

Why the Pessimism? Economically and Otherwise, Life May Just Keep Getting Better

In a recent survey, just 6 percent of Americans said they thought the world was getting better. In Great Britain, Germany, Singapore, Australia and France, even fewer people took that view. Headlines warn of slowing economic growth and job losses resulting from robotics and artificial intelligence as well as a global scarcity of water, famine and surging income inequality.

Yet a dark appraisal of the present and future, particularly in economic terms, is just plain wrong, says Gregg Easterbrook, a former fellow at The Brookings Institution and author of “It’s Better Than It Looks: Reasons for Optimism in an Age of Fear.”

“Never before in American history have people been better off than they are now, in terms of living standards, per capita income, buying power, health, safety, liberty and longevity,” says Easterbrook. And while not downplaying the suffering, strife and economic struggles that continue to plague people here and abroad, he believes that long-term trends are almost universally positive.

OUTLOOK spoke with Easterbrook about what he sees as stark differences between perception and reality in looking at current and future global economic conditions.

OUTLOOK: People seem to think we are living in uniquely perilous times, economically and otherwise. What’s your take?

Gregg Easterbrook: In Gallup surveys, Americans and Western Europeans have called 2017 “the darkest year in human history.” That would mean darker, for example, than 1942, when the Nazis appeared to be winning World War II. People have talked themselves into believing that the current situation is awful.

But the fact is, most residents of the U.S. and Western Europe have never had it better in economic terms. Most live better than their parents did. They live much better than their grandparents lived, and they live so much better than their great-grandparents. If their great-grandparents could observe the average lifestyle today it would seem almost utopian compared to an American or Western European of a hundred or two hundred years ago.

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This Month's Expert



Gregg Easterbrook is the author of 11 books, including the *New York Times* bestseller “The Progress Paradox” and his most recent

book, “It’s Better Than It Looks: Reasons for Optimism in an Age of Fear.” He has been a staff writer, national correspondent or contributing editor of *The Atlantic* for nearly 40 years. Easterbrook has written for the *New Yorker*, *Science*, *Wired*, *Harvard Business Review*, the *Washington Monthly*, *The New York Times*, *The Wall Street Journal* and the *Los Angeles Times*. He was a fellow in economics, then in government studies, at The Brookings Institution, and a fellow in international affairs at the Fulbright Foundation. In 2017, he was elected to the American Academy of Arts & Sciences.

OUTLOOK: *What leads to these negative views? What are people missing when they look at where we are now?*

Easterbrook: There are two basic ways to perceive the world: objectively and subjectively. We tend to base a lot of our assumptions on the latter. The late Swedish statistician, Hans Rosling, spoke of the importance of “factfulness.” Factfulness is how we should objectively perceive the world. And when you look at the facts, just about every trend is positive. For example, throughout the world, all forms of pollution, with the important exception of greenhouse gases, are in decline. This is true in coastal China. It’s true in Mexico City. It’s true in most of Africa. The world is getting progressively cleaner, and yet people think it’s getting progressively dirtier.

OUTLOOK: *Has the progress we’ve made in terms of reducing air and water pollution translated into economic benefits?*

Easterbrook: Consider the dramatic reduction of air pollution in American cities. In the 1970s, Los Angeles averaged nearly 100 high-level smog alerts every year; now it goes years without even one such warning. In the past quarter-century, lead levels in the air have declined by 99 percent; carbon monoxide is down 77 percent; other pollutants have dropped by as much as 81 percent. And all of this has come while the population rose 28 percent and GDP per capita doubled. That means that air pollution per person decreased a great deal while air pollution compared to economic production declined spectacularly. These economic gains have been accompanied by a rebirth of the city as a desirable place to live and as, economically, a great place to invest! Property values would not have risen in big American cities without pollution control.

OUTLOOK: *Hasn’t U.S. economic growth slowed notably from other periods in our history?*

Easterbrook: People usually look back on the years directly after World War II, and that’s simply not a logical comparison. Yes, growth is slower than it was back then, but we’re asking ourselves the wrong questions by assuming that if each generation doesn’t live statistically far better than the previous generation, something’s gone wrong.

In developed economies, the challenge now is to sustain the current level of consumption, and I think that could be done for decades, if not centuries. Sustainable consumption is a more reasonable goal than rapid growth.



From a technical standpoint, modern agriculture is more than capable of feeding the current world's population, and could likely feed many more."

OUTLOOK: How does today's global economic output compare with what it was at its peak before last decade's financial crisis?

Easterbrook: Global economic output is up by every measure, including when adjusting for population; adjusted consumer prices are down by almost every measure. The past decade has been one of the world's best economically.

OUTLOOK: What other positive trends do you see?

Easterbrook: Education levels are increasing across the world. Fifty years ago, only 6 percent of citizens of India were literate, compared with 98 percent today. The highest educational degree achieved by the typical American is the highest it's ever been in our history, and the same is true in most European Union countries. Longevity is increasing. We're living longer than ever before. Rates of almost all diseases including heart disease, cancer and stroke, the world's three top killers, are all in decline.

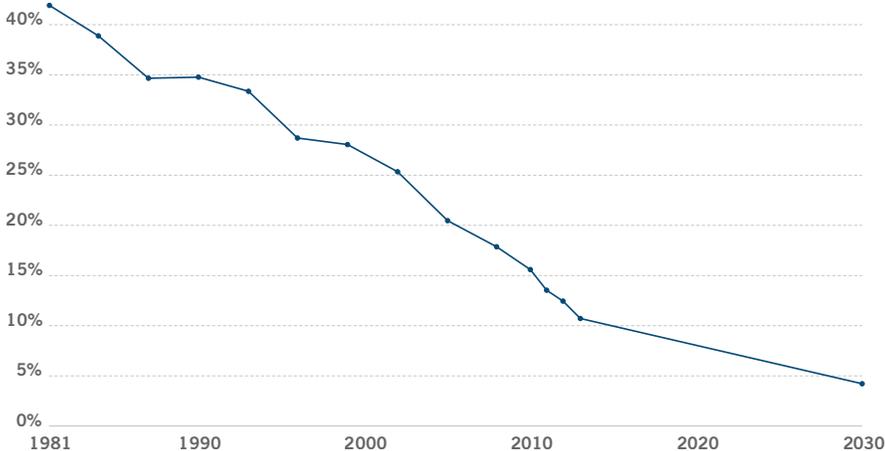
Studies consistently show that Americans and Western Europeans believe global starvation has never been worse. Yet malnutrition and poverty are at their lowest points in human history, despite the fact that we have twice as many people on earth as we had 30 years ago. According to the United Nations, 11 percent of the world's 7 billion people are malnourished. That's a very disturbing number, and it's important not to minimize the real suffering that millions of people experience. But in the 1960s, 55 percent were malnourished. In other words, even as the number of people goes up, the percentage of those who are malnourished keeps going down.

OUTLOOK: To what extent is agriculture responsible for that positive trend?

Easterbrook: This success has been achieved mainly by farmers and agrarians. Especially in the past 100 years, human beings have gotten really good at creating higher yields and using less land, and people don't always appreciate how profound the positive effects of this are. One of my personal heroes is Norman Borlaug, who was born in Cresco, Iowa. A Nobel Peace Prize winner in 1970, he was one of the chief minds behind the development of "green revolution" agriculture in countries such as India and Pakistan, which many people believed were headed towards mass starvation. India is now a net exporter of foodstuffs. Nobody would have believed that 50 years ago. In fact, a lot of people would have said that was physically impossible, but it happened.

From a technical standpoint, modern agriculture is more than capable of feeding the current world's population, and could likely feed many more. The U.N.'s Population Division projects the human family will surpass 10 billion and possibly peak at 11 or 12 billion. Feeding that many people

SHARE OF THE WORLD POPULATION LIVING IN EXTREME POVERTY



Source: Poverty headcount 1981-2030 - PovcalNet World Bank

Note: The projected figure for 2030 also assumes that the dispersion in the distribution of consumption in each country remains unchanged from the most recent available data.

properly without doing terrible damage to the environment appears to be doable, and would be a fantastic achievement. To some, agriculture may not be seen as attention-grabbing as technology or entertainment. But if plants don't grow, nothing else really matters.

OUTLOOK: What about our standard of living? It's often said that young people in particular face a perfect storm of student debt, rising housing costs and the lingering effects of the Great Recession.

Easterbrook: There's no question that the recession and its aftermath were crummy times to graduate from college. And if you

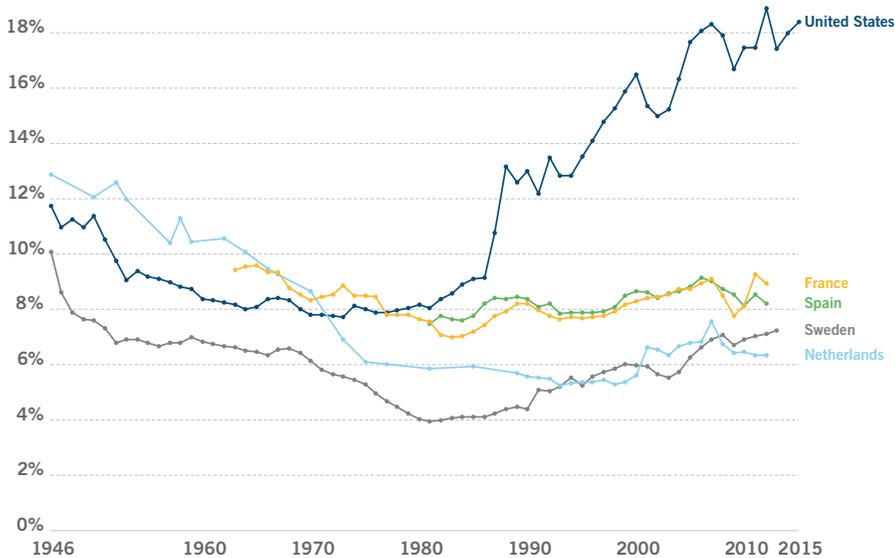
want to live in desirable areas of California, New York City or parts of the Pacific Northwest, housing shortages are pricing out younger people. We need political solutions for that, and for rising income inequality. But on the bright side, we're in the fifth consecutive year of very low unemployment. Job opportunities and living standards for college graduates look pretty good.

It's also true that in the United States and most European Union countries, middle class wages have stalled, though the last three years have shown improvement. Yet middle class buying power hasn't taken the hit that many people assume, because inflation has been low. Buying power isn't determined just by pretax income. The best formula is: income minus taxes, plus benefits, times consumer prices. If you run that formula, the buying power for middle class persons has risen about 3 percent per year since the end of World War II, and it continues today.

OUTLOOK: You've said that income inequality is a major problem – is it rising everywhere?

Easterbrook: If you look at much of the world, including Asia, most of Africa, and most of South America, income inequality is actually declining quite rapidly as millions of people join the new middle classes. And it has been propelled by remarkable improvement in living standards for great parts of the populations. In China, for example, 67 percent of citizens in 1990 lived in misery, according to a World Bank definition – living on less than \$1.90 a day. Today, by the same definition, only 1 percent of China's population is impoverished. That equates to about 750 million people lifted out of destitution in a single generation, and it has tended to reduce inequality even as it has made small numbers of people very rich.

SHARE OF INCOME RECEIVED BY THE RICHEST 1% OF THE POPULATION



Source: Alvaredo, Facundo, Anthony B. Atkinson, Thomas Piketty and Emmanuel Saez via the Quality of Government dataset

OUTLOOK: *But it's a different story in the developed world?*

Easterbrook: Inequality is definitely rising in the United States and in most European Union countries, and in my opinion represents one of the two biggest problems (along with climate change) facing the United States. Of course, part of income inequality is the result of people's voluntary career choices. And while we want opportunity in society to be equal, do we want results to be equal? Do we really think a cab driver should be paid the same as a heart surgeon?

But when you have some CEOs earning 1,400 times as much as the typical employee at their company, you don't have to be a socialist to be outraged. The tough

part is what to do about it. One approach would be punitive taxes on the wealthy, but that hasn't worked for the socialist countries that have tried it. Another approach would be some sort of universal basic income. That would be expensive, but there may be ways to make that work, so you didn't have people desperate for a roof over their heads, or for something to eat. And the heart surgeon could still earn more than the cab driver.

OUTLOOK: *How great a threat is climate change, in your opinion? What is the economic impact likely to be?*

Easterbrook: Climate change is real and a threat, but predictions about the economic impact often veer into the ridiculous. I would wager that not a single prediction of the Stern Review – a 700-page report on climate change published in 2006 that foresaw dire consequences of failing to address the problem – will prove accurate.

And I'm optimistic about our ability to find solutions. Reducing the level of greenhouse gases is essentially an engineering problem, and human beings, especially Americans, are good at solving engineering problems. I think there's a strong comparison with smog and acid rain. Forty years ago, smog was expected to cause Latin American air to become unbreathable, and acid rain was going to destroy the Appalachian forests. Instead both of those



It's still badly polluted there, but the trendlines are all positive. The solutions have cost less than people thought."

problems have improved dramatically. People don't believe this, but smog is in decline in Mexico City, which was horribly polluted 35 years ago. Acid rain is declining on the east coast of China. It's still badly polluted there, but the trendlines are all positive. The solutions have cost less than people thought. I believe that when my grandchildren are my age, they will say, "Yeah, there was this big scare about climate change, but we fixed it."

OUTLOOK: Do social media and our 24/7 news cycle feed the doom and gloom mentality about our economic prospects?

Easterbrook: Absolutely. Social media reinforces this by taking the most negative, divisive things you can possibly find. Until about 12 years ago, Americans consistently told pollsters that the future would be better than the past. Since then, they have consistently said the future would be worse. Well, what else happened over the 12 years? Facebook went into business. Of course, I don't claim that Facebook alone caused this negativity, but to me that's more than a coincidence.

OUTLOOK: Will these positive trends you've discussed just keep getting better?

Easterbrook: In my book I write that "History is not deterministic, teleological, or controlled in any manner." So there are few guarantees. But over time the human condition does improve, and I think we can expect this to continue rather than reverse. There will be problems. But in general, with each passing generation, I believe, most things will get better for most people. Sometimes it's important to think about how much our standards of living, as humans, have improved. We have to show some gratitude for how far society has come, even while being aware that there are all kinds of problems yet to be resolved. ■

Interest Rates and Economic Indicators

The interest rate and economic data on this page were updated as of 5/31/19. They are intended to provide rate or cost indications only and are for notional amounts in excess of \$5 million except for forward fixed rates.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP) measures the change in total output of the U.S. economy. The Consumer Price Index (CPI) is a measure of consumer inflation. The federal funds rate is the rate charged by banks to one another on overnight funds. The target federal funds rate is set by the Federal Reserve as one of the tools of monetary policy. The interest rate on the 10-year U.S. Treasury Note is considered a reflection of the market's view of longer-term macroeconomic performance; the 2-year projection provides a view of more near-term economic performance.

ECONOMIC AND INTEREST RATE PROJECTIONS

Forecasts courtesy of Bloomberg and Blue Chip Economic Indicators

U.S. Treasury Securities

	2019	GDP	CPI	Funds	2-year	10-year
Q2		2.00%	3.10%	2.37%	2.30%	2.47%
Q3		2.20%	2.20%	2.10%	2.39%	2.57%
Q4		2.00%	2.10%	1.77%	2.45%	2.65%
2020						
Q1		1.80%	2.10%	1.61%	2.48%	2.70%
Q2		1.80%	2.00%	1.51%	2.48%	2.75%

PROJECTIONS OF FUTURE INTEREST RATES

The table below reflects current market expectations about interest rates at given points in the future. Implied forward rates are the most commonly used measure of the outlook for interest rates. The forward rates listed are derived from the current interest rate curve using a mathematical formula to project future interest rate levels.

IMPLIED FORWARD SWAP RATES

Years Forward	3-month LIBOR	1-year Swap	3-year Swap	5-year Swap	7-year Swap	10-year Swap
Today	2.58%	2.24%	1.90%	1.91%	1.98%	2.08%
0.25	2.28%	2.02%	1.82%	1.87%	1.95%	2.06%
0.50	2.11%	1.89%	1.81%	1.86%	1.95%	2.07%
0.75	1.94%	1.79%	1.79%	1.88%	1.97%	2.09%
1.00	1.76%	1.75%	1.76%	1.87%	1.96%	2.08%
1.50	1.70%	1.74%	1.82%	1.93%	2.02%	2.14%
2.00	1.83%	1.73%	1.85%	1.96%	2.05%	2.16%
2.50	1.82%	1.80%	1.91%	2.01%	2.10%	2.20%
3.00	1.80%	1.86%	1.97%	2.07%	2.15%	2.24%
4.00	1.92%	1.97%	2.07%	2.16%	2.24%	2.30%
5.00	2.03%	2.09%	2.17%	2.27%	2.31%	2.36%

HEDGING THE COST OF FUTURE LOANS

A forward fixed rate is a fixed loan rate on a specified balance that can be drawn on or before a predetermined future date. The table below lists the additional cost incurred today to fix a loan at a future date.

FORWARD FIXED RATES

Cost of Forward Funds

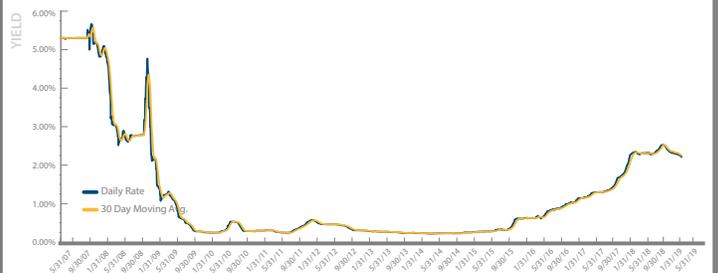
Forward Period (Days)	Average Life of Loan			
	2-yr	3-yr	5-yr	10-yr
30	5	5	5	5
90	5	5	5	5
180	5	5	5	5
365	5	5	8	9

Costs are stated in basis points per year.

SHORT-TERM INTEREST RATES

This graph depicts the recent history of the cost to fund floating rate loans. Three-month LIBOR is the most commonly used index for short-term financing.

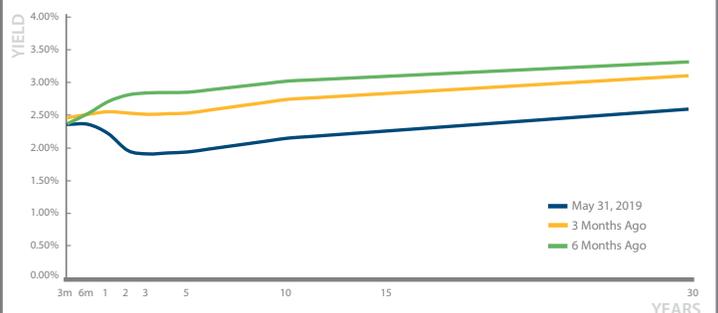
3-MONTH LIBOR



RELATION OF INTEREST RATE TO MATURITY

The yield curve depicts the relation between the cost of borrowing and the time to maturity of debt for a given borrower in a given currency. Typically, interest rates on long-term securities are higher than rates on short-term securities. Long-term securities generally require a risk premium for inflation uncertainty, for liquidity and for potential default risk.

TREASURY YIELD CURVE



About the Center for Prescription Drug Abuse Prevention (CPDAP)

The Center for Prescription Drug Abuse Prevention (CPDAP) at the University of Colorado Anschutz Medical Campus was established to serve as a national model for prevention, intervention, harm reduction, treatment and recovery from substance use disorders (SUDs). The initial focus of the Center is on Opioid Use Disorder (OUD) but it will also focus on other substance use disorders, particularly those involving prescribed medications. The vision for the Center is to be a national leader in research, education, clinical practice transformation, and community engagement, bringing these core emphases to bear on the full continuum of substance abuse prevention, with specific expertise in issues relating to prescribed medications.

COBANK UPDATE

CoBank Contributes \$500,000 for Opioid Abuse Prevention Research and Education

In June, CoBank donated \$500,000 to the University of Colorado's Center for Prescription Drug Abuse Prevention to address the ongoing public health issue of opioid and prescription drug abuse through research and education.

According to the U.S. Centers for Disease Control, opioids contributed to more than two thirds of all drug overdose deaths in the United States – more than 47,000 people in 2017. In addition, opioids also constitute a substantial majority of non-fatal hospitalizations and emergency room visits related to drug poisoning. In rural communities, mortality and hospitalization rates related to opioid abuse are often as high as they are in urban and suburban areas, according to CDC data.



Thomas Halverson

“Opioid addiction is a debilitating public health problem that has impacted rural communities across the United States,” said Thomas Halverson, president and chief executive officer at CoBank. “The CDC has reported that rates of drug overdose deaths in rural communities have surpassed those in urban areas since 2006 and that increase has been largely attributed to the abuse of opioids and other prescription drugs. Our board

of directors believes strongly that CoBank should be doing its part to address this issue, and has unanimously approved this contribution. We look forward to partnering with the University of Colorado to advance our common understanding of how opioid addiction can be prevented.”

Established in 2017, the Center for Prescription Drug Abuse Prevention operates within the Skaggs School of Pharmacy and Pharmaceutical Sciences at CU Anschutz Medical Campus. The center builds upon the work of the Colorado Consortium for Prescription Drug Abuse Prevention, providing a coordinated response to the opioid epidemic in the state of Colorado. CoBank's contribution will support the overall work of the center with a particular focus on the creation of educational materials and programs specifically designed for physicians and other medical providers.

About CoBank

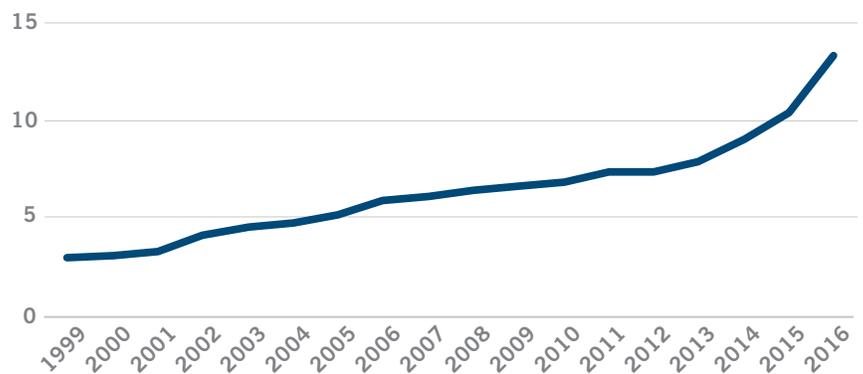
CoBank is a \$138 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving more than 70,000 farmers, ranchers and other rural borrowers in 23 states around the country.

CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture, rural infrastructure and rural communities. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit www.cobank.com.

“Over-prescription of opioid medications is one of the root causes of today’s crisis,” said Dr. Robert Valuck, director of the Center for Prescription Drug Abuse Prevention and professor of pharmacy at the CU Skaggs School of Pharmacy and Pharmaceutical Sciences. “Well-meaning clinicians have prescribed billions of tablets in an effort to relieve their patients’ pain. The problem is that ‘leftover’ drugs are making their way from the medicine cabinet to family members, friends, and are sometimes diverted to the street. Research has also shown that abuse of prescription opioids can lead to the abuse of other drugs. Nearly nine in 10 users of illegal narcotics report that their drug use started out with opioid pain medications.”

U.S. Opioid Death Rate*



**Opioid deaths per 100,000 people (age-adjusted to year 2000)
Source: U.S. Centers for Disease Control*

“Medical professionals are on the front lines of the opioid epidemic,” continued Valuck. “We believe that physician education plays a key role in helping to prevent the misuse of opioids and other prescription drugs and, ultimately, will help to reduce rates of dependency and death. Developing effective materials and programs is an important part of our work at the Center for Substance Abuse Prevention & Research and we are grateful to CoBank for its support of this vital effort.”

The educational materials and programs developed by the Center for Prescription Drug Abuse Prevention will be piloted throughout the state of Colorado. Ultimately, the partners hope to create replicable programs with the potential for measurable, positive impact on this issue, regardless of geographic location. ■