

## **OCTOBER 2005 BANK NOTES, R. Nelson Nash, Editor**

**BECOMING YOUR OWN BANKER** is five years old this month and has sold over 76,000 copies! In addition, several thousand e-books have been sold. Not bad for a self-published book that is not available in stores. Its primary means of distribution has been through life insurance agents who purchase them in quantity and get copies in the hands of their clients and prospects.

**INFINITE BANKING CONCEPTS** will conduct its' semi-annual ten-hour seminar and "Think Tank" session in Birmingham, AL on November 3 – 5 at the fabulous new Ross Bridge Resort. This is a great opportunity to meet and listen to financial professional from all over the U.S. who have been using the concept for a number of years. Come and be with us for this occasion. To register, click on the SEMINARS button on this website and scroll down to November. Contact David Stearns and plan to be a part.

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# **The Mosquito: Environmentalism's Weapon of Mass Destruction**

by **Eric Englund**

*...when one swallows environmentalism, one inescapably swallows poison.*

~ Dr. George Reisman

Environmentalists want you dead; and the sooner the better. Did that get your attention? I certainly hope so. For it is the environmental movement's objective to radically reduce the human population. As mankind seeks to extend the division of labor, to further explore for and utilize natural resources, to develop new life-improving technologies, and to enhance our quality of life, environmentalists view humanity as nothing more than a voracious parasite raping, pillaging, and sucking the life out of Mother Earth. It is within this context – i.e. rescuing Mother Earth from the human parasite, via massive population reduction – that one comes to understand the environmental movement's nihilistic push to permanently ban the use of DDT always and everywhere. Ultimately, banning DDT (a safe and cost-effective insecticide) is tantamount to cheering on the mosquitoes to kill as many people as possible with such diseases as malaria, yellow fever, dengue fever, and West Nile virus.

Of the aforementioned diseases, malaria causes the most deaths and illnesses worldwide. According to Malaria Foundation International (MFI):

Malaria is responsible for about 500 million clinical cases of disease and about 2.7 million deaths a year, mostly those of children under five and pregnant women. In Sub-Saharan Africa alone, malaria destroys 70% more years of life than do *all* cancers in *all*

developed countries combined. It therefore follows that even a tiny loss in the efficiency of a national malaria control program, occasioned by the loss of DDT or otherwise, would result in a tremendous number of additional deaths from the disease. (emphasis in the original)

Yes, you read that correctly. That is 500 million acute illnesses **per year** resulting in as many as 2.7 million **preventable deaths** every year. More about these preventable deaths later (hint: the United States' outright ban of DDT, in 1972, has had a hand in this large-scale death and misery).

Speaking of bans, the United Nations Environment Program (UNEP) is pushing for a worldwide treaty aimed at permanently abolishing persistent organic pollutants (POPs) – of course greenies are fully backing this treaty. DDT, which is still manufactured and utilized in some parts of the globe, is on UNEP's list of POPs. Organizations such as MFI, Africa Fighting Malaria (AFM), and the American Council on Science and Health (ACSH) are concerned about this ban as no safe and cost-effective replacement has been found for DDT. These groups argue that millions more will die needlessly if the POPs treaty is ratified and enforced.

Members of the above-mentioned pro-DDT groups understand that environmentalists hold the moral high-ground on the emotional issue of DDT. Due to a massive disinformation effort, on the part of environmentalists (and parroted by the U.N.), most people mistakenly believe DDT is a highly carcinogenic/cancer-causing compound which is also devastating to wildlife. What members of MFI, AFM, ACSH and others have yet to come to grips with is that environmentalism's most fundamental goal is to drastically reduce the human population. In other words, environmentalists want to permanently abolish DDT in order to bring about the deaths of as many people as possible. Hence, the pro-DDT groups' pleas to save lives are falling upon deaf ears.

To remove any doubt that greenies want you dead, let these environmentalists/monsters speak for themselves:

- **Jacques-Yves Cousteau**, environmentalist and documentary maker: "It's terrible to have to say this. World population must be stabilized, and to do that we must eliminate 350,000 people per day. This is so horrible to contemplate that we shouldn't even say it. But the general situation in which we are involved is lamentable."
- **John Davis**, editor of *Earth First! Journal*: "I suspect that eradicating smallpox was wrong. It played an important part in balancing ecosystems."
- **Paul Ehrlich**, Stanford University population biologist: "We're at 6 billion people on the Earth, and that's roughly three times what the planet should have. About 2 billion is optimal."
- **David Foreman**, founder of Earth First!: "Phasing out the human race will solve every problem on earth, social and environmental."
- **David M. Graber**, research biologist for the National Park Service: "It is cosmically unlikely that the developed world will choose to end its orgy of fossil-

energy consumption, and the Third World its suicidal consumption of landscape. Until such time as Homo sapiens should decide to rejoin nature, some of us can only hope for the right virus to come along."

- **Alexander King**, founder of the Malthusian Club of Rome: "My own doubts came when DDT was introduced. In Guyana, within two years, it had almost eliminated malaria. So my chief quarrel with DDT, in hindsight, is that it has greatly added to the population problem."
- **Merton Lambert**, former spokesman for the Rockefeller Foundation: "The world has a cancer, and that cancer is man."
- **John Muir**, founder of the Sierra Club: "Honorable representatives of the great saurians of older creation, may you long enjoy your lilies and rushes, and be blessed now and then with a mouthful of terror-stricken man by way of a dainty!"
- **Prince Phillip**, Duke of Edinburgh, leader of the World Wildlife Fund: "If I were reincarnated I would wish to be returned to earth as a killer virus to lower human population levels."
- **Maurice Strong**, U.N. environmental leader: "Isn't the only hope for the planet that the industrialized civilizations collapse? Isn't it our responsibility to bring that about?"
- **Ted Turner**, CNN founder, UN supporter, and environmentalist: "A total population of 250–300 million people, a 95% decline from present levels, would be ideal."
- **Paul Watson**, a founder of Greenpeace: "I got the impression that instead of going out to shoot birds, I should go out and shoot the kids who shoot birds."

Obviously, pleading with environmentalists to save lives (by not banning DDT) would be no different than imploring Hitler to save Jews. How can anyone rationally negotiate with members of a movement bent on eradicating human beings? Part of the answer is for DDT supporters to go on the offensive and expose the green nihilists for what they are – anti-human cowards advocating the deaths of billions. Only through exposing such evil intentions can the humane pro-DDT organizations reclaim the moral high-ground and work toward saving millions of innocents.

To be sure, it will take some work to re-educate people about the safety and efficacy of DDT. So here is a brief history.

In 1935, while working at J.R. Geigy A.G., Paul Hermann Muller undertook his research in the specialized field of synthetic contact insecticides. Dr. Muller's objective was to synthesize an insecticide with the following seven characteristics:

1. Great insect toxicity.
2. Rapid onset of toxic action.
3. Little or no mammalian or plant toxicity.
4. No irritant effect and no or only a faint odor (in any case not an unpleasant one).
5. The range of action should be as wide as possible, and cover as many arthropoda as possible.
6. Long, persistent action, i.e. good chemical stability.

7. Low price (= economic application).

After four years of creative and intensive work, Dr. Muller synthesized DDT (this compound was originally made in 1873, but never received any particular attention). In his research, Paul Muller found that DDT met all of the above-listed criteria except for "rapid onset of toxic action." Field trials demonstrated that DDT was effective against a wide variety of pests including the Colorado beetle, common housefly, louse, and mosquito. In 1940, a Swiss patent was granted for DDT.

During the short time DDT had seen commercial use, the safety and efficacy of this insecticide had become apparent on an international scale. In 1948, Dr. Muller was awarded the Nobel Prize in Physiology or Medicine. Professor G. Fischer, of the Royal Caroline Institute, stated the following in his Nobel presentation speech:

Dr. Paul Muller, I have tried to give a brief survey of the historical development of DDT. Your discovery of the strong contact insecticidal action of dichloro-diphenyl-trichloromethylmethane is of the greatest importance in the field of medicine. Thanks to you, preventive medicine is now able to fight many diseases carried by insects on a way totally different from that employed heretofore. Your discovery furthermore has, throughout the world, stimulated successful research into newer insecticides.

Estimates, pertaining to how many lives DDT has saved, range up to 500,000,000 – truly, one of the most important compounds ever synthesized by mankind.

So how did, in 1972, such a life-saving insecticide become banned in the United States; thus, **severely impacting malaria eradication on a global scale**? In 1962, Rachel Carson published her book *Silent Spring*. Much the way environmentalists are currently using psychological terror tactics to frighten people into believing in global warming, Rachel Carson's book smeared DDT by outright lying and putting forth wild hypotheses of doom and gloom. Renowned entomologist, Dr. J. Gordon Edwards, painstakingly dismantled Rachel Carson's reckless book in his article [\*The Lies of Rachel Carson\*](#). Nonetheless, media-generated hysteria fueled by junk science and Rachel Carson's lies, provided the political cover needed for EPA administrator William Ruckelshaus to ban DDT in the United States. Mr. Ruckelshaus, not surprisingly, had close ties to the Environmental Defense Fund.

William Ruckelshaus and Rachel Carson, unequivocally, are responsible for tens of millions of deaths. For, once again, they created an international backlash against DDT making it difficult for third-world countries to eradicate malaria-carrying mosquitoes – as many third-world leaders caved into the political pressures emanating from the U.S., Europe, and the United Nations. To death-mongering environmentalists, Ruckelshaus and Carson are heroes. To decent caring people, these two vile characters bring to mind such evil fiends as Mao, Lenin, Stalin, and Hitler (keep in mind that Nazism was a green movement as well).



There are countries, thankfully, which have refused to cave in to the anti-DDT dictates of the United Nations, environmental groups, and politically-correct governments. Countries such as Ecuador, Mozambique, South Africa, Swaziland, Thailand, and Uganda continue to successfully battle malaria through the use of DDT. In fact, the inside of a house can be safely sprayed with DDT at an annual cost of about \$1.44. The occupants experience no ill health effects while mosquitoes either avoid the house or die after coming in contact with a treated surface. Conversely, just look at the deadly results of those countries that no longer allow the use of DDT.

At this point, let there be no question that environmentalists are your enemy. Much the way Bolsheviks labeled kulaks as vermin, lice, and parasites, John Davis – the aforementioned editor of *Earth First! Journal* – has stated the following: "Human beings, as a species, have no more value than slugs." This is biocentrism and is a fundamental underpinning of environmentalism – i.e. a man, is a dog, is a rat, is a mosquito, is a slug. Hence, using biocentric "logic," mosquitoes are soldiers in the environmental movement's army air corps. The mission, for these mosquitoes, is to collectively become a weapon of mass destruction and kill as many humans as possible. Make no mistake, environmentalists are fighting to permanently ban DDT so that their mosquito-soldiers aren't prevented from spreading crippling and deadly diseases in order to reduce the human population. There is no other explanation as to why such a lifesaving, and safe, insecticide remains in the crosshairs of the greenies. We need to save DDT and, in turn, eradicate the green army air corps.

*Eric Englund [send him mail], who has an MBA from Boise State University, lives in the state of Oregon. He is the publisher of [The Hyperinflation Survival Guide](#) by Dr. Gerald Swanson. You are invited to visit his [website](#).*

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## The House Poor

by **Bill Bonner**

Oscar Wilde once commented on a man who knew "the price of everything and the value of nothing."

Most Americans would be surprised to realize that there is a difference. And yet, with the advance of the U.S. housing bubble, the gap between the two widens.

A housing bubble is very different from a stock market bubble. A stock market bubble is a financial phenomenon; a real estate bubble is an economic one. When a stock bubble explodes investors are hurt. When a property bubble pops, ordinary people feel extraordinary pain. That is when prices collapse back to real value and we will find out what stuff we are made of.

We say that because it will come as a great disappointment to many people to discover what their houses are really worth. When tech stocks crash, most people read the news with approval; they never bought the stocks anyway and are pleased to find that they weren't such idiots after all. But when property goes down, the shock of it is likely to upset them deeply.

"There are five separate social classes in American society," explains Richard Benson of Specialty Finance Corp. "They are the Upper, Professional Upper-Middle, Middle-Middle, Lower-Middle or 'working poor,' and the Lower. America used to be a land with a few upper class, some lower middle class and the rest were somewhere in the professional upper-middle and middle-middle category. Factory workers were middle-middle. Now when a worker loses their job at the factory and takes a job at Wal-Mart for one-third of his previous wage, are they still in the middle?"

"A new class seems to be developing. I call it the 'House Poor.' In this over-heated real estate market where homes are selling above list prices and speculative buyers are quickly flipping properties at a record pace, the House Poor are keeping up with the rising cost of living by paying the bills through home equity extraction, home-equity loans and cash-out refinancing. While many homeowners believe they can live like the upper class and appear to be wealthy, they'll be the first to end up in the poor house. Those easy money real estate speculators who purchased several investor properties are now beginning to see that renters are more difficult to find these days but the bills to maintain their properties keep coming in.

"Indeed, homes have a tendency to actually make you poor because they need to be finished and furnished; older homes become deep money pits; roofs need replacing; drains clog; termites gnaw at foundations while squirrels and mice move in; pipes break; furnaces fail, and, in the south, mold and mildew can't even be insured; walls need paint; bricks cry out for tuck-pointing and yards need constant care. Worse yet, when it comes to the state and local government, they are always looking for someone to tax. As soon as you buy a house, you have just raised your hand and announced, 'please tax me!' While some localities offer tax breaks to primary residents, second home and investor property owners get hit full bore on tax increases!"

In California, the typical person lives in a box with neither grace nor charm. But it is worth \$522,000, according to the latest figures. The man figures he is half way to being a millionaire. He might as well spend a little of his fortune, he believes, before it gets away from him. And so he "takes out" what Benson calls the "phony equity" and uses it to improve his standard of living. Which is to say, he spends money. Whether the spending actually improves his quality of life or not is hard to say. Until now, he didn't have to worry about it. The money was almost free. It came without work or sacrifice. Getting rid of it as fast as possible only seemed appropriate.

But there's nothing quite as expensive as free money. Home ownership has reached a record 69% in the U.S. Trouble is, the homeowners don't own much. Most houses are heavily mortgaged. As many as one in ten "homeowners" have no financial stake in their

houses. A typical mortgage payment for a typical California house is over \$3,000 a month. You would need an income of \$122,000 per year to get a conventional loan for that amount. Not many people earn that much; it's more than twice as much as the median family income. That's why many people are spending half their income on shelter. But as long as prices rise, they don't worry about it.

It's when prices stop rising that real values show up. Then, the homeowner has only the expenses...and the debt...to think about. Then he begins to wonder what it's really worth to him to live there.

How much? We don't know. But the value of the typical California house is probably much less than today's asking prices.

*Bill Bonner [send him mail] is the author, with Addison Wiggin, of [Financial Reckoning Day: Surviving the Soft Depression of The 21<sup>st</sup> Century](#).*

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## **More from Bill Bonner**

One poor mug is highlighted in today's papers - Bernie Ebbers. The fool believed he could roll up the telecom industry without actually knowing anything about the telecom business. He thought it was all about stock promotion. He was mostly right. Now the fellow faces 25 years in the hoosegow.

Even dumber were the mugs that bought the stock. They didn't know anything about the telecom business either. All they knew was that the stock was going up... and some other mug had told them to buy stocks went they went up.

We feel sorry for Ebbers. What he did surely deserves public humiliation... and he should be forced to make financial restitution - to the extent he is able. But why make a criminal case of it? Stock market mugs should have known better. And what is the stock market for but to separate fools from their money? Why do people howl so when the work is done? If the investors think they were misled, let them come forward and see what he can get out of Ebbers' hide. We so no reason why the taxpayers should have to feed and house the man for the next quarter century just because investors were mug enough to buy WorldCom stock.

But the argument is that Ebbers committed a crime against society; we must make an example of him to discourage misconduct in others. If we don't, every Tom, Dick and Harry will be cooking the books and Americans will lose faith in Wall Street. If it were it not for a few rogues like Ebbers, say the dreamers and prosecutors, investors could put their money into Wall Street with as much confidence as buying a beer in an Irish pub. But anyone who believes that is a mug, if not a mental defective.

AND EVEN MORE FROM BILL -

But it's worth it, say delusional buyers. "We'll have to struggle for a while, but it is worth it for the house," said one young homeowner. The man had just committed himself to pay \$500,000 that he didn't have for a house he didn't need. He got it with 100% financing. In other words, to call him a "homeowner" is a stretch. He is a speculator. What he has is something akin to an option to buy a house for a half million dollars. If the house rises in price, he will exercise the option. If it falls, he will walk away - with certain penalties.

Another buyer said he bought a house but had no money for furnishings. "I ate dinner in my car," he says. "I made house-buying a goal. It's worth it knowing I have a home."

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## CAFTA and Dietary Supplements

by [Rep. Ron Paul, MD](#)

The House of Representatives is scheduled to vote on the Central American Free Trade Agreement in the next two weeks, and one little-known provision of the agreement desperately needs to be exposed to public view. CAFTA, like the World Trade Organization, may serve as a forum for restricting or even banning dietary supplements in the U.S.

The Codex Alimentarius Commission, organized by the United Nations in the 1960s, is charged with "harmonizing" food and supplement rules between all nations of the world. Under Codex rules, even basic vitamins and minerals require a doctor's prescription. The European Union already has adopted Codex-type regulations, regulations that will be in effect across Europe later this year. This raises concerns that the Europeans will challenge our relatively open market for health supplements in a WTO forum. This is hardly far-fetched, as Congress already has cravenly changed our tax laws to comply with a WTO order.

Like WTO, CAFTA increases the possibility that Codex regulations will be imposed on the American public. Section 6 of CAFTA discusses Codex as a regulatory standard for nations that join the agreement. If CAFTA has nothing to do with dietary supplements, as CAFTA supporters claim, why in the world does it specifically mention Codex?

Unquestionably there has been a slow but sustained effort to regulate dietary supplements on an international level. WTO and CAFTA are part of this effort. Passage of CAFTA does not mean your supplements will be outlawed immediately, but it will mean that another international trade body will have a say over whether American supplement regulations meet international standards. And make no mistake about it, those



international standards are moving steadily toward the Codex regime and its draconian restrictions on health freedom. So the question is this: Does CAFTA, with its link to Codex, make it more likely or less likely that someday you will need a doctor's prescription to buy even simple supplements like Vitamin C? The answer is clear. CAFTA means less freedom for you, and more control for bureaucrats who do not answer to American voters.

Pharmaceutical companies have spent billions of dollars trying to get Washington to regulate your dietary supplements like European governments do. So far, that effort has failed in America, in part because of a 1994 law called the Dietary Supplement Health and Education Act. Big Pharma and the medical establishment hate this Act, because it allows consumers some measure of freedom to buy the supplements they want. Americans like this freedom, however – especially the health conscious Baby Boomers.

This is why the drug companies support WTO and CAFTA. They see international trade agreements as a way to do an end run around American law and restrict supplements through international regulations.

The largely government-run health care establishment, including the nominally private pharmaceutical companies, want government to control the dietary supplement industry – so that only they can manufacture and distribute supplements. If that happens, as it already is happening in Europe, the supplements you now take will be available only by prescription and at a much higher cost – if they are available at all. This alone is sufficient reason for Congress to oppose the unconstitutional, sovereignty-destroying CAFTA bill.

*Dr. Ron Paul is a Republican member of Congress from Texas.*

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**Pythagorean theorem: 24 words**

**The Lord's Prayer: 66 words**

**Archimedes' Principle: 67 words**

**The 10 Commandments: 179 words**

**The Gettysburg Address: 286 words**

**The Declaration of Independence: 1,300 words**

**U.S. Government regulations on the sale of cabbage:**

**26911 words.**

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WHEN THE LEVEE BREAKS  
by Addison Wiggin

At the height of "the bubble," just when the wheels started to come off, Mississippi John Law came up with a brilliant plan to save his company and the Banque Royale.

The year was 1720 Paris, over the previous three years and by virtue of Law's financial innovations, had become the largest and richest city in Europe.

Law's "innovation" was paper money. Apart from a several hundred-year stretch in China ending in 910, the world had never seen or used paper money. At the outset of The Mississippi Scheme, Law had demanded, on the pain of death, that his banker's not print more money than could be redeemed in gold from their own reserves. The strict backing of the currency - what was essentially the world's first gold standard - gave investors of the day such confidence that the currency actually traded at a premium.

But there was a problem. Law's bank existed by virtue of a deal with the Regent of France, the Duc d'Orleans. The finances of the government in France following the reign of Louis XIV, his wars and the building of Versailles, were a mess. Seeing how much value was being placed in the new bank notes of the Banque Royale, the Regent set another precedent modern readers will recognize: he decided to print his way out of debt. He suggested Law issue currency up to 80 times what the bank held in redeemable gold reserves. Law, being rather preoccupied with the power and prestige the Scheme had bestowed on him, ignored his previous warnings, and let the printing begin.

The new notes flooded into the market and for a while held the value they had gained with solid gold backing. So many people got rich, the Aristocracy of the time coined a new term to describe the: "millionaires". Stories of commoners making so much money fired the imaginations of thousands and thousands more investors and the frenzy got out of hand.

New Orleans, the site of this week's investment conference (sic), was founded at the time, named after the Regent, and meant to become the Paris of the New World. The jumping off point for those who would mine all the gold and silver soon to be discovered in Mississippi (sic).

When people started getting wind of the fact that there was nothing backing Law's currency but rumors of future profits to be reaped in the New World, they started losing confidence in the new currency. Law trying to keep up appearances just a little longer rounded up all the beggars, bums and thieves in Paris, furnished them with picks and shovels, and marched them through Paris ostensibly on their way to New Orleans... and the mines of Mississippi. The quiet hiss of air leaking out of the bubble accelerated into a screeching "whoosh!" when the same

old dirty faces began appearing in the same old dirty doorways and alleys.

In 1971, our own currency, the almighty dollar, was the last modern currency to be officially removed from the gold standard. Ironically, or not, the move was precipitated by the French government. At the time, de Gaulle realized that the US had built up immense debts to governments around the world. If the US wanted to pay the debts back, all we had to do was fire up the printing press, and the world was forced to accept our paper in lieu of these debts. De Gaulle thought he'd redeem his paper for gold... a move that was still legal at the time. Nixon thought better of it. Said no way. And closed the "gold window". Since that day, no one - not you, me or the president of France - can redeem their paper money for gold. And the value of the dollar is largely determined by the confidence investors around the world foresee in future success of US economy.

Doing his part this week to keep up appearances just a little longer, Alan Greenspan lowered the Fed funds rate another 50 basis points. If there's no gold behind them thar pieces of paper, maybe a boatload of credit will do the trick, eh?

Regards,

Addison Wiggin,  
The Daily Reckoning

P.S. They really couldn't have picked a worse spot to build a city. As you know, New Orleans is about 100 miles away from the mouth of the great Mississippi river. It's a great location for trade, but rivers of this size, well... they move a lot. In order to keep the city in one piece, the people of New Orleans have had to build an extensive levee system.

Today, the French quarter sits eight feet below sea level, and is sinking. If the levee were to break, the city would flood... and stay flooded. Now they've built a sophisticated satellite system to track the movements of the river and break the levee at strategic points north and south of the city. Intervention and improvisation... it's the human way, isn't it?

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## **My Letter to Dave Barry**

by **Gary North**

On November 2, 2004, I sat down and wrote a letter to Dave Barry. I had just read that he intended to quit writing his column for at least one year. I thought it was a bad idea. I still do.

Dave Barry is an influential man who seems to have no enemies. Not many influential men are in such a position. He shapes the thinking of millions of readers-fans. He does

not shape their ideas directly. He does it indirectly, by blowing gaping holes in the things people do, especially government bureaucrats. ("Gaping Holes" would be a great name for a rock group . . . and for all I know, already is.)

His weekly column met a real need. Every society needs humor. For the last two decades, he has been the supreme American humorist, as distinguished from a comedian. There have been very few influential humorists in our history. Mark Twain and Will Rogers are the major ones. We get a good one about once per half century.

All three of them got laughs by making fun of Congress. Examples:

*Fleas can be taught nearly anything that a Congressman can.* ~ Mark Twain

*Suppose you were an idiot. And suppose you were a member of Congress. But I repeat myself.* ~ Mark Twain

*The taxpayers are sending congressmen on expensive trips abroad. It might be worth it except they keep coming back!* ~ Will Rogers

*This country has come to feel the same when Congress is in session as when the baby gets hold of a hammer.* ~ Will Rogers

*With Congress, every time they make a joke it's a law, and every time they make a law it's a joke.* ~ Will Rogers

*The only way to get elected to Congress is to raise a bunch of campaign money, and pretty much the only way to do that is to already be a member of Congress.* ~ Dave Barry

*Congress, after years of stalling, finally got around to clearing the way for informal discussions that might lead to possible formal talks that could potentially produce some kind of tentative agreements.* ~ Dave Barry

*Congress shall also create a tax code weighing more than the combined poundage of the largest member of the House and the largest member of the Senate, plus a standard musk ox.*

*The question is: What can we, as citizens, do to reform our tax system? As you know, under our three-branch system of government, the tax laws are created by: Satan. But he works through the Congress, so that's where we must focus our efforts.*

*Here's my proposal, which is based on the TV show "Survivor": We put the entire Congress on an island. All the food on this island is locked inside a vault, which can be opened only by an ordinary American taxpayer named Bob. Every day, the congresspersons are given a section of the Tax Code, which they must rewrite so that Bob can understand it. If he can, he lets them eat that day; if he can't, he doesn't.*

*Or, he can give them food either way. It doesn't matter. The main thing is, we never let them off the island. ~ Dave Barry*

This is great stuff. Fifty solemn editorials by pundits run in 300 newspapers each will not have the impact of a line like this:

*The only difference between death and taxes is that death doesn't get worse every time Congress meets. ~ Will Rogers*

Dave Barry is a household name because he is a true master of words. He has a huge audience. He is a libertarian. He doesn't trust the state, as [his interview in Reason](#) indicates.

That he should walk away from his audience is a mistake, assuming that his family was not falling apart because he was spending 80 hours a week writing one column, which I think is unlikely.

I told him so.

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Dave Barry  
*Miami Herald*  
One Herald Plaza  
Miami, FL 33132

Dear Dave:

I recommend that you do not quit for a year. Don't break the link between you and your readers. They trust you.

You have achieved what no one else has achieved since the death of Will Rogers: national status as a humorist whose comments help establish millions of Americans' sense of place. People need a sense of place, and humor reminds us of where we are. We must stand on common sense in order to laugh at absurdity. Common sense needs reinforcing these days. In a gentle way, you make the silliness of life acceptable: the world as an amusement park ride. Will Rogers dealt with more serious things than you do, and for five years, 1930–35, helped Americans cope with a national disaster. But we still need gentle humor.

You have nothing left to prove: not awards, not money, not fame. That's why you should not quit, not even to test the waters. You can surely afford to quit. That's why you shouldn't. You should stay on the job because you are not merely a humorist making a living. You are a humorist who gives comfort and chuckles to tens of millions of people. You make life a little better for an entire nation. Nobody else can do this as well as you do. You are a unique phenomenon.

By staying on the job, you will be saying, "I'm in this for the sake of my calling – the most important thing I can do in which I would be most difficult to replace. I'm not in this for the money. I have been blessed to find a way to make a good living by doing what I do well, and what no one else can do equally well." You have what almost no famous person other than Mother Teresa had. You are the best at what you do, and millions of people are better off for it, and they know it.

Stick to your knitting. It will send a message. "This life is about service, not money, fame, power, etc." This message needs to be sent by the few people who can believably send it.

Americans need to know about exploding toilets. There are way too many exploding cars.

Sincerely yours,  
[Gary North](#)

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I suppose that knocking off for a year to "re-charge your batteries" is legitimate. But it's risky. The batteries may go dead from lack of use. I fear that his column will go the way of "Calvin and Hobbes."

There are so few people who ever reach the pinnacle of success that I regard it as a shame when one of them quits, mid-career.

It is rare for anyone to find a niche market of 10 million people or so. As I writer, I would like a niche market like that!

For Dave Barry, maybe his family was at risk. If writing a weekly column is such a burden in terms of time and intense concentration that writing it undermines his family, then it is wise to quit. But, as a semi-journalist, I find this hard to believe. Most of us can crank out something respectable in a few hours. It may not be great, but it will be acceptable.

The greatest sports writer of our era, Jim Murray (d. 1998), was a prolific and gifted writer. I began reading his articles in "Sports Illustrated" in the early 1960s. I marveled at his ability with words. After he finished a column, he would always say, "Fooled 'em again!" He wasn't referring to his readers, I think. He was referring to the paper's editors. He had once again gotten out his piece on time, within an hour or two after the game was over.

There is a form of responsibility that the successful person owes to the consumers who blessed him with success. If you can be replaced without too much disruption, then it's fine to retire. But when you are the only one and have a truly loyal following, then there is something more than money involved. Dave Barry isn't in it for the money.

As a writer, I wonder: "What is he in it for?" Does he know? Bob Hope was asked why he didn't retire and go fishing. He replied: "Fish don't applaud." I saw an interviewer ask this of Ray Charles. His response was even better: "And do what?"

So much for Dave Barry's career. What about yours?

### ***THAT ONE THING***

I recommend that you carefully consider that one thing in your life where you make a significant difference to others. Maybe you don't get paid for this. Maybe you do. My point is, you should do it for a reward other than money.

When a producer creates a relationship with consumers that is strictly based on money, there is almost always a competitor who can supply a very similar item. But when a producer creates a relationship with consumers that is based on some aspect of his own personality, there is something more than money involved. There is an irreplaceable factor.

You move from an occupation to a calling whenever you become irreplaceable. I define the calling as "the most important work you can do for which you would be most difficult to replace."

One of the themes in my writing is this: "Try to find that area of your life in which you are most irreplaceable. Concentrate on this."

When you discover what your special gift is, pay the price to develop it. If people become dependent on this gift in a unique way, keep at it, even if you're not making any money.

Money eventually comes when you have a skill that you are putting to good use. I don't know why, but it does. Put your effort into developing the skill.

I heard a recording of a speech by Charles Adams recently. Adams is the author of several excellent books on taxation in history. *Dirty Rotten Taxes* is my favorite. He was speaking to a group of budding young economics students. He told how he wrote his books. What an improbable tale! He got a job in a law firm. His first assignment was to handle a tax case. He produced a report in three days. A partner in the firm was amazed. The firm had not understood that he had any background in taxes – and as he says, he hadn't.

He wrote a manuscript for a publisher, who then killed the project. He self-published it. It made no money. He wrote another version. Another publishing house turned it down. Then someone walked into the editor's office, spotted the manuscript, read it, and told him he ought to publish it. He did, and the book sold 60,000 copies. Not many books ever do.

Step by step, Adams became the leading authority on the history of taxation and its political effects. He had kept at it, year after year, despite the lack of interest by publishers. As he told the students, "Keep at it." That is good advice.

If you must support your family and your one thing by taking a job you don't really like, then do it, but not for the money – for the money plus your one thing.

If you can sell your unique service for a steady income, do it.

If you provide an easily replaceable service or product, be content with just delivering the product demanded. Don't knock yourself out. Use your spare time to fund your unique service. But where you provide a unique service that meets people's needs, don't be content with anything less than your best shot.

### ***CONCLUSION***

If your occupation is also your calling, you are in a wonderful situation. You can work to improve your performance, and your monetary income will rise as a result.

Most people are not in this situation. I suspect that most people never discover the one crucial area of productivity that makes a difference outside their immediate families. Society is poorer for this oversight.

There are those few people who have multiple talents and who never quite decide which one is the crucial one. Leonardo da Vinci is the West's pre-eminent example.

A more recent example is Steve Allen, author of 50 books and 7,400 songs. A few of his songs are vaguely memorable, but his books aren't. The one thing he ever did that made a cultural difference – his invention of the talk show format – he abandoned shortly after he made it into a national institution in the mid-1950s. He had too many talents for his own good . . . and ours.

I encourage you to start looking seriously for that one skill or one insight that will make a difference. No matter how bad the economy gets, a skill that is offered for its own sake will produce fruit.

If it does, don't quit if you get rich. You aren't in it for the money. So, take the money.

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A FOOL AND HIS MONEY  
by Justice Litle

"Paradoxically, perfect market efficiency leads to markets becoming inefficient."

- Lee Thomas III, Pimco global bond strategist

"It's immoral to let a sucker keep his money."

- Canada Bill Jones, 19th century poker player

Investing has many similarities to poker. For example: A small minority of professionals take the lion's share of profits. The house takes its cut from all comers with ironclad regularity. Odds allow for confidence, but never certainty - there is no hand that can't be beaten, no hand that cannot win. Both games are heavily influenced by luck in the short run, yet dominated by skill and consistency in the long run. And success is rarely the result of any one large decision; it is rather the result of countless small decisions, built into an accumulated edge over time.

The typical poker player reverts to the style he or she is most comfortable with in live play. This lack of variation gives the professional an edge, highlighting the best way to take the amateur's money. Poker predators usually assign one of three classifications to their prey: Maniac, Rock, or Calling Station. Of these three, the Calling Station is prized as the most reliable source of funds. The Maniac is dangerously aggressive, and often too hot; the Rock is notoriously tight-fisted, and usually too cold; but the lukewarm Calling Station is just right.

A passive aggressive type, the Calling Station has no grasp of strategy, yet feels compelled to participate. He or she is happy to call the majority of bets, rarely raising or taking control of the hand. Analysis is minimal, actions robotic. The Calling Station's attitude can be summed up as, "I don't really know what I'm doing, but I'm just glad to be here." A streak of good cards will occasionally reward this hapless style of play, but odds inevitably prevail over time. The Calling Station thus provides a steady stream of revenue for those who understand the importance of strategy and put it to use.

On Wall Street, the investing equivalent of the Calling Station is the Passive Indexer - the individual who seeks to unthinkingly mimic the performance of the Dow Jones or the S&P 500. Like his poker equivalent, the Passive Indexer is either unaware that strategy exists or unconvinced of its necessity - just happy to be a part of the action, hoping that luck or providence will provide a decent retirement. (Of course, the Passive Indexer is frequently encouraged to believe that providence is all he needs. This is rather like wolves encouraging sheep to believe the forest is safe.)

By contrasting the modest returns of passive indexing with the subpar returns of mutual funds, index touts pull off a neat trick: they make the bad look good by comparing it to worse. Adding insult to injury, many large mutual funds are actually "closet" indexers, charging for active management yet hugging the benchmarks anyway. This is like starting at the bottom and digging a hole.

In essence, passive indexing is the equivalent of a dog chasing its own tail. Selected companies grow larger as sums of indexed money robotically swell their market caps. As valuations rise, the indexers are encouraged by the boost. The process repeats in round robin fashion, with little thought for the objective worth of the companies receiving these blind inflows. Few question this puzzling lack of logic, thanks to a triumph of circular reasoning: the Efficient Market Hypothesis assumes that all valuations are intrinsically self-

justified. This academic diktat reinforces the torrent of not just dumb, but brain-dead money. Most of us know the crucial economic benefit of a stock exchange is rational and efficient capital allocation, but we forget that rationality presupposes intelligent thought. As passive indexing gains in popularity, the principle of rational capital allocation is turned on its head and thrown out the window.

Those who defend passive indexing invariably point to stocks' historical uptrend. But like the Calling Station on a temporary winning streak, indexers overlook the cyclical tendencies of the market, putting too much emphasis on an extraordinary run of good cards.

As the Rydex chart shows, the market actually spends more time going nowhere than going up, with the typical bear cycle measured in decades. Whether things work out in the long run is a moot point for those with retirement needs close at hand. As Lord Keynes famously noted, in the long run we are all dead.

[See the Rydex chart here:

<http://www.dailyreckoning.com/Featured/Ct920.html>

Alternative asset managers - who pursue absolute returns rather than relative ones - are required to post the prominent disclaimer "PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS," or some variation of such, on their investment materials. Ironically, the Passive Index claque relies on just such an outlawed guarantee to make their case. They want you to believe that buy and hold is safe as milk. (In the current real estate climate, "safe as houses" has lost all meaning.) Worse still, the indexers lean on history for support without actually consulting it. By ignoring the ramifications of market cycles, massaged data like the Ibbotson study (the most famous bit of agitprop supporting "stocks for the long run") proves fundamentally dishonest. A more rational assessment, assisted by the chart above, would go something like this:

If historical market patterns offer guidance, we are probably heading into a period of sideways to down markets that could easily be ten years or more in duration - hardly the time to be passive.

On the other hand, if historical patterns do not offer guidance - that is to say, if "this time it's different" and/or past performance does not guarantee future results - then the case for passive indexing no longer exists.

Is there ever a time to seek general exposure to stocks? Certainly. When valuations are low, pessimism is high, and interest rates and inflation have hit cyclical peaks, it's probably a good time to be a broad market bull. In the stagflated seventies, the PE Ratio for the S&P 500 flirted with single digits, inflation ran rampant, and a determined fed chairman took interest rates to sky-high levels. Volcker's victory over inflation, and the long march towards price stability that followed, set the stage for the great bull of 1982-2000.

Here in 2005, we are at the opposite end of the spectrum. Price stability is crumbling. The twin specters of inflation and deflation lurk. Government expenditures are skyrocketing. The reckless expansion

of credit has been unprecedented. Liquidity-driven stock valuations cling to stubbornly inflated levels. All these excesses need to be worked off before general conditions can be considered truly bullish once again. A long-term sideways to down cycle is required.

But the news is not all bad. There will be plenty of opportunity afoot, even with the broad markets going nowhere. Savvy investors made good money in the thirties and the seventies, and they will have similar opportunities in the coming cycle. Some sectors will shine even as others languish. There will always be a handful of companies making money hand over fist. Volatility will provide ample trading opportunities on the short and long side alike. It will be a stock picker's market, and very much a trader's market... but not a passive indexer's one.

Regards,

Justice Little  
for The Daily Reckoning