

# THE PROSCIUTTO CHRONICLES

## FEBRUARY 2009

I have written several columns regarding the size of government and wasteful pork spending. I think we have moved on from classic pork to high-end prosciutto. The federal government has decided to take on the constitutionally dubious task to save Americans from themselves. Rather than our country taking it's lumps and facing the music due to poor choices and failures and forcing those who were responsible to bear the brunt; they have decided to socialize the pain, and subsequently prolong and stifle our ability to recover. Not only are we on a track of a centrally planned/funded country, we are passing the bill on to our children and grandchildren. We find it disgusting when the tabloids report on parents of child-stars living off the earnings of their kids; yet we are collectively doing the same thing.

We are barreling down a very scary path at break-neck speed. It is time to put on the brakes and reassess what we are doing and the unintended consequences that will inevitably rear their ugly heads. The rush to pass this spending bill, disguised as a stimulus bill, was indefensible; and we have more bank-bailouts and housing cure-alls on the way. I am the eternal optimist who understands that betting against America is a losers bet; however I do understand that no medicine, is better than bad medicine, and unfortunately the grand doses of the bad medicine we are taking will invariably have serious consequences going forward.

### Prosciutto

In the Kingdom of Markowski, my wife, is the benevolent leader over her four loyal subjects, decided to institute a stimulus package that would increase the gross domestic product of the Kingdom. Should she...

- A. Start cutting checks to the kids when they bring home lovely pictures from Kindergarten and Nursery school? Start paying her husband for folding his clothes with greater care and diligence, and for utilizing the bath-mat, and thereby refraining from getting water on the bathroom floor? Purchase new furniture, throw pillows and curtains?

Or

- B. Invest in a second business? Create greater efficiencies and lessen burdens in the household that allow the subjects to make better use of their time and resources?

One of my favorite Senators, Dr. Tom Coburn, otherwise known as **Dr. No** in the halls of Congress, has compiled a list of some of the most ridiculous and wasteful government projects from 2008. The following are just a few of my favorites.

Search for Space Aliens. Training Classes for Casino Workers. Inflatable Alligator and Under the Sea Waterslide. Bridging the Generational Gap with the Nintendo Wii. **"The Check is in the Mail"** IRS Mailing for Rebate Checks. Remounting World's Largest Fish. Search for Alaskan Ice Worms. Renovating Old Tiger Baseball Stadium (The Tigers left in 2000 and they started to tear the old stadium down, now they want to put it back up.) Studying American and Chinese Video Game Habits. Halloween Signs in Salem, MA.

Another one of my favorites is the Kanjorski Center Parking Garage. The Kanjorski Center, named after Congressman Paul Kanjorski, has stood completely empty since 2005 which did not prevent Congress from trying to funnel \$5.6 million in transportation money to add a large parking garage to it. Officials at the Department of Transportation opposed the project, noting that current law prohibits the department from funding parking garages unless they serve mass transit needs, and this parking garage would not meet the test. Angered by the rules, Kanjorski is fighting to keep the project alive, saying, ***"I don't think the rule should have any attention paid to it. Because in Congress we have our own rules."*** When challenged by a reporter from CBS that the parking garage is costly to federal taxpayers, he replied, ***"For the community, it is free money."***

We are now confronted with a spending bill that is being disguised and sold as a stimulus package. There is money to protect wetland mice outside San Francisco, trains from Disneyland to Las Vegas that will not be built for at least another five years, community activist groups such as ACORN who were caught registering people to vote multiple times last year, smoking prevention (which I find counterproductive due to the fact that government craves all of those smoking tax dollars), billions in more federal office buildings, and millions for hybrid cars and golf carts for federal employees.

Beware of Governors and Mayors using the word infrastructure! Robert Poole writes in the Wall Street Journal, ***"Dictionary.com defines infrastructure as the fundamental facilities and systems serving a country, city or area. The nation's Mayors define it a bit differently."*** The wish list put forward by the group is 11,391 ***"ready projects"*** to go!

Including: Hercules, CA-Waterfront Duck Pond Park and dog park, Euless, TX Midway Park-Family Life Center (which includes senior center and aquatic facility), Natchez, MS-New Sports Complex, Arlington, TX-Tennis center, Miami, FL-Orange Bowl parking garage, Oakland, CA-Latino Cultural Center. My personal favorite is the town of Edwardsville, AL-population 194, requested \$375 million to put in a green museum, green street lamps and other Al Gore nonsense.

I am sure these are all nice, cute projects, but they most certainly are not **VITAL!** Last time I checked we are in a recession. Many Americans find themselves having to get by on less. Is it too much to ask our country's Governors and Mayors to do the same? If one has a big hole in the roof in his or her house, it wouldn't be wise to start hanging new curtains and putting Picasso's on the walls.

David Axelrod, who is Barack Obama's chief political strategist, appeared on Fox News Sunday and was none too pleased with the latest findings from the Congressional Budget Office. The CBO is a group of economists, whose head is appointed by Democratic Congressional leaders, reported that less than \$4 billion of the \$30 billion in new highway and construction funds would be spent until 2010. Other spending items such as promoting renewable energy, broadband, and jobs programs would not have any impact for at least a year. Axelrod told Fox News that the CBO's findings were unimportant.

### **Do You Like Apples?**

The ***"anything but"*** a stimulus bill rolls in at 1,073 pages. It is the biggest spending increase since World War II and greatly expands the role the federal government will play in business, health care, energy and welfare. One might think that a bill of such magnitude would give our fearless leaders some pause, so they could actually find time to read the bill and debate its content. The reality is that the roll call votes came in less than 24 hours after House-Senate agreed to a deal. *Will Hunting* wouldn't be able to read and digest this bill that quickly, not to mention the fact that the House unanimously approved a resolution promising 48-hour public notice before holding a roll call. If memory serves me well, didn't Barack Obama pledge as a candidate that all bills be posted on the internet to be reviewed by the public for 48 hours? The document made available was a PDF document that could not be searched using keywords like a text file.

What was the rush?...Nancy Pelosi had a 6:00 PM flight to Rome.

How do you like them apples?

## Long Live the Tsars

For a country that was founded and I thought prided itself on its break with the Kings and Queens of Europe, we are preoccupied with Tsars. We need a Drug Tsar, Health Tsar, Food Tsar and Economic Tsar. The term Tsar basically denotes supreme ruler, all knowing and powerful ruler that will solve all. Sorry to all you believers in the Tsarist philosophy, it is a fallacy.

Economics Nobel Laureate, Friedrich Hayek, called it spontaneous order. In promoting my interest in gaining through a voluntary exchange with you, I also promote your interest in gaining through voluntary exchange with me. Unless there are thieves involved, where there are no repercussions for their hideous actions; (for example: the once large investment firms) this theory works. John Stossel, reporter from ABC demonstrated this through ice skating.

Imagine you had never seen a skating rink. I tell you, *"I'm going to invite 100 people down to strap blades to their feet and race around as they like."* You say, "That's insane! Someone must coordinate all those people."

Stossel on his television special entitled "Politically Incorrect Guide to Politics," he centrally plans a skating rink and demonstrates what happens. Stossel stands in the middle of a rink with a bullhorn: "Slow down! Turn right! No backwards skating!" It does not work. The people skating hated it, and people fell over. Had Stossel been centrally planning an economy, health care, or education the politicians and big government pundits would say that Stossel was just too unqualified and just not smart enough to handle the task. Calls would be made for him to be replaced at once, with someone of higher stature and schooling, preferably from an Ivy League institution. For Stossel's experiment, he replaced himself with Olympic gold medalist Brian Boitano.

The result: Boitano fails just as miserably as Stossel. Even a genius/expert/Ivy League grad will lack the knowledge of the individual skater's situation; it changes moment by moment. Boitano nor Stossel had any idea who was off-balance, who wanted to speed up, who needed a bathroom break. The skaters each perceived the situation as it happened, and followed their own principles of motion.

Most skaters ignored Mr. Boitano. He stated, *"They want to do their own thing."* "Yeah," replied one woman, *"I don't want to do it if someone's telling you what to do."*

Freedom is a good reason not to interfere. We are told by President Obama and many other pundits and politicians that government is the answer. Did all the regulations put forward by Sarbanes-Oxley in the wake of Enron stop the credit bubble? Fannie Mae and Freddie Mac were created to be involved in the housing market; how did that turn out? The government has been involved in education, energy, almost everything, with dubious results. People have to realize that government is not the answer, they are the problem. The last thing we need is the auto, banking, health-care or any other industry run by and centrally planned by some so-called omnipotent Tsar out of Washington.

## I Want My Mommy

Remember Peggy the Moocher?

Peggy Joseph of Sarasota, FL made nation news after attending an Obama rally. She stated to a reporter that the rally was; ***"The most memorable time of my life. I never thought this day would happen. I won't have to worry about putting gas in my car. I won't have to worry about paying my mortgage. You know. If I help Obama, he's gonna help me."***

Neal Boortz dubbed the 2008 election as the ***"I Want My Mommy Election."*** What is the government going to do/provide/give to me? This attitude is a complete divergence of the ideas and sacrifices of the individuals that founded this nation over 200 years ago. This is a divergence of the John F. Kennedy mantra of ***"Ask not what your country can do for you, but what you can do for your country."*** I concur with Boortz that too many Americans think that they are owed a living; that it is the government's

job to guarantee their economic security. What made this country great was not government but rather lack thereof.

Back in the Fall of 2007, when the credit crunch was in its infancy stages, I proposed the Markowski Stimulus plan as a free market alternative to get the economy back on track and snuff out the credit crunch...

First: We are going to make the Bush tax cuts permanent. Markets, businesses and families need certainty and living in the great unknown, when it comes to taxes, is unacceptable.

Second: We are going to eliminate all corporate taxes. The words "corporate taxes" is a fraudulent misnomer. Corporations are nothing more than a tax identification number. Corporations derive all of their income from their customers, their consumers, you! The truth is that corporations don't pay taxes, people pay taxes. The corporate tax is nothing more than a hidden consumer tax on all purchases. It is estimated that over 13 trillion dollars is being held in offshore accounts by corporations waiting to be repatriated when prudent. You want a stimulus?... I give you a \$13 trillion stimulus!

Third: We are going to eliminate all taxes on capital gains and dividends. It is shameful that the long-arm of Uncle Sam needs to reach in to the pockets of people who put their money at risk to build this country and make it what it has become. As well, Social Security is a category 5 hurricane/ponzi scheme that is bearing down on this nation and we need to encourage people to invest and save and liberate themselves from the bosom of the federal government.

Fourth: The tax code needs to be scrapped, burned, encased in lead and then shot into the sun, just to be sure that we will never hear from it again. We as a nation need to move in the direction of the John Linder Fair Tax plan or toward a flat tax which is being utilized with incredible success in many countries around the globe. Our current tax code is an instrument of evil that politicians use to divide the country. The sad reality is that if you are wealthy enough you can afford to pay the right Wall Street firms to get you out of paying anything. Wall Street, Hedge Funds, and Insurance companies make a fortune aiding the wealthy in finding the loopholes. They have a vested interest in having a tax code as complex and unstable as possible. Those firms just so happen to be supporting the candidates for this presidential election that agree with the Byzantine and oppressive nature of the code.

Fifth: Repeal the grave-robbing death tax. Work hard, build a business, follow the ridiculous tax code your entire life, die, and then pay taxes again. It is pretty sick if you really think about it, Uncle Sam as a modern day grave-robbor. Going after small businesses and crushing family farms is not my idea of equitable tax policy.

Sixth: I will cut taxes for working seniors and eliminate all taxes on Social Security benefits. That money belongs in the hands of senior citizens not the government. Americans are forced to pay in to a ridiculous underperforming ponzi scheme throughout their lives. The least the government could do is to eliminate the taxes.

Seventh: I would repeal Sarbanes/Oxley and other stifling federal regulations. We are in a global marketplace and unfortunately; we are not competing. More and more companies are bypassing our financial markets due to overbearing regulations and opting for London or elsewhere. London is fast becoming the financial center of the world because of the constraints and red tape we have here. Ridiculous and often redundant federal regulations stifle community banks, insurance companies, credit unions and limit fair competition and therefore better options for the consumer.

Maybe our fearless leaders will get to this after they are done raiding our children's and grandchildren's bank accounts and future earnings to pay for their pet projects. Peter Ferrara recently penned a piece for the *Wall Street Journal* comparing what has worked in the past...Reaganomics to what is about to be attempted... Obamanomics. Reagan utilized four steps: First were across-the-board reductions in tax

rates to provide incentives for savings, investment, entrepreneurship and work. The second was deregulation to remove unnecessary costs on the economy. The third was control government spending. The fourth component of the Reagan recovery plan was tight, anti-inflation monetary policy.

Obamanomics encompasses the greatest increase in government spending in the history of the planet. The Federal Reserve is reinflating. Obama is promising future tax increases in tax rates by letting the Bush tax cuts lapse. Instead of deregulating, especially in energy, we have gotten the repeal of drilling offshore, global-warming cap-and-trade legislation, and many other unproven inefficient ideas. Ferrara states that, ***“This is why America seems so hopeless right now, and so depressed. We are stuck going in exactly in the wrong direction on economic policy because of currently dominant ideological fashions.”***

## **Great Depression II**

***“In the days ahead I will propose removing the roadblocks that have slowed our economy and reduced productivity. Steps will be taken aimed at restoring the balance between the various levels of government. Progress may be slow, measured in inches and feet, not miles, but we will progress. It is time to reawaken this industrial giant, to get government back within its means, and to lighten our punitive tax burden. And these will be our first priorities, and on these principles there will be no compromise”***

Ronald Reagan 1/20/1981 Inaugural Address

***“At this particular moment, only government can provide the short-term boost necessary to lift us from a recession this deep and severe.” “I don’t believe it’s too late to change course, but it will be if we don’t take dramatic action as soon as possible.” “If nothing is done, this recession could linger for years.” “A bad situation could become dramatically worse.”***

Barack Obama 1/8/09 Economic Address George Mason University

Barack Obama has used fear in order to help sell his stimulus package and establish an even larger role for the federal government. Bradley Schiller writes in the *Wall Street Journal*, *“This fearmongering may be good politics, but it is bad history and bad economics.”* The numbers comparing the periods really do not compare. At worst, the comparison could be made between 1981-82 recessionary period. Obama cites the job losses of 3.4 million over the last year. With no doubt, that is a very weak number, but represents just 2.2% of the labor force. From November of 1981 to October 1982, 2.4 million jobs were lost, obviously fewer; however the labor force was smaller but the percentage drop was identical. In 1930, the economy shed 4.8% of the workforce. In 1931, it was 6.5%. In 1932, another 7.1% was lost. The latest unemployment survey puts our rate at 7.6%, the rate in 1982 10.8%, in 1932 25.2%.

Real gross domestic product (GDP) rose in 2008 despite a bad fourth quarter. The Congressional Budget Office projects a GDP decline of 2% in 2009. That’s comparable to 1982, when GDP contracted by 1.9%. In 1930 GDP fell by 9%, in 1931 in 8%, in 1932 another 13%. We have had a couple dozen banks fail over the past year. In 1987-88 (Savings and Loan failures) 3,000 failed, in 1933 10,000 failed.

Bradley Schiller argues that Obama’s analogies to the Great Depression are not only historically inaccurate, they’re also dangerous. ***“Repeated warnings from the White House about a coming economic apocalypse aren’t likely to raise consumer and investor expectations for the future. In fact, they have contributed to the continuing decline in consumer confidence that is restraining a spending pickup. Beyond that fearmongering can trigger a political stampede to embrace a recovery package that delivers a lot less than it promises. A more cool-headed assessment of the economy’s woes might produce better policies.”*** Anyone who has ever participated in athletics knows that confidence is 80% of the game. I was taught that anything the mind can believe and conceive the body can achieve. Unfortunately, rather than build confidence in our economy and future, our current

crop of leaders feels that rewriting St.Paul's *Book of Revelations* is a better way to go. **"The only thing we have to fear is fear itself"** has been replaced with **"The sky is falling! The sky is falling!"**

### The New Era of Irresponsibility

If you did not get a chance to go to business school or get an MBA, may I suggest watching *Godfather I* and *II* at least ten times a piece. Great lessons in running a business can be found throughout the films. For example: There is a scene in *Godfather I* where Professor Clemenza talks about gang wars and in my opinion...recessions.

Michael Corleone is trying out the gun to be used to kill Sollozzo and McClusky.

**Clemenza:** You know, Mike, you're gonna turn out all right. You take a long vacation, nobody knows where, and we'll catch the hell.

**Michael:** How bad do you think it's gonna be?

**Clemenza:** Pretty goddam bad. Probably all the other Families will line up against us. That's all right. These things gotta happen every five years or so, ten years. **Helps to get rid of the bad blood.**

Recessions are like the lymphatic system of our bodies. They serve a very important service. They are there to clean out all the malfunctioning, inefficient, poorly-run companies that are threat to our economy at large. Without the lymphatic system in our bodies, cleaning out the bacteria and cancerous cells from our bodies, we would not be alive for too long. The byproduct of the lymphatic system, pus; is messy and gross, yet positive and imperative in the sense that the human body is cleaning itself out. Recessions and their byproducts of bankruptcies, higher unemployment and reduced growth are natural and necessary. Without them, our system will collapse and fail. We live in the *Schumpeter* world of **"creative destruction."** If we wish to continue to be able to invent and create; keep alive our capitalistic system that has raised our living standards to levels that kings and queens of just 100 years ago could not even dream of; a system that has lifted millions upon millions out of the world and life that Thomas Hobbes described as **"nasty, brutish and short."**

We need to stop propping up failures. Losers must lose, winners must win. Actions, or lack thereof have consequences! This philosophy applies to all aspects of our lives. If we push children through school when they are not ready or have not accomplished what is required for he or she to move on, we are harming that individual. I know this is politically incorrect, but when my son plays sports, we keep score. I know it is fashionable to not keep score for six-year-olds, because we don't want to mess with their precious self-esteem; but I could not give a hoot! When he plays well I tell him; when he plays poorly I tell him as well. The earlier my kids learn that life has winners and losers, the better off they will be.

This **new era of responsibility**, that the current administration and politicians from both sides of the aisle talk about incessantly is the ultimate oxymoron. Is it responsible to bail-out irresponsible businesses and homeowners? Is it healthy to circumnavigate the natural progression of our capitalist system? Do we want a country of zombies; walking-dead companies that feed off the profits of the healthy?

Stephen Moore wrote in the *Wall Street Journal*, **"Politicians invariably respond to crises, that in most cases they themselves created, by spawning new government programs, laws and regulations. These programs in turn, generate more havoc and poverty, which then inspires the politicians to create more programs...and the downward spiral repeats itself until the productive sectors of the economy collapse under the collective weight of taxes and other burdens imposed in the name of fairness, equality and do-goodism."**

Moore cites the book *Atlas Shrugged* in his piece, **"In the book, these relentless wealth redistributionist's and their programs are disparaged as 'the looters and their laws.' Every new act of government futility and stupidity carries with it a benevolent-sounding title. These include**

**the “Anti-Greed Act” to redistribute income (sounds like Charlie Rangel’s soak-the-rich tax bill) and the “Equalization of Opportunity Act” to prevent people from sounding more than one business (to give other people a chance). The “Anti Dog-Eat-Dog Act,” aims to restrict cut-throat competition between firms and thus slow the wave of business bankruptcies. All of these sound a lot like some of our governments actions over the past year: Emergency Economic Stabilization Act, Auto Industry Financing and Restructuring Act, and the American Recovery and Reinvestment Plan.”**

The sad reality is that throughout this entire economic episode, the strategy of our fearless leaders, is the greater the incompetence, the more government handouts you will receive. I dubbed our capital building the **Church of Unintended Consequences** and its high priests and priestesses are following their moniker like clockwork. There are so many different factors and players that bear responsibility for our current calamity. The reality is there is nothing the government can do to solve the excesses of the past. If one indulges in too much alcohol, the by-product is a hangover. Not only was our economy drunk on excesses, we were full blown alcoholic, and what the government is suggesting to cure the pain is more alcohol. The various packages/plans/cure-alls put forward do nothing to empower the risk takers, the job creators, the individuals who will pull us out of the recession. One of my favorite quotes from Abraham Lincoln that I have cited in this newsletter...

***You cannot bring about prosperity by discouraging thrift. You cannot strengthen the weak by weakening the strong. You cannot help the wage earner by pulling down the wage payer. You cannot further the brotherhood of man by encouraging class hatred. You cannot help the poor by destroying the rich. You cannot build character and courage by taking away a man’s initiative and independence. You cannot help men permanently by doing for them what they could and should do for themselves.***

This February will be Lincoln’s 200<sup>th</sup> birthday, I find it a tad bit ironic, when certain politicians talk about the greatness of Lincoln yet have little in common with his core beliefs. The sooner our leaders cease to behave as demagogues, and refrain from berating American businesses, the individuals that build wealth and create jobs, the sooner we will be at the conclusion of our current tribulations.

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