

# DICE HAVE NO MEMORY

BIG BETS & Bad Economics from Paris to the Pampas



## BILL BONNER

bestselling coauthor of *Empire of Debt* and *Financial Reckoning Day*



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FINANCIAL

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## ***Praise for Bill Bonner from Dear Readers of The Daily Reckoning***

“As a follower of Bill Bonner’s *Daily Reckoning* from its beta days more than 10 years ago, I find the *DR* over the years has been the best guide available on money and the national and international economic picture, bar none. Here pounding sand in the oil patch in the Middle East, I eagerly await availability of Bill’s next book.”

—Curtis T.

“You make more sense in one e-mail than a month of CNBC.”

—Ken K.

“Eloquent and elegant musings on the apocalypse, leavened with humor and a profound appreciation of human folly.”

—Chris H.

“I’ve been a *Daily Reckoner* since 2007, when I decided the mainstream financial media really didn’t know what they were doing. I decided to figure out how world markets really worked. I remember the first *Reckoning* I read, about the history of gold as money. I read it twice, and I’ve been addicted ever since. I didn’t lose a cent during the meltdown of ’08 and have watched my net worth soar since, but what I am really thankful for is the knowledge of world markets I’ve gained these past few years. Bill’s writings have really taught me to think like a contrarian, and think for myself.”

—Matt W.

“Bill Bonner’s clarity of thinking is astounding! I only wish our leaders and the population would study the point

that Bill has mastered: *How do you learn to think!* And then apply it.”

—Steven F.

“It is rare to find an honest voice in the world of finance. So reach around and pat yourself on the back; you just might touch my hand as you do.”

—Jerry C.

“I enjoy reading Bonner a lot! One of the best financial reads ... financial thoughts put across in a factual and most humorous way!”

—Lakshminarayanan K.

“Best well-rounded economic commentator of the new century.”

—Peter L.

“Mr. Bonner is a man of rare intelligence and culture, and I enjoy reading his *Reckonings* every day.”

—Henri V.

“Your style is so personal and down to earth; it is difficult to remember your audience is bigger than just me!”

—John B.

“The first thing I hear when I come up from my office downstairs every morning is “Did *The Daily Reckoning* arrive yet?” My wife thinks it’s the best thing since the Internet; me, too!”

—Jack C.

“What a refreshingly witty, erudite, finger-wagging, sensible, and insightful piece.”

—Elaine

“What I’ve enjoyed most from Bill Bonner’s comments are his bemused and skeptical attitude toward the everyday market and his ability to evaluate the daily nonsense in the clear light of his own values. I find that

not many can do that. He is willing to stand apart from the crowd and point out that the emperor is, well, ah, er, naked.”

—John

“I thoroughly enjoy your *Daily Reckoning* and have quite unabashedly become addicted to your mental agility. You fall into the category of Mencken and Buckley and other essayists for whom I have the highest regard.”

—Robert O.

# DICE HAVE NO MEMORY

*Big Bets and Bad Economics  
from Paris to the Pampas*

WILLIAM BONNER



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*To my mother, Anne Bonner, with much appreciation*

# ***Introduction***

It was 10 years ago, or a bit more, that I began writing the Internet series called the *Daily Reckoning*. The collection of essays and short notes you have in your hands developed over the course of the years that followed.

When I began, I was ahead of the innovation curve. I was blogging before blogs had been invented. Day after day, I watched what happened in the world of finance, economics, and politics. And day after day, I found myself entertained. I merely described what I saw happening.

This was something fairly new in the press. Journalists believe their job is to report the facts, not to laugh at them. Even the commentariat and editorialists believe they need to take the news seriously; who will buy their papers and magazines if they make a joke of it? The lectors, too, had become convinced that the world of finance, investments, and economics was serious business. Many believed that the latest developments—both in technology as well as in financial theory—would make them rich. They had heard that the Internet made wealth secrets available to everyone. You could now go onto the Internet to find out how to make a nuclear bomb, or a fortune. “Stocks for the long run” seemed like an almost risk-free road to riches. Readers weren’t going to pay someone to mock their ambitions and undermine their hopes.

But the *Daily Reckoning* was free. Readers could not complain that they were not getting their money’s worth.

The period began with a bubble in the dot.com stocks. Back then, investors believed they could make money by buying companies listed on the Nasdaq, even those that had no plausible way of making money. Often, these new-technology dot.com companies were managed by people

with no business experience. Indeed, the lack of a track record was seen as a benefit. Ideally, what investors looked for was a callow CEO with his baseball cap on backward, who spoke the gibberish of the era. Incoherence and pimples were all the evidence they needed that the company was run by an Internet genius, untarnished by the rules and lessons of the old economy.

The Nasdaq bubble blew up in January 2000. The Internet impresarios moved on—often to the mortgage industry. What followed was the strangest recession in U.S. history. Consumers and businesses are supposed to correct their mistakes in a recession, cutting back on spending and debt; that's what recessions are for. But in the micro recession of 2001, consumers borrowed and spent more than ever. Something very odd was taking place.

On September 11, 2001, came the assault on the Twin Towers in New York. This too was freakish. At least you expect freaky people to do freaky things. But if the attack surpassed our expectations, so did the Bush administration's reaction to it. Rather than put the cops on the case, run the miscreants to ground, and punish them, the United States launched a vast and implausible "war on terror." As far as we know it was the first fighting war against nobody in particular ever proposed. "September 11 changed everything," said the neoconservatives. And so it seemed, as I recall in "The Dark Years" in Chapter 4.

The public should have been appalled; the war on terror looked from the get-go like an expensive military misadventure. Instead, the voters closed ranks. Americans imagined that they were under general attack. In Dubuque, they bought tape to seal their doors and windows against chemical attack. In Dallas, they stopped opening their mail, afraid that the towelheads were aiming to poison them. Even to this day, electronic billboards along I-95 north of Washington, D.C., tell travelers to "Report Suspicious

Activity.” Another says “Terror Tips. Call 1 800 4XX-XXXX.” I was tempted to call to ask for a tip, but this would surely get us on a list of suspects.

The war on terror soon proved a letdown. As far as we know, not once in 10 years was a truck spotted headed south on I-95, with Arab fanatics at the wheel and drums of fertilizers and gasoline in the back. The terrorists went limp. The terror hotlines were silent.

Apparently, the terror pros were dead or under deep cover. But the amateurs soon took over. In the years following the original terrorist strike, the media reported only three additional incidents worthy of comment. In one, a man tried to get his shoes to explode. In another, a man actually did scorch his own genitals before an alert passenger overpowered him and put out the blaze. In another, terrorists allegedly drove a vanload of explosives into Manhattan, but then were unable to get it to blow up.

There were real wars too, even more expensive and even more absurd. The nation with the largest nuclear arsenal in the world accused poor, desolate Iraq of having “weapons of mass destruction (WMDs).” An invasion was launched. The *Daily Reckoning*, always on the side of the underdog, the lost cause, and the diehard, doubted that the war was a good idea. Not that we had any opinion on who would win the war, or whether the world would be a better place as a result; we just thought it was mildly indecent for such a big country to pick on such a small one. Readers were incensed. Many wrote to accuse us of a lack of patriotism (we pled *nolo contendere*); some wrote to suggest that the U.S. Air Force should drop bombs on us, too. We were in Paris at the time. Had the French not refused flyover rights to U.S. bombers, one of them might have done it.

Those were heady times. Imaginations ran wild. Besides Iraq there was Afghanistan. And more bombast, bickering, and bunkum. No WMDs were ever found. These wars made

little sense in terms of U.S. strategic interests, said critics. But perhaps they missed the point. Men have desires. History has destinations. Maybe the point was not to win, but to lose. The United States faced no real enemies or probable threats. Nature abhors a vacuum and detests a monopoly. After the Berlin Wall fell, the United States had a near monopoly on military power. She could not find a worthy opponent. So, she had to create one. She sought to destroy herself by spending money she didn't have on wars she couldn't win. More on this in Chapter 4.

Most of our attention in the *Daily Reckoning* was focused on what was going on in the world of money. Both politics and money are often absurd and funny. But the world of money is not lethal; you can laugh without risking a firing squad. There too, in the 2000 to 2010 period, the United States was so far out in front of other economies, she had to be her own enemy. In economics as in warfare, Americans fought to lose.

So it was that the micro recession of 2001 was met with a dramatic and practically suicidal response. Alan Greenspan's Federal Reserve took its key interest rate down below the rate of inflation—essentially giving away money for free—and kept it there. The Bush administration also used fiscal stimulus to disastrous effect. It quickly replaced the surplus of the Clinton years with a large and growing deficit. All together, this was the strongest official intervention ever undertaken.

It had results. But not ones any sensible person would want. You can see for yourself in Chapter 5. The new stimulus spending went into speculative assets—stocks, commodities, and (most important) real estate. With mortgage money so readily available, the U.S. housing market took off, rising at roughly twice the rate of gross domestic product (GDP) over the five years to 2007. Soon, ordinary householders began to treat their bedrooms as a

kind of automatic cash machine. They believed they could simply take out the equity they had “earned” in their houses and spend it. Why not? There would just be more next year. At the housing market’s peak, house trailers sold for \$1 million and more, house flippers bought and sold houses two or three times before they were built, and homeowners “earned” more from their house price increases than from full-time employment.

Of course, that couldn’t go on for long. It came to an abrupt end when the bottom fell out of the subprime mortgage industry in 2007. Over the next few months, homeowner equity disappeared. The mortgage debt, however, remained. Even today, three years later, a quarter of U.S. homeowners have mortgages larger than their remaining equity. And house prices are still going down.

This was probably the funniest episode of the whole period. The authorities were lost at sea. U.S. Treasury secretaries, Fed chairmen, and leading economists told the world that everything was all right one day . . . and then the next day some new disaster happened. Illusions of competence collapsed along with Wall Street.

The talking heads should have shut up. Instead, they kept talking. And it became more and more obvious that they had no idea what they were talking about. You’ll find that glorious period recalled in various memoirs such as “Said the Joker to the Thief” in Chapter 6.

The financial authorities were not the only ones whose reputations were bruised. Economists, finance professors, investors, and business leaders all were black and blue. Nobel Prizes had been won. CEOs had become celebrities. Hedge funds had made fortunes. All based on theories and formulas that were demonstrably flawed, if not preposterous.

But now, that era is years behind us. Since then, the world’s focus has shifted to rescue and recovery efforts.

These efforts were designed and controlled—like traffic at a busy airport—by the same people who had just proven that they were fogged in. That alone should have told us what to expect. But what the central planners lacked in sagacity they more than made up for in stupidity. Once again, they flew in the rescue teams and heavy equipment willy-nilly. And once again, the accidents multiplied.

It was breathtaking to watch. Trillions of dollars of the public's money was wagered on the basis of ideas that made little coherent sense in theory and had never been effective when put to the test. Yet, the brightest minds in the country asked few questions; everybody's bread was buttered on the same side—toward more spending, more stimulus, more cash and credit.

The scale of the previous major contracyclical relief effort—in 2001 and 2002—was monstrous; this time it beat everything ever before seen. This time the Fed took its key rate down as close to zero as it could get it. And as for fiscal stimulus, the U.S. government ran a deficit of nearly \$3 trillion over the following two years. Including financial guarantees, backups, subsidies, and contingent financing plans, the total put behind the rescue and recovery effort surpassed \$10 trillion.

What was amazing about this effort was that so little real thinking went into it. You'd expect the wisest men on the planet to think twice before putting in play an amount equal to almost the whole private sector output of the entire United States over a complete year. But they seemed not to think about it even once.

Instead, they bumbled and stumbled forward, with that same can-do activism they had just shown in the wars on terror, Iraq, and Afghanistan. Did any of them bother to ask how likely it was that the people who so poorly understood the problem would be able to find the remedy for it? Did they take the time to consider the matter practically: How

would the economy be able to put \$3 trillion of new spending to use sensibly and efficiently? Where exactly would the resources come from? How would anyone be better off if those resources were redirected into the government's "shovel-ready" projects—the very same projects they judged not worth doing a year earlier, when they still had the money to do them? You'll see some of these questions raised in the first and second chapters. I was always dumbfounded by how little serious reflection went into these trillion-dollar decisions.

Did the authorities trouble themselves with the philosophical implications? The government had no extra money. It could borrow, but that would only take money away from other projects. And what if it created new money—as, in fact, it did—out of nothing? How could you expect to get something out of nothing? How can wealth created at the stroke of a key turn into the kind of wealth you can spend, eat, live on, or use to floss your teeth? If you could do it so easily, why not do it more often? Why not do what Gideon Gono had done for Zimbabwe? If you could make a nation richer simply by adding more zeros to the national currency, surely Mr. Gono had proven out the trick. See page 30 for "Gonoism!"

Instead of thinking, the authorities pushed ahead. Then, in 2010, came the "recovery" sightings—like mirages in the desert. The economy was improving! And then the improvements receded into the distance. Unemployment wouldn't go down. Housing wouldn't go up. Alas, there was more desert to cross. And then there were disappointments, alarms . . . and more calls for more stimulus.

The simplest explanation for what was happening could be put into four sentences: People had spent too much. They had borrowed too much. Now, they had to spend less so they could pay down their debt. Until the debts were paid down, the economy would suck.

Making more cash and credit available was clearly the wrong course of action. It was like offering another piece of custard cake to a fat man on a diet. If the temptation works, it makes the man need to diet even more.

And yet the economy improvers chose not to notice. The neo-Keynesians believe the solution is for the government to spend more money it doesn't have. The realists think they can engineer a recovery by more central planning, forcing whole economies to run surpluses or deficits as their theories suggest. The idealists want a whole new, global monetary system over which they would have more control.

And only a marginalized kook would dare suggest that the lot of them—Nobel Prize winners et al.—are quacks and scalawags. You will find my own kooky thoughts on the subject in “Plumbers Crack” in Chapter 2, “100 Years of Mismanagement” in Chapter 1, and various other essays throughout the book.

Probably the most remarkable proposition of the whole decade came into sharp focus in the past six months. It was the idea that the Fed could spur a recovery by creating money out of thin air. In the desperate atmosphere following the Lehman bankruptcy of 2008, the Fed had already used its “quantitative easing (QE)” tool. But it had done so as a way of loosening rusty nuts in the banking system. In August 2010, it proposed to do more, no longer using the tool to provide emergency liquidity; this time it was using QE as a stimulus measure. And this time it was not just putting money into the banking system; now it was funding U.S. government spending. There was no substantive difference between the Fed's QE II program than Gideon Gono's money-printing in Zimbabwe or Rudolf Havenstein's money-printing in the Weimar Republic. Here was the world's leading central bank printing up paper money to pay for federal salaries, missiles, Social Security, Medicare, and other expenses. In broad daylight. And yet, professional

economists looked on coolly. Many even approved. It was as if all the lessons of financial history had been unlearned. Forgotten. Ignored.

At the *Daily Reckoning* our mouths dropped open when we heard the news. And then we all started laughing.

“Buy gold,” we said to each other, chuckling. Gold goes up when people lose faith in central bankers. Paul Volcker had restored investors’ faith in the Fed in the early 1980s. The price of gold had gone down for 20 years as a result. Now, Ben Bernanke was giving goldbugs a huge gift.

“Ha-ha . . . when he’s finished, the price of gold ought to be \$3,000 an ounce,” said one of the *Daily Reckoning’s* merry staff.

“Are you kidding? It will be \$5,000, at least.” See Chapter 7.

Ha. Ha. Ha.

William Bonner

Baltimore, Maryland

February 2011

P.S. Man does not live on finance and economics alone. In Chapters 8, 9, and 10 you will find reflections on a variety of subjects. I traveled widely during the decade and lived most of the time outside of the United States. I wrote about what I saw—particularly in France and Argentina.

Over the course of the 10 years I also lost a few friends. You will find them recalled in the final chapter.

# ***Chapter 1***

## ***The Incompetence of Economists***

### **Fight the Fed?**

***May 17, 2001***

“Almost half of the 1,300 employees of the Peruvian Central Bank of Reserve are related to one another,” Bloomberg reports. Central banking is, after all, a government job. It is different from, say, the local Department of Human Resources, only in that its employees are better paid and get better press. Even the Federal Reserve—perhaps the world’s most powerful and prestigious bureaucracy—is still, like every other government agency, a scam, a sinecure, and waste of money.

At least, that is the working hypothesis of today’s letter.

Not much in life is certain. That is why it is such a comfort to have government. One of the few things you can depend on is that government officials will do the wrong thing. Even when they occasionally seem to do the right thing—it turns out later on that it was at best accidental, and at worst, the wrong thing after all.

“The last successful government program,” observed New York mayoral candidate Jimmy Breslin, “was WWII.” Since then, there have been a number of wars declared and undeclared by Washington hawks. But in almost every instance bureaucratic instincts and motives were hopelessly wrongheaded.

In the war on drugs, as we observed here just the other day, the government seeks to put drug dealers out of business by interdicting supplies. This is just the wrong thing to do, since it increases profit margins. The more taxpayer money spent trying to keep illegal drugs off the market, the more profitable the business becomes and the more entrepreneurs rush in to fill the unsatisfied demand.

Yesterday's *USA Today* brought news that the shooting war has moved to the suburbs as dealers battle it out for control of the Ecstasy market—made especially rich by government decree.

If government really wanted to put dealers out of business it would flood the market with illegal drugs—give it away on street corners for free. But what profit could there be in that? Not only would it put the drug dealers out of business—it would also put the DEA out of business, too.

Likewise, if the bureaucrats really wanted to win the War on Poverty—they would tax poor people at a higher rate . . . not reward them with subsidies and handouts. So, too, would health officials cease to coddle the sick and infirm. If they really wanted a nation of healthy people, they would revoke public health insurance benefits for people who eat too much or watch TV all day, and perhaps shoot a few smokers and fat people in the streets.

Thus do bureaucrats go about their business—making worse whatever problem they're supposed to be fighting, while actually increasing their own power. It is a rare person who will not give up his dignity and his common sense in a bid for riches, fame, or public office.

Even Alan Greenspan, once an Ayn Rand devotee, could not resist the lure of power. In order to get his picture on the cover of *Time*, something he could never do as an "Individualist," he has become a collectivist central planner.

Unlike other activities in life—from shopping for vegetables to running a Rotary club—government distinguishes itself in

a singular way: by its ready use of force. Instead of coming to terms with people in a polite and dignified way, government orders them around like prisoners of war. The results are almost always pathetic and absurd.

Could it be any different with Alan Greenspan and the Federal Reserve? Could the interest rates proclaimed by the Greenspan Fed be superior to those set by buyers and sellers? Could this be one—and perhaps the only one—instance where government is superior to the market, and where the judgment of powerful government bureaucrats is superior to that of millions of investors and lenders?

Raising these questions, I realize that I put myself directly in the path of the rush of popular opinion. “Don’t Fight the Fed” blows the common sentiment.

The odds favor the Fed, it is believed. Because easy money has to go somewhere . . . and because stocks rise more often than they fall, anyway. The Fed, clearly committed to cutting rates until the economy turns around, seems to be offering investors a no-lose wager. If at first the Fed’s cuts fail to boost stock prices . . . Greenspan will try, try again—and keep trying until the market finally responds. And yet, anyone betting on government bureaucrats to win the War on Poverty, the War on Drugs, or any of its other wars since 1945 would have found himself on the losing end of the wager.

Even the Fed itself has a reliable record. Charged with protecting the currency, it has done the exact opposite. In the 100 years preceding the creation of the Federal Reserve System, the dollar went up and went down, but it ended the period about where it began, worth as much in 1913 as it was in 1813. Since then, thanks to the Fed’s management, it has lost 95 percent of its value.

Having failed so miserably, the Fed has done just what every government agency seeks to do—expand its

mandate. Now, the Fed has taken on the job of managing the economy as well as the currency.

Mr. Greenspan believes, at least publicly, that the Fed can manipulate key interest rates and keep the economy expanding almost eternally. And the public believes it, too.

Even people who have not yet begun to shave believe it. Teddy Chestnut, of Montclair (New Jersey) High School, said he was “almost positive” that the Fed would cut another 50 basis points this week. “People are losing confidence,” he explained, “and right now spending is the only thing keeping us out of a recession.”

If the Fed merely cuts rates, Teddy seems to think, consumers will be inspired to do more of what they do naturally . . . and the economy will continue its record expansion. It is, of course, possible that the economy functions in exactly the way Teddy imagines—with the complexity of a grandfather clock. Greenspan has merely to adjust the pendulum to make it run faster or slower as desired. This view helped Teddy’s team win \$40,000 from Citibank in a remarkable competition called the “Fed Challenge.” The challenge for the kids is to think like central bankers. That is, to think like central bankers who believe that Alan Greenspan is a bureaucrat like no other . . . one whose decrees actually lead the nation where it wants to go.

How likely is that, dear reader? Should you “fight the Fed” or not?

## **The 17-Year Itch**

***August 30, 2001***

Thus is the universe alive. All things are moral. That soul, which within us is sentiment, outside of us is the law. We feel its inspiration; out there in history we can see its fatal strength. “It is the world, and the world was made

by it.” Justice is not postponed. A perfect equity adjusts all parts of life.

Oi chusoi Dios aie enpiptuousi—the dice of God are always loaded.

—Ralph Waldo Emerson

Yesterday’s news brought new evidence, not necessarily of a moral universe, but of a symmetrical one. Nature gives . . . but it takes away too.

Far from Wall Street, the law of regression to the mean . . . of “return to trend” . . . has been invoked. A sentence has been handed down and carried out. “Japanese Stocks Plunge to New Low,” the BBC reported.

Ten years ago, the Dow in Tokyo and the one in New York were 35,000 points apart. Fewer than 1,000 points separate them today.

Yet, there is still a big difference between Tokyo and Manhattan. Wall Street is still on top of the world, the way most people view it. Tokyo is on the other end.

*Daily Reckoning* masochists will recall the Japan story. It has been recited often in this space, once as a cautionary tale, then as moral lesson, and most recently as a preview of things to come in America.

In 1989, it was hard to find something negative to say about the Japanese economy. Every word was flattery as the Nikkei Dow rose toward 40,000. The triumph of “Japan, Inc.,” as it was called, was thought to be inevitable. Japanese labor was more disciplined and harder working than labor elsewhere. Japanese management was willing to look further ahead and take bigger risks than its competitors. The Japanese government was thought to be capable of guiding the economy more artfully than Western counterparts.

Japanese terms—such as *kaizen*—sprang from the mouths of investors in January of 1990, as they rolled the dice again, expecting to win as they had in every year since the

“Japanese Miracle” began. Little did they know that the dice were loaded.

The head follows the heart, reasons dress up reality, and markets make opinions. In January of 1990, the Nikkei began its descent. Eleven years later, it is hard to find a good word to say about Japan.

Columnists—so recently busily trying to explain why the Japanese would dominate the world economy for a very long time—now explain why Japan will not recover anytime soon. With an alarming lack of imagination, they turn to the familiar reasons, merely giving them a spin in the opposite direction. Japanese government is out of date, managers are incompetent, and Japanese laborers will never learn the secret of a healthy economy—that is, borrowing and spending!

Rarely (perhaps not since the peak of the Nasdaq), has the financial press been so unanimous. Every headline about Japan makes the country sound hopeless. Yesterday, not only did we learn that stocks “Plunge to a New Low” in Japan, we also discovered that “Japan’s Jobless Rate Surges” to its highest level since WWII (*USA Today*) and “Japan’s Industrial Production Falls for 5th Month” (*Financial Times*).

The Nikkei dropped to 10,9779 . . . below 11,000 for the first time since 1984. It has taken more than a decade, but Japan has erased 17 years of stock market gains. Over a period of 11 years, investors have lost 75 percent of their money as the Nikkei Dow has come from a high of nearly 40,000 to within 900 points of Wall Street’s most popular index.

Tokyo’s unemployment rate—once almost a nonexistent number—has risen to 5 percent . . . almost exactly the same as America’s current level.

Even Japan’s GDP growth and that of the United States have converged—both presently at about 0.2 percent . . . an

eight-year low for the United States . . . and very nearly an eight-year average for Japan.

My, my . . . might not other things converge, too? How long will it be before American reputations are flattened by a bear market just as those in Japan have been? Will people come to see that U.S. stocks, U.S. central bankers, U.S. corporate managers, and U.S. politicians are big losers . . . just like their Japanese counterparts?

“There is a crack in every thing God has made,” explains Emerson. “It would seem there is always this vindictive circumstance stealing in at unawares, even into the wild poesy in which the human fancy attempted to make bold holiday, and to shake itself free of the old laws—this backstroke, this kick of the gun, certifying that the law is fatal; that in nature nothing can be given, all things are sold.”

“Great bear markets take their time,” says Jeremy Grantham. “In 1929, we started a 17-year bear market, succeeded by a 20-year bull market, followed in 1965 by a 17-year bear market, then an 18-year bull. Now we are going to have a one-year bear market? It doesn’t sound very symmetrical. It is going to take years.”

“Every one [bubble market],” adds Grantham, “went back to trend, no exceptions, no new eras, not a single one that we can find in history.”

Japanese stocks have returned to their 1984 trend line—17 years later. The U.S. bubble market began in 1995. If the United States repeats the Japanese experience, stocks may be expected to return to their 1995 trend line . . . with the Dow below 4,000 in the year 2012 . . . almost the very moment at which America’s baby boomers will most need the money.

Nature in her wisdom . . . and God in his grace . . . always make sure people get what they’ve got coming, not what they expect.

# From Funeral to Funeral

*November 21, 2003*

In a world where science and reason do not suffice—and where the future can be anticipated, but not predicted—lives and dies a funny little creature called man. . . .

Come now, you who say, “Today or tomorrow we will go to such and such a city, and spend a year there and engage in business and make a profit.” Yet you do not know what your life will be like tomorrow. You are just a vapor that appears for a little while and then vanishes away.

—James, Chapter 4

The *New York Times*, as reported in France’s *Le Monde*, marks the 25th year of its science coverage with a worry. It notes that while 90 percent of Americans say they are interested in science, barely 50 out of 100 are aware that it takes a year for the earth to make a full circle around the sun.

In an election year, of course, people will believe anything. A politician might go all the way to the White House, in our opinion, by proposing to add a month to the calendar in order to give everyone an extra four weeks vacation. He might also suggest rounding off the number Pi in order to make it easier to remember . . . or reducing the boiling temperature of water, in Fahrenheit, to a round number, say, 200 degrees.

But how the chattering classes would screech! They have come to adore science the way jackals adore road kill; they would be nothing without it. “Better living through chemistry” was their motto back in the 1960s, when mood-altering drugs were popular. We mustn’t lose “the primacy of reason,” says French president Jacques Chirac, 40 years later.