►On Target

Martin Spring's private newsletter on global strategy

December 8, 2011 No.144

Europe's Financial Crisis and You

Greece is a tiny economy, amounting to only 2½ per cent of the 17-nation Eurozone, yet its difficulties have triggered a financial crisis that is sweeping across the Continent and threatens to engulf the global system.

How is that possible?

Owners of mobile capital – banks, multinationals, wealthy individuals, are starting to shift their money, away from what they see as areas of risk into what they perceive to be the safe havens. Precious metals. The strongest banks. The most secure bonds.

As this shift gathers momentum, it spreads the fear of loss in other assets and banks, ratcheting up the stresses… and the dangers.

What threw petrol on a bonfire was the recent decision of Eurozone governments, in their rescue plan for Athen's finances, for the first time to impose a "haircut" (penalty) on private-sector holders of Greek government debt. They are to suffer capital loss on the bonds they hold, whose maturity values are to be halved.

Even worse, Eurozone governments are using political blackmail to force their banks, who are the major private-sector holders of the bonds, to sign up to the deal so the haircut can be categorized as "voluntary." The intention is to deprive them of being able to claim compensation for their capital losses under Credit Default Swop contracts.

These developments have caused an outbreak of panic among private-sector holders of the sovereign bonds of Eurozone countries, who fear they could be forced to accept haircuts in rescue plans, without being able to claim insurance against them. Yields on the ten-year bonds of Italy, for instance, soared to around 7 per cent.

The crisis has now spread beyond the bond markets to the heart of the European financial system – private-sector banks. These are giant institutions – the five biggest in France, for example, have liabilities three times the size of the French economy's annual output.

► They have huge holdings of Eurozone government bonds whose value is questionable, and other dodgy assets such as toxic debt arising out of the earlier crisis in the US.

► They have made large loans to their own corporate and personal sectors whose default risk is rising as Europe moves into recession.

In this issue: Financial crisis ▫ Investing in China ▫ Big isn't best ▫ US foreign skills rationing ▫ Formula investing ▫ The pound ▫ Living standards

► They are under pressure from regulators to boost significantly, and quickly, the capital reserves needed to shield them from bankruptcy.

► Perhaps worst of all, as they cannot attract enough deposits from their customers, they have major dependence on money borrowed on the wholesale market from financial institutions that have cash surpluses. In recent weeks that market has largely shut down, as banks increasingly fear "counter-party risk" – that if they lend to other banks, those could go bust.

A European crisis is snowballing into a global crisis.

To ward off disaster and comply with regulators' demands, the banks are:

► Selling assets, including riskier bonds and "non-core businesses" such as those outside their home countries;

► Cutting back on the credit they provide, which inevitably will drive Europe deeper into recession;

► Borrowing huge amounts from the European Central Bank – totalling now more than half-a-trillion euros.

How did we get into this mess?

The fundamental cause is debt. Individual households, businesses and in particular governments have borrowed far too much. Now the bill is being presented for a half-century of profligacy.

Total debt in the mature economies has grown to more than three times their annual output. It has doubled since 1980. This does NOT include future liabilities such as pensions that will have to be paid.

Governments are largely to blame. Example: in the US corporate debt is equivalent to 75 per cent of one year's economic output, and consumer debt is 95 per cent -- but government debt, including the cost of promises such as pensions to be paid in future, reached 541 per cent at the end of last year and is still climbing fast.

How did the mountain of debt come about?

► Countries have introduced lavish welfare – social and medical services, cash benefits, early retirement pensions -- without providing for ways to pay for it all. Costs are spiralling for current benefits and particularly, with ageing populations, the forecast future costs of pensions and medical services.

► Governments have hugely expanded work forces in the public sector, ruling parties often using their powers of patronage to create jobs for their core supporters such as labour union members, and usually on pay and benefits higher than in the private sector. Nearly one million such jobs in Britain alone, under the last Labour government. Many of such jobs give little value to the national economy, but all add to the burden of state spending… and borrowing.

► People have been encouraged by governments via low interest rates and tax advantages to borrow more, often more than they can afford. In some countries such as the US, Spain and the UK, this produced a bubble in real estate whose collapse has left families heavily burdened with personal debt.

► The "great recession" triggered by the financial crisis that began in 2007 has curbed economic growth – tax revenues have fallen, state benefits such as unemployment pay have soared, and huge amounts have been poured into zombie

banks and politically powerful interests such as General Motors; the extra money has been borrowed.

The logic for promoting debt is that it spurs economic growth. But the more debt there is, the less effective it is. In the US one dollar of credit used to create as much as five dollars worth of economic growth. Now it creates only half a dollar. Creating more debt depresses growth.

Debt can go on accumulating for a long time without causing a crisis. Then one happens, suddenly. It's like a pile of sand that continues growing as material is added, then suddenly one additional grain causes the pile to collapse.

The first financial crisis began in the comparatively small sector of sub-prime, but was magnified by banks into a systemic threat. Disaster was averted by massive spending by the US government and central bank. But it was financed by debt. Debt is being shifted from the private sector to taxpayers; very little has been done to reduce the debt, whose overhang continues to depress economic growth.

Now we face the second financial crisis of our era: begun in Greece, magnified by banks.

European governments have huge borrowing needs to refinance (raise money to repay maturing bonds) and finance their annual deficits. Adding to a debt burden already too high.

Europe is unable to act forcefully to address its developing crisis because of lack of centralized authority – it has no powerful central finance ministry or lawmaking body, and its central bank's freedom to act is restricted by law.

Almost any major decision requires unanimous support of 17 or even 27 countries. Getting all those governments to act has been described as "like trying to herd cats."

Germans, Dutch and Finns are hostile to profligacy and money printing. "Club Med" populations expect European solidarity. No nation wants to give up sovereignty over its own essential affairs such as deciding on how taxes are to be raised and public money spent.

There's an abundance of possible solutions proposed by experts – but none is being implemented, for various reasons:

► Too much political opposition within individual countries.

► The absence of a centralized control structure.

► Legal constraints. Example: Germany's constitution prohibits its participation in proposed bail-out funds.

So instead we get successive crises, each worse and coming faster than the previous one. Politicians and officials try to divert attention by blaming scapegoats such as hedge funds and bond rating agencies.

Each new stage of the crisis produces patch-ups such as the latest, based on the promise of a fiscal union, with tight control by a central treasury over individual countries' taxes and public spending.

But that will take years to implement, even if politically feasible. In some member-countries the new European treaty or treaty changes required could be torpedoed by a referendum or the downfall of a government.

The principal purpose of the latest plan seems to be to coax the European Central Bank into loosening its restraints about dishing out the cash. This is yet another unsatisfactory patch-up… "kicking the can down the road."

The Eurozone's initial attempt to ward off the debt crisis was to create the European Financial Stability Facility. But it only has resources of €440 billion, most of which has already been committed to the three small worst-hit countries, and is now seen as quite inadequate.

Ideas being mooted for further rounds of debt musical chairs include:

► A leveraged version of EFSF – one geared up with borrowed money underwritten by individual member-nations. One expert comments caustically that it would be "a tranche in a toxic debt security."

► Eurobonds, also backed by individual member-states. But as that would add to their public debt, it would endanger France's and even Germany's prized triple-A credit ratings.

► A European rescue sponsored by the International Monetary Fund. There's talk of an $800 billion bail-out. But why should still-poor countries such as Brazil bail out rich European ones? And are European countries and the US willing to pay the price of giving up some of their voting power in the IMF in favour of the emerging nations?

► China! Europe is its biggest export market, so it will probably give some help. But it would hand over much less than hoped for, and exact a high price in political and trade terms.

As Eurozone governments negotiate one rescue package after another, the markets scorn them as inadequate, and move on to the next stage of flight from the dodgiest assets.

Can the global debt problem be solved?

Yes, but all the options are very unpleasant:

► High inflation would destroy the real value of debt instruments such as bonds – but how can that come about? Japan has failed after two decades of near-zero interest rates and huge-scale money printing.

► Massive defaults would wipe out the debt – but also much of the world's wealth, not only of rich families, but also of ordinary folk much of whose wealth is invested in vehicles such as pension funds.

► A major war, capitalism's traditional remedy, would stimulate economies and destroy debt – but in a nuclear age it would destroy most of the population, too.

► Tough, sustained austerity, with governments, families and businesses being forced to spend less and save more, generating surpluses to pay down debt.

Austerity is the option that governments are adopting. But they may not be able to persist with such a policy. When demand for goods and services is weak, that depresses economic activity. That means unemployment, bankruptcies – which worsens the downward spiral.

Debt reduction is called "deleveraging." The central bankers' "club," the BIS, says the world faces perhaps seven years of it. Years of low economic growth.

Deleveraging is a painful process. Nearly everyone wants someone else to suffer that pain, not themselves. That's why the politicians are being castigated for not taking decisions to implement tough policies to address the developing crisis and its underlying causes.

They know their voters – or the wealthy elites and other vested interests that support them – don't want to suffer the pain. Already populist parties, hostile to the bail-outs, are emerging or growing stronger.

► The Northern Europeans don't want to pay for profligacy of "Club Med" governments and citizens.

► The Southerners don't want to lose their livelihoods, and pay much higher taxes.

► The elites use all their power to resist loss of their wealth.

► The masses grow hostile to the euro, which they see as the source of their suffering.

► But the political elites are determined to retain it – and strengthen European unity. (Never overlook the power of memory of Europe's terrible history of catastrophic wars).

So… expect a succession of crises in Europe, each coming faster and more frightening. Ending in a big one (probably bank failures).

When that happens it will force the European Central Bank to print money and pour it into all the threatened institutions.

The ECB is restricted by law from implementing radical policies favoured by some other major central banks, and remains strongly under the influence of the conservative philosophies of the Bundesbank.

But four of the six directors on its executive board are nationals of Eurozone nations with serious debt problems, so may be expected to overrule German opposition to more liberal policy actions, as has already happened on the issue of buying Italian and Spanish bonds.

The ECB may find ways to circumvent its legal restrictions on lending money to governments. Or it may just ignore them, as nations do when wars break out.

Europe will do as the US has already done.

That won't solve the problem of bloated debt. But it will kick the can even further down the road.

Perhaps the Europeans will eventually implement a fiscal union, with a central government with strong powers to tax and control public spending in all member-nations.

Perhaps nations will find austerity too hard to bear and resort to the other painful alternatives – mass defaults to wipe out debt.

There are huge, dangerous uncertainties that you need to plan for in your personal, business and investment affairs – although I do believe that ultimately

solutions will emerge, nations will stabilize, and new grounds for optimism will evolve.

The euro?

It won't disappear. But some of the countries using it, such as Greece, may choose to default on their government debt and exit the Eurozone, leaving the euro as the common currency of a group of Northern European states, centred on Germany, but probably including France.

What are likely to be the investment consequences of the continuing and escalating financial crisis in Europe?

Don't confuse investment with economic growth. Often they trend in opposite directions.

"Black" (balance-sheet) recessions last for years and are very painful because caution by businesses and consumers, and the restraint forced on governments by political oppositions and the costs of servicing high debt depress economic growth.

The flood of cheap money poured into the global system in response to the sub-prime crisis has lifted the values of most investment assets.

► Shares doubled between March 2009 and April this year.

► Safest government bonds more than doubled after the 2008 crisis erupted.

► Gold has risen in value even more over the same period.

All are now consolidating. So investment markets may remain weak for the next few months, especially if there is a banking crisis in Europe.

However, longer-term, prospects for investors look much better than for those in business or in employment. Mainly because far too much cheap money will continue to be created by central banks. Not enough will be used to create economic growth -- so the surplus will flow into investment assets generally, boosting their value.

As a retiree, I have a conservative approach to investing -- bear that in mind. More aggressive strategies may suit you if you are skilled at such investment, as there will always be profitable opportunities.

My general advice to all is...

► Reduce debt if you can, especially short-term debt that is soon repayable or could be called.

► Build your cash reserves in a range of strong currencies (not just your own).

► Shift (if you can) into the safest assets.

Currency markets are particularly difficult to forecast, because they are driven largely by capital flows, themselves driven as much by emotion as by fundamentals. However, here goes…

Over the next few months the dollar is likely to strengthen against the euro, but remain fairly stable – perhaps a little stronger -- against the Chinese yuan.

Longer-term, the yuan and China-related currencies are likely to be a better bet than the dollar, and significantly better than sterling or the euro. There is a huge long-term risk in the Japanese yen, which is seriously overvalued.

These are the assets I think every investor should hold in these turbulent times, with the near-certainty of major crises ahead:

► Gold (of course). Preferably bars of the stuff or bullion coins. You may prefer stockmarket-listed funds that give you direct ownership of gold, so you don't have to worry about storing/hiding your asset – but only buy ETFs of those that hold physical gold, not derivatives. Or the shares of companies mining the precious metals.

► Bonds. The safest longdated government bonds such as US Treasuries, German Bunds, British Gilts, even some of growth economies with low levels of public debt, such as Thailand.

Remember that countries that control their currencies need never default on their bonds denominated in those currencies as they can always "print" the money needed for interest and capital payments.

The inflation threat to bond values has long been outrageously overrated. The threat lies years away, when there is a return to strong economic growth and central banks start boosting their policy rates.

Low-risk corporate bonds are also an attractive option. Many are rated as safer than sovereign debt.

But the best shares are a better long-term idea...

► Equities. My friend the well-known London adviser David Fuller rightly favours what he calls the Autonomies – the huge, well-managed multinationals, mainly American, that are such wonderful businesses, with global markets, stable earnings growth, low debt, and cash reserves running into billions, that they can be compared to independent nations.

My particular preference is for so-called equity income stocks – those of companies offering above-average dividend yields, well-covered by annual earnings that look sustainable, and with little debt.

I also strongly favour companies that seem set to benefit from Asia's future economic growth, and the ETFs that hold them.

► Real estate. In the US there is a boom in rental properties. In Hong Kong I previously recommended a big real estate investment trust, Link, that pays nearly 4 per cent, more than six times covered by its earnings.

► Finally… cash. Remember that it doesn't lose value except through inflation, which is likely to remain low. Don't be tempted by high yields – put your money into the safest banks that are certain to be protected by their governments.

This article is based on my recent speech to the Chiangmai Friends Group in Thailand, where we live.

For those of you who don't already know…

I am a retired financial journalist who has been writing about economics and investment for almost half-a-century, specializing in what I call "moneycraft."

Most of my career was spent in South Africa, where I was chief editor of national newspapers and newsletters, establishing with my wife Liz our own successful financial publishing company. I became South Africa's first "guru" of personal finance, focusing in later years on international investment for individuals.

Since retiring in 2002, I have been writing and publishing On Target *newsletter, distributed monthly to a thousand people around the world who have requested it, based on the research I do to manage my family's investment portfolio.*

I do not sell or promote any investments for financial benefit, accept advertising, rent out access to the distribution list, or act as a consultant to individuals (except members of my own family).

Investing in China

Despite the poor initial performance of the Fidelity China Special Situations Investment Trust he manages, the well-regarded British fund manager Anthony Bolton remains convinced about the long-term outlook for consumer and service stocks geared to the rise of the Chinese middle class.

Here are his latest comments to *Citiwire* on current key issues:

► Inflation and the economy: Falls in global commodity prices should help lower China's price rises and prevent overheating.

China could grow by around 8 per cent next year. If the global economy slows down this could fall to between 5 and 6 per cent. But China is less reliant on exports to the rest of the world than other countries in Asia. "The destiny of its economy is more in its own hands."

► Banks and bad debt: The credit bubble caused by unofficial bank lending and the risk of an explosion in bad debt is a big problem – but not an immediate one. The central government would step in and remove the bad debts from banks' balance sheets. Although some banks would suffer, this is not "a major problem that will have a big impact on the economy."

► Property crash: House prices have started to fall and the next 12 to 18 months will be difficult. However, not having the substantial mortgage debt found in the West, and with "good long-term supply/demand dynamics," there are grounds for optimism over the longer term.

Shifting the structure from investment to household consumption in China "involves a redistribution of income from capital and profits to labour and wages; radical changes in the role of the exchange rate, interest rates and capital markets; and strategies to counter the high propensity to save by households, corporates and central government," comments UBS adviser George Magnus.

"It is also politically divisive because power and economic privilege have to be wrested from party elites, state enterprises and banks, and given to new beneficiaries such as private companies, households, college graduates and rural migrant workers."

Big Isn't Best

Too many executives of large companies think and behave like bureaucrats in the public sector.

Entrepreneurship is "irrelevant to them – even offensive," says venture capitalist and commentator Luke Johnson. Such corporations suffer from "institutional capture" by their managers.

“Government and big business typically have close, sometimes unhealthy, relationships. Corporates pay for lobbyists and lawyers to influence legislators and regulators; politicians seek non-executive directorships and consultancies with large banks and suchlike when they retire from public office.

“Such organizations as defence companies, builders, IT contractors, security firms and others are vast suppliers to the private sector. Their skill set is not innovation, but contract negotiation.

“As parts of the public sector were privatized, such as the utilities, they acquired the profit motive – but never adopted the flexible mentality of an entrepreneurial business.” Most are near-monopolies, Johnson says, and behave “like arms of government.”

Corporate empires pay their chief executives 50 or even 100 times as much as their basic workers, have little loyalty to their home countries, and with their focus on cost-cutting, outsourcing and automation, “frequently do not generate additional jobs, but destroy them.”

Foreign Skills Rationing

Immigration laws have become a focus of anger in the American business community, as they prevent so many foreign citizens who have gained advanced qualifications at US universities from staying on in the country, which would ease the shortage of such high-level skills.

Only 140,000 “green card” permits for foreigners to live and work in the US are issued each year, and a country-by-country rationing system is particularly onerous. No more than 7 per cent of the 140,000 may be issued to residents of each foreign country. That limit means it would take 70 years to clear the backlog of applications by prospective workers from India; 20 years from China.

Foreign nationals now account for 70 per cent of the doctorates in electrical engineering awarded in the US and half of the master’s degrees. Yet most such graduates are forced to return whence they came after qualifying.

The contribution of those lucky enough to be allowed to stay has been remarkable. Half of all the start-ups in Silicon Valley have been made by foreigners, and a quarter of all technology businesses started in the US since 1995 have had at least one foreign-born founder.

The late Steve Jobs said he shifted Apple production to China because there he could find the 30,000 engineers that were unavailable in the US. He was mystified why there was a policy that allowed foreigners to be educated at the nation’s finest universities, then forced them to return to their countries of origin.

Formula Investing

I have long advocated this approach for ordinary folk who lack the information and skills to manage their personal investments. It involves investing in fixed proportions of a balanced range of assets, rebalancing periodically, usually only once a year.

A knowledgeable friend says he has found a dollar-denominated fund that follows such a strategy, advocated by the late American investment adviser Harry Browne,

with this make-up: gold 20 per cent, silver 5 per cent, Swiss franc assets 10 per cent, US and foreign real estate and natural resource stocks 15 per cent, aggressive growth stocks 15 per cent, US Treasury bills, bonds and other dollar assets 35 per cent.

Since inception in 1982 the fund gave an annualized rate of return of 10 per cent for US investors, even after paying taxes.

See <www.permanentportfoliofunds.com/pdfs/news_wallstreet.pdf.

Threat to the Pound

Investors should "sell both sterling and gilts into the end-game of the Eurozone crisis," advises the well-known Hong Kong-based adviser Christopher Wood.

Its status of being part of Europe yet outside the Eurozone, and therefore a safe haven, is "ludicrous," given the reality that it has its own "bloated welfare state and related rump of an unemployable *lumpenproletariat*.

If there are concrete moves towards a fiscal union in Europe, that will offer countries a chance to sign up and enjoy the likely benefit of being able to issue joint and severally-guaranteed Eurobonds. Those that fail to do so risk being spurned by the bond markets. Britain will face the same risk if it stays outside the fiscal union.

The European Union now looks less like the trading union it began as than "a self-help group for debt addicts," comments *The Spectator*. It correctly points out that "the never-ending summits are not about saving Greece, but about saving the French, Spanish and Dutch banks that foolishly loaned the Greek government €130 billion."

Fraser Nelson, the magazine's impressive editor and an economics expert, argues that the best way to deal with bloated debt is to "front-load" the pain. Estonia, the East European country that did this, cutting government jobs, pay and pension benefits, while keeping taxes flat and low, now has an economy growing at 7 per cent a year.

Living Standards

The younger generation are not doing nearly as well as their parents, the baby-boomers, according to a Canadian study.

Comparing four-year periods – 2005-2009 for the younger generation, 1976-1980 for their parents -- average family income in Canada for the new generation rose less than 5 per cent, whereas the previous generation gained more than 18 per cent.

"New families today have a lower standard of living than their parents' generation, even though the Canadian economy has doubled since 1976," energy investment banker Allen Brooks comments in his newsletter.

An important reason is very different performance in prices of homes, which usually represent a family's largest asset.

"Baby-boomers are heading into retirement with the highest incomes and more wealth than any previous generation of retirees." By contrast, "the younger

generation is faced with high-priced homes requiring larger mortgages, while being inflicted with stagnant wages, high unemployment and pressures to help parents while raising children."

UK Immigration

Here's a fascinating comparison sent to me which gives one reason why so many British voters are hostile to immigration, and particularly the failure of all three of the major political parties to curb the least defensible parts of it…

The British government provides the following financial assistance:

British old aged pensioners: Weekly allowance £104
Illegal immigrants/refugees living in the UK: Weekly allowance £250
Pensioners: Weekly spouse allowance £25
Illegal immigrants/refugees: Weekly spouse allowance £225
Pensioners: Additional weekly hardship allowance £0
Illegal immigrants/refugees: Additional weekly hardship allowance £100
Pensioners: Total yearly benefits £6,000
Illegal immigrants/refugees: Total yearly benefits £29,900.

The average pensioner, it's pointed out, has paid taxes and contributed to the growth of the economy for 40 to 60 years.

Tailpieces

Thailand post-disasters: The Land of Smiles is set to make a strong recovery from its flood damage and political conflicts, with Singapore's DBS Bank forecasting per capita economic growth to average more than 5 per cent a year this decade.

Despite flood losses and the cost of meeting promises to voters in the recent election, the government plans a fiscal deficit for the coming year of only 3½ per cent of GDP. Easily affordable, given that Thailand has a low public debt-to-GDP ratio of 40 per cent, almost as good as Switzerland's.

A post-flood reconstruction programme that will probably include a giant flood-diversion canal is expected to cost about $30 billion. But that's easily affordable given Thailand's foreign reserves of $180 billion.

Exports account for 70 per cent of economic activity. Thailand is the world's biggest rice producer and exporter, attracts about 15 million foreign tourists every year, and has several important industries such as automotive and electronic (when its factories are dry once again, it makes almost half the world's hard discs).

Bonds: "If you are wealthy enough to lend someone a few million dollars, to whom do you lend it?" asks UK investment adviser Tim Price.

He favours lending to "countries, or to entities within those countries, that actually have the resources to pay you back – do not lend to countries that are insolvent basket cases." Examples of "good" borrowers with foreign assets are greater than their foreign liabilities: Qatar, Hong Kong, the UAE, Singapore.

A vehicle for doing this is the New Capital Wealthy Nations Bond Fund which, despite its focus on the most creditworthy, nevertheless offers an interest yield of 7 to 8 per cent in its various currency classes.

Dividends: Asian companies now give greater importance to paying dividends, says Morgan Stanley strategist Jonathan Garner. For example, about 90 per cent of the technology firms in the bank's Taiwan index now pay a dividend.

Fullermoney's Eoin Treacy comments that although high growth, strong earnings, low debt, the expanding middle class and firm currencies have been among the most popular reasons for investing in Asian equities, improving corporate governance has been apparent.

"This is an important development, and is another compelling reason for abandoning long-held prejudice that Asia is high-risk compared to Europe and the US.

"While most of the companies with solid records of dividend increases are listed in Australia, Japan and India, a pattern of increasing dividend payouts is observable regionally."

The US and Japan: The similarity between developments in America recently and the experience of Japan over the past two decades has for some time led some analysts to argue, ominously, that the US will mimic the Japan model (low economic growth, deflation, money printing, a bubble in government debt and collapses in asset values).

Others have countered that there are too many differences between the two – for example, a natural thriftiness drives the Japanese to save, whereas Americans never need much encouragement to borrow to finance more consumer spending.

However, not all such differences are favourable. One analyst suggests that things could prove much nastier in America "because deflationary conditions are more socially combustible in the US than in Japan given its vastly different social fabric."

Shoot the messenger! The head of Greece's new independent statistics agency, now under criminal investigation and facing life imprisonment on conviction, says he's being prosecuted "for not cooking the books." His offence was revising the nation's fiscal deficit for 2009 to a more realistic, higher figure, which the government says betrayed the national interest.

That's the government now led by the technocrat who was in charge of Greece's financial affairs when the figures were doctored so the country could secure entry to the Eurozone!

Carbonatic lunacy: According to a report in the *Washington Post* – surely an impeccable source, as that major newspaper supports the fashionable nostrums of the Left such as anthropogenic global warming – the Obama green loan programme cost $38.6 billion over two years, but created a mere 3,500 jobs. That's an average of $11 million per job. No wonder the US has a government debt crisis!

Martin

Know someone you'd like to receive ►On Target ? Click on Reply and send me his/her email address. Or email your request to me at: afrodyn@afrodyn.plus.com.

►On Target is a free, private newsletter for Martin Spring's worldwide circle of friends and contacts. If you no longer wish to receive it, click on Reply, write "Unsubscribe," and Send.