



## Just in case it matters to you:

CLIENT / CONTACT BULLETIN 10-19

- ECONOMICS THEORY PRESUMES THAT HUMAN BEINGS BEHAVE 'RATIONALLY' in financial and other matters, and thus make 'perfect' decisions. Research at Duke University has consistently shown that reality is not so perfect, since "our psychological quirks cause us to deviate from rational behavior in numerous ways... People cheat, procrastinate, overvalue objects they made themselves, take free things they don't need, insist upon keeping their financial options open even when it means losing money, and otherwise behave contrary their interests... including taking mental shortcuts that cause them to veer from rational behavior." [FORBES – May 10, 10]  

THE LATEST EXAMPLE: 'SCHMUCK INSURANCE' (NO JOKE)! It's the "latest trend in Real Estate sales...with sellers wanting buyers to promise they won't resell the properties quickly – presumably for a fat profit... Donald Trump, for one, routinely seeks assurances that buyers won't flip the properties for a five-year period or greater, thus making him look bad... to preserve his image as a shrewd dealmaker." [THE WEEK – Apr 30, 10]
- WHY DOES CALIFORNIA NOW HAVE "THE WORST CREDIT RATING IN THE COUNTRY...with no map for getting back to normal? ...How could a place that in the last 15 years incubated Google, Facebook, Twitter and eBay be hemorrhaging tens of thousands of businesses a year and a million jobs since 2000?" **The answer is 'Regulation'** – which has created such a treacherous business environment that our state economy has simply been strangled. One example: When eBay committed to a new facility for some 3000 white-collar workers, this major company, with its clout, still took "2-1/2 years of trying to get permission, 25 permits, and 3 consulting firms to navigate the labyrinth of regulations." Smaller businesses have neither the capital nor the fortitude to fight that kind of battle. What a stupid catastrophe. [BLOOMBERG BUSINESSWEEK – Apr 26, 10]
- ECONOMICS IS ALSO THE MAJOR FACTOR IN THE IMMIGRATION MESS: "It's not the border that's broken, it's our low-wage labor market," since 25% of American jobs "require no more than on-the-job training or experience in a related occupation...– the highest share of low-end jobs (defined as pay below two-thirds of the median wage) among six wealthy nations." The problem is threefold: (1) "For years, the U.S. has behaved hypocritically, issuing just 5000 green cards a year to low-skilled workers...far below the amount demanded by American businesses" who essentially seek "indentured servants." This disparity is what draws workers to enter the country illegally – "harming the less educated native-born Americans and earlier-arriving immigrants competing for work." (2) The argument that Americans 'don't want' and 'won't take' low-level jobs is spurious in these times of high unemployment – even at shamefully low wages. Fact is, that "in other developed nations, nannies, sales clerks and waiters are well-trained and earn living wages" versus bare subsistence. Combined with (3) the uselessness of 'politically correct' politicians, frustrated and resentful citizens are "left to deal on their own with illegal immigration – in Arizona's case, from a nation on their southern border that is consumed by drug violence," without any coherent support from the federal government. [BLOOMBERG BUSINESSWEEK – May 3, 10]
- AND ECONOMICS IS MAJORLY RESPONSIBLE FOR LIKELY LEGALIZATION OF MARIJUANA in next fall's California ballot initiative, since: (1) The \$14 billion annual crop "dwarfs any other sector of the state's agricultural economy – over ten times greater than citrus, the next largest crop; (2) From the standpoint of providing jobs, the sector is considered 'NAFTA-Proof' thanks to soil and climate conditions; (3) The billions of dollars it costs annually to enforce prohibition (predominantly police and prisons) are a meaningful component of the state's budget deficit; and (4) It is estimated that "decriminalization could net California over \$1.4 billion in annual tax revenues" – creating the state's first tax-producing 'green' industry, which even moralists are rationalizing as sensible "taxation and regulation." [Rolling Stone – Apr 1, 10]
- THOUGHTS FOR THE WEEK: **General Motors new TV spin about repaying its federal bailout "because more customers are buying GM vehicles" neglects to mention that the \$4.7 billion didn't come from operating earnings, but from taxpayers, thanks to a 'special escrow' account, and still leaves government some \$50 billion invested in GM.**

**"The greater danger for most of us is not that our aim is too high and we miss it, but that it is too low and we reach it."**

**"The difficult part in an argument is not to defend one's opinion, but rather to know it."**

**DUITCH CONSULTING GROUP – UTILIZING GLOBAL PERSPECTIVE TO PROVIDE OPTIMAL  
STRATEGIC, FINANCIAL, TAXATION, OPERATIONS AND MANAGEMENT PLANNING**

[www.DuitchConsulting.com](http://www.DuitchConsulting.com)