

Quarterly Letter



The United States Government (fiscal conservatives!) implemented a massive corporate welfare program of almost one trillion dollars that merely exasperates real problems! Lord help us, as Governments and corporations squander Your money!

Pray for our irresponsible, incompetent Governments!

INCOMPETENCE

Webster's Dictionary defines incompetence as, "lacking the qualities needed for effective action." In this global credit crisis, the United States Government, House of Representatives, and Senate show that they, like most Governments, have mastered the art of incompetence, while being generous with taxpayers' money!

TO SOLVE A PROBLEM, FIRST UNDERSTAND IT

Treasury Secretary, **Henry Paulson** is incompetence's poster child! In April 2007, he said, "I don't see [subprime mortgage market troubles] imposing a serious problem. I think it's going to be largely contained." "All the signs I look at" show "the housing market is at or near the bottom,"

- Reuters, April 20th, 2007

In September 2008, Paulson's spokeswoman told Forbes.com: The \$700 billion bail out figure Paulson proposed to buy up bad debts was "...not based on any particular data point, ..." "We just wanted to choose a really large number."

- Forbes.com, 23 September 2008

On 12 November 2008, the Wall Street Journal reported that Secretary Paulson said the Treasury had put a plan to purchase illiquid mortgage-related assets [bad assets] on hold.

Chairman of the House of Representatives' Financial Services Committee, **Barney Frank**, earned his stripes, too. On 14 July, 2008, before the US Government "rescued" Fannie Mae and Freddie Mac, Frank said "I think this is a case where Freddie Mac and Fannie Mae are fundamentally sound. ... not in danger of going under. ... not the best investment these days from a long term standpoint going back. I think they are in good shape going forward ..."

- Listen to Barney on YouTube.com

Folks, these are our leaders! God help us!

Left, right, liberals, conservatives, free market advocates, regulation hawks, corporations, individuals, *each contributed* to this global credit crisis. What's more, the US Government's ad hoc approach is causing it to deepen. The Government needs to get out of the way, stop creating chaos, and allow fundamentally unsound businesses to fold, merge, or disperse, orderly.

Meantime, with billions of taxpayers' dollars, corporate crooks plot their next moves! After fleecing shareholders, coercing and ripping off consumers, they secured public funding to boot!

The problem is greed, not credit; the symptom, distrust among many corporations. They gambled with shareholder funds on nebulous financial instruments such as *sub prime mortgage-backed securities* and *credit default swaps*, and lost. Some individuals lost, too. They lived beyond their means: bought homes they couldn't afford, upgraded on credit, gambled that housing prices would keep rising.

As politicians blame each other for this mess, history shows, in 1999, the Clinton administration created conditions for subprime and other exotic investments to flourish *outside the regulated financial system*. President Clinton signed the Gramm-Leach-Bliley Act that effectively repealed

Greenspan testified before the House Committee of Oversight and Reform, acknowledged his role creating the credit crisis, and said he and others were in "shocked disbelief" because they assumed lending institutions would protect their shareholders from the credit market fallout.

Asking banks and financial institutions or any business to self regulate, is like asking the fox to protect the chickens! Advantage, fox! In Mark 10:18, Jesus tells us *no one is good* except God! Banks, securities firms, and other businesses look out for their interests, not ours!

Glass Steagall's repeal enabled proliferation of high risk mortgage-backed securities and credit default swaps, without official oversight. Still, sub prime fleecing was unethical, immoral, but transparent. Boards of directors, executive managements, the Securities and Exchange Commission (SEC), the Fed, and the United States Congress, should have intervened. Corporate executives who received huge bonuses from sub prime and related transactions, need to return those funds; they shouldn't be rewarded!

In January 2003, in the midst of a booming economy and rising housing prices, George W. Bush promoted consumer debt accumulation at the Economic Club of Chicago. He said:

Low interest rates have allowed Americans to tap the rising value of their homes. In 2002, refinancings added more than \$100 billion to American pocketbooks, money that helped renovate homes, or pay off debt, or cover tuition, or purchase other goods.

Meanwhile, signs of overextended consumers were widespread. In my Fall 2003 quarterly letter, I wrote:

"Recent reports in England, Australia, USA and Canada indicate continuing rise in household debt and debt service ratios. According to the 27 September Australian Financial Review, Australians went on an unprecedented borrowing binge in the quarter ended in June: total household debt at 34% higher than two years ago is now at record levels. ... In the UK, ... a recent



the Glass Steagall Act, which had separated commercial banks and investment banks (securities firms). Glass Steagall's repeal allowed *federally regulated* financial institutions and *non federally regulated* securities firms to operate as one—it allowed single holding companies to offer banking, securities, and insurance, as they did before the Great Depression.

On 23 October 2008, former Federal Reserve (The Fed) Chairman, Alan

Bank of England report said household debt can be expected to keep rising for the next five to 10 years ... In Canada, household debt reached a historical high in the second quarter of this year at 103.7% of personal disposable income... The bad news is central banks in these countries continue to use low interest rates to lure consumers to increase borrowing to help stimulate sluggish economies!"

The party is over, but we want to keep dancing! And Governments are obliging! They are bailing out failing firms and selected home owners. US Treasury Secretary Henry Paulson, former CEO of investment bank, Goldman Sachs, is familiar with the unethical and unsustainable nature of subprime lending. He knows corporations abused the trust Glass Steagall's repeal expected. Yet, he has given them more taxpayers' funds!

The first injection in American International Group Inc. (AIG) failed to achieve its goal. So, on 10 November, the U.S. government provided them with more: a new US\$150-billion financial-rescue package, including US\$40 billion for partial ownership..." And the queue for corporate welfare grows: To qualify, recently, American Express became a bank "gaining access to government funds as credit-card defaults climb ..."

Next in line for corporate welfare? The Big Three: General Motors, Ford and Chrysler! Obviously their failed management strategies, and unhealthy business models are irrelevant! These businesses must be allowed to die "from natural causes" so a resurrected combination might sprout effective managements and business models! Why should corporations take profits but taxpayers suffer losses!

The solution is not more Government regulations or more money to individuals or corporations. To be sure, we need to tweak and enforce existing regulations, but corporations and individuals need to bear effects of overindulgence.

Here in Canada, though we are a couple years behind the US., our economy will continue slowing, unemployment will rise, and our Governments will be pressured to give taxpayers' funds to structurally unsound businesses. Already, we hear calls for corporate welfare to auto and other industries. God, grant wisdom to our leaders!

Canadian and US economies must move away from consumer spending as their prime growth engine. And so, these economies will experience rising unemployment. Our Governments must encourage savings to generate funds for major infrastructure and capital investment.

Besides, the solution must include new *attitudes* at all levels. Resulting changed *behaviours* might help people *live in their means!* If we continue living beyond, our economies will crash!

Now is the time for individuals and firms to deal with consequences, not to get more credit! As Albert Einstein said:

"We can't solve problems by using the same kind of thinking we used when we created them"

We need to focus on our roles as God's stewards and remember, *money management is lifestyle management.* Our *choices* result in how much we spend. So, we must bear effects of these choices, and as needed, adjust our lifestyles.

Psalm 118:1 says, "give thanks to the Lord, for he is good; his love endures forever." Yes, His love never ends: when we don't feel loved; when we know we have done wrong, still, His love lasts forever!

Apostle Paul's words in 1 Thessalonians 5:17-19 is another reminder to be thankful. He says: "Pray continually; give thanks in all circumstances, for this is God's will for you in Christ Jesus."

In all circumstances: the good, the bad, the ugly, let's ask the Lord to show us how to be thankful. Today, each of us needs to be still before God. Whatever our challenges, look to Jesus. He knows the answer, even when we don't know the question! When we remain preoccupied with our circumstances, we might miss His solutions.

Until Elisha spoke to her, the widow in 2 Kings 4:1 didn't appreciate how much she had. When he asked her what she had in her home to pay her late husband's debts, she said: "Your servant has nothing there at all ... except a little oil."

Elisha told her to collect empty jars from her neighbours. She did, and found she had more than enough oil to fill all the jars in the neighbourhood, sell the oil, pay her debts, and have oil left ... yes, from a little oil! What do you have in your house? Just a little oil? Right now, Jesus is calling you. In Matthew 11:28-30, He says:

"Come to me, all you who are weary and burdened, and I will give you rest. Take my yoke upon you and learn from me, for I am gentle and humble in heart, and you will find rest for your souls. For my yoke is easy and my burden is light."

Only when we rest in Him will we see clearly what God has prepared for us. Pastor Chuck Swindoll says:

"We must admit that we spend more of our time concentrating and fretting over the things that can't be changed in life than we do giving

BE PATIENT

Do you know you don't save in a sale? So, unless you need an item now, and I mean need, not want, and you can afford it now, there is no rush to get that item. If you are like most people at my seminars, at first, you aren't convinced you don't save in sales. So, I ask this question to help you see more clearly: Where have you put all the funds saved in earlier sales? Better still, today, suppose you bought an item for \$2,000 that was originally listed at \$4,000, what would you do with the \$2,000 the merchant said you saved? Folks, savings occur, only when you set aside funds at no risks?

You need patience to resist temptations from enticing sales and deals. As you wait, remember, you benefit, but do not save, in a sale or deal when:

1. You **Need** the item
2. You can **Afford** it (specific funds in the bank now)
3. You **Planned** to buy it
4. The **Price** is at or less than planned
5. You, not the merchant, saw the "need" to buy

attention to the one thing that can, our choice of attitude."

Evangelist Billy Graham builds on this sentiment:

"If a person gets his attitude toward money straight, it will help straighten out almost every other area in his life"

What is the right attitude? The bible tells us nothing is wrong with money, wealth and possessions, it's our attitude that's the issue. The right attitude is to accept God's ownership and our stewardship. As we learn to live as His steward, let's loosen our grips, open our palms, and start *living to give* to further His Kingdom. We glimpse this attitude in 2 Corinthians 8: 1-5:

"... Out of the most severe trial, their [Macedonian churches] overflowing joy and their extreme poverty welled up in rich generosity. ... they gave themselves first to the Lord and then to us in keeping with God's will ..."

Choose the right attitude, but understand, that's not a panacea for our challenges! The right attitude helps, but we must lean on God. He is in control and allows crises for His purposes, not our comforts! Look at world events in context of biblical prophecy! In Matthew 24:42, Jesus tells us to "keep watch, because you do not know on what day your Lord will come." He alone knows the future!

I pray these words from Micah 7:7 comfort you: "But as for me, I watch in hope for the LORD, I wait for God my Savior; my God will hear me."

Grace and peace to you!