

**WHAT WILL HAPPEN IF THAT U.S. RESCUE PACKAGE FAILS ?  
WHAT IS THE LONG-TERM PLANNING FOR THE U.S. ECONOMY ?  
CAN THE NEXT U.S. PRESIDENT SAVE THE DAY ?**

While the US Government may well win the current skirmish with regard to the struggling US economy and, eventually, win the war to return the economy to some semblance of health, the fear of many people is that the US Government may not win the economic peace that will follow the present chaotic situation with the key indices of major equity markets, continuing to fall out of bed.

Even the unprecedented, concerted effort by 7 central banks of 7 nations in cutting interest rates, last Wednesday, did not have the desired effect – the key indices of nearly every equity market in the world fell as though there was no tomorrow.

The 7 nations, whose central banks cut interest rates, were the United States, Great Britain, the European Union, the People's Republic of China (PRC), Canada, Sweden and Switzerland.

Everything that is being proposed, today, appear to be stop-gap measures in the same way that one applies a Band-Aid to a gash on one's hand, prior to seeking professional medical assistance.

Long-term planning in order to prevent a recurrence of the events that led to the current, international chaotic problems is woefully absent, it seems to **TARGET** ().

The Presidential hopefuls, Senators John McCain and Barak Obama, no doubt, would take exception to the above statements, but they would be hard-pressed to win that argument, whether or not in a television debate.

The present financial crisis, that has its roots in the US and which is sweeping the world, is as bad as, if not worse than, the 1929 Great Depression.

When President George W. Bush proposed, on 2 separate occasions to give out cash to the people of the US as a method to kick-start the largest and most-important economy of the world, this medium criticised those moves, stating that it would not be the medicine to cure that which ailed the US economy.

If anything, this medium said, such moves were inflationary.

Sadly, **TARGET** was correct.

When this medium went on record, more 3 years ago, stating that the housing problems in the US could well be much worse than the Hi-Tech Bubble of late 1990s, few people listened.

Sadly, **TARGET** was correct, again.

Today, it is a little too late for tears because, in the words of Omar Khyyam:

*The moving finger writes,  
And, having writ, moves on;*

*Nor all the piety nor wit,  
Shall lure it back to cancel half a line;  
Nor all thy tears, wash out a single word of it.*

The above, taken from The Robaiyyat of Omar Khayyam, was written more than 900 years ago; it, still, rings true, today.

Unluckily, while one may commiserate about what was, one notes that, regardless of the lessons of yesteryear, man continues to make similar mistakes, today, and, no doubt, will continue to make similar mistakes, tomorrow.

He never seems to learn.

Case in point: The South Sea Bubble of 1711, following a war that left Great Britain in debt to the tune of about £10 million.

In The South Sea Bubble, the British Government proposed a deal with South Sea Company whereby the country's debt would be financed in return for a 6-percent interest factor.

The British Government sweetened the pot by adding exclusive trading rights to South Sea Company which envisaged the development of a monopoly in the lucrative slave trade to the American colonies.

South Sea Company issued stock to finance operations and gain investors and, as more stock in this entity (not a limited liability company, by the way) was issued, more investors jumped in, boots and all.

**TARGET** need not continue with this story because the conclusion is only too obvious.

That situation came to be known in history as The Great South Sea Bubble and led to material changes, being made to international corporate law, changes which are still benefitting investors.

Greed and fear always fuel equity markets and, today, it is fear that is fueling the world's downward spiral of equity markets as one bank after another, as one real-estate company after another, as one publicly listed company after another, etc, goes to the wall.

It is said that equity bubbles spawn corruption.

By the same token, it is interesting to note that dramatic downturns in equity markets and real-estate markets bring out an acute taste for morality, a taste that, during the height of the equity/real-estate bubbles, was not readily apparent.

Today, Senators John McCain and Barack Obama are talking about the Wall Street's greed and crimes of the past year or so.

It is interesting to note that these honourable gentlemen were not talking about these matters more than 2 years ago when they sat in the US Senate and should have taken an interest in what was taking place on Wall Street and listening to the sage words of the then Chairman of the US Federal Reserve, Dr Alan Greenspan.

Perhaps, it was not politically expedient to raise these issues, prior to throwing their respective hats into the ring in an attempt to sit in the White House?

### **The Future For The US Economy**

One reads that the present prognostications from noted economists are that the US economy will see a growth of about 2 percent in 2009.

**TARGET** finds this difficult to believe.

There is more chance of negative growth for the US economy than positive growth at this juncture, it appears to this medium.

The current problems, facing the US economy, must spill over to affect consumer spending, capital spending, with fund managers, tightening their belts more than just a notch.

Things will come to a head when major corporate entities – not just banks and finance houses – find it difficult to continue in business.

Sensitive industries, reliant on consumer spending, may have to close up shop.

How many departmental stores will close their doors?

One or more of the Big Three motor-vehicle manufacturers of the US may have to go cap in hand, looking for handouts, or ...

In short, the US economy is quite likely to slump much further before it bounces back, again.

What is obvious about the current situation is that the Bush Administration does not know what action to take in order to right the good boat, Yankee-Doodle.

What is happening, it seems, is that the Bush Administration has pushed through a \$US700-billion rescue package in a desperate measure to show its resolve to do something.

Because activity is preferable to passivity.

The problem is that nobody knows whether or not the plan will succeed.

Simply put, it is hit or miss – with President George W. Bush, going to Church, every Sunday, and praying that his plan will hit the jackpot.

One hopes that the President's God is listening to his incantations.

The Senate and The House of Representatives have been pressured to push the new law through, being told that inactivity will only exacerbate the current situation.

This may or may not be correct, only time will tell.

But what will happen if the new law does not result in the desired effect?

Will more money be poured into the money markets?

To what will it avail?

It is very worrisome that a long-term strategy for a full economic recovery of the US has not been suggested by the Bush Administration instead of just employing stop-gap measures.

Today, the US is determined not to be controlled by the oil-rich nations of the world, any more, and action is being taken to rid the country of dependence on imported fossil fuels by encouraging wind farms, the production of hybrid motor vehicles, alternative sources of energy, etc.

These are long-term objectives which, with the passage of time, will result in very positive economic benefits to the US economy.

These benefits will cascade down to Europe and, then, to Asia.

This is called, long-term planning.

But in the field of macroeconomics, that is economics that focuses on the general features and processes that make up a national economy and the ways in which different segments of the economy are connected, still there is a deficit of planning to meet the challenges of the day.

The Bush Administration has been suffering from economic myopia for the past 8 years and the people in the Administration, who should have been doing something, concentrated on microeconomic solutions to macroeconomic dilemmas.

One wonders, also, whether or not the 2 Presidential hopefuls suffer, similarly, from the malaise that pervaded the White House for the past 2 terms of President George W. Bush and whether or not they will catch the same sickness.

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