The Economic Crisis as Manic Depression
A few thoughts

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"Boom and Bust", "Boom and Bust", "Boom and Bust", so it has been, and we are told by economists so it will go on. Famous "boom / bust" bubbles include Tulip Mania in Holland in the 1630s, the South Sea Bubble in Great Britain in 1720, and more recently the "Roaring Twenties" followed by the Wall Street crash in 1929, and the Great Depression that lasted through the 1930s. In our time there has been the dot com bubble in the late 1990s, and now the housing bubble deflation following the boom period fuelled by sub prime mortgages in the U.S.

Rather than regarding 'boom / bust' as simply an economic matter, if one shifts the vertex to psychology and culture 'boom / bust' is a cultural form of manic depression. At one time the manias may have been tied to mainly local, or country, issues as was the tulip mania in Holland and the South Sea Bubble in Great Britain, but the culture of manic depression seems to grow larger in the 1920s and 30s, and larger still now to a global culture[1].

We are handicapped in this exploration by economists' understanding of human beings. For an economist man is a consumer who acts rationally in making economic decisions. This is the alimentary canal view of man; rather limited in purpose to taking in, digesting and excreting[2]. There is a need for a 'psycho-economics' which integrates disciplines and provides a more powerful method for exploration and analysis of economic, social and cultural matters. The suggestion of a global culture of manic depression is perhaps a step in this direction.

The 'manic depressive' hypothesis of the economic crisis begins with people in our societies going through periods of what are thought of as 'good times'. These periods might be quite lengthy – the most recent boom lasted 12 years. But in reality the so called 'good times' are dominated by 'manic' tendencies: e.g. beliefs in never ending growth, housing prices or dot com stock prices that will continue to rise, and the Wall Street financiers as the Masters of the Universe.

What was occurring during the housing bubble was more and more people borrowed to finance property and other purchases. There was a reliance on increasing property values to finance mortgages, and a reliance on an endless supply of people willing to buy

[1] Bhutan is probably not too affected by what is taking place – its culture and emphasis is on happiness and not consumption.

[2] But if you think of the waste products arising from this consumption – water and soil pollution, green house gases, cutting down of rain forests, and global warming – maybe there is some truth in this view of Man at a macro level.

properties at higher prices through their own leverage and debt. It was, as has been pointed out, like a giant Ponzi scheme. This bursts, the manic phase is punctured and we enter a period of depression when prices fall – houses, stocks, commodity prices - and unemployment rises.

The government, public and media mood is one of fear, but the mood is more complex for individuals and their families. They too, may be fearful, but while there may have been losses on the stock market and through superannuation funds, many people – those who don't lose their jobs – will be better off through lower interest rates, falling mortgage repayments, lower prices for some goods, and through fear of debt they will save more and reduce debt on credit cards, or pay off mortgages faster.

During the 'good times' approximately 60% of the economy is consumer spending. When the manic phase ends consumers cut back on discretionary spending - new car, TV set, holidays, dining out etc. The Government steps in to fill the gap through "pump priming". In Australia this included the 10 billion dollar stimulus package last year and the 42 billion dollar package this year. The same government spending occurs in the U.K. and China with larger billions, and the U.S. with trillions.

So while citizens (let's call them citizens at this point rather than consumers) spend less and save many nation states spend more and go into debt, or further into debt. The manic tendencies and trajectory, that was evident in consumer markets, is taken on board by the governments, while the citizens are holding a more careful and prudent position.

The Governments act to counteract this position of saving through exhorting citizens (as Kevin Rudd does) to spend more so as to increase aggregate demand and stimulate growth. But this is counter to the individual and family felt need and mood which is to save more. Perhaps this psychological correction over a period of time has to occur, leading to a reduction of household debt, before citizens become consumers once more and are willing to reenter the world of excess consumption, which fuels another manic cycle.

Because this is almost certain to happen as we lack an economy and practice, of *sustainable balance*. To make up for it we have the surges of manic and depressive tendencies as capitalism fattens up.

What is occurring is not simply an economic matter but a psychological / cultural phenomena that is expressed through economics or in conjunction with economics. How a manic phase comes to an end and a depression phase begins can be expressed through economics; however there are unconscious cultural factors involved that lead to organisations world wide and individuals world wide almost at the same time, not spending as they used to. While it can be argued that organisations and individuals are not able to borrow as much as they would like to finance their spending, and this is true, I think there is something deeper involved – an unconscious global cultural phenomena which acts to stop the mania and restore some balance through "depression".

We live in a capitalist world that is predicated on growth of consumption, *ad infinitum*. As has been said, there is no concept or practice at a national level of *sustainable balance*. The growth of consumption in "developed" countries is fuelled by greed, marketing and media propaganda, government policies, the capitalist zeitgeist around profit and the corporation, and financed through leverage and growing debt - for the individual, the organisation, and society.

The pressures towards short term profits in "developed" countries, and the reward of huge bonuses, leads to an end product of capitalism. That is the creation of financial instruments, derivatives, that are designed to conceal toxicity; the shit that is excreted through the system through excessive consumption financed by debt. These derivatives were being sold as assets; AAA rated by Moody's and Standard and Poor.

The financial institutions were selling these derivatives to organisations, banks, and government agencies around the world, including Australia. However this toxicity is now poisoning the global financial system. It has led to the various bank, insurance, and mortgage company bailouts – e.g. Citigroup, AIG, Fanny Mae and Freddy Mac in the U.S., and the Bank of Scotland and Lloyd's in the U.K. It has also caused a shared anxiety among banks that other banks are so full of toxicity they are likely to be on the verge of bankruptcy, and hence they are not safe to lend to i.e. the credit crisis.

In the alimentary canal model of man enterprises and financial systems have been eating shit as though it were food, and the costs are passed on to taxpayers. We may be in the middle of manic depressive obese coprophagia.

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