

# Answering Your Questions

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## Spending v Systemic Reform

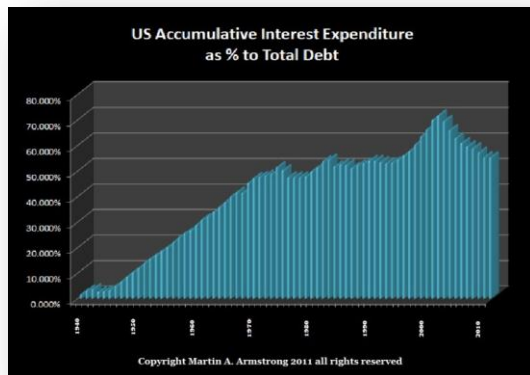
The primary reason we are doomed is because those in government by and large still do not see that they are the problem and that the theories and mantras spewed out in press sound bites portray a world that no longer exists. The whole theory of **Marxist-Socialism** is that we can raise taxes on the rich and corporations to pay for the programs of the poor. The implicit presumption is a closed economic system as if there were no outside world. It fails to account for the migration of capital and is as practical as speeding laws or how about adultery that remains a crime in many New England states based upon the old Puritan moral values embodied in the whole **Scarlet Letter** story. Capital can simply leave taking employment with it. There is no practicality in the dogma. I hate to tell anyone who has not yet noticed, but this is a global economy these days. A Roman Emperor tried to eliminate prostitution and decreed that a prostitute could not be paid with a coin that bore the image of the emperor. Solution? They created tokens that could be purchased and then given to a prostitute who redeemed them. You cannot simply pass laws against human nature and expect them to actually work. All you do is create an underground economy.



Speaking to people on **Capitol Hill** reveals a tremendous impasse. We have NOT even defined the problem making any hope of a solution fantasy. The only consensus is that the economy is still in trouble. The Democrats regret **NOT** stimulating (spending) enough, and the Republicans believe we have a spending problem that reduces confidence in government. This is why there seems to be no solution.

Neither side has even begun to address the problem of – WHAT IF the whole economic theory of managing the economy is just dead wrong? What if this is NOT a spending problem, but a systemic structural problem at the very core?

We seem to begin with the presumption that borrowing is normal and this is just the way things are done. This presents a problem that can destroy civilization as we know it. The Republicans see this as a spending problem, so they draw the line in the sand and argue against raising the debt ceiling and that there must be spending cuts. Yet they do not understand the mechanics of what they preach.



If we freeze the debt ceiling and move to cut spending, as noble as this sounds, it would create a Great Depression. Why? We would create a Great Depression by eliminating spending on everything tangible along with the 20% of private income that is dependent upon state spending (inter alia; welfare, unemployment, pensions, and disability). Interest expenditures would crowd out all other spending since there would be no default. The Democrats think just spending money will somehow stimulate the economy, but

fail to realize what happens when you are not spending new money (inflationary in theory) but borrowing money from foreigners. In the end, since 40% of the debt resides in foreign hands, that interest would be exported from the economy creating a cash shortage and economic depression because interest expenditures being exported will never stimulate the domestic economy.

The Republicans actually believe that by reducing spending, confidence will be restored, and the economy will boom. This fantasy emerges from the lack of questioning the core system and how it is actually operating. Nice theory, but where's the beef? However, there is no precedent for this wish list. The Democrats regret not stimulating (spending) enough and see that as the problem. They fail to see the massive exodus of interest leaving the country is a problem, and they too are not questioning the perpetual model of constantly borrowing to sustain the system.

Unfortunately, there is no hope whatsoever of sitting down and solving the problems. The debate just has not reached the level of systemic reform. Therefore, until the *shit-hits-the-fan*, we cannot expect anything but more economic crisis on the horizon. How do you bail out countries by lending them more just to keep the **Investment Bankers** happy going to solve anything long-term? The debt will increase. The economic implosion of government continues and the fuels unemployment to come.

We are being driven in a cab and the driver has no license because he can't read to take the test. The Debt Crisis is continuing because nobody has yet figured out that just perhaps the system is in dire need of reform because it is broke! Oh ya! The Investment Bankers won't let that happen because they sell the debt for all the countries.