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Nelson and I were treated to a pre-opening guided tour of the Ross Bridge Resort in Birmingham. The resort general manager spent almost 2 hours taking us behind the scenes. The tour convinced us that this venue is perfect for the upcoming Infinite Banking Concepts Think Tank session and seminar, 3-5 November, 2005. Whether you enjoy world-class golf or a day in the spa, Ross Bridge is truly a "destination resort". The sleeping rooms are first class; the in-house restaurants are fabulous. If you are even thinking about attending the seminar – this location makes it a no-brainer. Be sure you bring your spouse, there's plenty to do when you are not engaged in the seminar.

Think Tank members' registration cost is $50 per person, for all others the price is $249 per person with paid registration by 13 Oct 05, or $299 per person after 13 Oct 05.

We take credit cards over the phone; you can reach us in the office at 205-823-6506, or my cell 205-276-2977. If you prefer, payment can be made by check to R. Nelson Nash 2957 Old Rocky Ridge Road, Birmingham, Alabama 35243.

Once you commit, contact Ross Bridge and reserve you room, we have a discount sleeping room rate available, but most can get a better rate with their special affiliations. Here is the web link to the resort: Hoover & Birmingham Alabama Hotels - Renaissance Ross Bridge Resort&Spa on the Robert Trent Jones Golf Trail This is shaping up to be the most exciting seminar/Think Tank Session in recent years; please reserve your seat now!

David Stearns
Chief Operating Officer

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**The new Fourth Edition of <u>Becoming Your Own Banker - the Infinite Banking Concept</u> is now available. After depleting the current stock of the Third Editions, Nelson decided to take the opportunity to add some applicable quotes throughout the book, and to expand the book recommendations listing before ordering the next batch from the printer - hence, the Fourth Edition. Enjoy!**

# Bill Ford's Green Socialism and the Imminent Demise of Ford Motor Company

by Eric Englund

On October 30, 2001, Ford Motor Company's board of directors ousted CEO Jacques Nasser, replacing him with William Clay Ford, Jr.—who was already Ford Motor Company's chairman of the board. The company's 10/31/01 press release, about this matter, stated that "Bill Ford will set the company's objectives and focus on corporate, financial and strategic issues, the overall direction for the future of the company and strengthening relationships…" All of this made for good press. Yet, Jacques Nasser was a scapegoat, as Ford Motor Company's strategic direction had already been set by Bill Ford, not Jacques Nasser. Within a year of Mr. Nasser's firing, Bill Ford had set a goal for Ford Motor Company to turn a pre-tax profit of $7 billion by 2005—which was later pushed back to 2006. Not surprisingly, on April 8, 2005, Ford Motor Company officially scrapped this $7 billion earnings goal—many reasons were cited except one: Bill Ford is no more fit to run this company than is Ralph Nader. Let me explain.

William Clay Ford, Jr. is a green socialist born with a silver spoon in his mouth. He is in a quandary as he loves his wealth and power, but hates the very products that made the Ford family so wealthy. Indeed, Bill Ford believes his company's cars and trucks emit a substantial portion of the carbon dioxide that he passionately feels is responsible for the global warming that is baking our planet to death (i.e. Mr. Ford has completely bought into the green socialist nonsense about global warming). Therefore, it is Bill Ford's vision to make Ford Motor Company a model practitioner of "sustainable capitalism." In other words, Bill Ford wants to blend green socialism and capitalism in order to form a more perfect corporation.

Consequently, Mr. Ford has looked to what is tantamount to a political solution to resolve his own cognitive dissonance (i.e. the love-hate quandary mentioned above). As many political leaders believe socialism and capitalism can be blended to form a more perfect nation, Bill Ford feels that having Ford Motor Company adopt green socialist ideals will somehow transform Ford Motor into a company "with the best set of social values." Hence, Mr. Ford believes this appearance of "social responsibility" will somehow help Ford Motor sell more vehicles. Indeed, this company has become nothing more than a third-way corporate experiment to satisfy Bill Ford's conscience.

My assertion that Bill Ford is a green socialist is supportable. First of all, please be aware that he served as the chairman of Ford Motor Company's Environmental and Public Policy Committee from 1997 until 1999—he became chairman of the board of directors, of Ford Motor Company, in 1999. Upon becoming chairman of the board, Mr. Ford launched his "green revolution" under the nebulous guise of "corporate citizenship." Under Bill Ford's direction, Ford Motor undertook the following initiatives:

1. Environmental Management, which includes the following:
   * Climate change/global warming initiatives
   * Protecting and renewing ecosystems infringed upon by Ford Motor's office buildings and manufacturing plants.
   * Developing uses for recycled materials in Ford's vehicles
   * Cutting water use in manufacturing
   * Reducing the use of "chemicals of concern"
2. Protecting human rights
3. Increasing diversity within Ford Motor Company
4. Contributing to a safer and healthier world

All of the above-mentioned information can be found in Ford Motor's *2000 Corporate Citizenship Report*. Clearly, Ford Motor's leftist initiatives reflect William Clay Ford's "greenness." However, the following quote from Mr. Ford should remove all doubt:

> I believe there is now more than enough evidence of climate change to warrant an immediate and comprehensive — but considered — response. Governments will have a role to play in the change process. I'm not dismissing global treaties and their potential to generate action, but I believe there's a better way. Transparency, stakeholder engagement, and accountability with real performance measures and standards will be the real regulatory tools of the 21st century, and consumers will be the real regulators.

Evidently, Mr. Ford feels that his green version of social responsibility is going to attract customers to his company's products. Perhaps the fact that the aforementioned statement was delivered at the October 5, 2000 Greenpeace Business Conference, in London, will make Ford's products all the more attractive to consumers?

Ford Motor Company's shareholders and creditors should be especially alarmed by Bill Ford's green socialism as he is making Ford Motor politically and economically accountable to political/environmental groups that are only accountable to plants, animals, inanimate objects, and thus to Mother Earth herself. Members of such environmental groups are self-appointed, as I haven't yet heard of any environmentalists being appointed by redwood trees or spotted owls. By politically engaging with environmental groups such as Greenpeace, Mr. Ford has decided to allow Ford Motor Company to be held accountable for global warming itself (among other fashionable leftist causes). Make no mistake here, holding Ford Motor self-accountable for its alleged contribution to global warming—for which there is no scientific evidence—does not come without real monetary costs.

Before delving into these costs, let's look at how Mr. Ford is melding capitalism with self-imposed accountability to the "green" movement. The following quote, from the *2000 Corporate Citizenship Report*, was penned by Mr. Ford himself and reflects his faith in his own third-way philosophy of corporate governance:

> Discussions about business tend to fall into two categories. Most rely on the obvious financial indicators, gauging success in ways that have been in use for most of the last century.

> Nearly all of these standard indices look backward at what has been achieved.
>
> A small but growing approach to assessing business focuses on corporate responsibility, or citizenship, gauging whether or not a company is meeting new, broader definitions of its roles and responsibilities. This view relies heavily on openness, transparency, and engagement with outside stakeholders to determine whether or not a company is meeting these new expectations. It can identify emerging marketplace issues because it involves dialogue about expectations and potential along a wide range of issues. It looks forward at what needs to be done.
>
> The differences of these approaches are apparent in many ways. For example, financial markets have difficulty measuring the economic value of citizenship efforts. The absence of effective measurement tools can lead them to discount these issues. And, while activists are beginning to see that a company's financial performance is critical to citizenship efforts, there is a tendency to say that a focus on shareholder value means **the company is pursuing profits over principles**.
>
> Our corporate citizenship report is an attempt to address these evolving standards of conduct. It adds measurement mechanisms for corporate citizenship to the more established measurements of corporate finance. The next step is to merge these two methods of examination because, from my perspective, there is danger in separation and opportunity in connection. (emphasis added)

If this isn't third-way thinking, at the corporate level, then nothing is. Of course, when such muddleheaded thinking is spawned by a company's chairman and CEO, the company's long-term prospects aren't very bright.

To me, it is mind-boggling that Ford Motor Company's board of directors has allowed Bill Ford to take Ford Motor Company down this bizarre "green" path. Perhaps he has the board of directors buffaloed into believing that eventually Ford Motor Company will be richly rewarded for being on the leading edge of "sustainable capitalism" (a term you will find on page 11 of Ford's *2000 Corporate Citizenship Report*). I will go on record right now stating that Bill Ford's third-way management philosophy is not only unsustainable, it is incompetent and will lead to Ford Motor's financial ruin.

As mentioned earlier, Bill Ford's third-way initiatives do not come without real costs. Here is a concrete example. In an October 4, 2001 *msnbc.com* article, Ford Motor Company admitted that its production costs per vehicle had "…ballooned an average of more than $1,000 a vehicle over the past five years, while product quality has plunged far below that of rivals." An uncompetitive cost structure and poor product quality can put a company at a competitive disadvantage. Not surprisingly, during each of the three fiscal years (2002, 2003, and 2004) Mr. Ford has been CEO, Ford has lost money in its automotive operations.

Ford's high cost structure is particularly alarming considering its fragile financial condition—as reflected in its December 31, 2004 fiscal year-end financial statement. The following points illuminate several disturbing financial weaknesses:

- On an "as-given" basis, Ford Motor's automotive operations had a **deficit** working capital position of $10.3 billion.
- Ford had 35 cents of cash and marketable securities for every dollar of current liabilities.
- Ford's total liabilities amounted to a staggering $175.8 billion.
- With a tangible equity position of about $8.8 billion, Ford Motor Company's total liabilities to equity ratio stood at 20 to 1—keep in mind that 3 to 1 is considered risky.

It is interesting to note that Bill Ford spent 1995 to 1997 as the chairman of Ford Motor Company's Finance Committee. It is also curious that Ford Motor's own admission, that its cost structure had become less competitive during the second half of the 1990s, closely correlates with Bill Ford's ascendancy through Ford's management ranks (i.e. 1995 — chairman of the Finance Committee; 1997 — chairman of the Environmental and Public Policy Committee; 1999 —chairman of the Board of Directors of Ford Motor Company). There is no doubt that Mr. Ford has played a major role in "leading" this company into such a financially fragile position. To be sure, such financial fragility makes this automaker's future questionable in light of rising interest rates and skyrocketing oil prices.

By now, it should be obvious that Ford Motor Company is a lemon of a company. Perhaps it is more appropriate to describe Ford Motor as a watermelon of a company, just like the green socialist at its helm. In other words, Ford has become "green" on the outside yet is now "red" on the inside. Perhaps all of Ford Motor's cars should have this color scheme as a tribute to Bill Ford's third-way business experiment; that is, turning green money at the top-line into red ink at the bottom-line of its automotive operations. For the three-year period Mr. Ford has been CEO, Ford Motor has lost over $3.1 billion in automobile manufacturing.

Unless Ford Motor can eventually access the U.S. Government's printing press, through a third-way bail out, Bill Ford will likely preside over one of the world's most spectacular bankruptcies. At this point, the heat Mr. Ford will be feeling will not come from that environmental bogeyman called global warming, it will come from shareholders and creditors. Of course, Ralph Nader will throw a party upon Ford Motor's demise. The guest of honor will be William Clay Ford, Jr.—hero of the green movement.

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## IN 1923 THE MOST SUCCESSFUL FINANCIERS MET IN CHICAGO

1. President of largest Steel Company
2. President of largest Electric Utility Company

3. President of largest Gas Company
4. Greatest wheat speculator
5. President of New York Stock Exchange
6. Secretary of Interior, President Harding' Cabinet
7. Greatest "bear" on Wall Street
8. Head of greatest monopoly
9. President of Bank of International Settlements

**25 YEARS LATER** .....

1. Charles Schwab died bankrupt -- lived 5 years on borrowed money.
2. Sam Insull died in a foreign country -- a fugitive from Justice. He didn't have a penny.
3. Howard Hopson was insane.
4. Arthur Dutton -- died abroad, insolvent.
5. Richard Whitney -- recently released from Sing-Sing prison.
6. Albert Fall had been pardoned from prison so he could die at home, broke.
7. Jesse Livermore had died a suicide.
8. Ivar Kruger had died a suicide.
9. Leon Frazer had died a suicide.

**THINGS AREN'T ALWAYS WHAT THEY APPEAR TO BE.**

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# What We Need Is a Good Old-Fashioned Tyranny

**by Gary North**

April 15: this is the day we love to hate. All over America, men are frantically filling in forms. All day, people will be driving to the Post Office to get their envelopes into the mail to be stamped with a date, proving that they did not miss the deadline.

Others will be sending in the form that allows late filing. That postpones the paperwork – though not the money owed – for a few more months.

People will be filling out IRA forms, hoping for that retroactive deduction.

***WHY APRIL 15?***

Election day is in November. Tax filing day is in mid-April. This is not random.

The politicians know that we have short memories. Six months is usually the longest that any issue stays in the public's consciousness unless it is reinforced by the media.

November is seven months later April.

What if tax-filing day were the first Monday in November? Americans vote on Tuesday following the first Monday in November in even-number years.

Also, what if there were no tax withholding from every paycheck? What if taxpayers had to come up with the money in one lump sum, the way they did in 1942, the year of my birth?

How would they vote? Politicians would rather not find out.

## *CHRISTMAS CLUB FISCAL POLICY*

Of course, like members of what used to be called Christmas clubs, some taxpayers today are dreaming of their refunds.

For those of you who don't remember Christmas clubs, they were the invention of some genius marketer for the banking industry. A Christmas club was a zero-interest savings account that people joined in order to force themselves to save money for the following Christmas. They agreed in writing to deposit money, paycheck by paycheck, or else they would suffer a penalty: the bank would extract a portion of their deposits and pocket the money. The banks loved Christmas clubs.

The government deliberately overtaxes us for 12 months. Then it mails us a check, without interest, for the overcharge. Voters rejoice. "It's free money from the government!"

The government overtaxes us for these reasons:

1. The politicians like interest-free money.
2. The lure of a rebate persuades everyone to file a tax return, thereby identifying his whereabouts.
3. We are all emotional Christmas clubbers: "Free money from the government!"

A good sting operator understands the larceny in the hearts of his victims. That's what the great Paul Newman-Robert Redford movie was all about. It's what George C. Scott's delightful movie was all about: *The Flim-Flam Man*. Scott's character, Mordecai Jones, taught his apprentice, "You can't cheat an honest man." Then he cheated everyone in sight. And this: "A man will buy anything if he thinks it's stolen."

We have bought the income tax system because we think we can get our hands on stolen goods.

There is an old slogan: "If you can't tell who the mark is in a room after 30 minutes, then you're the mark."

Today, a hundred million marks will send in proof that Mordecai Jones was right.

### *WORSE THAN PHARAOH*

The Book of Genesis records Joseph's administration of the bureaucracy under the Pharaoh. In preparation for a great famine, the Pharaoh taxed everyone except the priests at a 20% income tax rate. The tax was collected "in kind" – grain. This had been Joseph's recommended strategy.

> Let Pharaoh do this, and let him appoint officers over the land, and take up the fifth part of the land of Egypt in the seven plenteous years. And let them gather all the food of those good years that come, and lay up corn under the hand of Pharaoh, and let them keep food in the cities. And that food shall be for store to the land against the seven years of famine, which shall be in the land of Egypt; that the land perish not through the famine (Genesis 41:34–36).

Unlike all other central planners, according to the Bible, Joseph really did know that a famine was coming seven years before it came.

There was something else. Joseph had been a slave in Egypt. He understood that the people worshipped Pharaoh as a god. It was a slave-based society. So, he dished out a little of what he had personally experienced. "You like slavery? Have I got a central plan for you! You believe in a divine ruler? Have I got a 'Christmas club' savings program for you!"

And the famine came. The people came to the state's warehouses for food. Joseph sold it to them, cash on the barrelhead. The Genesis account is long, but it reminds us of what the state is all about: a strict taskmaster and a hard bargainer.

> When that year was ended, they came unto him the second year, and said unto him, We will not hide it from my lord, how that our money is spent; my lord also hath our herds of cattle; there is not ought left in the sight of my lord, but our bodies, and our lands: Wherefore shall we die before thine eyes, both we and our land? buy us and our land for bread, and we and our land will be servants unto Pharaoh: and give us seed, that we may live, and not die, that the land be not desolate.
>
> And Joseph bought all the land of Egypt for Pharaoh; for the Egyptians sold every man his field, because the famine prevailed over them: so the land became Pharaoh's. And as for the people, he removed them to cities from one end of the borders of Egypt even to the other end thereof. Only the land of the priests bought he not; for the priests had a portion assigned them of Pharaoh, and did eat their portion which Pharaoh gave them: wherefore they sold not their lands.

> Then Joseph said unto the people, Behold, I have bought you this day and your land for Pharaoh: lo, here is seed for you, and ye shall sow the land. And it shall come to pass in the increase, that ye shall give the fifth part unto Pharaoh, and four parts shall be your own, for seed of the field, and for your food, and for them of your households, and for food for your little ones.
>
> And they said, Thou hast saved our lives: let us find grace in the sight of my lord, and we will be Pharaoh’s servants. And Joseph made it a law over the land of Egypt unto this day, that Pharaoh should have the fifth part; except the land of the priests only, which became not Pharaoh’s (Genesis 47:18–26).

Egypt became the model of tyranny for the Israelites. Again and again in the Bible, the writer invoked the tyranny of Egypt as the model of what God has delivered the people from.

What was that? Slavery. Egypt was a massive bureaucracy that extracted 20% from all of its own people. The message was clear: avoid the Egyptian model.

Today, to get the tax rate back to the tyrannical rate of 20%, the West’s governments would have to cut taxes by 50%.

The voters do not care. They cannot distinguish between liberty and tyranny.

***SAMUEL’S WARNING***

Sometime around 1,000 B.C., the people of Israel came to Samuel, who had served both as a prophet and a civil judge, and demanded a king, just like the other nations had. This was rebellion against God.

> But the thing displeased Samuel, when they said, Give us a king to judge us. And Samuel prayed unto the LORD. And the LORD said unto Samuel, Hearken unto the voice of the people in all that they say unto thee: for they have not rejected thee, but they have rejected me, that I should not reign over them. According to all the works which they have done since the day that I brought them up out of Egypt even unto this day, wherewith they have forsaken me, and served other gods, so do they also unto thee. Now therefore hearken unto their voice: howbeit yet protest solemnly unto them, and shew them the manner of the king that shall reign over them. (I Samuel 8:6-9).

Here was democracy in action. The people had spoken. God said to Samuel, "They deserve what they will get. I will give it to them good and hard."

Those who had been delivered out of Egypt were, once again, clamoring to get back in. They wanted the old tyranny. Samuel was told to warn them against this, yet do what they demanded: anoint a man to be their king. They would pay the price. The king would tax them unmercifully.

> And he said, This will be the manner of the king that shall reign over you: He will take your sons, and appoint them for himself, for his chariots, and to be his horsemen; and some shall run before his chariots. And he will appoint him captains over thousands, and captains over fifties; and will set them to ear his ground, and to reap his harvest, and to make his instruments of war, and instruments of his chariots. And he will take your daughters to be confectionaries, and to be cooks, and to be bakers. And he will take your fields, and your vineyards, and your oliveyards, even the best of them, and give them to his servants. And he will take the tenth of your seed, and of your vineyards, and give to his officers, and to his servants (I Samuel 8:11–15).

We read about this and cluck our tongues. The fools!

God gave them good warning.

Then we go down to the Post Office and mail in our tax forms.

To get back to the tyranny of the kings of Israel, the Federal government alone would have to cut taxes by over 50%. That doesn't count the $400+ billion in borrowed money this year.

Nationally, taxes would have to be cut by 75% to get back to Israel's self-imposed tax tyranny.

American taxpayers would thank God that they had been delivered – not out of tyranny, but into it.

There is a pattern here.

The voters cannot tell the difference between liberty and tyranny – not in Samuel's Israel or our America.

The Israelites did not heed Samuel's warning. They got themselves a king. Taxes got worse and worse. Finally, there was a tax revolt four kings later (I Kings 12). Israel was split into two kingdoms. Secession ended the centralized government. Only under the post-exilic gentile kingdoms – Medo-Persia's, Alexander's, and Rome's – was the nation reunited. But the tax money flowed through Jerusalem and then out of Israel. This was seen as tyranny by the Israelites. The stolen goods were supposed to stay inside the Promised Land, to be divvied up among the local politicians.

## *IN LESS THAN A CENTURY*

The first great tax grab in the West took place in Great Britain in 1909–10. The income tax was imposed by the government of David Lloyd George.

In 1909, Congress voted to allow the voters to vote for or against a Constitutional amendment to authorize a Federal income tax, which the Supreme Court had declared unconstitutional. In 1912, Americans voted. Because of the amendment's conflicting wording in the state-run elections, this vote technically failed to pass, but the Federal government announced that it did pass, and the public accepted this official word. (The story of this deception is provided in the 1985 book by Benson and Beckman, *The Law That Never Was*. Still, the amendment did have the support of most voters.)

World War I changed everything in the West. Prior to the war, national tax rates in the West were under 5% of income. After war mobilization proved that the sheep could be fleeced by five to one over pre-war taxation rates, the politicians never looked back.

The economist who saw this first, Joseph Schumpeter, was an Austrian who had studied under Austrian School economists at the University of Vienna, but who never became an Austrian School economist. In a 1918 essay, *Der Steuerstaat*, he argued that pre-war tax limits had forced the politicians to say "no" to groups demanding money from the central government. Now the politicians would say "yes." And so they did, and still do. There are always limits, but the spending limits today are at levels undreamed of by all but the Communists in 1913 – four years before the Bolsheviks captured Russia.

Today, millions of Americans will shrug their shoulders and mail in their 1040 forms. They will await their refunds, which will serve as down payments. "So much to buy on credit – so little time!"

### *THE ONLY GAME IN TOWN*

Millions of Americans gamble. They know the odds are against them. They know the games are rigged in favor of the house. They know, statistically, that most gamblers lose. Yet they go to the casinos and put their money down.

If you ask the players why they play a game that is rigged against them, they tell you: "It's the only game in town."

They vote just as they gamble. They know that the tax collectors will keep their fair share – more than the casinos keep: in the range of 50%. They know that more tax money will flow into Washington than will flow back. They know that, as a nation, the taxpayers always lose. Yet the voters refuse to vote the Casino on the Potomac into bankruptcy. Voters are as fond of it as gamblers are fond of Las Vegas. "Shut down the game? Now? Are you crazy? I'm going to get my Social Security in a few years." We have heard this before:

> And they said, Thou hast saved our lives: let us find grace in the sight of my lord, and we will be Pharaoh's servants.

What we see today is nothing new. We marvel at the seeming insanity of the self-abasing groveling Egyptians, who thanked the state for confiscating 20% of their property forever. Yet they actually did get a benefit: food during a famine. What do voters today get? A farm subsidy program that pays huge agribusiness firms not to farm – all in the name of saving the family farm. Yet we think the Egyptians were ninnies!

***CONCLUSION***

We will mail in our tax forms. We think nothing of it. We cluck our tongues at the Egyptians, who lived under a tax system that we would regard as liberation. We cluck our tongues at the Israelites of Samuel's day, who demanded a system of centralized government that would tax them at historically unprecedented levels: 10%. "How could they have been so foolish?" we think to ourselves. Yet we would rightly regard a return to the tyranny of unified Israel under the early kings as a politically miraculous contraction of the national government.

The Egyptians heralded a savior Pharaoh and got tax tyranny as their peculiar blessing. The Israelites heralded kingship, and got tax tyranny as their well-deserved reward.

What do we have? More important, what did we praise to high heaven in order to be given what we have obviously got?

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## More good stuff from Bill Bonner

As you know, we're waiting for something to happen. That is, we're waiting for the day when what can't go on for much longer finally stops going on.

Most people seem to believe things that couldn't possibly be true. They think houses go up faster than the rate of inflation - all the time. They think they can spend more money than they earn - indefinitely. They think America can take
more from the rest of the world than it gives - for as long as it wants.

And because they believe these things, they do things that an older, more experienced person would find reckless and irresponsible. During the great Tech
Bubble, Wall Street investors bought stocks trading at 200 times earnings... or
stocks that had no earnings at all! They knew they were doing something extraordinary; but they thought they were doing something very smart. "It's a new era," they said... and thought if they didn't get on board that train now, they were going to be left behind.

Now, it's the housing market that draws in young, inexperienced players.

Peter Schiff comments:

"One 'expert' consulted [by the New York Times] commented that in the past, real estate investors expected annual rental returns of 8% to 10%, and that such a 'historical perspective' is actually a negative in today's market, as it results in experienced investors passing on properties that investors with 'fresh prospective' routinely buy. 'They're not being foolish; they're looking at it differently than people who have been in the market for a long time.' In other words, this time it's different, a new era. I've seen this movie before, and I know how it ends. Remember all the novice stock market day-traders ridiculing Warren Buffet for his failure to grasp the new reality."

People buy property now as they bought tech stocks five years ago - without any regard for earnings. It's all a greater fool game - betting that someone will come along who is an even bigger numbskull than you are. The game continues for a very long time... so long that people come to see it as eternal. And the more confidence they have in it... the more reasons they invent why it should go on.
Most experts cite "demographic factors" - meaning, that there are supposed to be many more people who need a roof over their heads. According to the theory, there are so many new immigrants and baby boomer children that the homebuilders can't keep up with them. Prices will rise. Why the homebuilders can't build enough houses to keep up with the demand is a matter of debate.

How the new buyers will be able to pay higher prices - when incomes are falling - is not clear. Nor has anyone bothered to explain why prices didn't rise when the baby boomers themselves grew up. And there is always the outside chance that these new households may rent. Rental yields are falling; relatively, rents are cheap.

Markets make opinions. When prices rise, people find all the reasons in the world why they should continue. You'll recall, one of the major reasons given for why stock prices had to continue rising in 1999 was "demographic factors." There were supposed to be so many people putting so much money into stocks - for their retirements. The logic was supposedly irrefutable: The Baby Boomers must save money. They had no choice but to put it into stocks. Stocks had to go up.

Then, too, the reasoning was perfect - as long as stocks went up. But then something happened; they went down. For the last five years, the Baby Boomers have felt little desire to buy stocks.

But the "demographic factors" argument is still perfectly serviceable for the housing market. It will work fine - until something happens and houses go down in price.

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# GOOD THOUGHT

A lecturer, when explaining stress management to an audience, raised a glass of water and asked, "how heavy is this glass of water?"

Answers called out ranged from 6ozs to 1 pound. The lecturer replied, "The absolute weight doesn't matter. It depends on how long you try to hold it."

"If I hold it for a minute, that's not a problem. If I hold it for an hour, I'll have an ache in my right arm. If I hold it for a day, you'll have to call an ambulance. "In each case, it's the same weight, but the longer I hold it, the heavier it becomes."

He continued, "And that's the way it is with stress management. If we carry our burdens all the time, sooner or later, as the burden becomes increasingly heavy, we won't be able to carry on." "As with the glass of water, you have to put it down for a while and rest before holding it again. When we're refreshed, we can carry on with the burden."

"So, before you return home tonight, put the burden of work down. Don't carry it home. You can pick it up tomorrow. Whatever burdens you're carrying now, let them down for a moment if you can. Relax; pick them up later after you've rested.”