

MATTERS OF CONSCIENCE®

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A TIME LIKE NO OTHER ?

ACCORDING TO NUMEROUS VOICES FROM THE WHITE HOUSE, THE CONGRESS AND OUR TOP GOVERNMENT AGENCIES AND DEPARTMENTS, OUR ECONOMIC SYSTEM ARRIVED AT A POINT OF NEAR COLLAPSE LAST FALL WHICH CALLED FOR MASSIVE INJECTIONS OF NEW CAPITAL THAT ONLY THE FEDERAL GOVERNMENT COULD PROVIDE.

HISTORY, TRADITION AND IDEOLOGY ALL CAVED AND, IN SPITE OF CONTRARY ASSURANCES, OUR COUNTRY COMMITTED ITSELF TO A COURSE UNLIKE WE HAD EVER UNDERTAKEN BEFORE. ALTHOUGH THE END RESULTS COULD NOT THEN, NOR CANNOT NOW, BE KNOWN, OUR ECONOMIC SYSTEM, AND ESPECIALLY THE FACE AND FORM OF AMERICAN CAPITALISM, HAS BEEN IRREVOCABLY ALTERED.

WE DO NOT ARGUE WITH THOSE WHO HAVE DESCRIBED OUR SITUATION IN DIRE TERMS. WE MUST HOPE FOR THE “BEST”, ALTHOUGH THERE IS NO REAL “BEST”, WHILE RECOGNIZING THAT THE ELEMENTS WE FACE AND THE STARK CHOICES THEY MAY IMPOSE ARE OF OUR OWN MAKING.

HOW DID WE GET HERE? WHAT WERE THE LEGISLATIVE, ETHICAL, MANAGERIAL, POLITICAL AND

HUMAN FAILURES THAT PRODUCED THIS MELTDOWN? TODAY WE CAN PROVIDE ONLY A FEW ANSWERS. THERE WILL BE MORE, AS TIME RELEASES THEM, BUT EVEN NOW IT IS EVIDENT THAT WE ARE SURROUNDED BY TRAGEDY, FOLLY, ARROGANCE, POWER AND GREED THAT WOULD HAVE INTRIGUED SHAKESPEARE HAD HE BEEN ABLE TO IMAGINE THEM.

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HISTORY, AS ALWAYS, IS A GREAT TEACHER AND CAN PROVIDE ANSWERS. AS FOR SOLUTIONS, THEY'RE SOMETHING ELSE, AND FOR THEM WE HAVE TO GO ELSEWHERE, BUT LET'S START WITH HISTORY.

AS FAR BACK AS OUR COLONIAL PERIOD THERE WAS A COMMON BOND BETWEEN OUR POLITICS AND OUR ECONOMICS WHICH EXPRESSED ITSELF IN PREFERENCE FOR MINIMAL INTRUSION BY GOVERNMENT IN EITHER AREA. OUR RESENTMENT OF ENGLAND'S MONARCHICAL POWER WAS THE BASIS BOTH FOR OUR REVOLUTION AND THE CONTINUING EMBRACE AND EMPHASIS OF

THIS ISSUE CONTINUES OUR “WHO LOST AMERICA”® SERIES. IN IT WE EXPLORE PAST AND PRESENT CIRCUMSTANCES THAT INFORM THE ECONOMIC CRISIS WHICH AMERICA NOW FACES, AND WHY, AS THE RESULT OF OUR EMBRACE OF GLOBALISM, ITS REMEDIES WILL PROVE FAR MORE CHALLENGING THAN PREVIOUS COMBINATIONS OF ECONOMIC DOWNTURNS AND FINANCIAL DEBACLES.

OUR NEXT ISSUE WILL BE DEVOTED TO THE GROWING MIX OF CULTURAL/POLITICAL PROBLEMS AND PROCESSES THAT NOW BEAR HEAVILY UPON OUR SOCIETY AND THE PRICE THEY EXACT UPON OUR GOVERNMENTAL ASPIRATIONS.

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INDEPENDENCE THEREAFTER IN OUR LIVES, CULTURE AND GOVERNMENT.

OUR ECONOMIC PERSONA WAS NO DIFFERENT. IT WAS MARKED BY INDEPENDENCE FROM BIRTH, AND THIS IMPRINT WAS A GUIDING FORCE IN ITS EARLY GROWTH AND LATER EXCESS. OUR COLONIAL PERIOD WAS NOT AN ECONOMICALLY EASY ONE. WITH THE EXCEPTION OF EXPENSIVE IMPORTS FROM EUROPE (MOSTLY ENGLISH) EVERYTHING — FOOD, CLOTHING, HOUSING, FURNISHINGS, AND TRANSPORTATION — WAS EITHER HOME GROWN OR HOMEMADE.

AND YET A LEVEL OF COMMERCE DEVELOPED THAT COULD SUSTAIN THE OPERATION OF AN ELEMENTAL BANKING SYSTEM. OUR EARLIEST STEP TOWARDS A PRODUCTION BASED ECONOMY WAS THE MANUFACTURING AND MARKETING OF TEXTILES CENTERED ON THE FREE SOURCE OF WATERPOWER OFFERED BY NEW ENGLAND'S RIVERS.

WATERWAYS COULD PROVIDE TRANSPORTATION AS WELL AS HYDROPOWER AND GREW FROM EARLY LOCAL USAGE TO THE COMPLETION IN 1825 OF THE 352-MILE LONG ERIE CANAL WHICH JOINED LAKE ERIE AND THE HUDSON RIVER. BUT CANALS REQUIRED RELATIVELY FLAT TERRAIN, WATER AVAILABILITY AND EITHER MAN OR HORSE FOR MOTIVE POWER. AS THE COUNTRY AND ITS TRAVEL DISTANCES GREW, HOWEVER, THEIR ROLE DIMINISHED.

THE ANSWER TO AMERICA'S TRANSPORTATION NEEDS (THE SILVER BULLET IN MORE WAYS THAN ONE) CAME IN THE FORM OF THE RAILROAD. TRAINS MOVED PEOPLE AND GOODS SAFELY, ECONOMICALLY, PROFITABLY, QUICKLY AND MOSTLY DIRECTLY FROM ONE POINT TO ANOTHER ACROSS OUR CONTINENT.

ORIGINALLY INVENTED IN ENGLAND TO ACCOMMODATE TRAVEL OVER MUCH SHORTER DISTANCES, TRAINS PROVED TO BE ABLE TO PROVIDE TRAVEL BENEFITS OF COST AND COMFORT ON OUR LARGER SCALE. THEY BOUND THE COUNTRY TOGETHER SOCIALLY, PSYCHOLOGICALLY AND POLITICALLY, PROVIDED THE BEGINNING OF A DISTRIBUTION SYSTEM FOR A PRODUCTION BASED ECONOMY AND BECAME THE FIRST AND, PERHAPS, MOST ESSENTIAL STEP IN MOVING OUR COUNTRY FROM AGRICULTURE TO INDUSTRY.

OUR AGE OF THE RAILROADS LASTED FOR JUST ABOUT 100 YEARS UNTIL AUTO AND AIR TRAVEL APPEARED. IN THIS RAILROAD CENTURY WE CLOSED OUR GEOGRAPHICAL FRONTIERS AND ESTABLISHED THE STRUCTURE FOR A MIXED AGRICULTURAL/INDUSTRIAL ECONOMY THAT HAS

BEEN ABLE TO CONTINUE TO COMPETE AND GROW SO THAT IT CAN NOW SERVE OUR VAST TWENTY-FIRST CENTURY HIGHLY TECHNICAL CONSUMER MARKETS.

THE FRAMEWORK WITHIN WHICH OUR ECONOMIC GROWTH OCCURRED WAS THAT OF LAISSEZ-FAIRE CAPITALISM, THE NATURAL HEIR OF THE ECONOMIC/POLITICAL INDEPENDENCE WHICH ATTENDED OUR BIRTH AND EARLY GROWTH.

OUR 19TH CENTURY ECONOMIC AND TERRITORIAL EXPANSION CALLED FORTH AN ECONOMIC SYSTEM THAT PROVIDED RICH REWARDS AND HARSH PENALTIES. IN ADDITION, LAISSEZ-FAIRE CAPITALISM AVOIDED ANY REGULATION, ELEVATED COMPETITION, BOTH CORPORATE AND INDIVIDUAL, AND WAS RELENTLESS IN ITS PURSUIT OF MAXIMUM PROFIT AND EFFICIENCY. THESE GOALS WERE CONSIDERED AS EQUALLY APPROPRIATE FOR BOTH CORPORATE PRODUCTION AND FINANCING.

AND NOWHERE WAS THIS MORE EVIDENT THAN IN THE GOLDEN AGE OF RAILROADS. WHILE ROUTES WERE OBTAINED, LABOR HIRED, FED AND HOUSED AND MILES OF TRACK LAID AS FAST AS POSSIBLE, AN EQUALLY DETERMINED GAME WAS BEING PLAYED OUT ON WALL STREET AND IN OTHER FINANCIAL CENTERS.

THERE, LACKING ANY MEANINGFUL REGULATION UNTIL THE SHERMAN ANTI-TRUST ACT OF 1890, HIGHLY COMPETITIVE EFFORTS RAISED CAPITAL IN AMOUNTS LARGE ENOUGH TO BUILD THE NATION'S RAILROADS AND SOME OF ITS LARGEST PERSONAL FORTUNES. BOND AND STOCK ISSUES WERE OFTEN FLOATED BY BOGUS BOARDS OF DIRECTORS FOR COMPANIES LACKING BOTH ROLLING STOCK AND RIGHTS OF WAY. MANY ENGAGED IN THESE FINANCIAL BATTLES FAILED; OTHERS SUCH AS MORGAN, HARRIMAN, GOULD, VANDERBILT AND HILL PREVAILED.

IN THIS CENTURY OF DOMINANT LAISSEZ-FAIRE CAPITALISM OTHER INDUSTRIES ENGAGED IN FINANCING ACTIVITIES SIMILAR TO THOSE OF THE RAILROADS, BUT THE LATTER REMAINED THE "GOLD STANDARD". DURING THE EARLY PART OF THE TWENTIETH CENTURY THE EMERGENCE OF OUR LABOR UNION MOVEMENT AND THE INCOME TAX, ALONG WITH THE ELEVATED UNITY AND PATRIOTISM OF WWI, DENTED OUR CAPITALISTIC IMAGE, BUT ITS CONSIDERABLE POLITICAL AND PSYCHOLOGICAL MOMENTUM WAS ABLE TO DEFLECT THESE CHALLENGES.

WITH THE STOCK MARKET CRASH OF 1929 AND THE GREAT DEPRESSION OF THE 1930S, HOWEVER, IT WAS CLEAR THAT OUR

CAPITALISTIC SYSTEM WOULD HAVE TO BE MODIFIED. QUITE SIMPLY, LAISSEZ-FAIRE CAPITALISM, WHICH HAD ENJOYED A CENTURY OF SUPREMACY AND WITHSTOOD EVERY CHALLENGE OF ITS TIME AND PLACE, COULD NOT STAND SHOULDERS TO SHOULDERS, NOR EYEBALL TO EYEBALL, WITH THE JOBLESS POOR WHO MOVED FROM PRODUCTION TO BREAD LINES.

IT ENABLED US TO HAVE A NATIONAL CONVERSATION BETWEEN OURSELVES AND OUR GOVERNMENT.

FDR UNLEASHED A BARRAGE OF LEGISLATION WHICH EXTENDED GOVERNMENT'S REACH INTO AREAS PREVIOUSLY CONSIDERED PRIVATE OF WHICH THE ECONOMY WAS CLEARLY ONE. BUT ANOTHER ENORMOUS CHANGE WAS UNDERWAY. IT WAS TECHNOLOGICAL DEVELOPMENT AND, WITH RADIO, THE FIRST STEP TOWARDS OUR MODERN CONSUMER SOCIETY. RADIO, AS TELEVISION WOULD LATER, BOUND THE COUNTRY TOGETHER. IT ENABLED US TO HAVE A NATIONAL CONVERSATION BETWEEN OURSELVES AND OUR GOVERNMENT.

WITH WWII THE CALL OF PATRIOTISM TIED US EVEN MORE CLOSELY TO EACH OTHER AND TO OUR GOVERNMENT. THE LATTER, BY HONOR ROLLS, BOND DRIVES, RATIONING, NEW TAXES, TRAVEL RESTRICTIONS, PRODUCTION PRIORITIES AND BOTH CIVILIAN AND MILITARY MOBILIZATION, ENTERED INTO OUR LIVES IN MANY NEW AND UNEXPECTED WAYS.

1939 WAS A LINE IN TIME THAT CHANGED THE WORLD AND WWII WAS FOUGHT TO DETERMINE WHO WOULD MAKE ITS CHANGES — DEMOCRATIC OR TOTALITARIAN FORCES. RUSSIA FOUGHT WITH THE FORMER, BUT IN THE POSTWAR PERIOD REVEALED ITS TRUE INTENTION TO ACHIEVE GLOBAL DOMINATION FOR COMMUNISM. IT TOOK ANOTHER GENERATION OF THE COLD WAR BEFORE THE USSR SUCCUMBED TO ITS OWN INTERNAL FAILURES.

IT IS AGAINST THIS BACKDROP OF OUR CAPITALISTIC HISTORY THAT WE MUST VIEW OUR PRESENT ECONOMIC CIRCUMSTANCES AND THE VARIOUS METHODS AND ATTITUDES NOW EMANATING FROM WASHINGTON THAT SEEK TO PROVIDE REMEDIES.

* * *

THEN AND NOW

THE SITUATION THAT OUR NATION NOW FACES IS AS DANGEROUS AS ANY WE HAVE EXPERIENCED IN THE PAST WITH THE EXCEPTION OF PEARL HARBOR AND THE CIVIL WAR BOTH OF WHICH INVOLVED MILITARY STRUGGLE FOR SURVIVAL. THE CLOSEST NON-MILITARY THREAT TO WHICH OUR PRESENT CIRCUMSTANCE IS COMPARED IS THE GREAT DEPRESSION (GD), ALTHOUGH OFFICIAL SOURCES OF BOTH POLITICAL PARTIES NOW

PREFER THE Milder "RECESSION" AND EVEN HELD OFF ITS USE UNTIL AS LATE AS POSSIBLE.

BEFORE PROCEEDING THERE IS ONE NOTE OF WARNING TO SOUND. OUR WESTERN CULTURE CONCERNS ITSELF WITH AND MAKES USE OF THE PAST IN MANY WAYS — "THOSE WHO IGNORE THE PAST ARE CONDEMNED TO REPEAT IT", FOR EXAMPLE. AND YET, IN THIS STUDY WE FIND AND CITE INSTANCES WHERE, IN FORMING POLICY FOR FUTURE ACTIONS, THE CONDITIONS ARE SO DIFFERENT THAT OUR PAST WILL NOT APPLY.

THE TENDENCY TO USE THE GD AS A STANDARD OF MEASUREMENT FOR OUR CURRENT PROBLEMS IS ONE OF THESE INSTANCES AS IT IMPLIES THAT THESE TWO EVENTS HAVE MORE IN COMMON THAN THEY ACTUALLY DO. IN FACT, THERE ARE SOME VERY SIGNIFICANT DIFFERENCES WHICH WE MUST RECOGNIZE AND UNDERSTAND.

AT THE MOST BASIC LEVEL, THE NUMBERS ARE ENTIRELY DIFFERENT. WE ARE DEALING IN TRILLIONS, NOT MILLIONS, OR PERHAPS BILLIONS, OF DOLLARS, AND OUR POPULATION IS MORE THAN TWICE WHAT IT WAS IN THE 30s. SCALE-UPS, WHETHER ECONOMIC OR INDUSTRIAL, DO NOT ALWAYS PERFORM AS INTENDED, ESPECIALLY IF THE HUMAN FACTOR IS PRESENT. IN ECONOMICS MONEY CAN BE A COMMODITY. IT CAN ALSO BE A WEAPON. WE ARE CHALLENGED TO EMPLOY TRILLIONS OF DOLLARS TO ACHIEVE A FIRST EFFORT SUCCESS. THE POSSIBILITY OF UNINTENDED CONSEQUENCES IS VERY REAL.

IN A PRIOR ISSUE WE COMMENTED ON THE DIFFICULTY OF VISUALIZING LARGE NUMBERS. KATHLEEN PARKER OF THE WASHINGTON POST PROVIDES HELP BY STATING THAT A MILLION DOLLARS IN ONE THOUSAND DOLLAR BILLS WOULD FORM A FOUR-INCH HIGH STACK, WHEREAS A TRILLION DOLLARS WOULD REACH A HEIGHT OF 67.9 MILES. ¹

THIS IS THE FIRST OF TWO VISUAL CHALLENGES THAT FACE US. A STACK OF CURRENCY 68 MILES HIGH CREATES PERSPECTIVE. IT HELPS US TO COMPREHEND FISCAL ENORMITY. BUT WILL IT HELP US TO VISUALIZE A TRILLION PEOPLE WHEN OUR GLOBAL POPULATION REACHES THAT MARK LATER IN THIS CENTURY? OUR SECOND VISUALIZATION PROBLEM IS SOMEWHAT DIFFERENT IN THAT IT INVOLVES EVENTS AS WELL AS NUMBERS. IT APPEARS LATER IN OUR TEXT.

IN LISTENING TO PEOPLE TALK ABOUT THE GD, ESPECIALLY THOSE WHO DID NOT LIVE THROUGH IT, THERE IS OFTEN THE SENSE THAT ITS TEN-YEAR LIFE WAS CONTROLLED AND THAT IT ENDED AS THE RESULT OF THE ROOSEVELT ADMINISTRATION'S EFFORTS. THIS IS ONLY PARTIALLY TRUE, AS IT WAS THE ECONOMIC IMPROVEMENT WROUGHT BY OUR PREPARATION FOR AND PARTICIPATION IN WWII THAT ENDED THE GD WITHOUT WHICH IT MIGHT HAVE CONTINUED.

IN OUR SITUATION NOTHING IS ASSURED, AND FALSE HOPE IS WORSE THAN NONE.

OUR TENDENCY TO SEE IT AS A NEAT TEN YEAR EVENT CARRIES OVER INTO REFERENCES TO OUR PRESENT RECESSION

THAT INCLUDE ARBITRARY TIME LINES FOR POLICY SUCCESS. THIS POSES BOTH A PSYCHOLOGICAL AND A PRACTICAL THREAT. IN OUR SITUATION NOTHING IS ASSURED, AND FALSE HOPE IS WORSE THAN NONE.

BUT THE MOST STRIKING, AND PERHAPS TELLING, DIFFERENCE BETWEEN OUR TIMES AND THE GD LIES IN OUR LEVEL OF PRIVATE, COMMERCIAL AND GOVERNMENTAL DEBT. ANY EFFORT TO RELATE THESE TWO EVENTS TO EACH OTHER MUST FAIL ON THIS ACCOUNT.

PRIOR TO WWII AND FDR'S KICK-START SPENDING PROGRAMS THE COUNTRY STILL AIMED TO CREATE BUDGETARY SURPLUSES. COMMERCIAL DEBT WAS MODERATE AND CONSUMER DEBT WAS MINOR AND TIGHTLY CONTROLLED. IT WOULD HAVE BEEN IMPOSSIBLE FOR ANYONE, WITHIN OR WITHOUT GOVERNMENT, TO IMAGINE THE TRILLION DOLLAR SCALE OF OUR PRESENT DEBT STRUCTURE FOR PRIVATE AND PUBLIC DEBT ALIKE. WE FACE AN ECONOMIC MUSKET-TO-MISSILE DISCREPANCY BETWEEN THESE TWO TIMES AND YET SOMEHOW WE MUST DEVELOP ENOUGH COHERENCE TO BRING RELIEF TO OUR OWN AND OTHER ECONOMIES AROUND THE WORLD.

THIS WILL BE A FORMIDABLE UNDERTAKING. WE WILL NEED AN ENORMOUS AMOUNT OF GOOD FORTUNE, THE UNDERSTANDING AND FAIRNESS OF THE AMERICAN PEOPLE AND THE ABILITY OF OUR ELECTED GOVERNMENT TO COOPERATE IN THE NATION'S INTEREST, NONE OF WHICH IS GUARANTEED.

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OUR PRESENT ECONOMIC CRISIS IS MADE OF SEVERAL PARTS. THEY GO BY DIFFERENT NAMES, STRIKE AT DIFFERENT TIMES AND TARGETS, BUT THEY ARE INTERRELATED AND THEIR CUMULATIVE EFFECT COULD ALTER OUR ATTITUDES ABOUT OUR GOVERNMENT, OUR FUTURE, OUR SOCIETY AND OURSELVES. WE ARE AT ONE OF THOSE PERILOUS MOMENTS IN HISTORY WHEN THE OLD CONTROLS MAY FAIL AND THE NEW ONES ARE NOT YET IN PLACE.

THE FIRST IS THE CREDIT CRUNCH IN WHICH BANKS FIND THEMSELVES UNABLE AND/OR UNWILLING TO CONDUCT THEIR USUAL LENDING FUNCTION. THIS HAS BEEN BLAMED ON THE "TOXIC" SECURITIES MARKETED BY THE MORTGAGE INDUSTRY AND THE ASSOCIATED FAILURE OF THE HOUSING MARKET, BUT EQUALLY IMPORTANT WAS OUR GENERAL HIGH LEVEL OF DEBT THAT SEEMS TO KNOW NO BOUNDARIES.

CREDIT CRUNCHES, FORMERLY KNOWN AS "PANICS", ARE NOT NEW TO OUR ECONOMIC LIFE. IN OUR NINETEENTH CENTURY PERIOD OF HOMAGE TO LAISSEZ-FAIRE CAPITALISM THEY OCCURRED FREQUENTLY, STRIKING LARGE BANKS AND COMMUNITIES AS WELL AS SMALL ONES. CASH WAS KING; CREDIT WAS MOSTLY LOCAL AND PERSONAL; AND MANY PEOPLE AND BUSINESSES SLIPPED FROM PROSPERITY TO INSOLVENCY. SURVIVING THESE SUDDEN "PANICS" REQUIRED BEING WARY AND ALERT.

IN THOSE TIMES, AS COMMUNICATIONS AND BANK RECORDS KEEPING WERE PRIMITIVE, PANICS COULD FORM AND SPREAD WITHOUT WARNING. THE CAUSES OF THESE PAINFUL DISRUPTIONS WERE NOT CLEARLY UNDERSTOOD, ALTHOUGH THEIR EFFECTS MOST CERTAINLY WERE. THIS HELPED TO FOSTER A VIEW THAT THE "MARKET" WAS AN OMNISCIENT FORCE WITH ITS OWN UNNERVING RHYTHM AND REGULATION BEST SERVED BY LACK OF HUMAN INTERFERENCE.

THE ECONOMIC AND PSYCHOLOGICAL PAIN OF THE GD WAS SO SEVERE AND EXTENSIVE THAT FDR WAS CONVINCED THAT GOVERNMENT INTERVENTION WAS NECESSARY TO SAVE THE COUNTRY. HIS WERE THE FIRST REAL STEPS FOR OUR GOVERNMENT ON THE PATH OF ECONOMIC MACROMANAGEMENT, AND THEY ENCOUNTERED BITTER RESISTANCE FROM THOSE WHO CONSIDERED OUR "FREE MARKET SYSTEM" ONE OF THE PILLARS OF OUR FORM OF GOVERNMENT.

TODAY, THE "FREE MARKET" IS ONE OF THE CONSERVATIVE RIGHT'S MOST FREQUENTLY USED MANTRAS, ALTHOUGH OUR "FREE MARKET" HAS BECOME CONSIDERABLY LESS FREE. IT IS ALLOWED TO FUNCTION FREELY ONLY UP TO THE POINT WHEN IT CAUSES POLITICAL PAIN FOR ONE PARTY OR THE OTHER. THEN INTERVENTION IS PERMITTED. CURRENTLY, INTERVENTION IS UNDERGOING A SEVERE TEST, NOT PHILOSOPHICALLY BUT BECAUSE OF THE ENORMITY OF THE NUMBERS INVOLVED. EVEN PRESIDENT BUSH, VIEWING WALL STREET'S SYSTEMIC FAILURE LAST FALL, FELT IT NECESSARY TO SCRAP THE "FREE MARKET" MANTRA AND WEIGH IN WITH MASSIVE GOVERNMENT FUNDING TO AVOID A COMPLETE COLLAPSE OF OUR FINANCIAL SYSTEM.

AS THIS DRAMA CONTINUES TO PLAY OUT, IT BECOMES INCREASINGLY CLEAR THAT WE ARE EMBARKED UPON A GAME WE HAVE NEVER PLAYED BEFORE. WE NO LONGER SPEAK IN TERMS OF BILLIONS, OR HUNDREDS OF BILLIONS, BUT TRILLIONS. WE DO NOT KNOW WHAT THE EFFECT OF GOVERNMENT INTERVENTION ON THIS SCALE WILL BE. HENRY PAULSEN'S ATTEMPTS WERE ILL-FATED. WILL SECRETARY GEITHNER'S BE ANY BETTER? WHY? HE HAS NOT TOLD US. IS THERE ANY REASON TO BELIEVE THAT A FEW CABINET OFFICERS CAN PRODUCE RESULTS THAT WILL CURE OUR MALADY? WITNESS OUR NEWSPAPER AND AUTO INDUSTRIES WHERE "TOP" MANAGEMENT NOW PRESIDES OVER THEIR COLLAPSE.

AND WITH TRILLIONS,
THERE CAN ONLY BE ONE TRY.

IN ANY ACTIVITY, WHEN WE ABANDON THE COMFORT OF OUR HUMAN SCALE IN PURSUIT OF THE GIGANTIC, WE INCUR GREATER RISK. THIS IS TRUE IN WEAPONRY, TRANSPORTATION, ARCHITECTURE, INVESTMENTS, ETC., AND THERE IS EVERY REASON TO BELIEVE IT WILL APPLY ALSO TO THE DISTRIBUTION OF TRILLIONS OF DOLLARS TO VARIOUS STATES, AUTHORITIES, LOCALITIES, AGENCIES AND CONTRACTORS. WE HAVE NOT DEALT IN THESE NUMBERS BEFORE AND IT IS SUSPECT TO CONCLUDE THAT A VERY FEW PEOPLE, JUST RECENTLY ELECTED

GLOBALISM

OR APPOINTED, WILL GET IT RIGHT ON THE FIRST TRY. AND WITH TRILLIONS, THERE CAN ONLY BE ONE TRY.

WE CAN HOPE FOR THE COUNTRY'S SAKE THAT OUR PROGRAMS SUCCEED, BUT THE NUMBERS ARE DAUNTING AND WE MAY ENCOUNTER PROBLEMS OF SCALE AS DIFFICULT AS VISUALIZING A STACK OF THOUSAND DOLLAR BILLS ALMOST 68 MILES HIGH.

THE ELEMENT OF TIME IS IMPORTANT IN ATTEMPTING TO REPAIR OUR BROKEN ECONOMY. CERTAINLY, ANY REMEDY THAT WOULD TAKE TEN YEARS, AS WITH THE GD, WOULD NOT BE DEEMED A SUCCESS. AND YET, VARIOUS COMMENTS FROM ADMINISTRATION SOURCES, SUGGESTING THAT WE MAY BEGIN TO SEE EVIDENCE OF A TURNABOUT IN THE NEXT YEAR OR TWO SEEM HIGHLY UNREALISTIC TO US. LARRY SUMMERS AND TIM GEITHNER ARE INTELLIGENT AND SUCCESSFUL ECONOMIC MANAGERS, BUT WE RUN THE RISK THAT SOME OF THE MAJOR FORCES THEY FACE, WHICH HAVE BEEN GATHERING FOR YEARS, MAY PROVE BEYOND THEIR RESCUE CAPABILITY. OR THEY MAY PROVIDE IMPROVEMENT IN SOME SECTORS AND FURTHER PROBLEMS IN OTHERS; OR PERHAPS SHORT TERM BENEFITS FOLLOWED BY LONG TERM PENALTIES. HERE AGAIN, THE IMAGE OF OUR THREE MAJOR AUTOMOBILE COMPANIES AND THEIR FAILURE TO DEAL WITH THE POLITICAL AND ECONOMIC PROBLEMS OF THEIR INDUSTRY OFFERS SOME INSIGHT.

BUT THE ECONOMIC CHALLENGE IS NOT ALL THAT THE NEW ADMINISTRATION AND CONGRESS MUST FACE. THERE IS ALSO THE PARALLEL PROBLEM OF OUR NATIONAL PSYCHOLOGY WHICH IS NOW IN A SERIOUSLY TROUBLED STATE. AS THE NUMBER OF OUR PEOPLE THAT ARE UNEMPLOYED, IN PAIN, INSOLVENT OR IN POOR HEALTH INCREASES, SO DOES THEIR DISBELIEF IN ENCOURAGING STATEMENTS FROM WASHINGTON. FOR, AS THEY LISTEN, THEY RECALL THE LIES FROM THE PAST AND THE MULTIPLE FAILURES OF OTHER PROGRAMS SUCH AS "THE WAR ON DRUGS", IMMIGRATION AND ENERGY WHICH GIVE THE SENSE THAT WE ARE NOT IN CONTROL OF OUR OWN DESTINY.

IN THE PAST, WARS HAVE OFTEN SERVED TO PROVIDE UNITY AND IMPROVE OUR PSYCHOLOGICAL STATE. THAT OPTION IS NO LONGER AVAILABLE DUE TO OUR DEPLETED FINANCIAL AND MILITARY RESOURCES. THE WAR IN AFGHANISTAN IS AN IMPORTANT ECONOMIC AND PSYCHOLOGICAL FACTOR IN HOW WE SURVIVE OUR CURRENT CRISIS. AT THE WORST, ITS CONDUCT AND OUTCOME COULD BECOME ANOTHER NEGATIVE; AT BEST, IT MIGHT BE NEUTRAL. AS ALWAYS, WE MUST HOPE FOR THE BEST.

WITH REGARD TO OUR NATIONAL SPENDING POLICIES WE ARE IN A "DAMNED IF WE DO AND DAMNED IF WE DON'T" SITUATION, AND OUR PRESENT PURPOSE SEEMS TO REQUIRE US TO MORTGAGE OUR FUTURE. WE CANNOT FORETELL WITH ASSURANCE WHAT WILL RESULT FROM OUR MASSIVE SPENDING PROGRAMS, BUT CAN BE CERTAIN THAT THEIR IMPACT ON OUR NATION AND WAY OF LIFE WILL BE LONG AND DEEP.

THE ROOTS OF GLOBALISM EXTEND BACK TO THE POSTWAR PERIOD WHEN AMERICA, WITH ITS CURRENCY AND PRODUCTION CAPABILITY INTACT, WAS ABLE TO CREATE EXPORT MARKETS THROUGHOUT THE WORLD. THIS PUT PRESSURE ON FOREIGN PRODUCERS TO DESIGN AND BUILD INNOVATIVE PRODUCTS THAT COULD COMPETE WITH OURS.

OUR INCREASED EXPOSURE TO FOREIGN CULTURES DURING AND AFTER WWII LED AMERICANS TO SEEK THE PRODUCTS THEY OFFERED, AND WE USED OUR STRONG DOLLAR TO INCREASE IMPORTS.

THE AUTO INDUSTRY SHOWS QUITE CLEARLY HOW IMPORTS, WHICH WERE ORIGINALLY LIMITED TO LUXURY MODELS, WERE ABLE TO COMPETE WITH OUR HIGHER PRICED CARS AND BECOME SUCCESSFUL ENOUGH TO ESTABLISH THEIR OWN PRODUCTION PLANTS IN THIS COUNTRY.

OVER TIME, OUR HIGH STANDARD OF LIVING WITH ITS BUILT-IN HIGH LABOR COST MADE AMERICAN MANUFACTURERS VULNERABLE TO THE NEW DESIGNS, ENGINEERING AND CONSUMER BENEFITS THAT FOREIGN MANUFACTURERS DEVELOPED AND MARKETED.

NOT SURPRISINGLY, OUR CORPORATE SECTOR CAME UP WITH A WAY TO INCREASE PROFITS BY "OFFSHORING" — I.E. MOVING OUR HOMEGROWN, HIGH LABOR COST PRODUCTION AND SERVICES TO LOWER LABOR COST AREAS SUCH AS INDIA, CHINA, EASTERN EUROPE, LATIN AMERICA, ETC.

GLOBALISM IS ESSENTIALLY A CONTINUOUS EFFORT TO COMBINE AVAILABLE CAPITAL AND LABOR IN SUCH A WAY, TIME AND PLACE THAT PROFIT IS MAXIMIZED. ANY NUMBER CAN PLAY, AND DO SO INSTANTLY, THANKS TO THE 24/7 TRADING AND MANAGING CAPABILITY OF OUR GLOBAL MARKETS.

OFFSHORING IS ONE GLOBALISTIC TECHNIQUE WHICH HAS PROVED PROFITABLE FOR ITS CORPORATE SECTOR SPONSORS BUT DAMAGING TO OUR COUNTRY'S ECONOMIC BASE. HERE IS HOW, MORE OFTEN THAN NOT, IT WORKS:

- 1) AJAX INC. IS A MANUFACTURER OF A LINE OF CONSUMER PRODUCTS FACED WITH GROWING FOREIGN COMPETITION AND A HIGH LABOR COST PER UNIT. IN SPITE OF HAVING TAKEN A SERIES OF COST-CUTTING ACTIONS, PROFITS CONTINUE TO ERODE.
- 2) IT RELOCATES ITS MANUFACTURING OPERATION TO INDIA WHERE IT CAN TAKE ADVANTAGE OF LOWER PRICED INDIAN STEEL AND LABOR. ENCOURAGED BY THE RESULTS OF ITS MANUFACTURING MOVE, IT ALSO RELOCATES ITS CUSTOMER SERVICE FUNCTION AND THEN ITS DESIGN AND ENGINEERING DEPARTMENT.
- 3) FOR THE US THIS RESULTS IN JOB LOSSES WHICH TRANSLATE INTO REDUCED TAX RECEIPTS AND INCREASED UNEMPLOYMENT EXPENSE AT THREE DIFFERENT, BUT IMPORTANT, LEVELS OF OUR ECONOMY. NET EFFECT FOR THE US IS A MINUS.
- 4) FOR THE EXITING CORPORATION, THE MOVE IS A PLUS, AS IT ACCOMPLISHES SAVINGS IN RAW MATERIALS AND LABOR.

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“AS FAR AS THE EYE CAN SEE”

IT CAN DISPOSE OF ITS US PLANT, AND OPERATIONS WILL BENEFIT FROM THE ELIMINATION OF BOTH ITS PROPERTY TAXES AND EMPLOYEE HEALTH AND RETIREMENT PLANS. PROFITABILITY IS RESTORED; SHAREHOLDERS ARE PLEASED; AND MANAGEMENT CAN LOGICALLY ARGUE FOR INCREASED COMPENSATION.

- 5) THE GOODS NEWLY MANUFACTURED IN INDIA ARE SOLD BACK INTO THE US AS IMPORTS WHICH PROVIDES A PROFIT OPPORTUNITY FOR THE MANUFACTURER AND CALLS FOR EXPENSE BY THE US. AGAIN, THE NET EFFECT IS CORPORATE/ POSITIVE AND US/NEGATIVE. NOR SHOULD WE FORGET THAT THE SALES REVENUES GENERATED IN INDIA MAY BE PUT TO USE THERE OR ELSEWHERE AND NOT REPATRIATED IN WHICH CASE THEY CAN QUALIFY FOR SPECIAL US TAX TREATMENT SUBSTANTIALLY LESS THAN WHAT WOULD HAVE BEEN DUE UNDER DOMESTIC MANUFACTURE.
- 6) IN EACH DIRECTION, EXITING AND ENTERING, REVENUES AND SAVINGS ARE ENHANCED FOR THE CORPORATION AND DIMINISHED FOR THE US.

GLOBALISM’S GOAL TO ALIGN THE ELEMENTS OF THE WORLD’S ECONOMIES IN THE MOST PROFITABLE WAY POSSIBLE ATTRACTED THE PARTICIPATION OF MANY INTERNATIONAL FINANCIAL INSTITUTIONS THAT RECOGNIZED THE OPPORTUNITIES FOR NEW AND LARGER FEES AND INTEREST PAYMENTS. WITH GOVERNMENTAL AND PRIVATE INSTITUTIONAL ACCEPTANCE IN PLACE, THE CORPORATE SECTOR DID NOT WANT TO BE LEFT OUT. THE NECESSARY PIECES OF THE PUZZLE WERE IN PLACE AND GLOBALISM DEVELOPED A SURGING MOMENTUM THAT OVERCAME MOST DOUBTS AND DEFIED OPPOSITION.

BUT HERE, AGAIN, THE MATTER OF HUMAN SCALE ARISES. THE COMBINED TRADE FIGURES OF THE WORLD’S ECONOMIES MEASURE IN TRILLIONS AND IT IS NOT EASY FOR BUREAUCRATS IN BOMBAY, BRUSSELS OR BOSTON TO FULLY UNDERSTAND AT ALL TIMES THE EFFECT OF THE MOVEMENT AND RELATION OF THESE VAST NUMBERS.

THEIR INTERRELATEDNESS MADE FOR A COHESIVE MARKET IN THE EXPANSION PHASE WHICH MOST PARTICIPANTS VIEWED AS PERMANENT. BUT AS ERROR OR INSTABILITY, AT FIRST LOCALLY AND THEN MORE WIDELY, BEGAN TO APPEAR, THE MASS AND REACH OF THIS INTERRELATEDNESS PROVED TO HAVE UNFORESEEN AND DANGEROUS CONSEQUENCES. SHARED BENEFITS COULD QUICKLY BECOME SHARED PENALTIES. AND NOWHERE WAS THIS MORE APPARENT THAN IN THE CLOSENESS OF THE INTERNATIONAL BANKING COMMUNITY.

AT FIRST THIS MAY SOUND LIKE NOTHING MORE THAN ANOTHER COMMENT ON HUMAN GREED WHICH, OF COURSE, IT IS. BUT IT MAY BE MORE, IF NEGATIVE RESULTS PERSIST AND GOVERNMENTS ARE CALLED UPON TO MAKE REAL CHANGES IN THEIR INTERNATIONAL FINANCIAL STRUCTURES. PRESENTLY, THIS APPEARS TO BE BOTH HIGHLY POSSIBLE, AND PERHAPS PROBABLE, AS RECESSION INCREASES AND WE CONTEMPLATE THE DEEPER PAIN OF A MAJOR DEPRESSION.

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IN 2001, WHEN G. W. BUSH TOOK OFFICE THIS WAS HIS FORECAST OF BUDGET SURPLUSES. TODAY, IT IS ACCEPTED BY BOTH POLITICAL PARTIES AS A REASONABLE PREDICTION OF DEFICITS. THAT’S A 180° REVERSAL! SUCH A RESULT DOES NOT COME EASILY. WHAT HAPPENED? DO WE NEED NEW LENSES, OR VALUES OR MEASUREMENT FORMS? PROBABLY SOME OF EACH.

OUR BUDGET DEFICIT FUTURE APPEARS BEYOND BLEAK AND REACHES ALMOST TO IMPOSSIBLE. TO FURTHER COMPLICATE THE SITUATION, WHILE PRES. OBAMA HAS TRIED TO CORRECT SOME OF THE LESS THAN TRANSPARENT ACCOUNTING TECHNIQUES OF HIS PREDECESSOR, THE VIEW AHEAD THAT WE ARE NOW GIVEN BY THE ADMINISTRATION AND CONGRESS SEEMS BOTH INCOMPLETE AND OPTIMISTIC.

THE ANNUAL BUDGET DEFICITS OF THE REAGAN, BUSH I AND CLINTON’S FIRST TERM YEARS AVERAGED \$134 BILLION. THERE WERE THEN THREE YEARS OF SURPLUS IN CLINTON’S SECOND TERM AND ONE YEAR OF G.W. BUSH’S FIRST TERM FOLLOWED BY SEVEN YEARS OF ADDITIONAL BUSH II DEFICITS. THE ANNUAL AVERAGE OF BUDGET DEFICITS UNDER BUSH II WAS \$253 BILLION WHICH DID NOT INCLUDE OFF-BUDGET ITEMS, MOST NOTABLY THE WAR IN IRAQ².

LOOKING AHEAD, THE SAME SOURCE PREDICTS DEFICITS TOTALING JUST OVER \$6 TRILLION, OR AN AVERAGE OF \$864.3 BILLION FOR AN OBAMA PRESIDENCY EXPECTED TO LAST FOR TWO TERMS. ANOTHER GOVERNMENT SOURCE³ CARRIES ITS PROJECTIONS OUT THROUGH 2019 AND ESTIMATES TOTAL DEFICITS OF \$6.35 TRILLION WITH AN ANNUAL AVERAGE OF \$577.3 BILLION. ALTHOUGH THEIR TIME FRAMES DIFFER BOTH SOURCES ARRIVE AT A TOTAL DEFICIT FIGURE AROUND \$6 TRILLION.

THE EXPECTATION THAT THEY CAN BE CONTROLLED AND APPLIED EFFECTIVELY GROWS LESS REALISTIC.

ALL SUCH PROJECTIONS REPRESENT FANTASY OF ONE KIND OR ANOTHER. THE POSSIBILITY OF ACCURACY WITH NUMBERS OF THIS SIZE WITH WHICH WE HAVE NO EXPERIENCE IS SLIM, INDEED. ADD THAT THESE FUNDS ARE TO BE DISTRIBUTED TO A MIX OF LOCATIONS AND PROJECTS SELECTED AT THE NATIONAL POLITICAL LEVEL BUT ADMINISTERED LOCALLY, AND THE EXPECTATION THAT THEY CAN BE CONTROLLED AND APPLIED EFFECTIVELY GROWS LESS REALISTIC.

AS A CONSEQUENCE, OUR OWN ESTIMATE OF THE TASK AHEAD TO REPAIR OUR ECONOMY IS THAT IT WILL TAKE LONGER AND BE MORE COSTLY BY ANOTHER \$2 TRILLION THAN WHAT IS NOW PROPOSED. IF THIS IS THE CASE WE CAN EXPECT OUR OFFICIAL NATIONAL DEBT TO APPROACH \$20 TRILLION IN THE NEXT DECADE, AND OUR TOTAL, OR TRUE, DEBT TO INCREASE

FROM OUR PRESENT \$56 TRILLION⁴ TO \$64 TRILLION.

THESE ARE SOBERING FIGURES. AND YET, MORE THAN DOLLARS ARE INVOLVED. EVEN IF WE ARE ABLE TO WITHSTAND THEIR ARITHMETIC, THEY WILL HAVE A PROFOUND EFFECT UPON HOW WE AND THE REST OF THE WORLD EXPERIENCE AND DEFINE THE DIFFERENT AMERICA THAT THEY WILL PRODUCE.

EVERYBODY WILL KEEP THEIR OWN COUNT — BIN LADEN HIS, THE EU ITS, THE CHINESE THEIRS. BUT THERE WILL BE SHIFTS IN PERCEPTION. WE WILL BE SEEN AS LESS OF A LEADER AND CERTAINLY NO LONGER ALL POWERFUL. OUR FOREIGN POLICY INITIATIVES WILL NOT BE DELIVERED WITH THE ASSUMPTION OF UNOPPOSED SUCCESS. THEY MAY WELL, ALONG WITH OUR DOLLARS, SHOW SIGNS OF WEAKNESS AND OF AGE — OF BEING LESS THAN BEFORE AND EVERYONE KNOWING IT.

AND, IF WE CAN SUMMON THE TRUTH FROM OUR TRIAL, WE MUST REALIZE THAT OUR OWN IDENTITY HAS SUFFERED A SIGNIFICANT CHANGE. WE WILL NO LONGER BE #1, THE SOLE SUPERPOWER. WE MAY HAVE TO SHARE PRIVILEGE, AUTHORITY AND POWER WITH OTHERS AND HAVE TO TEST AND ADDRESS OUR CONCEPT OF INTERNATIONAL LEADERSHIP. SUCH A SHIFT WOULD REFLECT THE POLITICAL AND DIPLOMATIC REALITIES OF OUR CHANGED STATUS. TO IGNORE OR DENY THEM WOULD ONLY MAKE OUR WAY AND FUTURE FAR MORE DIFFICULT.

WILL WE LEARN? WILL WE LEAD?

OUR GOVERNMENT HAS DECEIVED US, AND WE HAVE DECEIVED OURSELVES, FOR FAR TOO LONG. AND IT IS UNLIKELY THAT OUR FRIENDS AND ENEMIES THROUGHOUT THE WORLD WILL JOIN IN THIS DECEPTION AS OUR FORTUNES CHANGE. THE REAL TRUTH AND BEAUTY OF AMERICA ARE FOUND IN OUR DECLARATION OF INDEPENDENCE AND CONSTITUTION. WITHOUT THEM THE AMERICAN PEOPLE ARE NOT BETTER OR WORSE THAN MANY OTHERS. WE, AND OTHERS, HAVE BEEN WIDELY MISLED BY THE HOLLOW HYPE OF OUR MEDIA AGE. WE, AND THEY, DESERVE BETTER. WE COULD REDEEM OURSELVES BY LEADING THE WAY. WILL WE LEARN? WILL WE LEAD?

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THE BANKING CRISIS

IN 1933, A SENATORIAL INQUIRY INTO THE STOCK MARKET CRASH OF '29 CHAIRED BY FEDERAL JUDGE FERDINAND J. PECORA CONDUCTED HEARINGS AND TOOK TESTIMONY FROM THE HEADS OF WALL STREET'S LEADING BANKS AND BROKERAGE HOUSES⁵. THIS WAS AN OCCASION OF GREAT PUBLIC INTEREST, AS THROUGHOUT IT THERE APPEARED A COMMON THREAD OF DENIAL AND DEFLECTION WHICH, 'THOUGH ARTFULLY PRESENTED,

WAS UNABLE TO PREVENT ANY CONCLUSION OTHER THAN THAT THOSE QUESTIONED COMPRISED A TIGHTLY JOINED COMMUNITY WHOSE INTERESTS ENJOYED PRECEDENCE OVER THOSE OF ITS CUSTOMERS OR THE PUBLIC.

LAST FALL, SEVENTY-FIVE YEARS LATER, WALL STREET AGAIN ALMOST ENGINEERED ITS OWN DESTRUCTION. THE PRACTICES IN WHICH IT ENGAGED AND THE DEFENSES IT PUT FORTH WERE EERILY SIMILAR TO WHAT HAD BEEN DISCLOSED TO JUDGE PECORA'S INVESTIGATING COMMITTEE, BUT THE PRESENT CIRCUMSTANCES CARRY WITH THEM THE THREAT OF FAR GREATER FUTURE RISK — BOTH FINANCIAL AND PSYCHOLOGICAL.

FOLLOWING THE PECORA COMMITTEE'S REVELATIONS, CONGRESS PASSED LEGISLATION THAT SEPARATED THE BROKERAGE AND INVESTMENT BANKING FUNCTIONS FROM COMMERCIAL BANKS. BUT BREEDING WILL OUT, AND OUR POLITICAL DNA IS FORMED OF TIGHTLY WOUND STRANDS OF MONEY AND POWER.

CHAFING UNDER THIS UNNECESSARILY RESTRICTIVE RULES CHANGE, THE FINANCIAL SERVICES INDUSTRY THROUGH ELECTED REPRESENTATIVES, MEDIA, TRADE GROUPS AND LOBBYISTS UNDERTOOK A CAMPAIGN TO RESCIND WHAT IT REGARDED AS AN ONEROUS BURDEN. EVENTUALLY, IT SUCCEEDED AND EMBARKED UPON A NEW ROUND OF MARKETING "I WIN, YOU LOSE", INCREASINGLY ARCANE PRODUCTS FOR WHICH EVEN THEIR ORIGINATORS COULD NOT PROVIDE CONVINCING EVALUATION.

AMERICA ENTERING THE GD HAD LITTLE IN COMMON WITH AMERICA TODAY. WE WERE STILL ON THE GOLD STANDARD. THERE WAS LITTLE CONSUMER OR NATIONAL DEBT. GOVERNMENT PLAYED A LESSER ROLE IN THE LIVES OF THE PEOPLE, AND THERE WERE NO RETIREMENT BENEFITS OF ANY SIGNIFICANCE TO BE HAD FROM EITHER THE PUBLIC OR PRIVATE SECTORS. THOSE TOO OLD OR ILL TO WORK DEPENDED UPON SAVINGS, ANNUITIES, FAMILY SUPPORT OR TAKING RESIDENCE IN A "HOME" WITH OTHERS WHO SHARED THEIR PLIGHT AND WHERE LIFE COULD BE DESCRIBED AS "SPARE" AT BEST. IN GENERAL, THERE WAS THE SENSE THAT THE COUNTRY HAD SUFFERED A VERY BAD TURN OF EVENTS FROM WHICH EVERYONE SHOULD DO THEIR SHARE TO RECOVER.

TO MANY AMERICANS TODAY THOSE TIMES AND WAYS SEEM DISTANT AND QUIANT COMPARED TO OURS. WE HAVE BECOME DEPENDENT UPON RETIREMENT BENEFITS FROM BOTH PRIVATE AND GOVERNMENT SOURCES AND THROUGH THEM, ESPECIALLY SOCIAL SECURITY, HAVE PROVIDED A MEASURE OF INDEPENDENCE FOR THOSE AT THE END OF THEIR WORKING LIVES. AND A NEW CARE PROVIDING INDUSTRY HAS GROWN RAPIDLY INTO ONE OF OUR LARGEST. IN MAKING THESE CHANGES, WHICH MOST PEOPLE SEE AS IMPROVEMENTS, WE HAVE BECOME MORE USED TO AND TOLERANT OF A LARGER ROLE FOR GOVERNMENT IN OUR LIVES.

THIS, OF COURSE, IS NEITHER ALL BAD NOR ALL GOOD AND REQUIRES CONSTANT TUNING TO MAINTAIN A REASONABLE BALANCE BETWEEN THE EXTREMES OF MORE AND LESS. AND, ALTHOUGH OVER THE YEARS WE HAVE DEVELOPED A DIFFERENT PSYCHOLOGY, SOLUTIONS TO LARGE SOCIAL PROBLEMS DO NOT

COME EASILY IN OUR CONTENTIOUS, CONTEMPORARY AMERICA.

AS AMERICANS LOOK UPON OUR PRESENT WRECKAGE AND FEEL THE EFFECTS OF DESTROYED CREDIT, GREATLY DIMINISHED HOME AND SECURITIES VALUES AND JOB LOSSES, THEY TEND TO TRY TO MAKE SENSE OF IT ALL BY LIKENING IT TO THE 1930S. EXCEPT IN A MOST GENERAL WAY THIS IS NOT VALID, AND THE FACT THAT WE ARE LABORING UNDER NEW CIRCUMSTANCES INCREASES THE POSSIBILITY THAT OUR GOVERNMENT WILL NOT BE ABLE TO PROVIDE THE ANSWERS.

WE HAVE A BITTERLY DIVIDED TWO PARTY POLITICAL STRUCTURE THAT DRAWS STRENGTH FROM THE EXTREME POSITIONS OF BOTH. WE HAVE WITHIN OUR ECONOMY AN ELEMENT OF CONSUMER DEBT OF \$2.5 TRILLION. MORE THAN A THIRD OF THOSE WITH CREDIT CARD DEBT OF \$10,000 OR MORE EARN LESS THAN \$50,000 A YEAR⁶. WE HAVE AN OFFICIAL NATIONAL DEBT OF ABOUT \$11 TRILLION MOVING TOWARDS \$20 TRILLION; AND TOTAL OBLIGATIONS OF \$56 TRILLION, ALSO INCREASING. THESE REALITIES TODAY WERE NOT EVEN IMAGINABLE IN 1930.

THE END RESULT IS THAT, WHILE STUDYING THE HISTORY OF THE GD MAY OFFER US SOME COMFORT, WE HAVE BEEN DEALT A VERY DIFFERENT HAND TO PLAY. BY SEVERAL MEASURES ONE CAN MAKE THE ARGUMENT THAT OUR COUNTRY'S RECKLESS OVERSPENDING AND IRRESPONSIBILITY OVER THE PAST HALF CENTURY HAS RENDERED US INSOLVENT. THIS MAY SOUND SHOCKING, BUT IT IS DIFFICULT TO VIEW OUR ENORMOUS LEVELS OF NATIONAL, STATE, LOCAL, CORPORATE, MORTGAGE AND PERSONAL DEBT WITH A REALISTIC BELIEF THAT WE HAVE THE MEANS TO REPAY IT.

. . . AND WHAT'S LEFT ARE THOSE "TOO BIG TO FAIL"
AND THOSE "TOO SMALL TO BAIL".

WE HAVE FOUND OUT AND NOW MUST ACCEPT THAT ECONOMIC "GROWTH" OF THE REAGAN THROUGH BUSH II YEARS WAS BASED ON AN EXPANSION OF CREDIT, NOT PRODUCTION, IN WHICH THERE WERE MANY PLAYERS. THERE HAS BEEN A PAINFUL SORTING OUT, AND WHAT'S LEFT ARE THOSE "TOO BIG TO FAIL" AND THOSE "TOO SMALL TO BAIL".

THE DOLLAR IS STILL THE WORLD'S RESERVE CURRENCY, BUT ALREADY WE CAN HEAR ARGUMENTS AGAINST THIS STATUS. SHOULD THESE VOICES GROW TO THE POINT WHERE THE DOLLAR HAS TO PROVE ITS VALUE AND/OR ITS STATUS IN THE FACE OF ACTIONS BY CENTRAL BANKS TO REDUCE THEIR DOLLAR HOLDINGS, OUR ECONOMY'S RELIANCE UPON DEBT COULD PROVE VERY HAZARDOUS TO US AND OUR CURRENCY.

AS THE WORLD'S RESERVE CURRENCY, OUR DOLLAR FINDS SUPPORT NOT AVAILABLE TO LESSER CURRENCIES, EVEN THOUGH WE ERODE ITS VALUE BY OUR INCREASING LEVEL OF DEBT. WERE ANOTHER CURRENCY TO APPEAR THAT COULD CHALLENGE THE DOLLAR THE LATTER WOULD QUICKLY LOSE VALUE, CAUSING DOLLAR OWNERS TO REDUCE THEIR HOLDINGS AND THEREBY PUTTING FURTHER PRESSURE ON ITS VALUE.

INTERNATIONAL CURRENCY MARKETS ARE DELICATE MECHANISMS. THEY ARE HIGHLY INTERRELATED AND HOSTAGE TO BOTH INTERNAL AND EXTERNAL EVENTS WHEREBY MINOR ACTIONS CAN PRODUCE MAJOR MOVEMENTS.

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THERE IS ONE OTHER IMPORTANT DIFFERENCE BETWEEN THE GD AND TODAY. IT IS THE EXTREME OUTRAGE FELT AND EXPRESSED BY PEOPLE TOWARDS WALL STREET FOR ITS ROLE IN OUR NATIONAL DISASTER. THIS HAS BEEN A STORY THAT HAS REPLAYED ITSELF WITH INCREASING FREQUENCY PRIMARILY BECAUSE THE FINANCIAL SERVICES INDUSTRY'S IMMENSE POLITICAL FORCE IS ABLE TO DEFLECT ANY APPROPRIATE REGULATION BY GOVERNMENT.

LIKE ANY INDUSTRY, WALL STREET STRIVES TO CREATE GROWTH OPPORTUNITIES BY DEVELOPING NEW PRODUCTS, BUT TODAY WALL STREET'S PRODUCTS ALL TOO OFTEN ARE DESIGNED TO GENERATE FEE OPPORTUNITIES RATHER THAN TO FULFILL A GENUINE CONSUMER NEED. THIS WAS NOT ALWAYS THE CASE. OUR GREAT AGE OF RAILROAD CONSTRUCTION IN THE NINETEENTH CENTURY WAS MADE POSSIBLE BY THE FUNDS OBTAINED FROM WALL STREET'S ISSUANCE OF BONDS AND SHARES. AND ITS ROLE WAS REPEATED IN THE ELECTRIC UTILITY COMBINATIONS AND CONSTRUCTION OF THE EARLY TWENTIETH CENTURY.

IN BOTH INSTANCES, WALL STREET'S SKILLS AND PEOPLE GENERATED "PRODUCTS" THAT WELL SERVED THE INTERESTS OF OUR NATION AND PEOPLE AND TIED THEM MORE CLOSELY TOGETHER. IN THE PROCESS, OF COURSE, LARGE FEES WERE PAID AND PROFITS MADE WHICH WERE JUSTIFIED BY THE RESULTS. NOT SO TODAY WHEN, QUITE REASONABLY, THE PUBLIC IS OUTRAGED THAT IT HAS BEEN DUPED AGAIN.

THERE IS DEEP RESENTMENT OVER THE OBSCENELY EXCESSIVE AMOUNTS OF MONEY THAT WALL STREET MANAGERMENTS PAID THEMSELVES AS THE BUBBLE WAS CLEARLY BURSTING AND THE EQUITY MARKETS IN ALMOST FREE FALL. IN THE FINAL MONTHS OF LAST YEAR THE TOTAL OF BONUSES PAID REACHED \$18.4 BILLION⁷ SOME OF WHICH WERE PAID WHILE, AND EVEN AFTER, THE GOVERNMENT UNDERTOOK ITS BAILOUT PROGRAM TO AVOID TOTAL FINANCIAL COLLAPSE.

MORE RECENTLY, IN MARCH, IT WAS REVEALED THAT AIG PAID OUT \$165 MILLION OF BONUSES TO TRADERS IN ITS FINANCIAL PRODUCTS DIVISION AFTER RECEIVING OVER \$180 BILLION IN BAILOUT FUNDS. UP UNTIL THE LAST MINUTE BEFORE ITS PASSAGE, THE STIMULUS BILL HAD CONTAINED A PROVISION THAT LIMITED EXECUTIVE COMPENSATION TO BAILOUT RECIPIENTS, BUT IT WAS REMOVED BY SEN. CHRIS DODD (D. CT), CHAIRMAN OF THE SENATE BANKING COMMITTEE⁸. DODD, WHO RAN FOR THE DEMOCRATIC NOMINATION, RECEIVED OVER \$850,000 DURING THE 2008 ELECTION CYCLE,⁹ FROM CORPORATIONS THAT RECEIVED TARP BAILOUT FUNDS . THERE

IS NO QUID PRO QUO EVIDENT OR SUGGESTED, BUT POLITICAL GIVING OF THAT MAGNITUDE INEVITABLY PRODUCES CLOSE RELATIONSHIPS AND THE POTENTIAL FOR BIAS, WHETHER CONSCIOUS OR NOT. DUPED IS ONE THING; ARROGANCE ON A SCALE SUCH AS THIS IS ANOTHER AND WILL NOT BE SOON FORGOTTEN OR FORGIVEN.

THE SUB PRIME LOAN MESS SUGGESTS PERSISTENT FRAUD AT EVERY STAGE. IN ITS INITIAL LENDING PHASE THERE WAS WIDESPREAD COLLUSIVE FRAUD BETWEEN LENDERS AND BORROWERS WHICH WAS CONTINUED WHEN THESE TOXIC LOANS WERE BUNDLED AND PRESENTED TO THE RATING AGENCIES. THE LATTER COMMITTED THEIR OWN BRAND OF OUTRAGEOUS FRAUD BY ASSIGNING TO THEM THEIR HIGHEST RATINGS. THE DECEPTION CONTINUED WHEN THE TOXIC LOANS, NOW RATED TRIPLE-A, WERE PRESENTED TO INVESTMENT BANKS AND AGAIN IN THE FINAL STAGE WHEN THE INVESTMENT BANKERS SOLD THEM TO THEIR CLIENTS. WALL STREET IS A NUMBERS GAME IN WHICH THE PRESENT PLAYERS RAN OUT OF BOUNDS. ITS RECENT SHOW OF GREED AND INCOMPETENCE MAY WELL IMPOSE UPON IT THE EFFECTIVE REGULATION IT HAS SO DETERMINEDLY TRIED TO AVOID.

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MARKET MAYHEM

WHILE WALL STREET PUTS ITS NUMBERS TO USE IN “MICKEY MOUSE” GAMES, BEYOND THE TIP OF LOWER MANHATTAN THE REST OF THE COUNTRY MUST DEAL WITH A MASS OF CONSTANTLY CHANGING NUMBERS UPON WHICH OUR COUNTRY’S FUTURE MAY WELL DEPEND. THESE ARE THE ECONOMIC FORECASTS, PROJECTIONS, ANALYSES, MODELS AND BUSINESS PLANS THAT WE HOPE WILL RESOLVE OUR CURRENT UNCERTAINTIES AS PAINLESSLY AS POSSIBLE.

THEY ARE SUBJECT TO INTERPRETATION, DISCUSSION AND ARGUMENT BY THE PUBLIC AND BY “EXPERTS” WHO OFFER THE BROADCAST MEDIA’S PRESENCE AND OUTPUT FROM EARLY MORNING TO LATE AT NIGHT, AND SOMETIMES AROUND THE CLOCK. THEY ARE USED TO BOLSTER OPINION. ALTHOUGH SOME OF THEM MAY TURN OUT TO BE ACCURATE, AT THIS POINT THEY ALL COMPETE FOR CREDIBILITY.

EVENTUALLY A FEW OF THESE NUMBERS WILL EMERGE FROM THE EFFORTS, LEGISLATION, HEARINGS, CONFERENCES AND PROPOSALS OF GOVERNMENTS HERE AND ABROAD AS TRUTH. THEY WILL BE SEEN AS RESULTS, NOT FORECASTS; THEY MAY STILL BE SUBJECT TO DEBATE AS TO WHETHER THEY ARE “RIGHT” OR “WRONG”, BUT THEY ARE MORE FIXED; THEY HAVE ESTABLISHED THEIR PLACE AND TIME. THEY ARE FACT, OR AS NEAR TO IT AS WE CAN COME IN THE PRESENT MOMENT.

BUT, UNFORTUNATELY WE ARE NOT THERE YET. WE STRUGGLE TO IMAGINE, TO SEE WITH CLARITY, TO CHOOSE WISELY, DESPERATE TO PUT OUR OWN IMPRINT ON REALITY. BUT, OF COURSE, THERE ARE ALWAYS OTHER VOICES DEDICATED

TO OTHER GOALS — “BUT WHAT ABOUT . . . ?”; “ON THE OTHER HAND . . . ?”; “WHAT IF . . . ?”; “WE MUST REMEMBER”; “DON’T FORGET” ONE BY ONE, ON THE ROAD TO REALITY, THEY WILL DROP AWAY, BUT FOR THE TIME THEY ARE VERY MUCH WITH US, AND WE MUST USE THEM AS BEST WE CAN.

. . . A PERSUASIVE ARGUMENT FOR SERIOUS AND CONTINUING DEBT REDUCTION.

FIRST, HOWEVER, WE MUST CONFRONT OUR SECOND VISUALIZATION CHALLENGE. WE MUST ASK OURSELVES AND OUR ELECTED GOVERNMENT TO IMAGINE THE CIRCUMSTANCES THAT MUST TAKE PLACE TO PERMIT US TO CREATE MEANINGFUL SURPLUSES BY WHICH WE CAN REALISTICALLY EXPECT TO REDUCE OUR DEBT. WE DO NOT REFER TO MINOR OR OCCASIONAL REDUCTIONS OF OUR ANNUAL DEFICIT. WE MUST RECOGNIZE OUR PROBLEM IN ITS ENTIRETY, AND THAT MEANS CREATING POLICIES AND PROGRAMS THAT MAKE A PERSUASIVE ARGUMENT FOR SERIOUS AND CONTINUING DEBT REDUCTION.

OUR PAST AND PRESENT BUDGETARY DEFICITS ARE NOT SUSTAINABLE. THE ARITHMETIC OF THEIR ACCUMULATION IS CAUSE ENOUGH FOR CONCERN, BUT THEY ALSO HAVE THE CAPABILITY TO THREATEN AND ERODE OUR DOLLAR’S VALUE AND OUR SOCIAL CONTRACT BETWEEN THE PEOPLE AND THEIR GOVERNMENT.

THIS LAST IS CRITICAL. CONGRESS AND THE EXECUTIVE BRANCH SEEM TO OPERATE ON THE BASIS THAT THERE IS NO AMOUNT OF EXPENSE THAT THE AMERICAN TAXPAYER WILL NOT ACCEPT. THEY ARE WRONG. GOVERNMENTS AND POLITICAL SYSTEMS HAVE THEIR TIPPING POINTS WHEN UNREST GROWS TO THE POINT WHERE LAW AND ORDER FAIL AND THE SPIRIT OF THE MOB IS LET LOOSE AMONG THE PEOPLE.

THE OBAMA ADMINISTRATION’S BUDGETARY FORECASTS MAKE FOR BLEAK READING IN THEMSELVES. CONGRESS’ FAILURE TO IDENTIFY OR PROPOSE ANY DEBT REDUCTION MECHANISMS SUGGESTS THAT OUR ECONOMIC FUTURE WILL BE MARKED BY AS MUCH FOLLY AS OUR PAST, AND THAT THE BURDEN IS EXPECTED TO BE ADDED TO THAT ALREADY CARRIED BY THE TAX PAYING PUBLIC.

IN A TIME WHEN BOTH POPULATION AND MAJOR EXPENSE CATEGORIES SUCH AS HEALTH CARE, SOCIAL SECURITY, EDUCATION AND INFRASTRUCTURE ARE EXPECTED TO INCREASE INCREMENTALLY, THE TAXPAYER’S LOAD MAY WELL PROVE TOO HEAVY TO BEAR. AT THAT TIME HIS/HER SENSE OF ABANDONMENT BY GOVERNMENT MAY REACH THE POINT WHERE THE PAIN IS SO GREAT THAT THE ECONOMIC, POLITICAL AND SOCIAL THREADS OF OUR PEOPLE/GOVERNMENT TAPESTRY MUST BE REWOVEN WITH DIFFERENT FABRICS AND FROM DIFFERENT PATTERNS IN ORDER TO SURVIVE.

ALL OF WHICH RAISES ANOTHER VITAL QUESTION. IN NATURE, IN PHYSICS AND CHEMISTRY, ELEMENTS CAN CHANGE THEIR VALUES ACCORDING TO THE TEMPERATURE, ALTITUDE,

LIGHT, PRESSURE, ETC. OF THEIR ENVIRONMENT. WE FACE AN ECONOMIC ENVIRONMENT WITH LAWS WHICH WE DO NOT FULLY UNDERSTAND. OUR QUESTION IS WHETHER, AS MAJOR CHANGES ARE WROUGHT IN OUR PUBLIC/GOVERNMENT RELATIONS, WILL WE BE ABLE TO RETAIN OUR HISTORICAL POLITICAL AND ECONOMIC VALUES? THIS SHOULD BE A MATTER OF OPEN DEBATE BY THE PUBLIC, THE MEDIA AND GOVERNMENT IN CONSIDERING PROGRAMS AS VAST AS THOSE WE NOW UNDERTAKE. SADLY, NO SUCH EXPRESSION OF NATIONAL INTEREST HAS OCCURRED.

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MUCH MENTION HAS BEEN MADE IN OUR RECENT DISCUSSIONS OF STIMULUS SPENDING OF OUR NEED TO REPAIR OUR INFRASTRUCTURE WITH PRIMARY EMPHASIS ON THE ROADS AND BRIDGES OF OUR INTERSTATE HIGHWAY SYSTEM. THE LATTER RECEIVED SPECTACULAR ATTENTION LAST YEAR WHEN A KEY BRIDGE IN MINNEAPOLIS COLLAPSED WITHOUT WARNING. "WITHOUT WARNING" IS NOT QUITE CORRECT, HOWEVER. THE AMERICAN SOCIETY OF CIVIL ENGINEERS (ASCE) HAS CLAIMED THAT WE MUST SPEND \$1.6 TRILLION OVER THE NEXT FIVE YEARS FOR INFRASTRUCTURE REPAIRS AND MAINTENANCE¹⁰, AND THE TRUTH IS THAT WE HAVE HAD AMPLE WARNING GOING BACK ABOUT TWENTY-FIVE YEARS WHEN A LARGE SECTION OF I-95 COLLAPSED INTO LONG ISLAND SOUND AT BYRAM, CT. OTHER ISOLATED SIGNS OF DETERIORATION, OFTEN ATTRIBUTED TO LOCAL CIRCUMSTANCES, BEGAN TO FOLLOW.

PRESIDENT EISENHOWER INITIATED OUR INTERSTATE SYSTEM IN 1956 WHICH GIVES IT A 'SHELF LIFE' OF ABOUT FIFTY YEARS MEASURED TO TODAY, BUT ONLY ABOUT TWENTY-FIVE YEARS TO THE BYRAM COLLAPSE. AS MAINTENANCE WORK LACKS THE APPEAL OF NEW CONSTRUCTION, LOCAL/STATE AGENCIES AND VOTERS FIND VARIOUS WAYS TO DEFER IT, EVEN THOUGH THE FEDERAL GOVERNMENT NORMALLY PAYS 90% OF THE COST.

THE QUESTION THAT THESE FAILURES RAISE AND THAT FEW PEOPLE ASK, AND EVEN FEWER ATTEMPT TO ANSWER, IS — "WHAT IS THE REAL COST OF PRESENT AND FUTURE INFRASTRUCTURE EXPENSE?"

OUR PRESENT INTERSTATE HIGHWAY SYSTEM OF 47,000 MILES¹¹ DIFFERS GREATLY FROM THE ORIGINAL 1956 PROGRAM WHICH WAS DESIGNED MAINLY FOR PASSENGER CARS. TODAY, THE MIX RUNS MORE TO COMMERCIAL TRAFFIC WITH ITS HEAVY TRUCKS AND TRAILERS AND THE WEAR AND TEAR THEY CAUSE. MORE TELLING, THE NUMBER OF VEHICLES ON OUR INTERSTATE HIGHWAYS IS NOW FOUR TIMES WHAT IT WAS IN 1956¹².

THE RECENT STIMULUS BILL ASSIGNS \$30 BILLION¹³ TO HIGHWAY INFRASTRUCTURE OVER THE NEXT TWO YEARS, BUT WE THINK OUR CONTINUING GROWTH IN POPULATION AND VEHICLES WOULD PROVE THIS AMOUNT INSUFFICIENT TO MEET FUTURE MARKET AND SAFETY DEMANDS.

THE ESCALATING COST OF TAXES, TOLLS AND FUEL POSES A NEGATIVE FOR OUR POPULAR COMMERCIAL TRUCKING INDUSTRY AND MAY OFFER NEW OPPORTUNITIES FOR OUR RAILROAD FREIGHT SYSTEM.

THE EISENHOWER SYSTEM'S COST RAN TO BILLIONS OF DOLLARS AND ITS "SHELF LIFE" SEEMS TO BE ABOUT ONE GENERATION. NOW, AS WE UNDERTAKE REPAIRS, WE ARE SPEAKING IN TRILLIONS! THAT IS AN ENORMOUS DIFFERENCE. LOOKING AHEAD TO INCREASING RAW MATERIALS/LABOR COSTS AND MORE POPULATION/CARS/TRAVEL WHEN THE NEXT ROUND OF MAINTENANCE WILL BE NECESSARY, THE COSTS WILL BE SIGNIFICANTLY GREATER AND THE "SHELF LIFE" WILL PROBABLY HAVE SHRUNK.

NEW NUMBERS ARE NEEDED.

AS WE GO DOWN THIS ROAD, PAYING BOTH MORE AND MORE OFTEN, WHAT IS OUR REAL COST? IT WOULD BE MOST REVEALING TO MEASURE THE DOLLAR COST PER MILE OF US HIGHWAY CONSTRUCTION FROM 1956 TO THE PRESENT AND ALSO FOR WHAT IS PLANNED UNDER THE CURRENT STIMULUS LEGISLATION. HOW DO WE GET OUR ELECTED REPRESENTATIVES TO EMPLOY A BUDGETARY SYSTEM THAT RECOGNIZES THESE REALITIES? IN EFFECT, THIS IS ONE ASPECT OF THE TASK OF CREATING GOOD GOVERNMENT IN WHICH WE HAVE BEEN SADLY NEGLIGENT AND UNSUCCESSFUL. NEW NUMBERS ARE NEEDED.

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ONE OF THE ABSOLUTELY CRITICAL ELEMENTS OF THE PRESENT ECONOMIC CIRCUMSTANCE IS OUR RAPIDLY INCREASING NATIONAL DEBT. RECENT CONGRESSIONAL BUDGET OFFICE ESTIMATES ANTICIPATE \$9.3 TRILLION OF BUDGET DEFICITS OVER THE NEXT DECADE WILL RESULT FROM THE OBAMA STIMULUS PROGRAM¹⁴. ANY SUCH PROJECTIONS INVOLVING MASSIVE NUMBERS OVER A LENGTHY PERIOD DEFY REALITY.

AND YET THEIR IMPACT WILL BE FELT. THERE WILL BE RESULTS WITH WHICH OUR GOVERNMENT AND OUR FELLOW CITIZENS WILL HAVE TO DEAL AS BEST THEY CAN. SOME OF THESE CONSEQUENCES WILL BE DOMESTIC; OTHERS WILL BE PUT TO US BY FRIENDS AND ENEMIES ABROAD.

IN RECENT MEMORY WE WERE THE WORLD'S LARGEST CREDITOR. TODAY OUR ROLE IS REVERSED AND WE ARE ITS LARGEST DEBTOR. AS DEBT INCREASES, DEBTORS FIND IT MORE DIFFICULT TO DETERMINE THEIR OWN DESTINY AND, WHILE WE STILL ENJOY EXCEPTIONAL STATUS THROUGHOUT THE WORLD, WE WILL NOT BE AN EXCEPTION TO THIS RULE.

AS OUR DEBT GROWS AND REACHES 5% OR MORE OF

OUR GROSS DOMESTIC PRODUCT,¹⁵ SUCH LEVELS ARE VIEWED BY MANY ECONOMISTS AS UNSUSTAINABLE. SIMILARLY, AS INTEREST ON OUR “OFFICIAL” NATIONAL DEBT MAY COME CLOSE TO AN INCREASE OF 100% IN THE NEXT DECADE, IT WILL PUT REAL PRESSURE ON THE AMOUNTS AVAILABLE TO OTHER EXPENSE CATEGORIES, AS THE “PIE” CANNOT ALWAYS EXPAND TO ACCOMMODATE INCREASING EXPENDITURES.

THIS INTEREST IN THE FISCAL YEAR ENDING 9/08 AMOUNTED TO \$457 BILLION AND WAS THE THIRD LARGEST ITEM IN OUR NATIONAL BUDGET¹⁶, EXCEEDED ONLY BY OUR SPENDING ON SOCIAL SECURITY AND DEFENSE. ANYONE WHO HAS EXPERIENCED EXCESSIVE DEBT WILL RECOGNIZE THE IRRESISTIBLE FORCE THAT IT WILL APPLY TO OUR FUTURE BUDGETS WERE IT TO DOUBLE BY 2019.

FEDERAL SPENDING ON MEDICARE, MILITARY/DEFENSE AND SOCIAL SECURITY OVER THE PAST DECADE HAS SHOWN PERSISTENT INCREASES AND REACHED RECORD LEVELS. IN THE CASE OF MEDICARE AND SS THEIR SUPPORT DERIVES FROM WIDE SOCIAL AND HUMAN, AS WELL AS POLITICAL, SOURCES. THE BIGGEST SHOCK TO OUR SYSTEM IS FINDING OUT THAT THINGS ARE NOT AS WE HAVE BEEN TOLD BY WALL ST, THE MEDIA, AND OUR ELECTED GOVERNMENT. WE HAVE EXPERIENCED AN ENORMOUS LOSS OF CONFIDENCE WHICH IS REINFORCED LOCALLY AND PAINFULLY BY FRIENDS, FAMILY AND NEIGHBORS LOSING JOBS.

ROT IS STRONG AND DEEP. IT SHOWS UP IN BERNIE MADOFF, ALLEN STANFORD, LOCAL POLITICAL CORRUPTION, AND FLAGRANT MISUSE OF CHURCH FUNDS FOR LAS VEGAS JUNKETS BY FLORIDA CATHOLIC CLERGY NOT BURDENED BY DIOCESAN SUPERVISION, ACCOUNTABILITY OR PUNISHMENT.

OUR FEDERAL DEBT HAVING GROWN FROM \$5.7 TO \$10.6 TRILLION DURING THE BUSH II PRESIDENCY¹⁷ ITS LIMIT WAS EXTENDED IN THE RECENT STIMULUS BILL TO \$12.1 TRILLION, A 10% INCREASE IN ONE YEAR. OUR TOTAL TRUE DEBT IS NOW SEEN AS \$56 TRILLION BY CONCORD COALITION, AN INCREASE OF \$5 OR \$6 TRILLION FROM THE FIGURE WE USED IN OUR 4/05 ISSUE.

THESE ARE NOT JUST NUMBERS. THEY CARRY WITH THEM A MESSAGE OF HUMAN PAIN AND FEAR IN A SOCIETY WHOSE CLAIMS, CHARACTER AND VALUES ARE BEING REVEALED AS LESS THAN WHAT WE HAVE BEEN TOLD AND HAVE BELIEVED. PROMINENT IN THIS PROCESS OF SOCIETAL DOWNGRADING IS THE FAILURE OF MANY OF OUR INSTITUTIONS TO PROTECT THOSE FOR WHOM THEY WERE CREATED.

IN THE COURSE OF OUR FINANCIAL MELTDOWN WE ARE EXPOSED TO MUCH FALSE RHETORIC — NOW IS THE TIME TO BUY STOCKS, GO SHOPPING, ETC. OUR CURRENT SITUATION SHOWS HOW DANGEROUS THESE ATTEMPTS TO MANIPULATE PUBLIC BEHAVIOR FOR PERSONAL PROFIT HAVE BECOME.

BUT THERE IS ANOTHER LOOMING THREAT ON A FAR LARGER SCALE WHICH WE MUST RECOGNIZE. AGAIN, IT HAS TO DO WITH OUR ENORMOUS DEBT LOAD. LISTENING TO OUR POLITICAL REPRESENTATIVES FROM BOTH PARTIES, WE ARE GIVEN THE IMPRESSION THAT OUR STIMULUS MEASURES WILL CREATE NEAR TERM DEBT WHICH, AS THE STIMULUS KICKS IN

AND THE ECONOMY IMPROVES, WILL BE RETIRED BY RISING REVENUES AND THEIR RECEIPTS.

THIS IS ANOTHER TRAP! IT IS SIMPLY NOT POSSIBLE THAT THE ACCUMULATION OF SPENDING AND DEBT THAT WE HAVE BUILT INTO OUR SYSTEM CAN BE ELIMINATED BY A FEW YEARS OF IMPROVED CIRCUMSTANCES EVEN IF THEY ARE ACCOMPANIED BY BUDGETARY SURPLUSES.

CONSIDER THAT THE INTEREST ON OUR DEBT WILL SHOW A LARGE INCREASE. CONSIDER THAT HEALTH CARE IS EXPECTED TO CONTINUE TO CLAIM A GROWING SHARE OF OUR BUDGET. AND THERE ARE THE UNAVOIDABLE CONSEQUENCES OF EXPANSIONIST IMMIGRATION/POPULATION POLICIES THAT TRANSLATE INTO HIGHER SERVICE AND MAINTENANCE COSTS AT ALL LEVELS OF GOVERNMENT. ALL THESE CLAIMS UPON OUR BUDGET WILL CONTINUE TO ALTER ITS PERCENTAGES. AND THEY WILL BE PAID.

* * *

THE EVER PRESENT, UNINVITED GUEST

THERE IS AN UNINVITED GUEST THAT HAS A SEAT AT OUR ECONOMIC TABLE. HE IS OUR OWN BLOOD AND YET WE DO NOT ACKNOWLEDGE HIM. HE ATTEMPTS TO AVOID NOTICE AND YET HE TAKES A SHARE OF EVERYTHING THAT IS SERVED. WHETHER WE EAT WITH OUR HANDS OR USE IMPLEMENTS, HE DOES THE SAME. OCCASIONALLY, WE MOVE AGAINST HIM. WE ASK HIM TO LEAVE, OR SAY THAT HE WILL NO LONGER BE SERVED. BUT HE PAYS NO HEED. HE HAS FRIENDS IN HIGH PLACES. HIS NAME IS ‘FRAUD’.

HOW DID HE COME TO OUR TABLE? WHY CAN WE NOT EXPEL HIM? WHAT CLAIM HAS HE UPON US? AGAIN, WE MAY LOOK TO HISTORY FOR ANSWERS, BUT NOT FOR SOLUTIONS.

IN EARLY AMERICA LAW WAS CREATED, NOT IMPOSED BY ROYALTY OR INVASION. OUR CREATION BORROWED HEAVILY FROM THE BODY OF ENGLISH LAW THAT HAD DEVELOPED SINCE MAGNA CARTA, BUT BORE OUR OWN DISTINCTIVE AMERICAN IMPRINT. AND, AS WITH FINANCE AND POLITICS, AS WE MOVED OUR BORDERS WESTWARD, THE CIRCUMSTANCES OF THAT EXPANSION WERE REFLECTED IN “THE LAW OF THE LAND”.

FROM THE EARLIEST DAYS OF OUR WESTWARD MIGRATION CERTAIN PATTERNS REPEATED THEMSELVES. THE FIRST COMMUNITIES WERE SMALL AND COMPOSED MOSTLY OF A FEW FAMILIES AND/OR FRIENDS. IF THEY WERE SUCCESSFUL IN ESTABLISHING AN ECONOMIC AND SOCIAL BASE, THEY GREW TO BECOME TOWNS, COUNTIES, TERRITORIES AND, FINALLY, STATES.

AT THE LEADING EDGE OF THIS PROCESS, LAW WAS MOSTLY OF THE BASIC CRIMINAL VARIETY AND WAS DELIVERED BY SHERIFFS, MARSHALLS AND ENRAGED CITIZENS. THERE

WERE MANY MORE FIREARMS AND “HANGING TREES” THAN COURTROOMS AND JUSTICES. IN TIME, THIS MIX WOULD CHANGE AND, AS POPULATION AND TRADE INCREASED, THE NICETIES OF COMMERCIAL LAW TOOK THEIR PLACE ALONGSIDE THE CRIMINAL CODE.

WITH STATEHOOD AND ADMISSION TO THE UNION OUR LAW ENFORCEMENT AND JUDICIAL SYSTEMS ENTERED A MORE MATURE PHASE WHICH ESTABLISHED A VARIETY OF RESTRICTIONS, BENEFITS, REGULATIONS, PENALTIES AND PROCEDURES THAT HAD NOT EXISTED BEFORE. LIFE (AND LAW) BECAME MORE SETTLED, MORE FORMAL, MORE FASHIONABLE AND LESS VIOLENT. THE FRONTIER WAS REPLACED BY “CIVILIZATION”.

. . . FINANCIAL LAW WAS SEEN TO BE AS
Laissez-faire AS CAPITALISM.

HOWEVER, OUR LEGAL DNA HAS CARRIED DOWN FOR GENERATIONS SOME OF OUR EARLY FRONTIER LEGAL CODE. AS IN FINANCE AND POLITICS, WE ENGAGED IN A HIGHLY COMPETITIVE, INDEPENDENT AND OFTEN ARBITRARY FORM OF CO-EXISTENCE THAT REJECTED INTERVENTION AS MUCH AS POSSIBLE. TO THE EXTENT THAT WE COULD MAKE IT SO, FINANCIAL LAW WAS SEEN TO BE AS LAISSEZ-FAIRE AS CAPITALISM.

THE RELATIONSHIP BETWEEN THE TWO WAS SYMBIOTIC AND THE RESULT WAS THAT OUR ECONOMIC AND POLITICAL SYSTEMS HAVE HISTORICALLY TOLERATED A HIGH LEVEL OF FRAUD. IT HAS BEEN IN THE PAST, AND CONTINUES TO BE, A GROWTH INDUSTRY. IT IS THERE, LIKE THE GUEST AT THE TABLE, AND SHOWS NO SIGN OF VOLUNTARY DEPARTURE.

EARLIER WE POINTED OUT THE VARIOUS STAGES OF THE “TOXIC” MORTGAGE DEBACLE DURING WHICH MASSIVE FRAUD WAS PERPETRATED BY THE WALL STREET LENDING, RATING AND MARKETING SECTORS. BACKED INTO A CORNER BY THEIR OWN CUPIDITY, THEY WARNED OF TOTAL COLLAPSE IF THEY WERE NOT RESCUED AND, PUTTING ASIDE THEIR USUAL OBJECTION TO INTERVENTION, OPTED TO ACCEPT THE BALM OF TAXPAYER BILLIONS, AND PERHAPS AS MUCH AS A TRILLION. THERE IS NO TELLING WHEN “MORE” WILL BECOME “ENOUGH”.

BUT EVEN THEN THE GUEST WILL NOT EXCUSE HIMSELF AND LEAVE OUR TABLE. HE HEARS THE POLITICAL ARGUMENT REVOLVING AROUND THE PROPOSED STIMULUS PACKAGE, KNOWS THAT IT WILL PASS AND THAT HE WILL PLAY AN IMPORTANT ROLE IN IT. FOR FRAUD IT WILL BE A “SLAM DUNK”, A GOLDEN MOMENT NOT TO BE MISSED.

WE HAVE DEALT WITH MASSIVE FRAUD BEFORE — IN THE IRAQ WAR, IN MEDICARE, IN SOCIAL SECURITY, IN FEMA AND ELSEWHERE — BUT THE POTENTIAL HERE IS FAR GREATER, AND WILL PROBABLY BE ACHIEVED.

IN OUR JANUARY '08 ISSUE DEVOTED TO HEALTHCARE WE CITED AN FBI ESTIMATE OF \$60 TO \$100 BILLION FOR ANNUAL MEDICARE FRAUD. THIS IS A SHOCKING AMOUNT AND YET IT APPLIES TO ONLY ONE OF OUR KEY GOVERNMENT PROGRAMS.

THERE ARE OTHERS SUCH AS SS AND OUR AGRICULTURAL SUBSIDIES; AND THERE ARE MANY SMALLER PROGRAMS TUCKED INTO THE DARK CORNERS OF OUR BUDGETARY LEGISLATION.

BUT THEY PALE BESIDE THE OPPORTUNITIES FOR FRAUD THAT WILL BE CREATED AND REALIZED AT LOCAL, STATE AND NATIONAL LEVELS BY THE IMMENSE AND PROLONGED STIMULUS FUNDING UPON WHICH WE ARE ABOUT TO EMBARK. WHAT’S MORE, AS WITH MOST FEDERAL PROGRAMS, IT WILL LACK MEANINGFUL SAFEGUARDS AND ENFORCEMENT PROCEDURES WHICH INCREASE THE COST AND TIME OF IMPLEMENTATION.

AS THE AMOUNT AND REACH OF STIMULUS FRAUD ARE REVEALED, CONGRESS WILL FEIGN SURPRISE, BUT BY THAT TIME ALL THE NECESSARY STATE AND LOCAL POWER STRUCTURES WILL HAVE BEEN ACTIVATED AND REFORMED AROUND THE NEW MONEY FROM WASHINGTON. THE TRUTH OF TIP O’NEILL’S DEFINING STATEMENT, “ALL POLITICS ARE LOCAL.”, REACHES FAR BEYOND THE VOTING BOOTH.

WE TEND NOT TO THINK OF OUR HISTORICAL INSISTENCE UPON INDEPENDENCE IN OUR POLITICAL AND FINANCIAL PURSUITS AS ENCOURAGING ANYTHING ILLEGAL. AND YET IT IS IN OUR DNA AND MARKS OUR ECONOMY IN WAYS AND PLACES LARGE AND SMALL.

AS HE CONTEMPLATES THE FUTURE, THE GUEST AT OUR TABLE ALLOWS HIMSELF A WRY SMILE OF ANTICIPATION. IN DUE TIME WE WILL KNOW WHY. THE PROOF WILL BE IN THE PUDDING.

* * *

CONCLUSIONS

THE GREATEST PERIL FROM OUR PRESENT CRISIS THAT OUR NATION FACES IS THE LONG TERM EFFECT OF ITS VAST INCREASE OF OUR INDEBTEDNESS. UNEMPLOYMENT MAY DECREASE AND SALES MAY INCREASE, BUT ANNUAL DEFICITS OF A TRILLION DOLLARS HAVE A FORCE ALL THEIR OWN AND ARE NOT MANAGEABLE.

WE ARE FORTUNATE IN A WAY IN THAT, BECAUSE OUR DOLLAR IS THE WORLD’S RESERVE CURRENCY, WE CAN PRINT, RATHER THAN PURCHASE, THE FUNDS WE NEED TO PAY OUR DEBTS. BUT THERE ARE UNWANTED CONSEQUENCES THERE, TOO, AS ANY CHEAPENING OF THE DOLLAR WOULD INVITE CHALLENGES TO ITS RESERVE CURRENCY STATUS. SUCH A CHALLENGE WOULD ACCELERATE ITS LOSS OF VALUE AND, WERE IT TO SUCCEED, WOULD CAUSE CONSIDERABLE INSTABILITY IN INTERNATIONAL ECONOMIC MARKETS.

HISTORICALLY, PRINTING MORE MONEY HAS APPEALED TO POLITICIANS AND OFFERED THEM, FOR THE MOMENT, THE LEAST PAINFUL COURSE OF ACTION. LIKE ALL ADDICTIONS IT IS DANGEROUS AND POSSESSED OF HARMFUL SIDE EFFECTS. WE SHOULD NOT UNDERTAKE IT, BUT ALL INDICATIONS ARE THAT WE

WILL, AS IT IS A QUIET AND TIME-TESTED WAY OF “KICKING THE CAN DOWN THE ROAD”.

WE MAY FIND THAT GLOBALISM’S TIES ARE ONES THAT BIND AND WE WILL NOT BE ABLE TO ACT WITH THE SAME ECONOMIC INSOUCIANCE AND INDEPENDENCE AS WE HAVE IN THE PAST. SUCH A REALIZATION BY US AND OTHERS WOULD MOST LIKELY RESULT IN A REALIGNMENT OF THE INTERNATIONAL FINANCIAL STRUCTURE.

BUT THERE IS MORE TO BE CONCERNED ABOUT — MORE THAN OUR FEDERAL DEBT. OUR STATES, TOO, FACE BUDGET DEFICITS THAT EMIT A DISTURBING SIGNAL. OVER THE FOUR YEAR PERIOD FROM ’02 THRU ’05 TOTAL STATE BUDGET DEFICITS AVERAGED \$60 BILLION. IN THE PROJECTED ’09 THRU ’11 PERIOD THEIR SHORTFALL IS ANTICIPATED TO AVERAGE \$115 BILLION. ONLY EIGHT STATES ARE EXPECTED TO BREAK EVEN OR SHOW SURPLUSES.¹⁸

WHY IS THIS SIGNIFICANT? BECAUSE STATES MUST SEEK THEIR FUNDS FROM THE SAME SOURCE AS THE FEDERAL GOVERNMENT — THE AMERICAN TAXPAYER — AND WILL INCREASE THE LOAD THAT HE/SHE MUST CARRY.

WE EXIST IN A TIME OF GREAT PERIL FROM NATURAL, POLITICAL, SOCIAL, MILITARY AND POPULATION FORCES THAT WE CAN NEITHER ANTICIPATE WITH ACCURACY NOR, WITH ANY CERTAINTY, CONTROL. ALL OF THESE HAVE THE POWER TO IMPOSE SUDDEN AND MAJOR CHANGE UPON OUR ECONOMY AND SOCIETY.

HOW DO WE PROPOSE TO DEAL WITH THE HERETOFORE UNIMAGINABLE NUMBERS AND UNKNOWABLE CHALLENGES THAT LIE IN WAIT FOR US? OUR PRIMARY LINE OF DEFENSE IS AN INEPT CONGRESS SO GIVEN OVER TO ACHIEVING IDEOLOGICAL AND POLITICAL ADVANTAGE THAT IT HAS BECOME A PORTRAIT OF PARALYSIS. GIVEN THE MAGNITUDE OF OUR PROBLEMS, IT WOULD BE UNREALISTIC FOR US TO EXPECT IT TO READILY COME UP WITH SOLUTIONS. BUT, SOLUTIONS ASIDE, THE CONGRESS DOES NOT SEEM ABLE TO AIM ITSELF IN THE RIGHT DIRECTION, TO ALIGN ITSELF WITH THE INCREASINGLY BELEAGUERED PUBLIC’S NEED FOR GOOD GOVERNMENT.

WHAT COMFORT CAN WE TAKE FROM WHAT WE FACE? THE STIMULUS PACKAGE AND THE RECOVERY EFFORT NEEDED TO IMPLEMENT IT ARE IMMENSE AND THE PROBLEMS SEEM EVEN LARGER. THE DOLLARS ENVISIONED ARE VAST AND SEEM DESTINED TO REACH ALL LEVELS OF OUR ECONOMIC STRUCTURE. THEIR SUCCESSFUL APPLICATION WILL REQUIRE FAIRNESS AND A DEFT TOUCH.

THE NUMBERS OF EVERYTHING — DOLLARS, FORMS, REGULATIONS, APPLICATIONS, RECIPIENTS, PROJECTS, POSSIBILITIES FOR FAILURE OR SUCCESS — FORM A SCALE WITH WHICH WE ARE UNFAMILIAR. THEY TRAVEL ALONG LINES, MORE OFTEN OF IMAGINATION THAN EXPERIENCE, AND INTERSECT AT INCONVENIENT AND PAINFUL PLACES IN OUR NATIONAL POLITICAL AND SOCIAL LIFE THAT DO NOT ADAPT EASILY TO GOVERNMENT INTERVENTION.

OUR PRESENT SITUATION IS NOT ONE OF CHANCE. THE FACT THAT IT HAS BEEN SELF-MADE OVER AN EXTENDED PERIOD OF TIME LESSENS THE POSSIBILITY OF SELF-CORRECTION.

AND THE DOLLARS REQUIRED PRECLUDE ANY SIGNIFICANT ADDITIONAL FUNDING IF FLAWS OR FAILURE RESULT. THE MONEY AND, PERHAPS, THE TIME WILL NOT BE AVAILABLE. IF IT IS TO WORK, WE MUST GET IT RIGHT THE FIRST TIME. THERE WILL NOT BE TIME, OR MONEY OR PATIENCE FOR TINKERING AND A LONG LEARNING CURVE.

THIS IS A TIME WHEN OUR PAST THEORIES AND EFFORTS MAY NOT BE ABLE TO PROVIDE SOLUTIONS. THERE ARE SO MANY UNKNOWN AND UNPREDICTABLE ELEMENTS THAT WE WILL NEED A LARGE MEASURE OF GOOD FORTUNE IN ORDER TO SUCCEED.

THE MOST DAMAGING INGREDIENT IN THIS MIX OF MONEY COULD WELL BE OUR OWN GOVERNMENT, THOSE IN OUR AGENCIES AND THE CONGRESS WHO ARE EMPOWERED TO FORM AND IMPLEMENT OUR ECONOMIC POLICY.

FROM THE BEGINNING OF THE MELTDOWN LAST SEPTEMBER THROUGH LAST MONTH THEY HAVE ENGAGED IN THEIR USUAL IDEOLOGICAL CONFLICT. THIS IS MARKED BY PERSONAL ACCUSATIONS AND ATTACKS, BY VOTES AND NON-VOTES AND MEDIA EXPLOITATION. THERE IS LITTLE EVIDENCE THAT THIS ATMOSPHERE CAN CHANGE, BUT WHAT’S FAR WORSE THAN THIS BEHAVIOR IS THE DEAD-END REALIZATION THAT OUR GOVERNMENT CANNOT FUNCTION IN ANY OTHER WAY, AS MOST OF THOSE INVOLVED, WHETHER ELECTED OR APPOINTED, CANNOT ENVISION A NATIONAL INTEREST, OR DEBATE, OR EFFORT WITHOUT A STRONG IDEOLOGICAL COMPONENT.

THERE ARE SOME, BUT FEW POSITIVES. ONE MAY BE THE REALIZATION THAT OUR ECONOMY IS NOT A REAL-LIFE BOARD GAME PLAYED FOR FUN BY THOSE ON WALL STREET. IT IS LIKELY THAT OUR PRESENT PAIN WILL BRING ABOUT MEANINGFUL CHANGES AND IMPROVEMENTS IN OUR CAPITALIST SYSTEM. THESE ARE LONG OVERDUE AND NEED NOT LIMIT ITS OPPORTUNITIES.

OF ONE THING WE CAN BE CERTAIN. SPENDING CLOSE TO \$10 TRILLION WILL BRING ABOUT MANY UNFORESEEABLE CHANGES IN OUR NATIONAL AND INDIVIDUAL LIVES. THERE IS THE STRONG PROBABILITY THAT THEY WILL BE OF SUCH SIZE AND IMMEDIACY THAT THEY WILL REQUIRE US TO THINK MORE CLEARLY AND CLOSELY ABOUT OUR WORLD AND GOVERNMENT. THAT WOULD BE A REAL PLUS.

THE AMERICAN PEOPLE HAVE A SHARED SENSE OF FAIRNESS WHICH THEY HAVE ALLOWED TO BE ABUSED BY THEIR POLITICAL REPRESENTATIVES. QUITE SIMPLY, THE PUBLIC’S FAIRNESS IS MORE ADVANCED, MORE EFFECTIVE AND MORE GENUINE THAN THAT OF ITS GOVERNMENT. ANY BROAD IMPROVEMENT IN THIS DIFFERENCE WOULD BE OF GREAT NATIONAL BENEFIT. TURNING AROUND AN ECONOMY THE SIZE OF OURS IS NO EASY MATTER, AND WE WILL NEED ALL OUR SKILL, INTELLIGENCE AND JUDGEMENT.

IT IS AN ALL TOO COMMON FORM OF PUBLIC DECEPTION TO SUGGEST THAT WE GRADUALLY WORK OURSELVES OUT OF OUR PRESENT MESS. IT IS LONG PAST THAT POINT. IT IS TOO BIG, AND GETTING BIGGER. WE HAVE BUILT INTO OUR SYSTEM MECHANISMS, BOTH POLITICAL AND ECONOMIC, WHICH CANNOT BE DISLODGED WITHOUT GREAT EFFORT. SUCH AN EFFORT, TO BE SUCCESSFUL, WILL IMPOSE ITS OWN PAIN AND REALITY.

THIS WILL BE THE NEXT GREAT CHALLENGE TO OUR PEOPLE, OUR POLITICAL AND FINANCIAL SYSTEMS, OUR SOCIETY AND OUR WAY OF LIFE. WE WILL ENGAGE IN A NEW KIND OF ARITHMETIC. WE WILL HAVE TO ADD HERE AND SUBTRACT THERE AND MAINTAIN OUR BALANCE THROUGHOUT THE CONSTANT CHANGE.

THE OLD VOICES ARE HOARSE AND TIRED FROM REPEATING THE SLOGANS AND MANTRAS OF THE PAST. THE OLD MODELS WILL NOT WORK AND NEW ONES ARE YET TO BE TESTED, OR TRUSTED. WE ARE AT THE EDGE, AND THE WIND IS RISING.

* * *

EPILOGUE

AND NOW WE REVISIT OUR FIRST VISUALIZATION — THE ONE TRILLION DOLLAR, 67.9 MILES HIGH STACK OF THOUSAND DOLLAR BILLS. IF THE CBO ESTIMATE OF \$9.3 TRILLION OF BUDGET DEFICITS OVER THE NEXT DECADE IS CORRECT, IT WOULD REQUIRE A COLUMN OF BILLS 630 MILES HIGH. THAT'S OUTER SPACE, BEYOND THE EARTH'S ATMOSPHERE, AT A LEVEL USED FOR SPACE EXPLORATION AND ORBITING SATELLITES.

FOR ANOTHER PERSPECTIVE TURN THIS COLUMN 90° AND LAY IT ACROSS A MAP OF THE COUNTRY. IT WOULD EXTEND WESTWARD FROM NYC TO DETROIT. UNLIKE OUR NINETEENTH CENTURY TERRITORIAL EXPANSION, ITS PROGRESS WILL LACK THE LURE OF THE FAR PACIFIC AND THE COURAGE AND STRENGTH IT TOOK TO REACH THERE. AND THE THREATS THAT WE WILL FACE WILL NOT BE THOSE OF THE PLAINS INDIANS OR WINTER IN THE ROCKIES. THEY WILL BE THOSE THAT WE HAVE MOSTLY IMPOSED UPON OURSELVES.

SELF-CORRECTION DOESN'T COME EASILY, AND ALMOST NEVER IN WASHINGTON. AND YET, WE MUST PULL BACK OUR DEBT FRONTIER TO AVOID ITS KNOWN AND UNKNOWN PERILS. THIS WILL BE A SLOW AND AGONIZING EFFORT AND IS NOT LIKELY TO BE ACCOMPLISHED BEFORE MID-CENTURY, BUT IN THIS MATTER OUR FUTURE CANNOT BE ONE WITH OUR PAST.



END NOTES

¹ CRASH COURSE BY CHRIS MARTENSON VIA KATHLEEN PARKER, MAKING NICE WITH THE BEAST, PALM BEACH POST, 3/9/09

² THE ORIGINAL BASIS FOR THE FIGURES IN THIS PARAGRAPH WAS THE OFFICE OF MANAGEMENT & BUDGET VIA THE McCLATCHY-TRIBUNE INFORMATION SERVICE AND PALM BEACH POST 2/27/09. THEIR COMBINATION AND AVERAGING WAS DONE BY THE AUTHOR

³ CONGRESSIONAL BUDGET OFFICE VIA THE ASSOCIATED PRESS AND PALM BEACH POST 2/24/09

⁴ THE CONCORD COALITION — LETTER TO MEMBERS 2/09

⁵ WALL STREET UNDER OATH, BY JUDGE PECORA, NYC, 1939, A BOOK NOW LONG OUT OF PRINT, PROVIDED A DETAILED ACCOUNT WITH DIRECT QUOTATIONS FROM THE OFFICIAL RECORDS.

⁶ PALM BEACH POST — 10/15/08 — “PLUGGING INTO . . . “ CYNTHIA TUCKER

⁷ OBAMA UNLIKELY TO CHANGE . . . BY CHILTON WILLIAMSON JR VIA MIDDLE AMERICAN NEWS 3/09

⁸ ASSOCIATED PRESS VIA PALM BEACH POST P 14A 3/20/09

⁹ MIDDLE AMERICAN NEWS 3/09

¹⁰ MIDDLE AMERICAN NEWS, 2/09

¹¹ “HOW WE CAN SAVE OUR ROADS” BY EARL SWIFT, PARADE, 3/9/09

¹² IBID

¹³ IBID

¹⁴ ASSOCIATED PRESS VIA PALM BEACH POST, 3/21/09

¹⁵ IBID

¹⁶ WASTE WATCH, CITIZENS AGAINST GOVERNMENT WASTE, 2008

¹⁷ READING TEA PARTY LEAVES, PALM BEACH POST, 4/16/09

¹⁸ STATES IN CRISIS BY NILL NOVELLI, AARP BULLETIN, 3/09

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MR. AULT IS RETIRED FROM BUSINESS, A GRADUATE OF YALE UNIVERSITY, AND THE AUTHOR OF A RETAIL FOOD STUDY (LA ROCHE & Co. NYC, NY 1957) WHICH DESCRIBED THE EMERGENCE AND GROWING DOMINANCE OF THE SUPERMARKET IN AMERICAN FOOD RETAILING.

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