You would think that in 2008 that markets should be efficient. One market that certainly is not is the corporate bond market.

Any individual who has ever tried to buy a corporate bond knows how difficult it can be. There is no exchange for corporate bonds. They don't trade like stocks, indexes, ETFs, or anything for that matter. Each purchase is more like buying a car than buying a stock. There is little liquidity for 99pct of the corporate bonds issued.

That is a huge problem on many levels. It makes it harder for corporations to issue bonds. It makes it hard for individuals and institutions to buy bonds. It makes it harder for buyers to sell bonds. There is no question that our money markets would be safer if there was a liquid market for the bonds money market and other funds hold. Trying to sell bonds in even small volumes can be an adventure, and thats not a good thing

The very worst part of all of this is that it makes it so difficult to buy and sell bonds, stocks dont have to compete with bonds for buyers. Think about it.Thats a disaster.

If stocks and bonds truly competed for buyers, buyers would benefit. You would see more stocks paying dividends. Consumers would realize that bonds are less risky than stocks. It wouldnt take losing all your stock in Wachovia to realize that Wachovia bonds were safer than Wachovia shares.

More competition between bonds and stocks would mean that consumers money would be safer. More money would flow into bonds and less into stocks, which means we wouldn't see such dramatic moves in the stock market. Stocks wouldnt go up nearly as much, and they wouldnt come down nearly as hard.

One of the shocking problems of our financial system is that there is no exchange on which bonds trade. Want to know the current pricing for a bond ? You have to call someone to get the latest price. That person has to go out there and figure out what is for sale and to buy and at what pricing. And pricing is not efficient. Normally there is a HUGE spread between the buy and sell pricing. Want to buy or sell a big amount of bonds, someone literally has to go out and find buyers or sellers of the bonds. Its such a pain in the ass, and it is so incredibly inefficient, that for 99pct of consumers out there, its not worth the effort.

Which takes us to mark to market. With out an exchange, and with the barker system of buying and selling bonds, sellers in distress, like homebuyers in distress, can and will sell to any willing buyer. Which means that prices are often below where they would be if there was an exchange. For example, if I knew that I was a buyer of ABC Company bonds if they fell to X price, there is no exchange to send me an alert that the price has fallen to that price, its time to buy. Nor is there an alert for the seller to know that I am a willing buyer. The seller has to hope that the desks they use to sell knows to call the desks I use to buy. Thats ridiculous

We need a market of bonds, just as we have a market of stocks, that is just as liquid as our stock market. Then maybe rather than the Fed being the lender that provides cash, it would be just as easy for GM to issue bonds into a liquid market as it was for Bank of America to issue 10 Billion dollars worth of stock into the market.

Now maybe Im missing something or don't see something. All I know is my experiences trying to buy bonds as a somewhat intelligent and size buyer. I have no problem saying that its a clusterfuck and it should change