



# **2016 FEBRUARY NEWSLETTER**

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### WE ARE MAD ! YOU SHOULD BE MAD !

#### I MEAN WHAT THE HELL IS GOING ON WITH OUR ECONOMY ??

Our Economy is **still** 'sort of recovering' at a frustratingly slow pace (with Stagflation the reality of our everyday life).

No bigger paychecks, no increase in income, slow stagnant economy, more expensive everyday purchases, more regulations, more frustration !

Is our new reality 'The Groundhog Day Economy' ? It just never changes and never gets much better !

Have we have entered a time of the 'endless recovery' ? Never again an '**Expansion**' a perpetual ho-hum anemic going nowhere 'recovery' that just goes on and on and on.

## **After a recovery is supposed to come an Expansion**

Maybe we will never get back to a **real Expansion**. The good times do not roll on. Is this what we want for our future ??? Are you okay about this ??

- Lower standard of living (lesser quality everything).
- Less money for retirement (forget the cruises)
- Next generation is not better off (still living at home with the parents)
- Less resources for our military and defense (not good)
- Less resources for social needs (also not good)
- Less money for the schools (really not good)
- Less money for your medical and health needs (uh oh)
- Lot's more homelessness (shanty towns will grow – very sad)

**You get the point ... no real Expansion ... no better prosperity**

## **WE ARE MAD !!**

### **PERSPECTIVE**

**Average annual U.S. growth rate from 1950 to 2000 – 50 years 3.6% !!**

You were there, you lived it, **3.6% per year** this was the average !! **Many years the Economy grew as high as 5 to 8% !!** Now Average annual U.S. growth rate from 2000 to 2014 (15 years) is 1.6% !!

**WHAT !! Did we get that right ... only 1.6% !!**

DO THE MATH ... For the last 15 years our Economy has been growing less than half of our historical average !! Think of this, a working 35-year-old person today has never lived as an adult in a good economy. They have lived only in a below average economy.

- No wonder the younger generation is still living at home.
- No wonder the average wage per hour is flat.
- No wonder the business confidence index is flat.

Aaanndd for the first nine months of **2015** we are averaging **2.2%** ... UGH

**CURRENTLY STILL WAY BELOW AVERAGE BOTTOM LINE**

**How does this affect our everyday life ??**

In the last 15 years (1996 to 2015)

The Bay Area median income increased **60%** (3% a year) ... BUT

Housing costs increased by **400%** (20% a year !!)

So how does this imbalance between income and housing costs affect us ? How does this low wage and income growth affect us ? Well how about an affordable housing crisis. How about homelessness. How about lower housing standards, crowded conditions, traffic etc.

### **AND WHAT DOES THIS MEAN IN DOLLARS AND CENTS ?**

If you take the growth rate we actually had from 2000 to 2014 and compare this **2%** rate to the historical average of **3.6%**.

**IT MEANS \$ 9 TRILLION DOLLARS WERE NEVER PRODUCED. WE WILL NEVER HAVE THIS PROSPERITY. IT IS GONE !!! NEVER EARNED – NEVER PRODUCED**

In other words ... lower production of goods and services has big time future consequences. We produce less and get in more debt. This is long-term bad !! You will have a whole lot less money in the future and with less money comes less prosperity for many things.

### **\$ 9 trillion less things**

**Wow.** America is producing a whole lot less than it used to. Well then the important question is how much less ?

So how does the productivity of America today compare to the productivity of America past ?

Unfortunately, not very good. (notice the down trend) ... ouch

In the **1970s** our annual production rate increased **62%**

In the **1980s** our annual production rate increased **48%**

In the **1990s** our annual production rate increased **31%**

From 2000 to 2009 the rate increased only **23%**

**The last five years? A dismal 19.6%.**

### **PERSPECTIVE**

**OUR ABILITY TO INCREASE OUR PRODUCTION OF GOODS AND SERVICES IS ONLY ONE-THIRD (1/3) OF WHAT IT WAS 30 YEARS AGO.**

**WHAT HAS HAPPENED TO AMERICA !!!**

**WHAT WILL HAPPEN TO AMERICA IN THE LONG-TERM ?**

Feels like Americans are in a bad relationship

Your partner is spending more money than you are making and it's getting worse each year.

Debt goes up ... money goes down. Like a relationship going bad. You know this is not going to end well.

## **Here is the math ...**

From 2013 to 2014 the productivity went up \$ 663 Billion. From 2013 to 2014 the Federal Debt went up \$ 1.1 Trillion !!

UH ... we went upside down by \$ 437 Billion ? Oops ... wrong way.

This is not going to end well.

You see if the productivity was at a 4 or 5% rate (or more) then an increase in debt would not be so alarming. But when the debt is going up faster than the money (productivity) you have a basic problem.

**And what would be a better ending to the current sad economic story ...**

## **How about an economic Expansion !**

### **WHAT DO WE MEAN BY EXPANSION**

- Expansion **IS** the 'good times'
- A period of time in which gross domestic product productivity **substantially increases**. A period when business activity surges until it reaches a peak.
- NATIONAL BUREAU OF ECONOMIC RESEARCH
  - A recession is a period between a **peak** and a **trough**.
  - An expansion is a period between a **trough** and a **peak**.

### **So what is a trough ?? What is a peak ??**

A trough is the **bottom** of the business cycle. The point that marks the end of a period of declining business activity and the transition to expansion.

### **Historical annual bottoms:**

1954 ... – 0.6

1958 ... – 0.9

1974 ... – 0.6

1982 ... – 1.9

2009 ... – 3.5 (worst recession year)

A peak is the **highest** point between the end of an economic expansion and the start of a contraction.

### **Historical annual high points:**

1950 ... + 8.7 (the good times really rolled)

1951 ... + 7.7

1955 ... + 7.2

1959 ... + 7.2

1984 ... + 7.2

### **How do we measure a trough and a peak ??**

We use the GDP (gross domestic product) as our indicator. But please bear in mind there are many ways to measure the Economy; real income, economy-wide employment etc.

#### **So using the GDP as an indicator, what does an Expansion look like??**

Since 1950 (the last 65 years), some of the expansions from trough to peak looked like this:

**1954** ... minus – 0.6 (to one year later) + **7.2** ... (a 7.8% expansion) ... WOW !!

**1958** ... minus – 0.9 (to one year later) + **7.2** ... (a 8.1% expansion) ... another WOW !!

**1982** ... minus – 1.9 (to two years later) + **7.2** ... (a 9.1% expansion) ... big WOW !!

**2009** ... minus – 3.5 (to two years later) + **3.5** ... (a 7.0% expansion)

### **PERSPECTIVE**

Of the four expansion cycles noted above ...

The expansion for the years 1954, 1958 and 1982 was roughly **8 to 9%** and the expansion period was **one year**. The expansion percentage for the year 2009 was **only 7% in two years**. And as significant the top growth rate achieved at the top of the expansion for the years 1954, 1958 and 1982 was **7.2%**.

Comparatively the top growth rate achieved at the top of the expansion for the year 2009 was 3.5% only half the high point of the prior expansions (7.2% vs 3.5%)

**Meaning** the **2009** 'Recovery' in the two year period until **2011** was a 'Recovery' but comparatively at half the pace and half the final productivity ... as prior recoveries ???

### **AND SINCE 2011 ?**

For the last **5** years the GDP growth rate has averaged an annual rate of approximately **2.2%** (not very good). So, America did have a 'Recovery' from the 2009 recession but we have not have an Expansion from there. In other words, **no Expansion**, no 'substantial increase'. What we have had is **Stagnation**, a growth rate barely half of the historical **3.6%** average.

# REPORT CARD

Okay the kid came home with the report card. Hmm.

Let's see recovered from the 2009 downturn at half the results of prior downturns. Okay recovered (that's good) slow and anemic (not very good).

Let's see since 2011 we have been in a positive GDP growth rate but at **2%** it's okay but not very good. And we have not currently recovered to anywhere near a growth rate of **7.2%** (which prior recoveries and expansions achieved). So our grade for the kid is: '**C -**'

What has happened to America that has kept the economy from 'substantially increasing' and actually having a robust Expansion ? Why are we stuck in this slow motion '**C -**' economy ?

## What has caused this ??

There are obviously multiple factors that are contributing to this long-term slowdown of our Economy. A few of these are:

- The **demographic curve** is changing with the 'baby boomer' generation entering retirement years. Spending habits change in retirement with less spending and this generation has been 40% of the spending in America for many years. That 40% will change for the negative.

- **Globalization**. American jobs moving overseas with competition from the emerging economies from a more accessible world. Higher paid jobs replaced by lower paid jobs as we have been moving from a manufacturing-based economy to a service economy.

- **Cultural changes in America**. The younger generations getting married later and not beginning families and households with the resulting spending and consumerism. In 1960 12% of young adults were never married. Today 49%.

- **New business formation** is at a 35 year low – is both a cause and a consequence of cultural changes.

- **Income tax system** is a major drag on the Economy. In 2012 the American people spent over **3.2 billion hours** filing Federal tax returns (at a cost of **\$37 billion**). American businesses spent over **2.9 billion hours** complying with the business income tax code (at a cost of **\$162 billion**). The cost of compliance and administration of the Federal Income Tax system is estimated at **\$ 431 billion**. (30% of income taxes collected).

- **Creeping inflation** in an environment where there are no wage increases. Many consumer areas (like housing, the costs have risen much quicker than wages) no money left to buy anything else.

- **Government spending** has continued to increase over the years as a portion of the GDP (America's productivity). In the 1990s and 2000s government spending stayed constant at 33-35% of GDP. But in the last 6 years government spending has increased to 40% of GDP.

- **Change in the workforce**. The labor participation rate of 62.8% is the lowest since 1977 (lots of people not looking for work). Since June 2009 the U.S. economy created 2.6 million

jobs. Since June 2009, 3.1 million workers signed up for disability benefits. In 1992 there was one person on disability benefits for every 36 people employed. Today the ratio is one to 16.

▪ **Environmental regulations** are estimated to cost roughly 2% of GDP. For 2014 that would cost roughly \$ 360 billion.

**AND one of the biggest factors in slowing the American Economy is the growth in government regulations and bureaucracies. In the last 15 years there has been explosive growth in government involvement with the economy on all levels Federal, State and Local.**

*Anyway regardless of the future we are currently stuck in our slow motion 'C-' economy.*

## **CURRENT POSITIVE TRENDS**

- Good December jobs report of 292,000 jobs.
- Consumer Confidence increased for the fifth straight month.
- Auto sales were at the highest amounts ever.
- 'Tax Extenders' were extended.

## **CURRENT NEGATIVE TRENDS**

- The manufacturing index declined to 48.5 (any number less than 50 is considered a contraction).
- DOW JONES stock index declines back to 2013 levels.
- Global recession is possible with economic problems in the major economies of China, Japan and Brazil.
- No wage growth.

In other words; some up, some down, some up some down.

**But Unfortunately ... NO Expansion (we can only dream)**

## **What do the 'Crystal Ball Indicators' indicate ??**

In the second six months of 2015 the indicators indicated:

ROUGHLY POSITIVE ... 3 ... **15%**

ROUGHLY NEGATIVE ... 6 ... **30%**

BASICALLY NO CHANGE ... 11 ... **55%**

TOTAL INDICATORS 20 ... **100%**

Unfortunately, the indicators say **no Expansion** basically still flat.



## And the Stock Market

The stock market will continue to reflect the stagnant Economy. The market will stay relatively flat with very little to no growth. Could go down with spotty corporate profits, increasing interest rates, uncertain politics (both National and International).

DOW JONES index retreated back to December 2013

DOW JONES ... January 7, 2016 ... 16,514

DOW JONES ... December 31, 2013 ... 16,577

***In other words ... it has been flat for two years earning nothing ... zippo ... Expect the same for 2016.***

## WARNING

Given the general stagnation of the current Economy and weak growth at **2.0%** or less, international economic weakness and election year political angst. It would not take much to put our Economy into negative growth. A mild recession is not impossible.

## FORECAST

We can best illustrate the stagnant status of our National Economy by referring to the last newsletter of six months ago.

From September 1, 2015 newsletter:

'Continued slowly improving Economy ... expect more of the same ... nothing exciting ... continued certain uncertainty ... higher inflation. I am sorry the forecast is the same as the newsletter of six months ago ... It is obviously frustrating to not report and forecast an Expansion economy. And unfortunately, there is nothing being done by the President's office or the Congress to have any meaningful effect to improve the current lack of real growth in the Economy. No tax policy ... no fiscal policy ... no energy policy ... no regulation policy ... no nothin'

Do not have any great expectations for the foreseeable future."

What can I say, I have already said it in two prior newsletters? Well unfortunately we are saying it again 'C-' Economy. Do not expect much more for 2016 ... sorry.



## MARVELOUS MARIN

### CHECKING THE VITAL LIFE SIGNS

#### ▮ **BUSINESS EXPANDING IN MARIN**

▶ **Restoration Hardware.** Luxury home furnishings are planning a two story 67,000 square foot expansion at the Village Shopping Center in Corte Madera.

▶ **BioMarin** recently aggressively expanding in San Rafael is continuing the expansion with the building of a four story office building with an additional six-story parking structure.

▶ **Copperfield's Books** is coming to downtown Novato. The small chain bookstore with seven locations in Marin is opening at the corner of Grant Ave and Redwood Blvd

▮ **UNEMPLOYMENT** Marin County posted a **3.3%** unemployment rate at the end of the year. (one year ago the rate was **4.1%**). After San Mateo Marin was the lowest unemployment rate in California.

▮ **STILL HIGHEST INCOME.** 2013 Median income for couples filing income taxes jointly was \$ 133,389 The highest in California and an increase of 5% over 2012. 2013 Median income for singles filing income taxes was \$ 57,244 (the highest in California since 1999), 17 straight years on top ... not bad.

▮ **STILL EXPENSIVE HOUSES.** A 12,000 square foot Belvedere mansion built in 1895 with 360 degree views was sold for **\$ 47.5 Million**. This is the highest recorded sales price in Marin County residential housing history. In the first eight months of 2015, 48 homes valued at more

than \$ 4 Million were sold. (20 years ago, in 1994 the most expensive home sold for \$ 5.5 Million).

☛ **COUNTY BUDGET.** The Marin County Budget is strong and stable as revenues from taxes increase. This year's budget of **\$ 519 million** allowed for a generous **\$ 12 million** in 'discretionary payments' (not tax refunds, that would be too novel an idea).

☛ **ENVIRONMENT.** Tiburon will become the first Marin municipality to **require** solar installations on new homes. The pollution watchdog 'Heal the Bay' gave all Marin beaches tested an 'A' or 'A+' rating.

☛ **POPULATION.** In 2015, Marin grew at a slower pace increasing 0.44 percent to 261,663 ... 1,149 new residents. (0.88 increase in 2014 at 1,704 new Marinites. 1% increase in 2013 at 2,263 new residents).

☛ **NEW SERVICES.** One in five of Marin's residents are over 65 and require senior transportation. To respond to this need the Town of Sausalito began a program in 2015 to provide free on demand rides for senior residents. Maybe this service could spread to the rest of the County ... what a concept !

☛ **NEW MUSEUM.** The new **Marin Museum of Bicycling** was opened in Fairfax. Visitors can follow the history of cycling from 19th century Iglers to modern-day high-performance mountain bikes.

## PERSPECTIVE

### Size of local government growing ?

In **2010** ... **1,849** full-time County employees.

In **2015** ... **1,933** full-time County employees.

**84 new employees ... 17 per year.**

### New employees ... so what ?

Well how about a **\$ 678 million unfunded pension liability** that you are responsible for a piece of. How will you pay for it ? How about higher taxes and reduced services or no services and higher taxes.

## REGULATION NATION

For the last **20** years – 24 hours per day – 365 days a year there has been **a new regulation every two hours and nine minutes** !!! Yikes.

Just how many regulations are we Americans subject to ? We Americans have a grand total of **938,000 Federal Regulations** and by 2016 at the current pace, you, me, your neighbor, your co-worker ... we Americans will have over **a MILLION regulations** !!!

How wild and crazy we must have been to need a MILLION regulations to keep us under control !!! And how many more regulations do you think we need ??? Another million ???

## ARE WE UNDER CONTROL YET ?

OH ... and you would like to look up and read one of these regulations ? No problem. You just look up the Code of Federal Regulations (CFR). Which by 2013 was ... are you ready? ... 175,496 pages !!

OH ... and you haven't had enough brain damage yet ? Well again no problem. Let's go look at **The Federal Register**. This is the official daily publication for rules, proposed rules, notices of Federal agencies and organizations and Executive orders. **This is the source of regulations for U.S. government agencies**. And get a big cup of coffee for the year 2015 the register was **81,611 pages** (an all-time high).

Unfortunately the trend is getting higher, more pages !! Jeez

*(In 1936 the number was 2,600 pages for the year)*

## PERSPECTIVE

1950s ... **5** regulations passed per day

1960s ... **11** regulations passed per day

1970s ... **23** regulations passed per day

1980s ... **25** regulations passed per day

1990s ... **65** regulations passed per day

2001- 2010 ... **105** regulations passed per day

Notice the trend? Yeah up. Why do we need **20** times more regulations passed today than in the 1950s ? Really ?

## SECOND PERSPECTIVE

From **1951 to 2000** ... 463,666 Federal regulations were passed.

From **2001 to 2013** ... 470,692 Federal regulations were passed.

In other words, more regulations were passed in the last 13 years then in the 50 years from 1951 to 2000.

**That's scary ... America ... land of the free ?**

**\$ \$ \$**

So, you ask whether you agree or disagree with the regulatory atmosphere; **How much do all these regulations cost us Americans?**

Well per the 2014 National Association of Manufacturers Report ... How about ...

## **\$ 2 Trillion per year !!!!**

NOTE: We sure hope Americans like what we are getting from all these regulations because we sure are paying for them.

And more sobering regulation news. A Small Business Administration study found that the average cost to business of all Federal regulations **per year** was **\$ 10,585 per employee** ... **\$ 5** per hour ! And we wonder why employers are slow to hire and not increasing paychecks. Well maybe regulations are crushing the life out of America's paycheck !!!

And you know what's funny the mountains, no not big enough, the **mountain ranges** of paperwork that all these regulations have created. How much does this cost ?? Under the **PAPERWORK REDUCTION ACT** enacted in **1980**, all government agencies have to consider the paperwork burden associated with regulatory actions. Ha Ha Ha ... That's a joke.

Take the paperwork of our health care system. Every hour spent treating a patient creates at least 30 minutes of paperwork (now that's real efficient). And to increase the efficiency, in 2013 the number of federally mandated categories of illness for which hospitals can claim reimbursement increased from 18,000 to 140,000 !! How about these new categories: 9 codes relating to injuries caused by parrots – 3 codes related to burns from flaming water-skis. How does THAT happen ?

## **FAVORITE RIDICULOUS REGULATIONS**

- The Federal Railroad Administration requires that all trains must be painted with an 'F' at the front so you can tell which end is which.
- In Colorado the 'Code for children nurseries' specifies how many crayons each crayon box must contain.
- In Lake Elmo, Minnesota , you can be fined \$1,000 and put in jail for 90 days for selling pumpkins or Christmas trees that were grown outside of the city limits.
- In Indiana, it is illegal to attend a public event or use public transport within 4 hours of eating an onion or garlic.
- In Arizona, if you are found stealing soap you must wash yourself until the bar of soap is completely used up and the best one.
- In Washington State, you can be arrested or fined for harassing BIGFOOT.

## **FAVORITE RIDICULOUS REGULATION STORY**

### **THE STORY BEGINS**

**Juanita** a mallard duck was born two years ago at the Bello Gardens Assisted Living Home in San Anselmo, California. Happily, **Juanita** spent a quiet life roaming the gardens, sitting and socializing with the 25 senior residents and being loved by all. But one day **Juanita** flew into a neighbors yard.

## **TROUBLE LOOMS**

Unfortunately, **Juanita** was taken to the Wild Care facility in San Rafael and placed in solitary confinement. When the seniors requested to have **Juanita** returned to them the agency told them they were not legally allowed to return **Juanita**. To say the seniors were upset would be an understatement.

## **THE PLOT THICKENS**

Juanita quickly became a protest and 10,000 signatures were collected in an online petition to 'return the duck'. Consequently, Bello Gardens, Wild Care, U.S. Fish and Wildlife Service and State Representative Jared Huffman worked together to bring Juanita home.

## **THE BUREAUCRACY TO THE RESCUE**

After much commotion, U.S. Fish and Wildlife finally approved Bello Gardens application for a permit designating Juanita as an 'educational bird'. After 90 days in solitary confinement, Juanita waddled out of her cell a free bird and was returned to her home just in time for Christmas. (Merry Christmas!)

## **THE EXPENSIVE ENDING**

### **OR HOW MUCH DOES THE BUREAUCRACY COST ?**

(A) To qualify as an 'educational bird' required the hiring of an educator as one of the conditions of the permit. Consequently, an associate professor from Dominican University will be required to write a curriculum to co-teach with **Juanita**.

(B) The Home was required to build an elaborate structure including a pond and a perch for \$ 2,000.

(C) The Home is required to purchase special expensive bird food.

*(Thank you to the bureaucracy for providing stories that we could not make up)*

## **HOW DO FEDERAL REGULATIONS AFFECT OUR LOCAL BUSINESS ?**

How about 'COOL' – COUNTRY OF ORIGIN LABELING is a requirement signed into law under Title X of the Farm Security and Rural Investment Act of 2002 and 2008. This law requires retailers to provide country – of – origin labeling for fruits, nuts, vegetables, fish and meat products. That doesn't sound too bad ... its just some labeling ... right ? Can't hurt ... right ?

Well ask the wine industry people who are furiously lobbying Congress to repeal this law. C'mon how much can this really affect our local wine industry ??? How about huge ... In ways you would never think of.

So here is the convoluted back story (this only can happen with governments)

- The final 'COOL' rules were adopted in January 2009
- The governments of Canada and Mexico filed a suit with the World Trade Organization claiming they were being discriminated against

- In 2011 the World Trade Organization ruled in favor of Canada and Mexico but the U.S. did not agree to this ruling and appealed

- In 2012 the World Trade Organization ruled against the U.S. and the U.S. made some limited changes but the beat goes on

- In 2013, Canada and Mexico again filed a complaint with the World Trade Organization and again

- In 2014 the World Trade Organization again ruled in favor of Canada and Mexico

- But the U.S. continues to affirm it's right to require country – of – origin labeling

Okay so we ask again, how does this effect our local wine industry ?

BECAUSE the WTO in December granted Canada and Mexico the right to place more than \$ 1 Billion in retaliatory tariffs on U.S. products.

And guess one of the U.S. industries that is going to be retaliated against ?

You got it the wine industry is on the list ... uh oh ... that's bad !! And what does the Wine Institute say, 'Retaliation by Canada and Mexico would set our wine exports back decades and cost billions of dollars in lost sales over time'.

This is a classic example of the 'Law of Unintended Consequences'. A seemingly simple law about specific labeling of some food products would result in trade barriers between the three neighboring countries of North America.

And unfortunately, our local Sonoma and Napa county wine markets will probably be directly impacted.

### **How could you figure that ??**

*U.S. Department of Agriculture estimates that the COOL regulations, implementation and record keeping requirements will cost as high as \$ 3.9 Billion in the first year, and \$ 450 Million per year thereafter. Currently, these regulations have cost the meat industry approximately \$ 1.8 Billion. So, whether you agree or disagree that this type of government regulation is needed, it is clear it has a cost to our local Northern California Economy.*





## **WITH ALL THESE REGULATIONS FOR US AMERICANS**

### **HOW EFFICIENT ARE THESE REGULATORS WHO PUT THE REGULATIONS ON US ?**

Well let's see. How about we talk water supply in California.

#### **ISSUE**

The water supply could be easily increased by increasing the height of the existing 602-foot Shasta Dam by 18.5 feet. This would effectively add the equivalent of another reservoir.

#### **FACTS**

- (1) 1,400 major Federal and State dams
- (2) 1,300 reservoirs
- (3) The last big water crisis was in 1975 – 1976 ... 40 YEARS AGO !!
- (4) In 1980 California population was 23 million
- (5) In 2015 population was 39 million
- (6) Last major Federal and State dam was completed in 1979

#### **RESULT**

The Federal Bureau of Reclamation has been “studying” the idea since 1980 !!! Nothing has happened to date.

#### **COMMENT**

Are you out of your mind !!!

In 35 years the bureaucrats can't figure out what to do with one dam !!! And we are talking about increasing the height by only 3% ... 3% !!! (18.5 feet out of 602 feet).



## WHAT ?!?!

Let me give you some perspective ...

In 1933 the California Legislature authorized the construction of the Shasta Dam.

In 1937 construction began.

In 1945 construction was finished, 26 months ahead of schedule. (imagine that !). This was a 602-foot arch – gravity dam when completed was the second highest dam in the world, second only to the Hoover Dam. (today it is ninth in the U.S.)

During the Great Plains Dust Bowl years of the 1930s there was also a severe drought in California from 1928 to 1937. Apparently, the Bureau of Reclamation at that time was more efficient in dealing with the crisis and built the second highest dam in the world, at 602 feet in a 12 year period. Today the Bureau of Reclamation cannot seem to build 18.5 feet in 35 years !!!

## COMMENT

40 YEARS AGO ... there was a drought ... right ?

And the bureaucracy was here in the 1970s ... right ?

The population has increased over 16 million people ! ... right ?

It seems in the past like the 1930s the bureaucracy built some big dams. Water crisis more people build dams fast, makes sense. Worked for the last 70 years pretty good job. Seems obvious ... right ? ... **Wrong**.

For whatever reasons our bureaucracy stopped building dams in 1979. HUH ? The population has increased 70%. We don't need more water ? Don't totally get it. Wonder how much this bureaucracy has cost us ??

## AND WHAT ABOUT THE 'RED TAPE' ?

Remember the \$9 Trillion in lost productivity ??

Well here's an example of how that happens ...

In 1994, 21 years ago in a galaxy far far away, a building project was proposed for North Los Angeles County ... The Newhall Ranch Project

- Housing for 60,000 people
- Thousands of construction jobs
- Thousands of permanent jobs at stores and schools
- A 'green energy-efficient' project

Many studies and reports later, and many years finally in 2010 the Department of Fish and Wildlife approved a 5,000-page report needed to comply with the 1970 California Environmental Quality Act (CEQA).

The report included restoration measures for the coast horned lizard, the big-eared bat and the unarmored three-spine stickleback. Everything good.

Hooray ... ok ... ready to move forward ... yeah ..... Uuh ... no.

Incredibly ...The Center for Biological Diversity and other environmental groups sued again under the provisions of CEQA and ... The California Supreme Court subsequently rejected the environmental-impact report (a decision that will delay the construction for years) and cast a pall over any other future development. So, whether you agree or disagree with the building of housing in California, there is no doubt these delays cost jobs, productivity gains and future standard of living. Newhall Ranch appears to be one more human economic sacrifice on the altar of the greater environmental good.

## **PERSPECTIVE**

**Why are houses so expensive ??? Well reality check.**

Housing costs are dramatically driven up by difficult building regulations, lawsuits and planning processes (oh and by the way the population is still increasing). And that old-fashioned supply – demand thing is still around (sorta like gravity).

- Median house price in Los Angeles ... \$ 507,000.
- Median house price in New York ... \$ 412,000.
- Median house price in Dallas ... \$ 210,000.

## **WHAT CAN EXPENSIVE BUSINESS REGULATION REALLY COST ?**

**A law called Sarbanes-Oxley passed in 2002**

The ‘Public Company Accounting Reform and Investor Protection Act’ significantly increased paperwork requirements for American public companies. It imposed new regulations, financial reporting requirements, internal control procedures and criminal penalties. It was intended to protect investors from the possibility of fraudulent accounting activities by large corporations.

And what happened ??

In 2002, 93% of new offerings were American, 7% foreign.

In 2014, 78% of new offerings were American, 22% foreign.

In other words, foreign offerings tripled, and U.S. offerings declined 15%.

Hmm ... We are not sure that the investors of America are in any better or safer position. But for sure we have less jobs from this lost business !!!

These new regulations have made it so difficult to list shares on the American stock market that firms have left the Country for foreign markets or have chosen to remain private and not be on the U.S. stock exchange.

A 2012 Wall Street Journal editorial stated ‘One reason the U.S. Economy isn’t creating enough jobs is that it’s not creating enough employers. For the third year in a row the world’s leading exchange for new stock offerings was located not in New York, but in Hong Kong.’

## **PERSPECTIVE**

In 1983 ... American companies were 99% of the initial public offerings.

In 1996 ... The highest year of public offerings ... 710 new offerings, American companies were 91% of the initial public offerings.

From 2002 to 2014 ... The U.S. represented only 80% of new offerings.

Another long term deterioration in our business community productivity and profitability which eventually will affect our standard of living going down !

So, whether you agree or disagree that this type of government regulation is needed. It is clear it has a heavy cost.

## **HOW DO REGULATIONS AFFECT OUR FREEDOM ?**

A 2014 report by the Congressional Research Service showed that Congress created 439 new criminal offenses between 2008 and 2013 !! That is 88 new criminal laws per year ... wow ... what can they possibly be ?? The number of federal criminal laws now number in the thousands.

## **AMERICA LAND OF THE USED TO BE FREE !!**

## **WHAT WAS THE WORLD LIKE 100 YEARS AGO ? 1916**

### **PROSPERITY**

The United States had the most prosperous year in history. Wages were up. Unemployment virtually non-existent. Output of steel and iron at record levels. Foreign trade at all-time high. Americans buying luxuries like never before. Ford Motor making cheaper automobiles on the assembly line. Gas was 25 cents per gallon. The horse and buggy days are ending and a new age was born, Frank Sinatra December 12, 1915 !!

### **WAR**

By 1916 ... WORLD WAR I WAS IN FULL SWING

Started July 1914 ... Ended November 1918

(U.S. entered the war on April 6, 1917)

10 MILLION soldiers and 7 MILLION civilians died !

In 1916 ... France, England, Germany, Russia, Italy and Austria-Hungary were engaged in mortal combat.

■ In February ... Germans attack the French fortress of Verdun.

■ In May ... England and Germany were engaged in the sea battle of Jutland (largest naval battle of the war).

- In June ... Russian offensive against Austria is engaged.
- In September ... beginning of tank warfare on the Somme Front in France.
- In October ... German submarines began operating in the Mediterranean Sea and Atlantic Ocean.

## **POLITICS**

Jeannette Rankin, a Republican from Montana became the first woman ever elected to the U.S. Congress.

Charles Hughes, a Republican candidate for President continuously criticized the Democrat President Woodrow Wilson for mismanagement of the government. It was a very close election in 1916 with Wilson being re-elected with an electoral vote of 272 to 259.

## **TERRORISM**

In July ... 10 people were killed and 40 injured when a bomb exploded during a Preparedness Day parade in downtown San Francisco. Anti-war and isolationist sentiment by labor groups led to this bombing by a radical group. Two labor leaders were convicted.

## **SCIENCE**

Professor Albert Einstein develops a new theory of relativity dramatically changing mankind's view of the universe.

## **PEOPLE**

Jack London ... the famous author of books of personal survival ... "The Call of the Wild" ... "The Sea Wolf" died at age 40 from a morphine overdose.

Sir Hiram Maxim ... who in 1884 invented the first fully automatic machine gun ... died at 76.

## **MEXICO**

General Pershing with 4,000 troops enters Mexico in pursuit of Pancho Villa.