

Waiting for Godot

By Scott Silva

Editor, *The Gold Speculator*

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Today, more than ever, we need to understand the conditions that bind us, and what we can do to improve our lot. It seems everywhere we look, we see the world turning against us, making it more and more difficult to survive and prosper. Jobs are scarce. Prices are high. Home values have withered away. Returns on savings and retirement assets have eroded. And there seems no end to the slow, numbing decline. No hope that economic spring will eventually arrive.

Life is difficult. But what can a person do to improve his situation? It seems more and more people today look to the government to provide solutions to their needs. Mortgage payment too high? Not to worry, the government will modify your loan. Own a gas guzzler? No problem, trade your clunker and get a government voucher for your new car. Still out of work? No sweat, the government has extended unemployment insurance payments to 99 weeks. No healthcare? You're in luck. The government will give you healthcare coverage. After all, according to Congressional proponents, healthcare is a natural right.

Not everyone sits and waits for the government to ease his/her pain in difficult times. The management at Ford motor company worked itself out of the slump in the auto industry without taking Federal bailout funds. Michigan based Chemical Bank was one of 20 US banks that refused federal TARP funds. Several states including Texas, Alaska, Indiana, Mississippi and Louisiana refused federal stimulus funds that would have expanded long term unemployment benefits. So some rational policymakers understand the law of unintended consequences. There is no such thing as a free lunch.

So who is paying for Washington's largesse? We the Taxpayers, of course. Contrary to popular belief, the Federal government does not produce anything. It consumes tax dollars collected from individuals and businesses then redistributes them. But big government programs exceed federal income, so Washington borrows 40 cents of every dollar it spends on priority programs. One priority in fashion now is the "jobs" priority. With unemployment at 16% (U-6 measure), and the economy slowing to a glacial creep, politicians have renewed the call for a "jobs bill that will put America back to work."

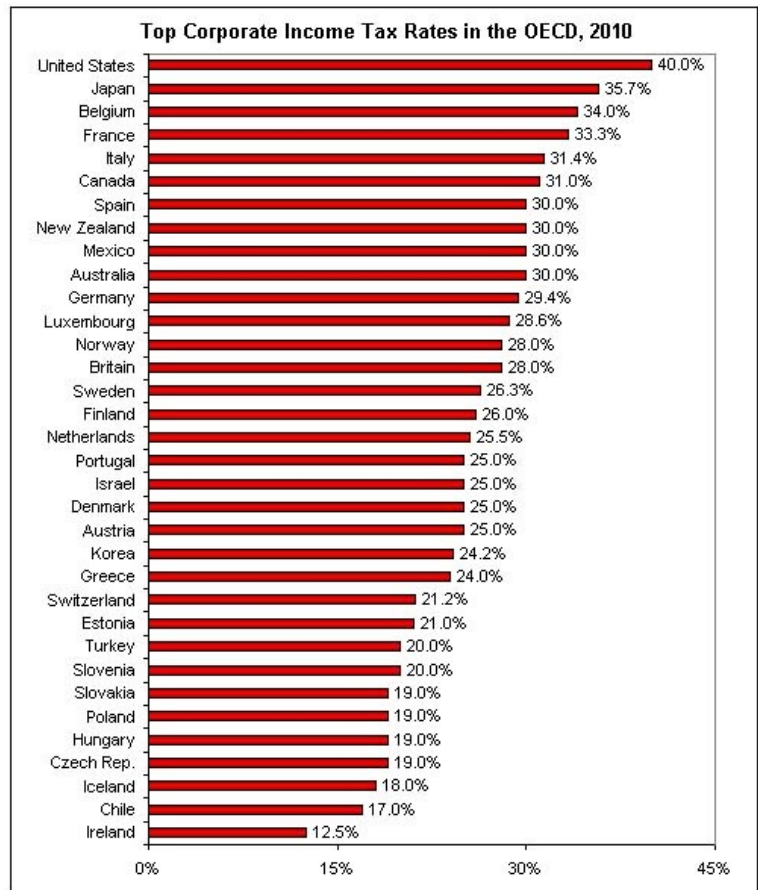
But that's just the problem. The government cannot create private sector jobs. Government can only help create the environment for businesses to create jobs. As Ronald Reagan said, "Government cannot solve the problem. Government is the problem."

Right now the US has the second highest corporate tax rate in the world. Japan has announced that it will cut its corporate tax rate by five percentage points which will leave the US with the highest corporate rate among the 34 wealthy nations of the Organization for Economic Cooperation and Development. It's no wonder corporations are legally stashing \$1.7 Trillion in corporate profits outside the United States. Those same companies are hoarding about \$1.4 Trillion in cash on their balance sheets, foregoing capital expenditures and hiring until the economic path ahead is more certain.

In his last State of the Union address, the President complained that American companies "are hit with one of the highest corporate tax rates in the world. It makes no sense, and it has to change. ...Get rid of the loopholes. Level the playing field. And use the savings to lower the corporate tax rate for the first time in 25 years."

Would that the President had followed up on his pro-growth rhetoric with policy. Cutting corporate taxes would help businesses expand and attract more capital from abroad, which would create private sector jobs and increase productivity.

Cutting the US corporate tax rate would also reduce corporate tax avoidance and evasion. The massive pool of investment and profits would flood back into the United States, which would stimulate the economy without printing more money.



Could pro-growth policy become a priority? The Washington rhetoric is sounding more pro-growth, but action remains lacking, so far, at least. It might be that the debt crisis is now overshadowing any reasonable approach to economic recovery. In April, it was the government shut-down crisis. It seems we bump along from one crisis to another with no plan to move forward. There are many who yet cling to the false idea that monetary policy is precise and effective as an economic stimulus tool. Clearly, easy money and massive fiscal stimuli have failed to revive the US economy. Ironically, the recovery measures have served only to slow the economy, raise unemployment, create inflation, debase the currency and add trillions to the US debt.

Is all lost or will we be saved when Godot finally arrives?

Unlike Beckett's Estragon and Vladimir, I will not wait for my salvation to come from Washington. I choose to protect myself from the absurdities of the central planners. I recognize that the best way to ensure my safety, security and prosperity is to rely on myself, my own capabilities and my own resources, not any government program or promise.

So I study the markets and invest in precious metals. So far, gold and silver have done very well as investments. They have outperformed the Dow Jones Industrial Average and the S&P 500 by

substantial margins over the last two years. And there is no reason why gold and silver will not continue to outperform in the next two years, while this or that new recovery policy is announced from Washington.

Investors from around the world benefit from timely market analysis on gold and silver and portfolio recommendations contained in *The Gold Speculator* investment newsletter, which is based on the principles of free markets, private property, sound money and Austrian School economics.

The question for you to consider is how are you going to protect yourself from the vagaries of the fiat money and growing inflation? We publish *The Gold Speculator* to help people make better decisions about their money. Our Model Conservative Portfolio gained 66.7% in 2010, and 55% for 1Q2011. Subscribe at our web site www.thegoldspeculatorllc.com with credit card or PayPal (\$300/yr) or by sending your check for \$290 (\$10 cash discount) The Gold Speculator, 614 Nashua St. #142 Milford, NH 03055