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Why the Government Lies About Social Security

by Congressman Ron Paul

Perhaps the biggest media story of 2010 was the influence of Tea Party voters on the Congressional landscape. The new Congress comes to Capitol Hill with a mandate to end profligate spending and restore fiscal sanity in Washington, we are told. But when the House and Senate convene in January the newly elected members will face tremendous pressure to maintain spending levels for entitlement programs. Even the most modest proposals to trim Social Security or Medicare spending will be met with howls of indignation and threats of voter revolt. Legislators who propose any kind of means testing or increased retirement ages can expect angry visits from senior citizens and lobbyists ready to fund a candidate back home who supports the status quo.

But millions of Americans now realize that the status quo is an illusion that will not last even another 10 or 20 years. The federal government cannot continue to spend a trillion dollars more than it collects in revenue each year because we are running out of creditors. Fiscal reality is setting in and the consequences may be grim, even if Congress finds the courage to take decisive action now.

Courage begins with a commitment to see things as they are, rather than how we wish they were. When it comes to Social Security we must understand that the system does not represent an old age pension, an insurance program or even a forced savings program. It simply represents an enormous transfer of payment with younger workers paying taxes to benefit the other beneficiaries. There is no Social Security trust fund and you don't have an account. Whether you win or lose the Social Security lottery is a function of when you happen to be born and how long you live to collect benefits. Of course young people today have every reason to believe they will never collect those benefits.

Notice that neither political party proposes letting people opt out of Social Security, which exposes the lie that your contributions are set aside and saved. After all, if your contributions are really set aside for your retirement, the money is there earning interest, right? If your money is in your account, what difference would it make if your neighbor chooses not to participate in the program?

The truth of course is that your contributions are not put aside. Social Security is a simple tax. Like all taxes, the money collected is spent immediately as general revenue to fund the federal government. But no administration will admit that Social Security is nothing more than an accounting ledger with no money. You will collect benefits only if future tax revenues remain high. The money you paid into the system is long gone.

My hope is that at least some members of the new Congress will cut through the distortions to see Social Security as it really is. The best way to fix the impending Social Security crisis is also the simplest: Allow younger individuals to opt out of the program and use their tax savings to invest privately as they see fit. This is the true private solution. Your money has never been safe in the government's hands and it never will be.

It's time to take back control.

By Tom Steven

Wall Street has been lying to us. The government has been lying to us. And worse yet, we have been lying to ourselves.

The man on the street has an upside down mortgage and a pocketful of maxed out credit cards. Cities and towns are collapsing under burdens that rightfully should be carried by the states. States are buckling under the weight of years of bloated bureaucracy and extravagant spending. All while the Federal Government tries to spend its way out of an economic quagmire that it helped create through decades of complicity with Wall Street robber barons and that it concealed from the public through habitual misrepresentation of the true state of the economy.

Everywhere the problem is the same: we have spent more than we have taken in for

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Also Inside This Issue:

Detroit mayor plans to shrink city by cutting services to some areas

By Chris McGreal

Services such as sewage and policing may be cut off to force people out of desolate areas where houses cost as little as £100

Fifty years ago, Detroit was home to almost 2 million people. Today, many of the once bustling, car clogged streets of the motor city are largely abandoned. The population is less than half what it was. One in five houses is empty, and the crisis has only deepened with the mass foreclosures of recent years.

Now the city authorities, faced with talk of bankruptcy, plan to downsize Detroit by cutting off services, such as policing and sewerage, to large parts of the blighted metropolis in an effort to pressure residents to move to core neighbourhoods of a smaller city.

In some parts of Detroit, 80% of housing is empty amid widespread unemployment. Many have simply abandoned properties now worth a fraction of the mortgages on them.

Property prices have collapsed to the point where houses can be had for $100, although the average price is $7,500 (£5,000). The city council gives homes away to those prepared to pay the outstanding property taxes.

The mayor of Detroit, Dave Bing, said that his administration cannot afford to go on providing services such as schools, firefighters, buses and rubbish collection to large areas of the city where the

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so long that we cannot afford the debt. We are so accustomed to the problem that we have become unable or unwilling to accept the severity of the trouble we are in. That has to change and it begins by understanding our own part in it.

The credit scam.

It began with us baby boomers, a generation born into a time of unprecedented wealth expansion and consumerism that had never experienced the moderating influence of hardship. We were the first to be exposed through television to an endless parade of material possessions and the relentless pitch of admen trying to instill in us the desire to possess them.

The banking industry, once community based and dedicated to the basic needs of its patrons, saw in our generation the opportunity to skim the top off of the new wealth. Huge corporations emerged inundating us with credit cards and selling us on the idea that we shouldn’t have to wait to have everything we desired. We rejected our parent’s pay-as-you-go mentality for one of buy-now-pay-later. And for a while it appeared to serve us well.

All the time Wall Street was scheming and conniving, developing ever more complex derivative instruments whose only purpose was to make the extremely wealthy obscenely rich without contributing one iota to the economy. They convinced us that we all win when the stock market wins, and the government made it easy for them to get their greedy hands on our retirement dreams.

When things first started to fall apart we took it in stride, convinced that everything would work out in the long run. We used credit cards to pay credit card bills and our balances climbed as our payments shrank. We stumbled, but picked ourselves up, keeping the dream alive. When offered a chance to own our dream house for little down and payments that we could marginally afford, we seized upon it, still believing in the lie.

The money grab.

Even the most prudent of baby boomers, however, were not immune to Wall Street trickery and government deception, as aptly revealed in James Quinn’s article in The Market Oracle, *Wall Street Wealth Bailout: The Bernanke Who Stole Christmas*.

Thirty percent of America’s senior citizens are living on incomes of less than $30,000 per year and 70% live on less than the median household income of $50,000. By far the greatest contributor to their income is Social Security, but the government has been covertly and systematically reducing the purchasing power of recipients’ paychecks for decades.

The Core CPI, which determines Social Security’s cost of living adjustments (COLA), uses as a basis things of concern only to the wealthy while excluding the most basic necessities of food and energy. Using that grossly understated metric the government has deprived Social Security recipients of billions of dollars over the past 30 years. In the last decade alone the cost of goods and services most consumed by seniors has doubled while payments to them have risen only 27%. This year the COLA was set to zero for the second time despite an increase of 32% in the average of prices for unleaded gas, heating oil, corn, wheat, sugar, beef, and pork.

Many seniors also depend on life savings to supplement their income, money which they understandably and necessarily place in low risk investments. But Bernanke’s save-the-mega-banks-at-all-costs policy is taking that paltry income from their purses and handing it over to Wall Street Banks. With interest rates held at zero the average return on a 6-month CD has plummeted to .3% when only three years ago CDs returned as much as 5%.

The zero interest policy impacts more than seniors. Low returns on cash investments are forcing Americans to move their money into speculation that feeds Wall Street’s money grab. Bernanke states that "Higher stock prices will boost consumer wealth and help increase confidence, which can also spur spending," but 90% of

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Not In 25 Years, Social Security Is Bankrupt Now

By Bill Frezza

This just in from the trustees that issue the annual report on the health of those two pillars of the modern entitlement state: Medicare and Social Security. For the first time in its history the Social Security program will pay out more money than it takes in. This watershed event will occur this year, to the tune of $41 Billion dollars. Under any rational accounting standards this makes the Social Security program bankrupt. And that's right now, not in 25 years when the so-called Trust Fund becomes insolvent.

You see, most pension programs hold income producing assets in their Trust Funds. Stocks, bonds, real estate, oil and gas partnerships, that sort of thing. A fully funded pension program owns enough of those assets to pay its liabilities even if the company closes its doors and not a penny more of new money comes in from current employees.

Social Security plays by a different set of rules enshrined under the New Deal and Great Society programs. These are the same rules that landed Bernie Madoff in jail. Although the Social Security system has been regularly taking in billions for decades and socking it into its Trust Fund just like a normal pension plan, Congress has just as regularly been draining the money out for current spending. *All of the money collected from every American's paycheck throughout all of our careers is now gone*. In its place are not stocks, bonds, real estate, and oil and gas partnership. In its place are IOUs from Harry Reid, Nancy Pelosi, Charlie Rangel, and Barney Frank. $2.5 Trillion dollars worth of IOUs.

Now, imagine if a private company had a pension plan that its executives had completely drained wining and dining Congressmen in return for IOUs. What do you think would become of those executives when word got out that the only way they could make pension payments was to beg a flat-broke Congress for money?

Tar and feathers come to mind.

So after years of telling us this problem is decades away the fateful day has finally arrived when Congress has to make good on that giant pile of IOUs. The same Congress that just massively expanded "access" to healthcare for all Americans regardless of their ability to pay. The same Congress that bailed out Fannie Mae, Freddie Mac, General Motors, and AIG. The same Congress that can't resist festooning every spending bill with earmarks for essential programs like butterfly gardens. And all of this right in the middle of the worst economic downturn since the Great Depression

Wake up you little princes and princesses. It's time to face the music.

And where are these trusted paragons of fiduciary responsibility going to get all that dough? The same place they get the rest of the money they spend that they don't have. First, they grab what they can from current taxpayers. But, oops, income tax payments are way down thanks to the jobless recovery served up by the geniuses who believe we can spend our way back to prosperity. So the next stop is to borrow the money, again, mostly from the Chinese. For reasons known only to Confucius, Chinese Communists think it's a good idea to keep lending our Congressmen money. These people deserve each other, don't you think?

The Social Security commissioner, Michael J. Astrue, sanguine about his awesome responsibilities, was quoted as saying this is "not a cause for panic." The man would have made a perfect captain of the Titanic.

With the confidence of a cardsharp that thinks he has his rube flummoxed, the liberal pundisphere received this annual report with brassy spin. "Medicare Stronger, Social Security Worse in the Short Run," blares the *New York Times*. The short run? Ah yes, the Obama recovery is right around the corner. Just close your eyes, spend, spend, spend and sing Happy Days are Here Again.

This story gets worse if you look at Medicare, which has taken the crown from Social Security as our largest runaway entitlement program. The trustees' report predicts that thanks to payment cuts included in the new healthcare bill, Medicare won't go broke until 2029. Treasury Secretary Timothy Geithner claims this shows

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Western Economic Foundations Rotten To The Core

By Jeff Nielson

I don't want to see gold reach $5,000/ounce.

As a precious metals commentator, this may come as a shock to readers, or seem to be an open contradiction. It is neither. As I have written before, both I and others working in this sector don't "want" gold (and silver) to soar sky-high in price, we *fear* that gold and silver will go sky-high in price. There is a huge distinction here, yet most outside of this sector are completely oblivious to such logic.

Going back a decade, to when the "old timers" like Jim Sinclair were already talking about much, much higher gold prices, these people didn't "boast" that gold and silver would soon move much higher in price, they *warned people* that this was about to happen.

As writers in this sector explain on a regular basis, most of the price-appreciation of gold and silver is not an absolute increase in value, but simply a relative increase in nominal price - caused by the bankers' fiat currencies plummeting in value, due to excess money-printing, and even more excessive debts/deficits.

When I and others talk about gold moving from its absolute bottom below $300/ounce to $5,000/ounce (and higher), what we stress over and over is that gold isn't in the process of becoming 20 times more valuable, but rather the banker-paper that we erroneously call "money" is in the process of **losing 95% of its value**. This prognosis excludes the U.S. - which is already certainly heading to hyperinflation, and a totally worthless currency.

Yet living in the "best" of the major, Western economies - in Canada - I suffer absolutely no delusions that we are escaping the

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How I Missed the `Housing Recovery' of 2010: Caroline Baum

By Caroline Baum

When I saw the headline last week, “Housing Recovery Stalls,” my first reaction was to kick myself for having missed yet another milestone in the U.S. economy’s long rehabilitation process.

Then I came to my senses. What housing recovery? If there is, or was, one, it is nowhere to be found in the data. Homebuilder sentiment, new home sales and single-family housing starts, which, in that order, lead the complex of residential real estate indicators, are bumping along the bottom. There was no recovery to stall.

There was a brief incentive-driven pick-up in sales in 2009 and the first half of 2010 that faded the minute the home purchase tax credit expired.

As it turns out, the “recovery” referred to in the headline was in house prices, which rebounded modestly when sales improved. The “stall” was their renewed slide, based on the S&P Case-Shiller Home Price Index. Prices fell in all 20 metropolitan statistical areas in October compared with September, according to the Case-Shiller report.

And not a moment too soon. Unless there’s a spontaneous surge in housing demand, prices will have to fall to allocate the bloated inventory of unsold homes.

Various government initiatives, including the first-time homebuyer tax credit, have distorted the market and delayed the inevitable. The law of supply and demand is one of the inviolable rules of microeconomics. Given the tendency of many macroeconomists to forget the basics, a brief review is in order.

Less Is More
The demand curve is downward sloping. What that means is demand for any good

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economic suicide that is recklessly pursued by the leaders of most of the other, even more debt-laden Western economies. Despite a prime minister who is a self-described "economist", Canada is arguably destroying its own fiscal foundation at an even more-rapid rate than most of the other debt-sinners.

For readers outside of Canada: some brief history. During the 1980's, Canada's Conservative government (the infamous Mulroney regime) came very close to bankrupting Canada's economy - with the most grossly incompetent policies (and massive deficits) of any major Western economy.

When they were finally dumped from office (after roughly **tripling** Canada's national debt in just eight years), the Liberal government which replaced them undertook what was (at the time) the harshest *real* "austerity" program in any Western economy since the Second World War. In just two years, they completely eliminated the record-deficits they inherited from the Conservatives, and then produced **a decade of surpluses** - the most dramatic, most impressive economic turn-around by any Western economy in a half-century.

After the inevitable decay of a full decade in power, the Liberals were given "the boot" by voters, who naively assumed that the 'new-and-improved' Conservative party would somehow be different from its incompetent predecessor. They were wrong.

While many "emerging market" economies have completely recovered from the Crash of '08, and are now once again steaming forward with budget surpluses, Canada continues to spiral downward. The new Conservative Prime Minister, Stephen Harper, has smashed the Mulroney records for deficits - after scoffing at the mere "possibility" of a deficit little more than two years ago.

Canada's huge trade surplus is also gone - replaced with deficits. Canada's large current account surplus is also gone - replaced with record deficits. Despite sitting on one of the two or three largest pools of precious, natural resources on the planet (most notably oil), this fiscally retarded regime has absolutely no clue as to how to restore the economic prosperity that Canadians took for granted less than three years ago. And this is the *best* of the Western economies…or at least it was.

While Germany may lay claim (at the moment) to being the "best of the rest", it faces its own self-inflicted doom. Despite a lot of "tough talk" (and its role as "economic leader" of the EU), the Merkel government has shown itself to be incapable of "holding the line" on fiscal responsibility in Europe - under the enormous pressure of the banking Oligarchs (and the ultra-wealthy bond-holders they represent).

Much like Canada is being dragged-down by its close connection to the dying U.S. economy, Germany is also in danger of floundering, due to the drowning "PIIGS". Yet there is a common theme here, from the struggling economies at the "top" (Canada and Germany) to the worst of the debt-sinners at the bottom (the U.S. and the PIIGS): the lack of the will to even **admit** the severity of current problems.

Just as an alcoholic must admit their addiction before they can begin the "twelve steps" to recovery, so too Western debt-addicts must first **openly admit** the severity of their problems - as the necessary prerequisite toward *beginning* to fix those problems.

As with alcoholics, the easier "solution" is simply to take another drink of debt, and feel better momentarily. And just like the alcoholics, the moment that the latest shot of booze/debt wears off, they realize they are even worse-off than before - and reach for another bottle (i.e. more money-printing).

Ultimately, what allowed Canada to escape debt-purgatory once was that it elected a government which came into office and **openly and honestly acknowledged the severity of its debt problems**. Thus while there were some protests, Canadians undertook the harsh adjustments that were necessary as they weaned themselves off of their debt-addiction - and in a few years went from "worst to first" among Western economies.

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It’s time to take back control.

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Americans account for a measly 1.5% of Wall Street investment. By comparison over 60% of that group’s wealth is tied up in their primary residence, and Bernanke’s policies continue to strip that away at an alarming rate.

Despite Bernanke’s reassurance that "Lower mortgage rates will make housing more affordable and allow more homeowners to refinance," following the announcement of QE2 treasuries rose .9%, pushing 30-year mortgage rates up .7%. As a direct result of Fed policies the housing market is now expected to continue its downward spiral through 2011, siphoning ever-greater wealth off the too-small-to-care-if-they-fail middle class into the vaults of too-big-to-fail banks.

The real state of the economy.

Little more needs to be said about the Federal deficit problem. As early as next year we could reach a critical milestone on the path to financial collapse - the deficit surpassing the GDP. Soon the interest on our debt will bleed $1 trillion a year off the economy, money that contributes absolutely nothing. And the possibility of hyperinflation is rapidly growing as trust in the dollar wanes.

As reported recently on 60 Minutes, the recession caused a severe drop in tax revenues that “exposed decades of fiscal irresponsibility, reckless spending, unrealistic benefit packages for public employees, and use of gimmicks to cover up hidden deficits.” States across the nation have already reached the point where they can no longer meet their obligations.

Dan Hines, comptroller of Illinois, says that his state is now spending twice as much as it is taking in. They are six months behind in their obligations and have $6 billion outstanding that they just can’t pay. Among those waiting payment are Medicaid patients, Universities, and non-profits that provide critical services to those with the greatest needs. With its social safety net in tatters, Illinois has been reduced to deadbeat status. Any relief will first require the state to liquidate its assets.

Illinois is not unique. Arizona has sold state buildings to private concerns and is now leasing them back. California faces an unrecoverable $19 billion deficit. These stories are repeated over and over yet we continue to recoil at the very mention of cuts to what we have come to believe is our entitlement.

Governor Chris Christie understands the reality and has taken Draconian measures to pull New Jersey back from the brink. The simple truth is that we must make “choices people have said were politically impossible,” says Christie. “We are left with no alternatives.”

Accordingly Christie slashed the state budget 26% in his first year with actions that included laying off 1,300 state workers, cutting $1 billion in education resulting in the loss of thousands of teachers’ jobs, and drastically reducing state funding for cities, counties, and villages. But New Jersey still faces a $10 billion deficit next year.

Since the recession states have spent $500 billion more than they have taken in and collectively they face $1 trillion in unfunded pension and health benefit plans. Even though many states are poised at the brink of economic failure, they too are often considered “too big to fail.” But default on the local level is not only possible, it has already begun. And it could very well bring down the house.

With more and more burden shifted onto them from the states, city and county governments are being squeezed to where they cannot meet payments on their bonds. Harrisburg, the capital city of Pennsylvania, already has had to be bailed out by the state. According to highly respected Wall Street analyst Meredith Whitney it would take just 50 to 100 sizeable defaults to seriously disrupt the municipal bond market, drastically reducing borrowing options for even healthy local governments.

Not unexpectedly both Standard and Poor and Moody are telling us that there is nothing to worry about. But $160 billion in stimulus funds will run out next spring and within the next 12 months Whitney warns that it will become “cause for great concern.”

The bottom line.

It is too late to prevent the crisis but we can take steps to mitigate its effects. We must accept sacrifice and insist our governments live within their means and open all of their books to the public. No ifs, ands, or buts. We must also demand an end to Wall Street fraud and the ties between the Fed and the equity market. We must pressure our elected officials to make government act for the benefit of all of its citizens and not just the wealthy few. And we must protect what we already have.

We can begin by withdrawing our cash from the big banks’ negative yield accounts and converting it to hard assets such as gold and silver. And we can limit our stock investments to those not in the hands of private equity, A & M, and hedge fund managers. Now is the time to take back your wealth, open your window, and shout to the world that “you are mad as hell and you’re not going to take it any more.”

Article by:
Tom Steven

Detroit mayor plans to shrink city by cutting services to some areas

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population has dropped sharply and fewer people paying property taxes has left a $300m hole in the budget.

Bing told the Detroit Free Press that no one will be forced to move but those who remain outside of designated parts of the city "need to understand that they're not going to get the kind of services they require".

"They are much better off moving into a more dense area so that we can provide them with the services they need: that would be water, sewer, lighting, public safety - all of that," Bing said. "We think that getting our city to be more dense with its population is the right route."

Bing said that next year he will launch a plan to encourage people to concentrate themselves in about nine neighbourhoods that account for two-thirds of Detroit. Houses in the remaining one third, about 45 square miles, are eventually likely to be bulldozed to make way for new projects such as urban farms.

The city administration is expected to announce which neighbourhoods are to form the core of a revived Detroit in the spring but they will include those areas of the city which are still relatively well populated but losing residents.

"We want to make sure that, before those neighbourhoods deteriorate much more, we give them support," Bing said.

The move was welcomed by John George,

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Western Economic Foundations Rotten To The Core

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There is absolutely no sign that any of the current Western governments (and their spineless "leaders") have the integrity to openly admit their problems. Why can't even one of these governments step forward and tell their people the truth?

There is one, huge difference between the turn-around of the Canadian economy two decades ago, and current circumstances. In the late 1980's despite Canada's debt malaise, there was enough wealth/prosperity among its middle-class to "tighten their belts" - and essentially pay for our fiscal rescue.

Today that situation doesn't exist in a single Western economy. After roughly four decades of pillaging all of the wealth of the middle-class, and transferring it to the ultra-wealthy (primarily through hopelessly flawed taxation systems), the middle-classes of all Western economies are literally threatened with "extinction".

There are no reserves of wealth among the middle-class of any Western nation. Thus, any and every Western nation which tries to escape its debt-trap through squeezing those on the bottom (through spending cuts/tax increases) rather than *beginning* to harvest (through entitlement cuts/tax increases) the **$10's of trillions** in wealth which have been stuffed into the pockets of the ultra-wealthy is 100% certain to implode.

Readers must understand that the middle-class has always been 100% responsible for our prosperity. A middle-class level of wealth produces the real "Goldilocks economy": which balances optimal levels of savings and consumption.

Most importantly, the money held by the middle-class has a high "velocity" - it is spent and re-spent again and again. And it is the vigorous *use* of this capital which promotes prosperity.

Conversely, give an extra dollar to a billionaire, and 99 cents out of the dollar is hoarded. The "multiplier effect" which occurs with the dollars which come into possession of the middle-class operates in reverse when given to the wealthy: every dollar which falls within the grasp of these greedy misers sucks the life out of our economies - at the most-rapid rate possible.

No homeowner wants to deal with the reality of a rotting foundation. It is a long, expensive process to remedy such a defect. Yet no semi-rational homeowner would ever be so reckless as to simply ignore a rotting foundation. The price to be paid when the rotten foundation finally collapses is so catastrophic that the rational homeowner will find a way to repair those foundations, regardless of the time and cost involved.

The foundations of Western economies are now totally rotten. Decades of sabotaging their own prosperity by killing their middle-classes has achieved its inevitable result. The $10's of trillions being hoarded by the ultra-wealthy must be disgorged (voluntarily or otherwise) or all of our economies are 100% to collapse - as the massive weight of our debts crushes those rotten foundations.

Whether it is fear of these ultra-wealthy aristocrats or servitude toward them, our governments intentionally blind themselves to the only possible path to solvency: taxing-back the $10's of trillions in windfall gains by the ultra-wealthy over the last several decades, imposing debt-forgiveness on bond-holders (for the weakest economies) so that they can avoid short-term bankruptcy, ending the reckless money-printing which **must** ultimately lead to hyperinflation - and re-discovering **sustainable** spending habits.

These "four steps" to recovery can never begin, however, until the liars and fools governing us "come clean" about the state of our economies. Unless and until that happens, each day our rotten foundations get closer and closer to inevitable collapse.

Article by:
Jeff Nielson
December 3, 2010
www.bullionbullscanada.com

How I Missed the `Housing Recovery' of 2010: Caroline Baum

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or service isn't fixed. It depends on the price. A $1,000 cashmere sweater will find a lot more takers when it's marked down to $500 in a post-Christmas sale. In general, the lower the price, the greater the quantity demanded.

Producers respond in the opposite manner. Higher prices are an incentive to provide more of a good or service, which is why the supply curve is upward sloping.

The point at which consumers wish to buy what producers want to sell is called the equilibrium price, which isn't fixed and responds to changes in market conditions, technology, the population, incomes or the prices of other goods and services. These forces cause shifts in the demand or supply curves, producing a new equilibrium price.

Supply Glut

The U.S. just experienced the biggest speculative boom/bust in housing in history, a massive outward shift in the supply curve. Anyone expecting home prices to rise in the face of a glut of unsold homes is counting on either an act of God to destroy huge swaths of the housing stock (a shift back in the supply curve) or an influx of new immigrants needing shelter (a shift out in the demand curve.) Neither is likely, although acts of God are notoriously hard to predict.

The inventory of existing homes stood at 3.71 million in November, about where it was four years ago, according to the National Association of Realtors. Add to it the 197,000 new homes for sale and anemic demand, and the unavoidable conclusion is that home prices need to fall further to attract buyers.

It would take 16 months to deplete the inventory at October's sales pace, according to CoreLogic, a real-estate research firm in Santa Ana, California. (CoreLogic uses its own sales data, collected from 2,000 county recorders across the country, instead of the NAR's statistics on home purchases.)

"Previously when the months' supply was that high, home prices were falling at a 10 to 15 percent annual rate," said Sam Khater, senior economist at CoreLogic. "If it remains that high, that's where prices are headed."

Invisible Supply

If the visible supply is depressing current prices, the shadow inventory, or properties that are seriously delinquent, in foreclosure or owned by lenders, will be a drag on future prices, Khater said in a telephone interview. The shadow supply, which was eight months in October, is being constrained by foreclosure moratoriums in various parts of the country while the government investigates shoddy paperwork by lenders.

Short of a spontaneous burst in housing demand, which seems unlikely, there is no way to reduce the supply of homes for sale -- for the market to clear -- without price declines. (Think cashmere sweater sale.) The sooner that happens, the better.

In the meantime, the U.S. economy will have to recover without help from housing, which, along with manufacturing, is one of the business cycle's traditional leaders. These two interest-rate-sensitive sectors account for five of the 10 components of the Index of Leading Economic Indicators: building permits; the manufacturing workweek; manufacturers' new orders for capital goods and consumer goods; and supplier deliveries.

The LEI rose 1.1 percent in November, with nine of the 10 components showing an increase, according to the Conference Board. The one outlier? Building permits. Enough said.

Article by:
Caroline Baum, author of "Just What I Said,"
January 2, 2011
Bloomberg News columnist

First they came for your light bulbs...

By Hank Campbell

California, the U.S. state in the midst of a budget deficit that would make third world nations cringe, didn't stop finding ways to tinker with an already perilous economy. 100 watt incandescent bulbs will no longer be allowed to be sold along with over 720 other laws the legislature found time to pass while being unable to approve a budget.

Politicos estimate the new standard for 100 watt bulbs (they can use no more than 72 watts) will save consumers $35 million - we'll see how great poor people feel about negligible long term electric bill savings versus higher upfront costs for bulbs. And don't think this is touchy-feely California silliness, this new standard was signed by Pres. George Bush in 2007, California just implemented it early.

Other laws California lawmakers deemed essential:

AB 537 makes make food stamps an acceptable form of payment at farmers markets - so now the truly poor can overpay for 'organic' food

SB 1411 makes it a misdemeanor to pretend to be someone else on social media sites

SB 1317 punishes parents with a $2,000 fine and up to a year in jail if their K-8 child misses more than 10 percent of the school year without a valid excuse. Because a year without their parents if a kid skips school is better for California than having parents who work.

AB 715 changes the California Green Building Standards code to require new California buildings to be even more energy efficient (California is already number one in the US) and therefore even less friendly for business due to increased cost.

And, of course,

AB 97 finally kicks in, which bans the use of trans-fats in food facilities, meaning junk food will not only be more expensive, it will taste terrible.

Article by:
Hank Campbell
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http://www.science20.com

Not In 25 Years, Social Security Is Bankrupt Now

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"some very positive developments." But these are the same cuts that have been eliminated every year in the so called Doc Fix required to keep doctors from refusing to see Medicare patients. Medicare's chief actuary, Richard Foster, doesn't believe for a minute that those cuts are going to stand. You see, a Congress that has to borrow money from China to keep Granny from being thrown into the street doesn't want to have to explain why her doctor won't see her anymore.

How much longer the American people are going to let the lunatics run the asylum remains to be seen. But the longer it takes to throw the bums out the tighter we are going to have to cinch our belts to dig out of this hole. At least for those of us that don't depart for better climes.

Article By:
Bill Frezza
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publisher@vereverus.com

Bill Frezza is a regular columnist for RealClearMarkets.com and partner at Adams Capital Management, an early-stage venture capital firm. If you would like to subscribe to his weekly column, drop a note to publisher@vereverus.com.

Detroit mayor plans to shrink city by cutting services to some areas

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who heads a group, Blight Busters, which has revitalized communities by rehabilitating abandoned houses for the very poor.

"I think it's a brilliant idea. Detroit needs to be leaner and greener and we need to right size the city to match the population as well as the budget," he said.

George said that although residents of large parts of Detroit will be pressured to move by the reduction in services, they should see it as an opportunity.

"There's an opportunity here now the housing bubble has burst. In the city of Detroit in just about any solid neighbourhood, you can buy a two, three-bedroom brick house for $15,000. There's really an opportunity to move out of shacks, substandard housing, and to move in to more of a substantial home," he said.

"I think that people who do their homework and don't let fear engulf them should look at this as an opportunity to move from a decrepit, blighted community in to one that is healthy, clean, safe, affordable."

Still under debate is what to do with the areas of Detroit that the mayor would like to empty out. One plan under discussion is to bulldoze the housing and establish a 2,000-acre farm in one neighbourhood.

George said that urban farms could transform Detroit.

"We should dismantle, deconstruct those areas and turn them over to urban farms where we are tilling a thousand or fifteen hundred acres and we are growing fresh fruit, fresh vegetables and creating jobs in canning and shipping and packaging. We could have half a dozen of those farms spread out across the city because the city unfortunately lacks quality supermarkets. It's really a fresh fruit desert in many ways.

"There's no reason why this land when it is cleared cannot be ploughed and be an asset to the community."

Article by:
Chris McGreal
December 17, 2010
Gardian.co.uk

The Outstanding Public Debt

National Debt:
13,940,563,890,940.89
The estimated population of the United States is **309,780,144**
US citizen's share of this debt is
$44,829.52
The National Debt has continued to increase an average of
$4.09 billion per day
Business, Government and Financial Debt exceeds
$100 Trillion