

EMAIL BLAST

An Ongoing Dialogue from
The Delta Group

REVENGE OF THE 1% LOAN: Part IX, August 17, 2010

“Money for Nothin’”

*That ain't workin' that's the way you do it
Money for nothin' and your chicks for free
Now that ain't workin' that's the way you do it
Lemme tell ya them guys ain't dumb
Maybe get a blister on your little finger
Maybe get a blister on your thumb*

Dire Straits – 1985 (*as written from the working man's
envy of the rock stars superior life*)

Three years have passed since we began the “Revenge of the 1% loan” serenade about free money, bloated real estate markets and the inevitable consequence of greed. Obviously, others have sung that song before. The somethin’ for nothin’ virus decimated the internet age, went into hibernation but viciously ballooned the value of our housing stock, from which we are still in triage.

Last week it was reported that payrolls lost over 100,000 jobs in July, pushing the unemployment rate back toward 10%. Second quarter GDP came in at an anemic 2%, far less than expected after a severe recession.

Has the virus corrupted the devilish risk-taking capitalist? Have business owners shrunk back into their protective shells, fearful of exposure and afraid to hire? Corporate America certainly has, having amassed a cool \$2 trillion in cash on their balance sheets.

Consumers have become savers, attempting to insulate themselves by paying down credit card debt for a record 21 consecutive months. Investors are bailing on the stock market and continue to redeem equity mutual funds in favor of more conservative interest paying bond funds.

Our full speed ahead “Money for Nothin’” federal government is projected to run another \$1.5 trillion deficit over the next year. Deflationary fears have kept borrowing costs at historic lows, enabling and inflating the national debt. In turn, demand for gold as an alternative currency pushed prices up its historic climb, rising over 10% so far in 2010.

The unemployment rate in DC is 6%. The Feds have become the economy, and the private sector’s withering confidence in the face of rising taxes and limitless regulation cannot feed the Revenuer’s appetite.

The siphon needs a river flowing...

Eric Dahl

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