RICH, POOR, AND MORE……..AND MORE

Stephen L. Bakke, September 2008

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Background

Economic issues permeate our world. The volume of information can be overwhelming, particularly in this an election year. And contradictions abound. All too often the points being made, while not totally false, mislead because they present incomplete information. Sometimes it seems there is an attempt to increase class envy and promote class warfare. Would politicians and biased media types do this? Of course. I have attempted to pick some common opinions or assertions, as well as competing information, and state them both simply and clearly.

Here are the intended characteristics of the information presented in this project:

- I have tried to make my biases obvious.
- My disagreement does not result in excluding an opinion or assertion. Sometimes I disagree with the *"Point"* presented, a few times with the *"Counterpoint"*, and sometimes (not often) I disagree with both.
- The *"Points"* presented have been independently expressed by third parties and are not my invention. I have used paraphrasing in an attempt at brevity. Virtually all of these can be found, stated or strongly implied, in the independent / external sources listed at the end of the report.
- The "Points" presented are very common and should be familiar to the reader. But remember that they may not reflect the majority opinion.
- The *"Counterpoints"* presented are summarized from the independent / external sources listed at the end of the report, and are not my invention.

- Neither the *"Points"* nor the *"Counterpoints"* should automatically be presumed correct, but I believe the credibility of the sources makes the positions and comments relevant for evaluating the issue. And as I will attempt to show, all too often the *"Points"* just don't tell enough of the story to reach an overall conclusion.
- If a comment contains some of my personal opinion, I believe that will be obvious. Once again, all of the opinions and information originated separate from me – even if it is obvious I agree with some of them.

Commentary

Income, Wages, and Wealth

- *Point:* Wages are stagnating, the poor are getting poorer, and the overall difference between the lowest and highest incomes is becoming greater.

  Counterpoint: Income mobility continues. A recent U.S. Treasury study of income tax returns from 1996 and 2005 showed that, after controlling for inflation, 58% of the poorest group in '96 moved to a higher group by '05, with a surprising 26% to the mid or upper group, and 5% to the highest income group. Also over the decade, inflation adjusted median income actually increased by 24% and one group experienced a reduction in real income – the upper group. In 2006, eal wages rose by 2% – the second fastest in 30 years.

  According to the Congressional Budget Office, earnings for the poorest 1/5 of Americans are also on the rise over time. From 1991 through 2005, the bottom 1/5 increased its earnings by 80%, compared to approximately a 50% rise for the highest group. Each of the other three groups, those in the middle, rose by 20%.

  Now a slightly different look at IRS data. The IRS is able to provide this information by following certain taxpayers over time by social security number. This data shows that people in the bottom ½ of tax filers in 1996 had incomes increase by 91% by 2005. The top 1% saw their incomes decline by 26%. And, as stated in the earlier comparison, the average taxpayer's real income increased by 24% between 1996 and 2005.

  This IRS data follows certain taxpayers to see what happens to that group of specific taxpayers. A study by the University of Michigan supports the IRS data. Certain other statistics, e.g. census data, follow categories only and often show somewhat different results.

  A recent report stated that we have had 3 straight years in which the median income increased. Considering how median income is determined, this could only happen if there has been an increase for the lower income levels.

- *Point:* The middle class is disappearing.

  Counterpoint: The U.S. Treasury study showed that, after adjusting for inflation, in 1967, 8% of households had annual income of $75,000 and higher. In 2003, more than 26% did. In ’67, 17% of households had $50,000 to $75,000 income, in ’03 it was 18%. In ’67, 22% had $35,000 to $50,000 income, and by ’03 it had fallen to 15%; the $15,000 to $35,000 category fell from 31% to 25% of the total; and the lowest group, under $15,000 income, fell from 21% to 16%.

- *Point:* Wealth is more concentrated than at any time in history.

  Counterpoint: 100 years ago, John D. Rockefeller’s wealth was over ½ % of the country’s total wealth. We aren’t even close today. But that is just a bit too anecdotal to be meaningful. A better example is that in 1920, the richest 1% held 40% of the country’s wealth. From 1980 to the present it has remained consistent – the wealthiest 1% holding approximately 20% of the country’s wealth.

- *Point:* Top corporate CEOs are the highest paid persons in the country.

  Counterpoint: The top ten celebrities and athletes earned an average of $116 million in 2004. The top ten CEOs? A “mere” $59 million average.

- *Point:* Much of our insecurity is caused by incomes becoming more volatile.

  Counterpoint: According the study by the Congressional Budget Office incomes are no more unstable now than in the 1980s or 1990s.

- *Point:* The elderly, as a group, are in dire economic straits. And the poorest of our population are no better off.

  Counterpoint: There are certainly too many elderly who are desperately poor. However, most of the alarming statistics presented in the press and by many politicians are greatly exaggerated and need to be examined. Correct information must be used in evaluating and reaching policy conclusions.

  The seniors citizens’ earning statistics which are typically presented include only “earned income”. What is omitted is “unearned income” which includes income from pensions, social security, 401K plans, and other investments – really! In fact only about 24% of what seniors’ have available to live on is typically reflected in the earning statistics. You therefore have to “multiply by 4” to get the correct information.

  In similar fashion, the earnings presented for the lowest taxpayers do not give any indication of their total disposable resources. The most commonly presented statistics exclude transfer payments such as welfare payments, and subsidies for housing and medical care. As of 2001, approximately 78% of the lowest 20% of taxpayers' economic resources were cash transfers or in-kind transfers such as subsidies. You therefore have to multiply by almost 5 to get an accurate picture of their level of poverty. Is this intended to create alarm for political reasons?

- *Point:* Government pressures are responsible for narrowing the differences between men and women in employment, pay, or promotion.

  Counterpoint: While this was one factor, there are many other factors which one must assess rather than giving government too much credit. An examination of the history of employment statistics shows that an increase in government programs seems to have an opposite affect for many professions. For example, in 1961 women's share of college faculty positions was lower than in 1930. In fact, the number of women in higher level jobs seems to be correlated more to the rise in the median age of marriage, and the rise in the median age of child bearing.

- *Point:* Discrimination is the leading reason for discrepancies between men and women in pay and opportunities.

  Counterpoint: Of course there are many time-worn, but generally valid, explanations including: choices of occupation, continuity of employment, domestic responsibilities. It is a supportable fact that women have chosen different occupations than men, have fewer years of experience at comparable age, and generally chose to shorten their careers.

  But one valid way to do the comparison is to make all things equal e.g. comparing never married women & men, past childbearing years, working fulltime, and working prior to affirmative action. A study with these parameters shows that women earn more than men of the same description. That is interesting, but the fact remains that married women, from any era, who had children, lagged farthest behind men in income, career advancement, or even working at all.

- *Point:* There has been no real progress raising our black minority from poverty.

  Counterpoint: While there is more work to do, we should not ignore the progress that has been made. In the last 40 years, the percentage of blacks living above the poverty level has risen from 65% to 80%.

- *Point:* Married black men suffer from higher unemployment than do whites of the same category.

  Counterpoint: Data indicates the employment rate of married black men equals the employment rate for married white men.

- *Point:* Even educated black women suffer from discrimination in pay compared to their white counterparts.

Counterpoint: There is evidence that the average black woman with a college degree earns more than the average white woman with a college degree.

- *Point:* Black owned businesses are still struggling compared to non-minority businesses.

  Counterpoint: Black-owned businesses have been shown to grow at a rate faster than white-owned businesses.

Taxes

- *Point:* One effective way to raise revenue without hurting the "little guy" is by raising the capital gains tax and the tax on the highest incomes.

  Counterpoint: The vast majority of middle income persons holds equity securities either directly or indirectly and pays capital gains taxes. It can be easily demonstrated that taxes on capital formation (capital gains taxes) reduces capital formation, and aggressive taxes on income reduces the incentive to work and invest – the cornerstones of our type of economy.

- *Point:* The Bush capital gains tax cut was ineffective and unfair.

  Counterpoint: In 2003, the rate was cut from 20% to 15%. After the rate cuts, more Americans were attracted to investments subject to capital gains and were willing to sell and declare such gains. Declared capital gains taxes have doubled since the rates were reduced. And dividend income increased at least 50% since the dividend tax rate was cut to 15% from 40%. Once again, it seems that taxes on capital formation reduces capital formation, and vise versa.

- *Point:* The rich don't pay much in taxes and this inequity is getting worse.

  Counterpoint: According to the Congressional Budget Office, in 2005 the richest 1% paid 39% of all income taxes; the richest 5% paid a little less than 60%; and the richest 10% paid 70%. These percentages are all up since 2000, and are substantially higher than 1990.

  Households below the median income (or ½ of all households) paid only 3% of all income taxes. The richest (1.3 million taxpayers – those with "adjusted gross income" of over $365,000) paid more income tax than all 66 million taxpayers below the median – 10 times more!

  Some information just for Minnesota: In 2005, the top 10% of households paid 55.4% of total Minnesota income taxes and 27% of sales, business and property taxes. The top 1% paid 24% of total Minnesota income taxes. The bottom 20%

of households paid no Minnesota income taxes while getting back $33.5 million in refundable credits.

- *Point:* The "Bush tax cuts" resulted in a huge reduction in the taxes paid by the rich, while not benefiting the "little guy".

  Counterpoint: According to the Congressional Budget Office, the share of taxes paid by the top 1% increased from 37.4% in 2000 to 39.4% in 2005. The top 5% increased even more. Therefore, despite the tax reductions of 2001 and 2003, the rich saw their share of taxes increase faster than their share of income. Why? - Partly because cuts were more beneficial (proportionately) to low and middle income households, and also because loopholes were reduced.

- *Point:* The democrats will pay for new / expanded programs by eliminating Bush tax cuts for the rich.

  Counterpoint: Obama's programs would lead to a spending increase of at least $307.3 billion by some estimates. However, eliminating cuts would provide only $60 billion annually. Even the Washington Post has recognized the implausibility of this claim.

- *Point:* Campaign adds state that oil companies are being offered special tax breaks by the Republicans.

  Counterpoint: As far as I can tell, corporate tax policies, as proposed, make no distinction between corporations, no matter the industry. That means that the same policies would apply across the board – i.e. nothing special for the oil companies.

Globalization and Jobs

- *Point:* There is rampant relocation of investment occurring in western societies.

  Counterpoint: 90% of fixed investment around the world is domestic. The largest reason for locating facilities in another country is to be near local markets, and globalization of competition is itself responsible for only a small share of job creation or destruction over the last few decades.

- *Point:* U.S. manufacturing output is changing and falling due to globalization.

  Counterpoint: There is research which indicates that the U.S. share of global manufacturing output is actually up since 1980. What is reshaping our employment base and manufacturing is technological not globalization. Manufacturing productivity has doubled over the last two decades. Global employment statistics show that China has lost proportionately more manufacturing jobs than the U.S. There has been a skills revolution to a greater degree than an export of jobs.

- *Point:* Our employment situation is suffering compared to the rest of the world, particular the Far East – largely due to the trade deficit and exporting jobs.

  Counterpoint: Since 2001, our economy has created 9.3 million new jobs, compared with 360,000 in Japan and 1.1 million in the euro zone (European Union), excluding Spain. Japan and euro zone countries had trade surpluses, while we had large and increasing trade deficits. Both Spain and the U.K., like the U.S., ran trade deficits, but they created 3.6 and 1.3 million new jobs respectively. Moreover, wages rose in the U.S., Spain and the U.K.

Housing and the Mortgage Crisis

- *Point:* The mortgage crisis is caused by greedy, irresponsible lenders, and naïve home buyers.

  Counterpoint: Let us not forget the government's hand in this. This is another example of unintended consequences. It was not many years ago when there was moral outrage ringing throughout the media because lenders were reluctant to lend in certain neighborhoods. Pressure was put on Congress to pass laws forcing lenders to lend to people they would not otherwise lend to and in places where they would not otherwise put their money.

  The Community Reinvestment Act of 1977 (CRA), which was subsequently strengthened in the Clinton and Bush administrations, is a federal law that mandates lenders to offer credit throughout their entire market to borrowers they would not otherwise lend to, and discourages them from restricting their credit services to higher income markets. The restricted practices are referred to as "redlining" – or limiting lending into higher risk areas and to higher risk individuals. In effect, CRA encouraged banks and thrifts to make so called "no doc" loans to customers who had no realistic ability to repay the loan. And the expanding housing bubble further encouraged this "loosy goosy" lending practice by giving false security as to housing values. That's really how the crisis all began.

  The problem started with government intervention into the financial markets, and it is now government which is ignoring their role in the problem and which is expected to save the situation.

- *Point:* The affordable housing problem / shortage is the result of unfair housing markets and greedy developers – and it requires government intervention in the housing market such as subsidies, rent control, etc.

Counterpoint: The same politicians who point fingers are the same ones who most consistently promoted restrictions on building of housing. This appeared under the banners of "open space laws", "farmland protection policies", preventing "urban sprawl", and other restrictive policies on development. The unintended consequence: If you take vast amounts of land off the market you will drastically increase the price – affordable housing becomes unaffordable. Why is that so hard to understand?

There is a demonstrable correlation in cities where an increase in these laws and policies predictably lead to significant price increases. And a reduction in government regulation is correlated directly with housing supply being able to keep up with demand.

- *Point:* The mortgage crisis is seriously threatening our system.

  Counterpoint: A relatively small percentage of mortgages were foreclosed in 2007. Of course these foreclosures continued into 2008, and losses seem to be concentrated in certain institutions. Credit markets are not "in great shape", but are still fluid, inflation is mostly under control, interest rates are low, and unemployment is below historical averages. While we should worry about and pay attention to resolving these issues and not repeating the mistakes, nevertheless, the sky isn't falling. Politicians create job security for themselves and the bureaucracy by keeping citizens in a state of crisis. The goal is to look to government to solve the problems, thereby making government even bigger.

  We are having a hard time in many quarters of our economy, but prosperity and stability come not from government and regulatory control, but from freedom to innovate, produce, and even fail. Bailouts tend to create irresponsibility.

  There is no perfect system, but we need to "get a grip" – the sky isn't falling – the best solution and regulator is free competition, even with all its imperfections. Government problem solving tends to create many unintended consequences!

Recession, Economic Fluctuations, Deficits, etc.

- *Point:* The Clinton administration took office in 1993 and deserve credit for the subsequent economic recovery.

  Counterpoint: Bill Clinton entered office with an economic recovery already two years old. The last year of "Bush I" saw our economy grow by 3.2%. The average growth rate of the economy during Clinton's administration was only 2.4%.

- *Point:* "Bush II" took office in 2001 and caused a recession.

Counterpoint: When "W" took office, the economic indicators were already down. And later, retroactive adjustments pushed them down even farther. The National Bureau of Economic Research has confirmed that the indicators were down as early as 2000.

While there is much in our economy to be unhappy with, subsequent to the "dot-com bubble" bursting prior to "Bush II", and with exception of the period of panic after 9/11, Americans' wealth has significantly expanded in the new millennia.

- *Point:* Considering all arguments on both sides, our economy is not good.

  Counterpoint: We have much to work on and improve, but we shouldn't deny the total reality. By any historic standard, our economic numbers aren't the best but are still reasonably good though headed in a negative direction. Of course, this should concern us. Recent unemployment numbers were in the vicinity of 5%, a figure that once was considered full employment. The consumer price index is up, mostly due to food and fuel, which we have the power to deal with. The core inflation rate has recently been under 2.5%. And productivity is up by 2.2%.

  Just looking at my lifetime, the numbers we have seen recently compare very favorably. In my lifetime we have tended to have recessions every four or five years. Recently, we have had only two mild recessions since 1983. I have seen unemployment surge to 10%, and even beyond, from time to time. And we have had very bad bouts of inflation. Put in proper context, our current situation can appear a little different than how it is constantly presented. And we can be even more proud and confident if we remember what we have experienced in the last 20 years: the stock market crash in 1987; currency meltdowns in Mexico in 1994 and in Asia in 1997; the collapse of Long-Term Capital Management in 1998; the 9/11 attacks; and the Enron collapse in 2001, among others. Our economy has adapted and kept growing in spite of one shock after another.

  There are many negatives for us to pay attention to – and we must. But we must not ignore the positives – because they all "count" if you are keeping score.

- *Point:* Quoting Pat Buchanan, our trade deficit is a "malignant tumor in the intestines of the U.S. Economy".

  Counterpoint: Some experts feel that what foreigners don't spend here, they tend to invest here. While T-bills purchased by foreigners are debt, investment in U.S. equities is not debt and shouldn't be viewed as such. The world finds our economy attractive – even now. Just as we've been chomping at the bit to buy foreign goods and services, foreigners have been chomping at the bit to invest trillions of dollars in the U.S. To many analysts and experts that is not all bad.

  And worsening trade deficits are historically associated with fast growth of GDP and manufacturing, and more rapidly declining unemployment and vise verse –

this is counter-intuitive. According to some experts, if trade surpluses are so great, the 1930s should have been a booming decade. According to data found at the National Bureau of Economic Research's "Machrohistory Database", the U.S. ran a trade surplus in nine of the 10 years of the Great Depression.

Just for comparison, most would be surprised that while our government debt is 38% of GDP, Japan's is 86%. And many liberals' favorite area – Europe – does not have the debt problem that Japan does, but it is not nearly as favorable as ours.

Maybe running surpluses or deficits can both be considered a "mixed bag". Just tell us the whole story!

- *Point:* We are in a recession.

  Counterpoint: Not even close. There have been NO fiscal quarters with no growth in GDP, including the most recent quarters. A minimum of two fiscal quarters of negative economic growth is required to officially be a recession. The last reductions in GDP were in the early months of "W's" administration – a clear continuation of the damaged economy late in the Clinton administration which was caused by the bursting "dot-com bubble".

  In fact, the Commerce Department reported in August that GDP increased at a 3.3% annual rate in the second quarter of 2008.

- *Point:* There is just too much bad news! We must realistically consider the possibility of more than just a recession – maybe even a depression.

  Counterpoint: Liberal democrats, Wall Street critics of the administration, and bloggers routinely make comparisons to that mammoth economic disaster of the 1930s , the Great Depression.

  We are not in a depression and almost certainly are not in danger of one. While the last time the term depression applied was in the 1930s, let's examine how far those conditions were from today. In the 1930s U.S. unemployment peaked at 25% in 1933 and averaged 18% for the decade. From 1929 to 1933, 40% of banks failed. For comparison, our current unemployment is approximately 5.5% which is slightly below the average since 1960 of 5.8%. While there have been significant losses associated with the mortgage crisis, on the whole, the banking system seems fairly strong according to many experts. Although banking profits in the first quarter of 2008 were down 46% from 2007, they were still $19 billion even after $37 billion in added loan loss reserves. Overall corporate profits are still running at a near-record annual rate of $1.5 trillion.

  Further positive news is that, as yet, our economic slowdown does not even approach the harshest post-World War II slump in 1980 through 1982 (according to the National Bureau of Economic Research). Unemployment peaked at 10.8%

in late 1982. In 1981 and 1982, housing starts were down almost 50% from their 1978 peak. From 1979 to 1982, the economy stagnated.

It seems a paradox that today's economy is so strong. Consider all the "hand grenades" lobbed at it: higher oil prices, a housing implosion, the mortgage crisis, the credit squeeze, large layoffs in certain industries (airlines, autos, construction, mortgage banking). Output in 2008 is actually still higher than a year earlier. Many experts feel our economy has an underlying sturdiness because it is driven by small businesses and we have the luxury of a flexible labor force.

If there are all these positives, why are we so anxious and fearful? Why shouldn't we be, especially considering what we constantly hear? In the face of true positives here is what we read and hear: a recent AP dispatch stated "Everything seemingly is spinning out of control….Midwestern levees are bursting. Polar bears are adrift. Gas prices are skyrocketing. Home values are abysmal. Airfares , college tuition, and healthcare border on unaffordable….Americans need do no more than check the weather, look in their wallets, or turn on the news for their daily reality check on a world gone haywire". The New York Times devoted significant space to a report about "A Slowdown With Trouble at Every Turn" – a major doom and gloom presentation. I guess that's politics in action.

Let us not be too comfortable because we have real problems and challenges, but we must acknowledge the positive aspects which we should be proud of. We are reminded of an old lesson: The business cycle is not dead as a real and expected phenomenon. Sometime in the future, maybe we will look back at these times as "The Good Old Days".

Stock and Commodities Markets

- *Point:* Volatile markets, with adjustments occurring and causing "heartburn" are a sign of weakness.

  Counterpoint: It is better to have investors who are "wary" than investors who are reckless. Reckless investors tend to drive up market prices in a way that causes artificial and temporary gains.

- *Point:* Speculators are responsible for high oil prices and volatility in other commodities markets.

  Counterpoint: Speculating and futures trading is a tradition in all commodities markets. This is a little understood activity – perhaps least of all by me. However, while sometimes inaccurate assumptions about future oil supplies do affect the oil prices, it is truly supply and demand that ultimately influences prices. Sometimes the activities of these "speculators" do cause volatility – no market is perfect. More often, however, the futures markets provide the buyers of commodities a dependable and predictable price and supply of a crucial resource for their business. As a general rule these markets actually reduce wild fluctuations and provide more certainty as to prices. Volatility is the result of confusion and uncertainty – often caused by government actions.

Pursuing speculators as the culprit would probably be a significant waste of time. Recent proposed legislation to further regulate "speculators" in the futures markets would introduce genuine distortions to the oil and other commodities markets, and would make life even more difficult for commodity consumers who are quite reasonably using the futures market as a hedge against higher prices. This is another example of the law of unintended consequences as it relates to so much of our enacted legislation. It is an imperfect system but most likely better than the government imposed alternative.

Government's Role

In addition to the references to government woven throughout this report, here are some more:

- *Point:* Our government must make rules to protect us from business.

  Counterpoint: Competition will probably protect us better than the government, if the government just gets out of the way.

- *Point:* Our government should at least protect us from big businesses charging monopoly prices.

  Counterpoint: In fact, far more government actions have been taken against businesses that charge prices considered to be too low than against businesses that charge too high prices. Huge anti-trust suits have been against companies companies charging too low prices, thereby driving competitors out of business.

- *Point:* Price controls protect consumers.

  Counterpoint: There is ample evidence that price controls create shortages and increase hardships.

And More

- *Point:* Quoting Obama, "If you believe in good schools, good roads, if we want to make sure that kids can go to college and if we don't want to leave a mountain of debt for the next generation, then…we've got to pay for these things".

Counterpoint: I agree with this statement. But is the only way to have good schools is to spend more money? If so, then why are some of the worst schools in America, scholastically speaking, in Washington DC, where we spend $13,000 per student? Even with this spending the city ranks 51st in SAT scores – dead last. New York spends the most per student at $14,119 yet ranks 44th in SAT scores. In order to reduce our "mountain of debt" how about being creative by CUTTING SPENDING!

- *Point:* As Obama says (paraphrasing): Conservatives should do what the Bible says in Mathew – take care of the poor.

  Counterpoint: It is well documented that conservatives far, FAR outstrip liberals in charitable giving, even though those describing themselves as liberals have materially higher income than those describing themselves as conservatives (another surprise) – but that is the topic for a different report (stay tuned).

My Opinion

And so it goes – opinions flying around as if they were coming from different planets altogether. It baffles me as to how reasonably decent, intelligent people, presumably dealing with a similar set of facts can arrive at totally different conclusions about what it all means. And, unfortunately, the "politics of envy" often leads to programs which stifle true progress, economic growth, and employment – a great example of the latter is the issue of raising the minimum wage. What matters politically is the image of coming out on the side of "the people" and against "the privileged". But we have lost sight of who the privileged really are – sometimes it IS "the people".

Some of this, I believe, comes from the fact we are living in a time of very sophisticated "nuance" – i.e. sometimes our relative agreement on a topic (say, "figuratively" no further apart than 20 degrees out of 360) must be presented as virtually opposite. The reason is simply because we must "hold the party line" and not commiserate with the enemy – we are divided by definition.

And I believe that much of this is perpetuated by a media which is itself polarized against certain beliefs and points of view. I think I have an example of how this manifests itself: Our economy is by no way ideal, but have we evaluated our situation as individuals, or do we just believe what we are told to believe? Two recent, virtually simultaneous polls came up with the following: the LA Times / Bloomberg poll shows that 78% of Americans think we are in an economic recession (we know we are not); at the same time, a CBS News / New York Times poll reports that 72% of Americans rate their own financial situation as "good". Similarly, a Harris Interactive poll in August shows that 94% of Americans are satisfied with the lives they lead. And according to a recent Gallup poll, only 9% of Americans are dissatisfied with their jobs and only 13% are dissatisfied with their job security. How can this be explained? I believe this is an example people listening to the media, whom they trust, rather than focusing on their own observations. Americans just aren't as miserable as some politicians need them to be. One commentator thought this reminded him of the story of the fellow who, when caught by his wife in bed with another woman, protested "Well are you going to believe your eyes, or what I tell you?"

Another example: We are relatively more quiet about food costs than about fuel increases. Why? – Because that is what we hear being hammered home every day as being our biggest concern. Fuel cost increases have been very high and are extremely painful. Fuel costs have recently gone up 25 to 40% by my measurement. Many household food items have gone up by similar amounts over the same time frame, e.g. eggs 40%; milk 26%, bread 15%; meat – a "bunch"; and so on. But as a base, food comprises about 13 percent of average household budgets, while gasoline comprises only about 4%. So food cost increases have far, far exceeded gasoline costs on the basis of cash outlay. While we hear about both, which one is pounded home to us every day far more than the other? Politics? – Perhaps.

We have to learn to make our own observations and measurements, and reach our own conclusions. I fear that too few of us detect this "spinning" of information when it occurs and simply trust everything traditional sources are telling us. I recently read a quote by an editor of a large east coast publication in which he contended (I am paraphrasing) the media may have a greater good to serve, in some circumstances, than just providing the cold hard facts. That attitude is a very "slippery slope".

Maybe we have just been spoiled in recent decades. Have we come to expect low inflation and economic growth as the norm, with any temporary challenge considered a gigantic irritation? We must beware of those who want us to believe only the worst, for ideological or political reasons. Things just "ain't" always as described!

Sources of Information

The following is not intended to be a complete detailed bibliography or list of notes and references which would be adequate for publication or other wide use of this report. I have given specific attribution to very few quotes and statistics. Therefore, this report, as with most of my other reports, is in a state of "technical plagiarism". This report is not intended for publication. The following lists are merely intended to relay the nature, extent, and sincerity of my effort to become personally more knowledgeable. At a minimum, I hope these lists lend a level of credibility to the information provided. The items below are listed in no particular order.

Books

Who Really Cares? by Arthur C. Brooks

Gross National Happiness by Arthur C. Brooks – excerpts, summaries, and reviews

Economic Facts and Fallacies by Thomas Sowell

Myths, Lies, and Downright Stupidity by John Stossel

Writers, Columnists, Commentators, Economists, Educators, Scientists, Reporters Editorial Sources, and Government Officials From Which Material Was Used (often multiple items for each, most relatively brief - some are experts and others clearly are not)

Thomas Sowell	Walter Williams	Anna Quindlen
David Brooks	Jason Lewis	Larry Elder
Debra Saunders	John Stossel	Bob Tyrrell
Michael Barone	Irwin M. Stelzer	Mort Zuckerman
Glenn Beck	Donald Lambro	Tony Blankley
Brian S. Wesbury	Robert J. Samuelson	Jeff Jacoby
Pat Buchanan	Professor Don Boudreaux	

Papers, Pamphlets, and Studies (generally reviewed summaries, excerpts, or quotes only)

Congressional Budget Office – study regarding effects of globalization

Internal Revenue Service – taxpayer statistics

University of Michigan – taxpayer statistics

Tax Foundation statistics

U.S. Census Data

Websites and Online Newsletters or Publications - Most Monitored Regularly / Some Specific to This Project Only

Conservative Book Service	Wall Street Journal	The Economist
New York Times	National Review	The Weekly Standard
Newsweek	Jewish World Review	