

# Hang Together

"We must indeed all hang together, or most assuredly we shall all hang separately." Benjamin Franklin

## Bringing Lombardi To Bear On Matters Economic

Posted on **December 18, 2012** by **Daniel Kelly**



— Lombardi would know what to do

"Gentlemen, this is a football." So began Vince Lombardi's first team meeting, and the rise of the NFL's most storied franchise. He didn't start the meeting like that because he thought the players had never seen a football before. He started it that way because he knew something about human nature: When we've been at something for a while, developed complicated plans and strategies around it, reached elite status, we tend to lose sight of the fundamentals. And when that happens, we start stumbling.

That we are stumbling economically is hardly news. But the way we are addressing it, I believe, is. In a world of credit default swaps, quantitative easing, and collateralized debt obligations, it is becoming increasingly difficult to not only understand how the economy works, but even just to grasp what it's all about.

That complexity is leading us to make demands on our government that are entirely unmoored from economic reality. But we sure do want those demands met, and right now, thank you. Thus, as health care becomes absurdly expensive, we insist that we pay less. How? Well it's all about bending cost curves, you see, or state-based insurance exchanges, or something like that. Our mortgages are choking us, so those greedy banks had best forgive some of the debt, or at least renegotiate the terms. Aren't Fannie Mae and Freddie Mac, whoever they are, supposed to help with that? And we're getting along in years, so someone ought to be thinking about how to support us when we decide to retire.

There is a way of looking at the world in which all of those demands make a modicum of sense. If wealth is an everlasting thing, and pre-exists you and me, then our project is all about getting it into the hands of those who need it most, yes? And if someone has a large amount of wealth, then his avarice necessarily comes at the expense of those who got shorted when the distribution wagon rolled by.

The graphs Greg reproduced below (or something like them) are frequently used to put some analytical polish on this way of looking at the world. They make the Occupy crowd seem like they might have a point. Those greedy one-percenters are soaking up an increasing amount of the world's wealth, while the rest are, if not flat-lining, doing a credible impression of it.

Greg asked what was wrong with those graphs, and gave me the honor of answering. Well, actually, he put the words in my mouth, but I'm happy to adopt them. The answer was more eloquent than what I would have said, and correctly pointed out the important, but ignored, link between wages and productivity.

But maybe eloquence is something we can't afford right now. We have traveled so far from basic economic principles that we are forgetting them. We're even forgetting how to *talk* about them.

Take, for example, one of the central themes of this year's presidential campaigns. There seemed to be wide-spread agreement that, with unemployment hovering around 8%, we need more jobs. But look how the candidates and their campaigns talked about them. One side derided companies for cutting jobs or sending them overseas, while the other side said it would adopt policies more friendly to job-creation. Both sides talked about jobs as if that was why companies exist. Well, it isn't.

So maybe it's time for a little plain talking. Let's start with this. Lombardi's football is to the game as work is to the economy. And the purpose of work is to produce. Produce what? Why, wealth of course. Now, I know there are those who will head directly to the fainting couch at the mere thought of this, but let's cowboy-up and see if we can make it for a few more paragraphs.

Wealth is what follows from that peculiar activity called "work." Wealth is the food you eat, the house in which you sleep, the car you drive, the movie you watched last night, the doctor's care for the sick. Your work might represent just a little wealth if you are doing something simple, or it might represent quite a lot if you just created the next earth-shattering Apple product. Whichever it

is, there is an irreducible, unbreakable connection between work and wealth. If you work, there is wealth. If you don't, there isn't.

Which is why the common response to the graphs Greg reproduced causes so much concern. It suggests that, as a people, we are losing the link between wealth and work. When we demand that the government adopt a new stimulus program, or a more generous "safety net," we act as though we are dipping into a limitless reservoir of uncreated wealth. After all, if no one created it – that is, if it does not already belong to someone – why not?

This was once the niche concern of a few political philosophers. But it has now escaped the confines of academia, and is threatening not just economic freedom, but the very viability of our economy. This process of taking wealth from those who created it to give to those who did not is no longer just a *part* of what government does, it is rapidly becoming the *only* thing it does.

Let's take a look at two economic facts and see if they tell us anything significant about how we understand the connection between work and wealth. First fact: By 2011, 65% of the federal budget consisted of nothing more than transferring wealth from creators to others. Second fact: That same year, the federal government had to borrow 36 cents of every dollar it spent.

Think about that for a minute. Seeing it? Last year, the federal government's wealth redistribution programs consumed *all* of the taxes it collected. The actual business of government – national defense, law enforcement, federal highways, etc.(all of which, oddly enough, is classified as "discretionary spending") – was paid for out of borrowed funds.

Everything the federal government collected – all of it – just went into someone else's pocket. Not in payment for goods or services, mind you, but simply because the government decided it was important to compel people who created wealth to give it over to people who did not.

So while Greg is doing yeoman's work rebuilding an understanding of the connection between work and the production of wealth, Leviathan is spending over \$2 trillion every single year fighting him. But if that apparently lopsided advantage dismays you, it's only because you don't know Greg.

Want to help? When we talk about economic matters, let's talk about them plainly. Never lose that connection between work and wealth. No matter how complex the government program, no matter how high the finance, keep a firm grasp on the basics. Lombardi would be proud.

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Geoff Hemphill

on **December 19, 2012 at 9:45 am** said:

Perhaps the Mayans were right after all. Or maybe, and less globally catastrophically, Dan's password was hacked. Because never in my wildest imagination would I have chanced a reckless whim that Mr. Kelly would condescend to employ a sports metaphor in his writing. Next thing you know, he'll wear a fake block of cheese on his head. But indulge me this, where does "consumption" fit into your manly sports metaphor? Is it a simple link in the chain (work begets wealth, which begets consumption, which calls forth more work and so on)? Being that consumption represents 70% of our economy, could it be something more? And, more importantly, how far do you think the Packers will go this year?



Daniel Kelly

on **December 19, 2012 at 1:37 pm** said:

Odd, isn't it? It appears that my ability to resist certain cultural phenomena is not as strong as I had thought. Although in retrospect, I should have seen this coming. My wife is a major Packer fan, as is my son. Their enthusiasm is sufficiently infectious that it has been impossible to maintain my studied obliviousness.

Anent consumption — yes, we need to account for that in our economic analyses. All wealth is eventually consumed, either because we eat it, we break it, we wear it out, or it simply decays. So in the broad sense, economic activity is the never-ending cycle of creating and consuming wealth. That's one of the reasons we can never rest on our laurels. We must constantly work to restore wealth as it is consumed. If we outpace consumption, we create temporary reserves of wealth. If we underperform consumption, we fall into poverty.

As to the final question: The Packers won their division. And now my store of football knowledge is depleted. Cheers!



Greg Forster

on **December 19, 2012 at 6:23 pm** said:

One of the best movies I've ever seen is the German movie Run, Lola, Run. They got a hugely famous soccer coach – apparently this guy is the German equivalent of Vince Lombardi – to say a line in the opening. He holds a soccer ball up to the camera and says, "The ball is round, the game is 90 minutes. Everything else is theory."

You couldn't be more right about the need to restore the work/wealth connection at the heart of the economy. I wonder, though, if it's smart tactics to say that the purpose of work is wealth creation. I understand what you really mean by that, but everyone assumes wealth = money, even after you explain that it isn't. Not sure what alternative to suggest, though.

Daniel Kelly

on **December 19, 2012 at 7:48 pm** said:

You are right that calling what work produces "wealth" will cause a predictable reaction. But I don't think the word choice has much to do with it. If we called it "stuff" we would eventually see people reacting to the word "stuff" the same way they react to the word "wealth." The problem is not really the word; the problem is that some people simply are allergic to the idea there is a necessary connection between work and what it produces.

Perhaps, as a tactical matter, there is a substitute word we could use so that the barriers don't go up right away. I'm open to suggestions. But even if that gives a tactical edge, I don't think it would last long. Then we would have to pick another word and start the conversation all over again.

Maybe we just have to bite the bullet and use the word we already have.

Greg Forster

on **December 20, 2012 at 9:58 am** said:

But wealth is not "stuff" any more than it is "money." What we are really talking about is what economists call value, but again that just means "money" to most people. Well-being or flourishing would cover it better, but it takes too much work to get people to make that connection.

Maybe this isn't a fruitful line of inquiry, it was just my spontaneous response.

Daniel Kelly  
on **December 20, 2012 at 10:18 am** said:

To be precise, work produces goods (things) and services. I'm looking for an accurate way of referring to what work produces, because the first step in a sound economic analysis is to identify that which an individual owns.

Using "wealth," unfortunately, probably doesn't accomplish that especially well. Neither does "value," "well-being," or "flourishing." All of these point towards what the work-product is worth to someone else. It is not self-referential, nor does it point back to its creator. And that link between the work product and the producer is what I am trying to emphasize.

The other words ("value, well-being, flourishing") are important because, in the feedback loop of a free market, things that can be described in that way will determine what gets produced. But that doesn't refer us to who owns the thing being valued, and hence who ought to receive some quantum of wealth in exchange for it.

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