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Progressive Ponderings
"Assisting" Recession – Part 2

Other than a Democracy/Republic, no other form of government holds accountable those who make detrimental decisions for the nation or the commonweal. Thus, President Bush, Treasury Secretary Paulson, and Federal Reserve Chairman Bernanke are discussing solutions to our economic problems, but the discussion is with the profiteers, the non-regulators and all who helped to cause this economic meltdown. Not invited to the search for solutions are the victims and the American taxpayers.

Debt and the dollar is another huge "assist" to the depth and breadth of the current recession/depression.

Years ago when the stock market rose wildly with the frenzy of IT (information technology) and dot.com industries, Alan Greenspan termed the episode "irrational exuberance." When the bubble burst, partially as a result of insider corruption, many innocent but risk-taking people lost a good portion of their wealth, including pensions. But these were mostly limited to the amount invested. The debt side of the investment world, because it is often highly leveraged, doesn't limit losses to the amount invested.

Home ownership is the easiest example to point out leverage. Ten years ago many people bought homes for \$200,000 with a \$20,000 down payment. Seven years later the home was often worth \$300,000. Their \$20,000 down payment plus monthly payments turned into a gain of \$100,000, a 50% gain of the value of the home became a 500% gain on the amount invested. The ever-rising housing market tempted lenders and buyers to skip most of the down payment and often go 98% leveraged. Now as the housing market tanks precipitously, they not only lose their down-payment investment, but are also responsible to the mortgage holder for the balance even though it may be thousands of dollars above the home's current value.

The debt/credit business has grown to such an extent that it has pushed the financial services industry to the top within the GDP (Gross Domestic Product). It's now about 20% of GDP. By comparison, the manufacturing sector accounts for just 12% of GDP. One financial trader last year "earned" \$3.7 billion!

In the space of about 30 years the United States has gone from being a world giant of net worth to the world's largest debtor – as a nation

and as individuals. After Bush's second term our national debt will be nearly double what it was before he entered office with his tax-cut agenda. Our trade deficit – it must also be financed – is reaching epidemic proportions. Our individual consumer debt – mostly credit cards – is at an all-time high. What we've done is borrow from our future and the future is coming due.

While debt rose, the corporate world influenced the government to change the laws on bankruptcy and usury. Bankruptcy laws had to be changed, according to the corporate line, because the little consumer was using the old law to take advantage of the giant financial institutions. Usury, the charging of unlawful or extremely high interest rates, had to be changed because such laws infringed on the market's right to exorbitant profit. Notice the constant flow of rights from the individual to the corporate masters.

The dollar has been the world's standard of measure of wealth for years. This stability was/is based on the fact that it was backed by the "full faith and credit of the United States Government." As that "faith and credit" has eroded so has the value of the dollar. The future is now arriving in the form of higher prices for energy, food etc.

Other circumstances have caused the prices of most commodities to reach all-time highs. Basic food commodities – corn, wheat, soy beans, rice – are reaching new highs. The same for metals – iron, aluminum, copper, lead, etc. Likewise for energy – oil, natural gas, coal, wood. In the meantime the average worker is caught in a vise between fewer job opportunities and more costly living.

Our leaders are in absolute denial that any of the above is caused by corporate or government actions. They converse only within their own ideological circle to arrive at solutions they can impose on the rest of us. We, the laborer, consumer, citizen, are not a high priority.

(To be continued.)

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