

POLITICAL FOOTBALL: THE FED AND THE BCS

The Creature from Jekyll Island meets the Texas Longhorns of the Big 12 (and the BCS controversy)... and in the process ravages the Detroit Big 3

Detroit Free Press sports columnist, Drew Sharp, today reports (Politics might poison BCS) how a piece of work from the state of Texas, Representative Joe Barton (R) has proposed to outlaw the Bowl Championship Series (BCS) for college football—this is the process by which a "national champion" is determined through a national championship game between teams the NCAA-designated ranking formula has rated #1 and #2. In typical Texas hyperbole—the BCS this year rated his beloved Texas Longhorns #3—Barton wants the BCS classified as a violation of Federal Trade Commission regulations.

First let's talk about the Fed and the Big 3

Barton was also the only Texas representative to support the House's recently passed (237-170) measure (12/10/08) which would provide \$14 billion in loans to GM and Chrysler. (Barton, like his colleagues, would undoubtedly have gotten "free market" religion and opposed the loan package were not a large GM truck plant and several dealerships rooted firmly in his congressional district.)

As matters stand this weekend, the Senate has rejected the House package and the Bush Administration is considering a plan that would deliver to the automakers \$15 billion that remains from the \$350 billion initial stimulus package that Congress handed to Treasury Secretary Henry Paulson, in early October... to distribute (according to his own personal Quija Board) to his colleagues in the insurance and banking industries.[1]

Consistency is no hobgoblin

At least Barton is consistent: he wants to politicize (actually federalize) college football and the economic foundation of the automotive business. And, truthfully, I'll wager virtually every one of these Congresscritters has violated free-market principles at one time or another... if not for the recent banking/insurance \$700 billion "loan," then for other industries that are closer to their hearts and to their constituents' pocketbooks. Thus the self-righteous rhetoric coming from southern-state legislators is a lot of hot air.

Nobody, anymore, in Congress, is a consistent adherent to the free market (except Ron Paul); they all have their favorite little mixed-economy beneficiaries. And a mixed economy—mixed between freedom and force—bottom line, is NFG. Econ 101: once the government steps in to "address an imbalance" (or to provide taxpayer-extracted capital to some enterprise that cannot attract voluntary capital), the goose is cooked. As economists have known since Adam Smith, a government distortion of the market—i.e. a violation of the unfettered economic wishes of the people—invariably furthers greater distortions or misallocations.

For example, when the government subsidizes dairy products, milk gets more expensive; then poor people can't afford a basic staple, an outcry emerges, government adds a milk stipend to the welfare check... then folks gripe about being taxed for it, government throws them a sop, and so on.

Don't forget, too, that every involuntary transaction carries a substantial transaction fee payable from the taxpayer to the state for overseeing the "wise" distribution of funds.

In the case of the Big 3 auto companies, when capital is forced into areas in which the voluntary market would not insert it—the costs born by the economy (you and me) as a whole increase. Everyone is worse off. And in the case of the Wall Street bailout, when the amounts transferred are in the \$100s of billions range, everyone eventually, inevitably becomes dramatically worse off.

Yes, in the short term many people in the loan-targeted industry will maintain their jobs and perhaps even their level of income... for a while. But eventually the chickens come home to roost. The same facts that caused voluntary investors—who always know more about the industry than the government—to withhold support don't cease being facts after the loan.

What's the deal?

But, the argument goes, the economy is already so wildly distorted by subsidies and favors, what's wrong with getting something for ourselves? And if you're a once-formidable, if not world-class, automotive manufacturer responsible for the livelihoods of hundreds of thousands of human beings with families and mortgages, such an idea seems downright righteous.

Further, a plausible case can be made that the government caused much if not most of the downfall of the Big 3—heck not that long ago it was the Big 4!—through burdensome, irrational regulation and labor law... not to mention tax policies and other legal incentives that promoted slothful corporate bureaucracies delivering equally inefficient wheels with the cartel motto, "You will buy whatever we decide to make." [2]

Well, talking about the chickens coming home to roost!

The sad irony is, too, that by government's distortion of investment information—turning a proud economy that was once capitalized to make real-man stuff like Oldsmobiles and bridge trusses into a pantywaist marketplace of Starbuck's franchises and sliced-and-diced loan papers—so many of the solid product advances made by the Big 3 were artificially obscured to would-be buyers or investors.

As I read the tea leaves from the Detroit automotive press [3] if the Big 3 (chiefly GM and Chrysler) receive the credit, they'll produce fine, efficient vehicles Americans will buy. Such products are already in the pipeline for '09 for Ford and GM, somewhat later for Chrysler. Then assuming they can slough off multiple tons of dead weight in bad labor practice and vast fields of unwanted Hummers/Excursions/Ram-Rods, it appears to me they can be back in the saddle by 2010... all things being equal.

So personally, if the so-called Wall Street bailout funds can't or won't be returned to the taxpayers, I'd loan a healthy chunk of those funds to the Big 3—at least as much as the federales loaned to AIG. But if \$15 billion is the number that comes out of Dubya's magic wazoo, so be it. And I'd insist on a full public apology from every bloated, posturing, foreign-car-company-subsidizing, faux-free-market-lecturing senator who stiffed the Big 3 deal (especially if they supported the Wall Street bailout) for just how uncivilly and disrespectfully they treated their fellow-American Big 3 automotive representatives.

The Fed must be fed

Unfortunately, all things are no longer equal. What has happened by virtue of the Emergency Economic Stabilization Act of 2008 (\$700 billion loaned to "unknown Wall Street entities") and the remaining \$1.3 trillion being printed—excuse me, loaned—by the Treasury department for emergency funds to "unknown Wall Street entities" is the nuts have fallen completely off the buggy. Literally.

Now, I'm no economist just a regular guy who can see through the M3I [4] fog machine. But these unprecedented acts of blatant plunder by the government via the Federal Reserve Banking System amount to a US declaration of bankruptcy. No it's not official, but I'm betting everyone who knows anything about real wealth sees the handwriting on the runaway inflation to come... or the other historical options that can occur when a financial system fails. Economic law is unyielding and justice inexorable. [5]

When the central bank of the United States, the Fed, no longer bothers to conceal its nature as a "counterfeiter"—i.e. the reckless creator of unbacked scrip for its coconspirators—then correct me if I'm wrong, people will be inclined to choose a different bank.

Is the system being kept alive because of the belief that "somehow" people in power will figure a way to release natural productive energies and breath new life into dead enterprises? But haven't these same enterprises—in their present form—been robbed blind by those same powers the people expect to revive them? Not being an economist I can only speculate, but it seems to me that any large enterprise these days running as an integral part of a funny-money system like the Fed has imminent survival issues regardless.

As I've said repeatedly—corresponding to other Ron Paul legislative initiatives—happy days will be here again almost immediately when we recognize that "government never aided any enterprise but by the alacrity with which it got out of the way." Specifically, legalize hemp, end the drug war, end the war war(s), and liberate health, education, and welfare from the state. Conservatively, that will net, let's see, one, two,

three, four trillion dollars per year into our collective pocketbook.[6] We can repair a lot of pot holes for that... and/or pay down the debt in a few years.

Mr. O, my good man, are you listening? Dr. Paul makes (White) House calls.

Okay, what about the Fed and the BCS?

Well, all right, I was stretching a little bit there. Actually, quite a bit. I simply liked the story hook provided by Drew Sharp of the Detroit Free Press, where Sharp basically skewers Congressman Joe Barton (R, TX) for wanting to criminalize the BCS. Sharp points out that "federalizing" college football rankings makes about as much sense as federalizing the economy... something that Joe Barton and most of his hypocritical, pontificating Republican colleagues say they don't want to do with the auto industry.

Nice point, Drew. I guess you could say that the Fed, as symbolic of all that's wrong with central-decision making in a mixed economy, is antithetical to a fair, robust, stimulating US college football season. [By the way, it seems to me the Bowl committee made the correct choice sending Oklahoma and Florida to the BCS championship game this year.]

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[1] On Friday December 12, the Fed refused a request by Bloomberg News to disclose the recipients of approximately \$2 trillion in emergency loans from US taxpayers and what assets the Bank is accepting as collateral.

[2] If you watch the NFL on TV every Sunday, count how many ads there still are for pickup trucks with huge V-8 engines, drivetrains that can pull icebergs out of the ocean, and suspensions that can carry all the gold of Fort Knox. Does anyone really think the audience for these ads consists predominantly of farmers and construction workers—i.e. drivers that can actually use such beefed-up rides? Plus even though gasoline is today going for ~\$1.50/gal, what are the odds we'll be seeing \$4 or \$5/gal gasoline in the near future? I want to stick up for the savvy of our home-grown auto execs and their marketing gurus, but talk about dinosaurs... these ads are surreal!

[3] According to a friend with a long career in the automotive PR business, the Big 3's public relations are so below abysmal as to suggest suicidal tendencies. Consider the PR disaster from the CEOs arriving in Washington in private jets, also the advertising snafus suggested in note #2 above. [In the same NFL broadcast, Honda presented an attractive, environment-saving, love-in vehicle making beaucoup mpgs.]

[4] mainstream media mind-control industry

[5] The only way to avert a real disaster is/was to have passed Ron Paul's Honest Money Act, which basically repeals the legal tender laws (i.e. ends fiat money) and makes money what the market determines money should be, (probably precious-metal commodity-based). It also effectively deFEDeralizes money and banking altogether.

[6] My rough calculation shows that \$4 trillion/year ÷ 300 million people = \$13,333 per person per year.

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