

October Surprise?

Written by Bruce Enberg
Saturday, 20 October 2012 10:45

The Dow dropped 200 points today on 'below expectations' earning from McDonalds, GE, Google and others. It also happens to be the anniversary of the 1987 crash, the biggest since '29. Who was President then? (The Sainted Reagan) Today's drop wasn't a significant event, given the size of the market number, but you wouldn't know it to listen to the media.

The thing you have to remember is that the term 'below expectations' means that the companies are actually doing well and making huge profits. They just didn't meet an arbitrarily contrived number issued by market 'analysts'. You can bet that the Republicans will be screaming "economic collapse!" based on nothing of consequence.

Since the Wall Street banks dominate the 'trading', they could easily drive the market down between now and the election just to make Obama look bad. All the while these 'below market expectations' companies are collectively sitting on \$5 trillion in cash and have been showing record profits all through the Obama Administration.

Since Romney made a point of challenging Obama to look at his retirement account, you can bet that they will be running ads showing your 401(k) draining away in real time as they push the market down.

If you are invested in the market, I have some bad news, it's a Ponzi scheme. The stock market

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makes no money. The entire value of the market is based on the willingness of new suckers to buy into the market. The replacement value of the companies in the Dow 40 is about 6000 points, as if you actually had any claim on that value.

You could in theory get your hands on that money if you bought all the stock and liquidated the company. Though at the current stock price that would be 50 cents/dollar or less.

You could borrow a bunch of foreign money and do a Leveraged Buy Out, or what they call today, Pirate Equity (excuse me, Private Equity). You know, like Bain does. How do you make money at 50 cents/dollar? You cheat. Sell off the assets, loot the pension fund, cook the books to make the company look profitable and resell the stock to new suckers. Load the company with the debt you used to buy it, saddle it with a business model that inevitably leads to collapse, and get yourself appointed to manage the bankruptcy. Then take handsome fees to 'restructure' company. It's not unusual to repeat this process several times. The creditors, suppliers, stock holders and bond holders all get screwed. The fees for 'managing' the bankruptcy have to come from somewhere. The workers were already screwed, upper management is generally well taken care of to keep their mouths shut.

If you're creative you can offshore the profits from doing this, and never pay taxes on them. If US corporations actually paid their income taxes, that alone would eliminate half of the annual deficit. But we can't put that sort of burden on the 'job creators'. Economists that have been studying international banking reports estimate that between 20-30 trillion USDs are stashed in these off shore tax havens. I guess it shouldn't be any surprise that the Federal Reserve has long ago stopped reporting how many USDs are in circulation off shore.

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We really need a man with Willard Romney's experience to deal with this. He knows how to make it work.

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