprise that Congress has a low rating in the eyes of the general public. We elect these people to represent us but it seems that nothing ever changes. They go with good intentions but soon are no different than the people that they replaced.

What we have is a government out of control with a national debt over $17 trillion and growing. A Federal Reserve that up to just recently has been printing money at a rate of $85 billion per month to buy treasury bonds and mortgage securities. The results have been a true inflation rate, over the last six years, of just under 5.8% based upon the growth in the price of gold and not what has been reported as being under 2% by our government.

The Fed's purchases of treasury bonds and mortgage securities reduce the available supply of these securities in the market, leading to an increase in the prices of those securities and a reduction in their yields. This has had the impact of driving the interest rates to near zero. The result has been the destruction of the buying power of the majority of the middle class and retirees that were counting on their savings. What is worse the middle class and the retirees have responded to these lower yields by going into higher risk investments such as the stock market where another crash will wipe out any unsophisticated individuals making emotional decisions and selling at the worst possible times. What the Feds are creating is another bubble. No wonder the market is up. All this has done is make the wealthy wealthier.

I once had a boss who said that he could not understand why people are very fugal in how they manage their financial affairs at home but when they come to work it seems like all this goes out the window. The answer is very simple they have no skin in the game. It is not their money.

Another disease that politicians get when they go to Washington is what is called the Approach Avoidance Complex. The concept can best be demonstrated by putting a mouse in a cage with a food tray that is electrified. The mouse knows he needs to eat to survive but knows that he would be shocked if he does. The result is that he eventually goes crazy. Isn’t this what is going on in Washington.

What does the Approach Avoidance Complex have to do with our politicians? Have you ever heard about the third rail when talking about changing Social Security? There are many more examples of the third rail.

One of the early examples of the Approach Avoidance Complex is the Jones Act which was passed under President Woodrow Wilson in 1920. The Jones Act prohibits any foreign built or foreign flagged vessel from engaging in coastwise trade within the United States. The objective was to assure that the nation maintained a merchant marine fleet necessary to support national defense. Up until Vietnam 85% of all war material was carried by the U.S. flagged ships.

Over the years Congress has tried to modify the law but a whole industry has been built around the law employing some 100,000 people from merchant mariners to shipbuilders. Any attempt to eliminate the law brings protests. As a result the law remains on the books.

The impact is very telling. A ship built in the U.S. cost four or times what a ship would cost if it was built in Asia. To ship a barrel of oil from say Texas in the Gulf to New York costs $8 whereas the same barrel shipped to Canada cost $2. A ship from Asia cannot offload cargo in

Hawaii on its way to the mainland if it is not a U.S ship. Therefore cargo from Asia must go to the mainland, offloaded and transshipped to Hawaii on an American ship. The results are a distortion of the economy and increased consumer cost.

Social Security, enacted in 1935 under the Roosevelt administration, is the classic example of the Approach Avoidance Complex (the third rail). Initially designed to pay retirement benefits only at age 65 and only to the covered worker, himself or herself, it was expanded in 1939 to add dependents and survivors benefits and made benefits more generous for early participants. By 1950 the program was expanded on a major scale with increased benefits for the first time and by 1954 added benefits for the disabled. Through 1977 the benefits were again expanded to include cash disability benefits at any age, early retirement for both men and women, benefits for dependents of disabled beneficiaries, disabled widow(er)'s benefits, and finally automatic annual cost-of-living adjustments. Anyone who attempted to rein in or limit the program was at peril.

One that is now impacting the recovery and our balance of payments was enacted in 1975, The Energy Policy and Conservation Act of 1975, during the Arab oil embargo. Congress passed a law prohibiting the exporting of oil pumped from the continental United States. Hydraulic fracturing has a potential of producing a surplus of oil within the continental United States but oil companies are prohibited from exporting the oil. It is estimated that an expansion of crude exports would result in $15.2–$70.2 billion in additional investment in U.S. exploration and up to 300,000 jobs by 2020. Those opposed argue that the export ban was put in place back in the 1970s to protect U.S. consumers from volatility and price spikes. Allowing exports, it is argued, might cause U.S. gasoline prices to rise and hurt American consumers. Environmental groups are leery of boosting fossil-fuel production even further. The fact is that the oil companies are not prohibited from exporting gasoline and therefore the domestic price is established by the world market. Exporting oil would actually lower the price of oil and therefore lower the price of gasoline. Unfortunately the Approach Avoidance Complex rears its head and nothing gets done.

These are just the tip of the iceberg. There are literally thousands of these programs started with good intentions but resulting in the unintended consequences of distorting the market with no way to turn them off without impacting a segment of the population with an agenda, or who has built a career and or life around them. The liberals call them corporate welfare and the conservatives call them social welfare. Unfortunately they are both right.

This tendency to expand and never eliminate a program along with this administration's over regulations, environmental, and social engineering has done nothing but constrain the economy, prolonged the recovery and reduce employment.

In the words of an engineer, we need to reset the integrators. It is going to take non-career politicians, who are not afraid to lose his or her job, to slowly phase out the entire social and corporate welfare system and reestablish what the federal government was constitutionally required to do domestically, assure a level playing field and an equal opportunity for all. The rest should be left to the states.