



## Just in case it matters to you:

CLIENT / CONTACT BULLETIN 10-26

- “ON ALMOST EVERY LEVEL, WE ARE MAKING NATIONAL ECONOMIC POLICY on the basis of problematic data and inadequate models...from figures that simply don't add up... Given the nature of the information we currently use for our collective vital statistics, it's a wonder we still have an economy to argue about.” Government numbers are always estimates and always wrong – often dramatically, as when the ‘non-partisan’ Congressional Budget Office forecast a ten-year cost for Medicare which was utilized for legislation, then ‘re-calculated’ at 33% higher – only another \$200 billion. Material errors in forecasting result from “increasingly complex systems and a globalized economy of supply chains that have evolved more quickly than our ability to measure them,” but there's also intentional political chicanery – like the job numbers for May which were reported as 431,000 new hires with a drop in unemployment to 9.7%, neglecting to mention that 400,000 of the jobs were temporary federal census workers or that “hundreds of thousands of people became so discouraged, they dropped out of the (measurable) workforce.” The real problem is not so much inexactness of data, but that decisions to commit literally trillions of dollars are based on assumptions which are usually wrong and often irrelevant. [TIME – June 21, 10]
- AND MORE INTERFERENCE IS ON THE WAY. The ‘mark-to-market’ accounting requirement – a present of wisdom from Congress and the Financial Accounting Standards Board (FASB) – is “an economic version of the bubonic plague...the *principal reason*” that economic turmoil came close to destroying our entire financial system. “In effect, this rule forced financial institutions to value securities (for regulatory capital purposes) as though they were day-trading accounts... resulting in reduction of asset values to absurdly low levels that weren't even remotely justified by their cash flows.” Now, with “auditors salivating at the fees they'll collect from the mammoth, laborious procedures necessary to ‘evaluate’ millions of individual loans,” FASB is proposing (“with the passive connivance of the SEC, FDIC and others”) that “all loans, not just securities, will be subject to these so-called fair-value rules. *The immediate impact will be to crush small business...* [How does a trader in New York know what price to bid for a loan to a dry cleaner in Smalltown, Iowa? In fact, the minute a bank makes that loan it will be forced to write down the value because no one else will pay 100 cents on the dollar for it – especially in times of economic stress]... This supertoxic mark-to-market concept will severely stifle job creation and economic growth” conceivably pushing us into “perpetual recession.” [FORBES – June 29, 10]
- THE INTERNET MAY ACTUALLY BE A DISEDUCATING FORCE, gradually and invisibly rendering the surfing public incapable of reflective thought or sustained attention...providing an explanation for why so many of us feel challenged to concentrate even when we're away from our computers... Studies show that constant exposure to high-speed Internet is making us quicker in our ability to make connections and more adept at finding info, but we're losing something of great value in the trade: the literary mind set – brains capable of understanding and analyzing extremely complex narrative and dialogic arguments... The influx of competing messages that we receive online not only overloads our working memory; it makes it much harder for our frontal lobes to concentrate attention on any one thing so the process of memory consolidation can't even get started... We train our brain to be distracted, to process info very quickly and efficiently, but without sustained attention...foreshadowing the teaching, learning and thinking of tomorrow.” [THE FUTURIST – July/Aug 10]
- GOLDMAN SACHS' RESPONSE TO THE SEC'S Financial Crisis Inquiry Commission was to deliver 2.5 *billion* pages of data – the equivalent of a “dump truck dumping a bunch of rubbish” according to it's chairman. This quantity of data is roughly 5-Terabytes of hard copy weighing around 12,500 tons (equivalent to 1,650 elephants), comparable to the entire Twitter archive at the Library of Congress, would cover 28,700 football fields, and would take 159 laser printers running a full year to print out one copy of each page. Don't plan on any quick answers or action... [BLOOMBERG BUSINESSWEEK – June 14, 10]
- TYLENOL IS THE MOST POPULAR PAINKILLER CONTAINING ACEITAMINOPHEN – a drug which results annually in some “100,000 calls to poison control centers, 56,000 emergency room visits, 26,000 hospitalizations, and over 450 deaths from liver failure... Regular users of acetaminophen double their risk of kidney cancer... and researchers find it consistently induce cataracts in the eyes of laboratory animals.” The FDA requires a “minimal warning on labels” but otherwise appears to be, as usual, safeguarding the economic interests of pharmaceutical companies. [LIFE EXTENSION – July 10]
- THOUGHTS FOR THE WEEK: **“Life's tough. It's even tougher if you're stupid.”** – John Wayne  
**“There is nothing wrong in making mistakes. What is wrong is not correcting them.”** – Ayn Rand