

# **ECONOMIC AND BUSINESS BLOGS & RESPONSES**

**2008 - 2009**



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## S.O.S. America : Big Three may get help from Bush Administration, Ponzi revisited

Friday, December 12, 2008

Seems Bush doesn't want to go down as '*Hoover Lite*' or '*Hoover Premium Gold*.' (However, this weekend, [Bush had to duck and cover two incoming size 10s](#). It's good to be beloved....er, well, not so much.)

The *Big Three American automakers* (Ford, Chrysler and GM) now have a shot at the \$700 Billion promised to Wall Street without strings attached after their \$14 Billion bailout plan *designed for them* was nixed in large part due to Republican Southern Senators - Dick Shelby -Alabama, Bob Corker - Tennessee, Lindsay Graham - South Carolina - taking issue with the UAW's inability for further concessions, specifically, reducing their pay to the levels of foreign car manufacturers not hampered by legacy costs. (And ignoring congressional ineptitude in getting these jokers to make desirable fuel effective vehicles.)

But it seems Wall Street's take on stirrings in the White House about utilizing a '*bridge loan*' is more positive (and likely) everyday as the Dow closed up Friday even amidst the revelation of a [\\$50 Billion Ponzi scheme](#). *That's right, \$50 Billion.*

[Bernard L. Madoff Investment Securities, LLC](#) took money from the affluent and older investor class and gave to whomever wasn't them (like himself.) Somehow he was able to lose **\$50 Billion** in investor money in a supposedly legit stock trading. As former chairman of NASDAQ stock market, Madoff's reputation was spotless, but he'll go down as a *close kissing relative* of Charles K. Ponzi, who prior to the Great Depression used a **pyramid scheme** of receiving cash to pay other investors back double in 90 days. As long as more people contributed to pay the oldest investors in the scheme, the growing debts could be outran (for a while), though Ponzi was skimming money without much regard throughout.

### From Rueters:

Madoff told senior employees of his firm on Wednesday that "it's all just one big lie" and that it was "basically, a giant Ponzi scheme," with estimated investor losses of about \$50 billion, according to the U.S. Attorney's criminal complaint against him.

Wow. It is good to be so flippant. Hope he likes prison. It sucks there.

## [\\$700 Billion Dollars: Dr. Evil would be aghast](#)

Tuesday, September 23, 2008

How can one deny that the U.S. Economy is in a shambles now? How did John McCain get to be nominee of his party with his lack of understanding of basic market fundamentals? Why did this all happen?

At my other blog - [Bringin' Gas and Dialin' 9](#) - I posted about this [Perfect Storm in mid-July](#) but only one person *responded to the charge*, [a Brit with wit](#).

The idea of us going into a Great Depression was bantered about on March 14, 2008 as the fall of Bear Stearnes took place. That almost seems trivial, as Lehman Brothers, IndyMac Bank, and others visited Davey Jones.

But is **\$700 Billion** to Wall Street *really the answer*?

**Dr. Evil** would blush, amid scornful reminders of his idiotic plan: "*I will launch a 'Death ray' aimed at Wall Streeters, to sooth my pain...Nice pussy*" (*Petting his cat.*)

It was interesting to watch Hillary Clinton on Today, whose husband signed the law that certainly made this collapse possible (with Phil Gramm's urging, John McCain's economic advisor), call this "*The Perfect Storm.*"

No shit. You suddenly are a writer using wit to score points amid this fiasco you call a market?

Frankly, if \$700 Billion is available, I would suggest the following distribution:

1. *Wall Street has access to a \$100 Billion credit window.* Only if they do the following:
  - a) **The 50 largest banks in the world** (if such a number exists) sit down daily between **1PM and midnight in New York (or via satellite)** and discuss the bad debt they generated. *They argue and discuss the whole problem everyday for as long as it takes* to figure out whose got what, what can be salvaged, and where does regulation of these exotic financial instruments go from here. I expect, no, require 2-3 weeks worth of hard work out of these \$2,500 suits wearers.
  - b) Set up reasonable terms with people making \$50,000 per year and have a mortgage. Cut back their cut and tell their stockholders it is this or, "the government will let us collapse."
2. \$200 Billion in infrastructure investments. Roads, Schools, Electrical power, storm walls and things that people need immediately done in their areas. This isn't rocket science, we know where the poor people are and what they are not getting.
3. 150 Billion in investments in energy and high-technology solutions to pressing environmental and energy crisis. The cars we drive are terrible on gas. Fix them. The analysis on global warming and farming concerns lack. Get it done.
4. \$100 Billion to people that can not get student loans, car loans, home improvements or other needed upgrades. 2% interest rates per annum. Guaranteed qualification for it. Must make under \$50,000 per year.
5. \$150 Billion in job retooling of America. The country needs more than fast food, retail outlets and government teets to suck on. It needs an industrial, technological might that kept us near or at the top.

6. Foreign aid. (Of the \$700 Billion, 21 Billion should go to overseas development in Africa and other struggling countries. Somehow, I think we can get people to join the Peace Corps or other worthwhile endeavors if we pay the way for them to work on pressing issues.)

That's my plan. Wall Street doesn't get nickels for nothing.

## [The Dragon vs. The Eagle: Trade Wars and Beyond 'The Boston' Tea Party](#)

**April 17, 2009**

It should come to no one's surprise that our Dragon has gotten too big for his britches. That *since 1978*, when we open the door to an enlightened trade policy, China has taken great advantage of free trade, to the detriment of the USA. The eagle has flown too close to the fire of the dragon – allowing it to dictate now how we operate in trade markets and foreign relationships. (Its support of Sudan in the Darfur crisis. Its edict and [proposal for a new global currency](#) - obviously, to undermine our U.S. dollar and to put China as the controlling financial superpower.)

A breakdown of trade data since 1985 is as follows:

From: <http://www.census.gov/foreign-trade/balance/c5700.html#1985>

Trade Deficit	USA	China		
Year	Exports	Imports	Trade Deficit	President
1985	3,855.70	3,861.70	-6	Reagan
1986	3,106.30	4,771.00	-1,664.70	Reagan
1987	3,497.30	6,293.60	-2,796.30	Reagan
1988	5,021.60	8,510.90	-3,489.30	Reagan
1989	5,755.40	11,989.70	-6,234.30	Bush
1990	4,806.40	15,237.40	-10,431.00	Bush
1991	6,278.20	18,969.20	-12,691.00	Bush
1992	7,418.50	25,727.50	-18,309.00	Bush
1993	8,762.90	31,539.90	-22,777.00	Clinton
1994	9,281.70	38,786.80	-29,505.10	Clinton
1995	11,753.70	45,543.20	-33,789.50	Clinton
1996	11,992.60	51,512.80	-39,520.20	Clinton
1997	12,862.20	62,557.70	-49,695.50	Clinton
1998	14,241.20	71,168.60	-56,927.40	Clinton
1999	13,111.10	81,788.20	-68,677.10	Clinton
2000	16,185.20	100,018.20	-83,833.00	Clinton
2001	19,182.30	102,278.40	-83,096.10	Bush I
2002	22,127.70	125,192.60	-103,064.90	Bush I
2003	28,367.90	152,436.10	-124,068.20	Bush I
2004	34,744.10	196,682.00	-161,938.00	Bush I
2005	41,925.30	243,470.10	-201,544.80	Bush I
2006	55,185.70	287,774.40	-232,588.60	Bush I
2007	65,236.10	321,442.90	-256,206.70	Bush I
2008	71,457.10	337,789.80	-266,332.70	Bush I
2009 (Jan)	4,178.10	24,748.00	-20,569.90	Obama*

Trade Deficit	USA	China	Billions (Deficit)
Reagan	15,480.9	23,437.2	-7.96
Bush	24,258.5	71,923.8	-47.67
Clinton	98,190.6	482,915.4	-384.72
Bush II	338,226.2	1,767,066.3	-1,428.84

**It takes very little understanding, or logic, to see that of the \$1 Trillion plus in U.S. currency, that China is sitting on, most of it came in just the past 4-8 years.**

Even if you compare George W. Bush to Clinton (who didn't help create *the original policy*, but carried it through) - but compared it to our NAFTA partners, trade with China was of little consequence, *then*.

China's goods have steamrolled America's manufacturing might. And with a few instances, dangerous goods are entering the United States causing more problems and concerns for anyone with children, pets, or loving of their life.

#### Trade with NAFTA partners:

Source: <http://www.census.gov/foreign-trade/balance/c1220.html>

	USA	Canadian	Imbalance
	Millions Exports	Imports	Balance
2008	<b>TOTAL 261,380.00</b>	<b>335,555.30</b>	<b>-74,175.30</b>
2007	<b>TOTAL 248,888.10</b>	<b>317,056.80</b>	<b>-68,168.60</b>
2006	<b>TOTAL 230,656.00</b>	<b>302,437.90</b>	<b>-71,781.80</b>

Source: <http://www.census.gov/foreign-trade/balance/c2010.html>

	USA	Mexican	Imbalance
	Millions Exports	Imports	Balance
2008	<b>TOTAL 151,538.60</b>	<b>215,914.90</b>	<b>-64,376.30</b>
2007	<b>TOTAL 136,092.10</b>	<b>210,714.00</b>	<b>-74,621.80</b>
2006	<b>TOTAL 133,978.80</b>	<b>198,253.20</b>	<b>-64,274.30</b>

We actually had a trade surplus with *Mexico back in 1994*, shipping several billion more to them than they did to us. But since, we have ran trade deficits of significant amounts with OPEC nations, the European Union, Japan, and the *United Kingdom (as part of the EU, it is likely not as important.)*

**Trying to support the world's trade** – and allowing a communist nation to have us in over a barrel – is a likely cause of a trade war and long term strife.

Mexico, with their recent troubles against drug lords, has imposed tariffs on our goods since we stopped their trucks from roaming freely. They are just one of many. Japan's trade is off by 50% in the last two months. (China, meanwhile, had a GDP growth in the second quarter of 2009 of 7.9%.)

And protectionist policies are what governments are prone to do – to keep the fringe people from turning to revolution. (Even though it does not promote economic stability – *only ascerbates the problem*. Yet, *trade is suppose to be fair & equal - not free*. (Meaning: Constraints to it are

reasoned/reasonable due to the destruction of otherwise competitive markets in the consuming country, as the saving country manufactures, at will, due to lower labor costs.) When we run these huge deficits it *sells off* the assets of the United States because these other countries have to reinvest those notes somewhere where they can get the most benefit – where else but the United States?)

Yet, the biggest consequence of the prior policies is that it has hamstrung our ability to modify our own economy. Yesterday, people embarked on a **Tea Party protest** of their taxes being raised and/or the policies of the Obama administration. *Really?*

Are we that desperate to show our anger toward what is the only course of action – to rebuild through infrastructure projects, education dollars and energy programs.

Conservatives our forgetting that it was George W. Bush, not Obama, that put off technology & energy innovation, and educational improvements to go fight a Holy War, turn a blind eye to a financial Ponzi scheme of epic size and scope, and ignore the fleecing of America through trade imbalances.

China has us by the short and curlies for now. If we ignore them, they will make policies that can only lead to confrontation on a military field. Proxy wars are inevitable – sown in the economic philosophies of conservative thoughts. Yet, we can reverse this direction through smart investments, economic independence (not revolution on hypocritical grounds) and a spirit that led our forefathers to explore, innovate, and invent an entire nation.

Make no mistake about it: we are in a war of ideology. But we have to tamper the crazy talk and fight both fronts smartly. The external threats and the internal craziness that grips the fringe people unwilling to reason out their beliefs to a better end.

We must if America is to maintain its place as the sole superpower.

A place I have a hard time giving up to our enemies we should have seen coming over the horizon.

## **ECON 201: ACORN is PEANUTS to OUR REAL ECONOMIC PROBLEMS**

**February 20, 2009**

This is a response to: [RUN! It's ACORN to the rescue!](#)

Once again, [Mark Kiesling](#), you write a column that is supported by hyperbole and pot shots more than actual and significant circumstances. Sure, it's funny and all, but not particularly insightful, or useful.

### **Throw Acorns at the Sheriff**

ACORN is by most accounts a terribly biased and poorly run organization. But even if they did somehow managed to get 100,000 families into homes at \$200,000 per – as you left it open for discussion – their contribution to the mortgage piece of this economic crisis would be a miniscule \$20 billion compared to the Sheriff's new found helicopter money (not spread around by said whirly bird.) I seem to remember he bought a newer model last summer from all those foreclosures he racked up in early 2008. (Great timing to push through a frivolously expensive toy (gotta keep up with the law enforcement Joneses) during a recession that started in December 2007.)

Why I say 'miniscule' in relation?

This mortgage crisis, since that's where it all 'seemingly' began, is a multi-trillion dollar fiasco. \$20 billion is like 1% of the pot – and highly unlikely for a haphazardly, easily decapitated organization like ACORN to matter one lick to this current dilemma. Bernard Madoff caused \$50 billion by himself. A French trader did a French bank for \$7 Bills.

These ACORN idiots don't amount to peanuts.

Sheriff Dominiguez probably isn't much more than 2-3% of his county's financial headaches (some law enforcement is untouchable), but he's done nothing of real value to prove he deserves to take foreclosure fees and spend them like a teenage girl with a platinum card. *Look!:* Money!!! Gotta Spend IT!!!!

**(Picture of a Baby holding a Credit Card)**

### **Baby GOT PLASTIC! IT'S SO FANTASTIC!**

For the truest assessment of why America is heading for a Second Great Depression one only has to look at these things:

- Credit Growth (and Indebtedness)
- Monetarist Policies (Reaganomics, Greenspan Turbulence)
- Trade Imbalances (The China Syndrome)
- Risk Management (or lack thereof)
- Creative Finance & Derivatives (*Burger Kingin' your Bottom Line*)

Ever since the 1<sup>st</sup> credit card went plastic in the 1970's – we Americans have been crackheads for credit. Funny though, we learned this from our government, who, since 1979, went from \$909 Billion deficit (32% of GDP) to a current deficit of over \$10 Trillion (nearly 70% of GDP.) (Statistical Abstract of U.S.)

### **They're comin' to take me away, HA HA!!!**

About \$7.7 Trillion of that additional budget shortfall happened on the watch of **Reagan, Bush, and Bush II**, with Bush II giving over to a **Caligula impulse** running up a debt nearly greater than all other presidents combined. (*And Obama will likely increase it by another \$5 Trillion...Over \$1.25 Trillion on interest payments alone. Unless...Social Security, Medicaid and Defense are reduced significantly.*)

Americans, as a whole, played 'follow the leverage' – using assets (home equity) and high interest loans (credit cards) to get what they wanted without saving, or saving less and less. (Negative savings during the Bush years for the 1<sup>st</sup> time since the Great Depression.) As a result, this country's total outstanding debt is greater than \$55 Trillion – roughly \$180,000 for every man, woman and child in America. ([Kevin Phillips](#), *Bad Money*, and multiple authors, [I.O.U.S.A.](#))

Caligula has nothing on the United States Treasury.

### **The 3rd Millennium still had Seinfeld on the brain: George is getting angry!!!**

When Bush called for us to travel after 9/11, and go out and spend, while he introduced *his tax holiday for the wealthy*, meaning less receipts to the Fed Gov, who do you think suffered? You and I – *Joes everyday*. The wealthiest 1% have reacquired their lofty perch of nearly 29% of all U.S. Assets. ([Wall Street Journal](#), [early- January 2009](#).) Once again, not seen since SHORTLY BEFORE the Great Depression. They lowered CAP gains to 15% so those Hedge funds could run wild too. (Oh and [UBS, a Swiss bank, just coughed up some coin for allowing 19,000 U.S. citizens to park their wealth in banks there without taxation...a no no.](#))

Meanwhile, *you and I are still busting hump* for likely the same amount of dollars we earned **in 2000** (*adjusted for inflation*), back when [Seinfeld still ruled \(even in syndication\)](#), Coldplay was just taking off, the Yankees won a World Series, Chicagoans loved Sammy Sosa, and no one besides the NSA, CIA, MI-6 and Israel knew who this Osama guy was, or really cared.

Talk about a time warp. Please take me back.

### **Dead Presidents and Economists**

If Reagan was a savior, give me his devil. The much bally-hoed economist Milton Friedman favorite President started a conservative agenda that has turned America's Midwest into a Wasteland that only T.S. Eliot could write properly about. While we injected capital into the financial paper market place (usually going to the top dogs) we forgot to rebuild or inject enough into the manufacturing veins of what kept America rolling throughout the 1920s-1970's.



As unions got busted, and immigrants, who were conveniently let into the country (to reduce high wages on menial tasks) came about, the Wall Street hustlers of Michael Milken and Ivan Boesky would be at the forefront of shady and illegal practices that became common place as the unholy trifecta was completed by deregulation. Take away worker's rights and benefits, find cheaper, more manageable, preferably illegal labor, cook your books (or trade on the inside knowledge), stir well, and simmer for five to eight years. Repeat as needed. Market should soar 100% in five years.

Meanwhile, also create a Globalization model that while sounding cool and progressive is usually exploitative and undermines social stability in multiple countries. (Using China as an example we import more in a day from China in 2006 than we did in a year in 1978. But as a result, 70% of Walmart stuff is from China, 75% of your toys are Chinese, and most (\$180 Billion) of the world's electronics are now made in China. (*The Elephant and The Dragon*, Meredith.) Meanwhile, your son or daughter doesn't even get the chance to make parts for the China man – *unless he or she is frying up rice and chicken down on Crenshaw in LA.*

Which is a great dilemma to our national security: we pay China in U.S currency for those goods. They hold now somewhere in the neighborhood of \$1.3 Trillion in our U.S. debt because they don't hold all our money, but reinvest it back into America, subtly, usually as a mixture of short-term and long-term T-notes. (Because we pay our bills...but as our credit worthiness gets worse, those interest rates go higher...**more debt to pay...**and more assets they hold claim against, in practical terms.)

### **A Financial Party Like Its 1999**

Then, as if by some miracle, the [Financial Modernization Act of 1999](#) came into being allowing banks to *deregulate* and become anything to anyone. Thrifts, insurance, investments and all shades of gray in between were encouraged. The big, got *much, much bigger*, and *more confused* about it in the process. (Like a 'Viagranaire' does when a hot, young dumb blonde doesn't think a 55-year old guy should last for 4 hours in the sack, and leaves him without taking his ill-gotten, mother load of money.)

(**Note:** Clinton signed the act with a likely 'Monica issue' used as leverage by lead Republican banking member Phil Gramm putting the banking plan together...which isn't to say Clinton wouldn't have signed it anyhow. Clinton was far from an ultra-liberal. Some of Clinton's Economic team is helping Obama...)

### **Badges, We Don't Need No Stinking Badges!**

**Risk Management** became a joke from all accounts – as interest rates dropped like a stone in 2002-2005 – the money poured out to the public in the form of high-risk, soon-to-be-bundled, sliced-and-diced loans. Cock "Teasers" went to the high school prom with the "Predatory" lending, and banks made God-like fortunes, and Wall Street buzzed with a melodic sound of: "*We're in the money!!! We are wearing... The Money!!!*"

*G. W. Bush is seen as genius by his Lafferite cronies on stock market-focused shows.*

But the bets made on the market – [Credit Default Swaps \(CDS\)](#) and Collateralized Debt Obligations (CDO) – would be the undoing of Bear Stearnes, Lehman Brothers, Merrill Lynch, Indy Mac Bank,

WaMu, Countrywide Financial, Northern Rock, and a host of others that would soon realize the risks taken on Joe American were indeed about as stupid as *giving five-400 lb. brothers all-you-can-eat passes to Red Lobster for life in a town of 500 with that as the only restaurant.*

Those country boys will eat you out of business.

**Those boys DID eat you out of business.**

### **CDS Is In Need Of S.O.S.**

The start of the unraveling came with Lehman Brothers with Assets of 600+ Billion!

The CDS market makes the U.S Economy look like a 150 lb. cocky QB with a rust-n-ready truck. While it, the CDS market, is upwards of 44 Trillion in size. (New York Times) In the past, only .2% defaulted on their bets. But this total has risen, but how far? What if 10% defaulted? 4.5 Trillion is something the World Market can not handle – no one country could take that catastrophe.

And what else do we have for our guests in the Second Great Depression but a helping of 1980's revisited. *Ponzi schemes* are just another financial scam instead of *insider trading* popularized by Michael Milken and Ivan Boesky. Bush Era deregulation left the SEC (Securities and Exchange Commission) fellas, who, must be the lowest paid, most ignorant, and most unqualified MBAs on Earth to never come to a situation before the financial cow has been milked, stolen, butchered, and eaten, with only with the feces of the humans left as evidence.

*Lots of crap from lots of people.*

Ready to get down and dirty???

### **The Age of Turbulence and A Water Landing**

Millions of jobs lost only add into this downward spiraling plane that has seen Irrational Exuberance of Stock Pricing, mixed with Catastrophic Failure of Banking, Tinged with Turbulent Politics, and Sheer Greed and Avarice from Market Makers to Average Joe Bakers.

It will take a [‘Sully’ Sullenberger water landing](#) by President Obama to keep this plane from disintegrating on impact...

Can President Obama do what Capt. Sullenberger did?

When that final impact is will be determined by the ability to sacrifice and set aside our bitterness about things no longer changeable, but possibly, correctable with time and planning.

It is up to all of us.

**God Help the United States of America...**

## Prediction Revisited: Decidedly Correct about The Storm

March 13, 2009

*I should not toot my horn on this one*, yet, my prediction came to pass: **The U.S. Economy has fallen into a Great Recession**, heading toward Depression, unless these policies of Obama can turn around a Titanic ship of economic failure.

On March 14, 2008, I wrote: [The Bear is Yet to Come: The U.S. Economy will fall into a Depression](#). I was looking at the markers in the economy then:

1. Commodity Prices were unreasonably high
2. Oil Prices (and energy) were sapping our spending dollar
3. Weakness in the U.S. currency
4. **Unemployment losses** were starting to mount (nothing like the last 5 months)
5. **Mortgage crisis finally hitting home**
6. **Zero GDP growth**
7. Inflation

The last was a **complete error** – it was occurring *at the moment in commodities and staples* – however, the mortgage and used car markets **would reflect large DEFLATION**, and a much larger piece of the puzzle.

Today, the Fed [reported the largest loss in family wealth on record](#). Since its peak in June 2007 we have loss nearly **\$13 Trillion in personal wealth**. From Yahoo! Finance:

Family net worth had hit an all-time high of **\$64.36 trillion** in the April-June quarter of 2007 but has fallen in every quarter since that time.

The record 9 percent drop in the fourth quarter pushed total net worth down to **\$51.48 trillion**, a level that is 20 percent below the third quarter 2007 peak.

Meanwhile, the U.S. stock market capitalization has lost *nearly 1/2* of its value which stood at \$15.34 Trillion in May 2007. So, all total, approximately \$20 Trillion dollars in lost value, twice the National Debt of the United States.

We are in unprecedented waters with a monster cyclone churning over us. **The Great Depression** did not have the **National Debt problems** we currently have – *the government had room to allow for deficit spending* – and so, *pumping money into the system made sense* and worked to bring us at least back to the same point we were at in 3-4 years. (1929 the Depression started, 1933 it bottomed, 1937 we were back to 1929 values...WWII brought us to a better point, *oddly enough*.)

**We also did not have a medical crisis** – retirees, health concerns, and Social Security claims – piling up on our balance sheet. This made it doable to start such programs back in the 1930's. Which is why we need *a major overhaul* of the system else we fall into a quagmire of unimaginable depths.

We had a *still growing and developing America*. Land was still open; manufacturing still growing; grand infrastructure projects still on the horizon. We are now locked into a complacent viewpoint that

we should not redevelop, tear down bad ideas and systems, and unlock the innovative and unique spirit that *drove us to the position we still hold as the richest country on the Earth*. This is paramount to not slipping further down the slope of economic woe.

We are in these uncharted waters due to poor planning, ideological shifts, and the blaming of common folk (that made their mistakes) for the elitist and greediest amongst the Wall Street and Washington power gangs. The latter have the power; the connections; the education; and the ‘*we know what is best attitude*’ that comes from their MBAs, Ph.Ds., J.Ds., and billions made off the common rabble making their daily bread.

So, it is up to **common folk** to make opportunity where little seems to exist. To batten down the hatches, set a new course, and make a new discoveries during this *Economic Perfect Storm*. (Which is now so overused...)

They’re will be likely worst days on this choppy, tsunamic-laden horizon – *predictions like mine were made during a bad stretch* – however, we Americans have to be better than our educated, snooty, and self-absorbed elite. And their predictions of *all is well* in a *free-market, free-for-all* but those that ultimately pay for their misguided attempts to *casino the market* daily.

And let us hope our President sides with us more than the morons of money in our desire to change the path and make a new America that can weather any of the self-induced problems of the Gangs of New York Finance made.

The clouds are dark, but we can weather through the storm.

## [U.S. Economics 101: Frugalville vs. Consumption City](#)

**November 20, 2008**

This was an answer to a post and comment made by [Yobachi](#) from his blog [Black Perspective](#):

I struggled with this one, but here goes:

1) The airline industry is far, far different from the automotive industry. Barriers to entry, a service sector versus a manufacturer, lease of planes, hangers and in essence, people vs. ownership of huge fixed assets that dwarf even the Mall of America. The list can go on, but bankruptcy for the car industry *is not a neat package*.

([Hooters](#) ran an airline for a minute - *that should tell you everything about the ease of starting an airline*. You got some money? AND have good credit? Go get some leased planes, and a terminal lease, a maintenance crew, jet fuel contract, hotshot pilot(s), boring booking agent, and hot stewardesses, *and you’ll be flying in no time...*)

2) In fact, they (the big 3, maybe only 1) *may never come out* - due to contractual obligations, **liquidations of assets at a % of actual value (in a deflationary economy)** and the damage to the brand. You might not notice, but *Toyota, Honda, Kia and other foreign brands have ramped up their marketing of products to take more market share*

*from these failing companies...* The big 3 need to reorganize and merge, and **innovate, innovate, innovate**, but they may be done for.

**I just don't want to hasten their demise...and you shouldn't either.**

3) There is a forest called America that is hurting very badly under an enormous debt of barren trees. ALL total we have now, and its growing, **over 52.7 Trillion in debt, public and private.** (**L.O.U.S.A.** -by [Addison Wiggin](#) (Author), [Kate Incontrera](#) (Author), [David Walker](#) (Foreword) )

4) Warren Buffet, Barack's unofficial financial adviser, relates a story of how China is going to take over America.

### **Frugalville versus Consumption City**

The story goes, *Consumption City* once produced things but after it grew in size and wealth and credit worthiness, it got into consumption of all things from *Frugalville*. *Frugalville* made all types of things and save its money received from Consumption City... Soon though, Consumption City *no longer had actual wealth, but bought on credit*, sending more and more money for those wonderful things... Eventually, since Consumption City had to pay off its debts, it went back to production, however, Frugalville now owned the means of production in Consumption City since it invested in all money received from trading with Consumption City.

This is what is happening...while *we think we can think our way out of this mess*, we have to start making things others want and get back our money, *our wealth in America*. While I want this country to be a World Citizen, I also want us to be a producer of items.

5) This is not (completely) about the **BIG 3 automakers**, *but it is about the idea of having a manufacturing base exist still in America*. We have shipped off furniture, electronics and other industries solely based on labor cost. [Idiocy](#) to believe we can just "think" and "finance" things to make money. People always want products - it is our job to do it competitively.

6) George W. Bush has destroyed our economic vitality under his watch. *While these problems existed prior to his administration*, **no administration** has reeked more havoc, across the board, as this one has. **This came from a Harvard MBA**. Harvard should go out of business if this is what they are still producing...

My goals in this response were:

- 1) Literally Fly-by-night Airlines are very different from a 100-year old automotive company
- 2) The United States of America still needs a manufacturing base
- 3) China is a threat to our national economic security - our trade deficit is outrageous
- 4) Bush did the most damage in our recent memory to financial dealings
- 5) Harvard isn't producing many good minds - unless they are named Barack Obama (I hope.)