

Today's Notes:

1. The Entitlement Economy

1. IS THE ENTITLEMENT ECONOMY DYING?

Are Americans entitled? It would seem that our government has propagated this idea for at least the past 75 years beginning with the "safety nets" of Social Security and Medicare of the 1930s. When Social Security was established in 1935, wages up to \$3,000 were taxed at 2%, with the employee and employer each paying half. Currently, wages up to \$90,000 are taxed at 12.4%. Social Security has also been expanded to include self-employed individuals, who pay a tax equal to that paid by the employee plus that paid by the employer. When a country has, for three quarters of a century, been guaranteed a safety net in retirement, when citizens have been guaranteed health care, when the young of a country are guaranteed low cost loans and finally when "too big to fail" becomes the order of the day as it has for the past three years, problems arise. When half the population pays no income taxes, when 40 states are either in or very close to insolvency, when underemployment stands close to 20% and productivity is static serious fiscal problems must arise. The driving issue, of course, is the entitlement juggernaut. Even in the face of overwhelming public opinion rejection (Gallup says public support is 36%) of the proposed health care bill (an entitlement which will control 1/6th of the US economy) Washington seems bent on transforming US society further into an "entitlement" economy. This situation is dangerous and you must voice your opinion.

There is no question that the current Social Security, Medicare, Medicaid system is badly flawed – in fact broken. It must be replaced. Its condition is an artifact of how all "entitlement" programs must finally end. For many years we have known that the Baby Boom tsunami would break the system. However the current "deeming" of the health care bill, not to be voted up or down by Congress, is a sham. Deeming seems to be like wishing. But our constitution is based on representative voting and there is no way around that. This may be unconstitutional. Even the Congressional Budget Office notes that the numbers do not work. In short this Bill will break the country.

All of this including today's article on the fiscal rebirth of New Jersey imply that Americans face a more difficult future. The NYT's says that health insurance premiums will increase (Medicare services decrease) even with the passage of the new health care bill. States are now facing unenviable economic situations. The new Governor of the Garden State (NJ) says,

"Time has run out and the bill has come due."

He has reduced the state's budget by 5%. State employment will be reduced by 1,300 jobs, property tax rebates will be suspended and aid to schools and psychiatric institutions decreased. Such is only the beginning of the wave of fiscal responsibility that we must now experience. This is evident only at the state level but widely evident in many states.

States relying exclusively on spending cuts include New Jersey, Florida, Louisiana, Minnesota, Mississippi, South Carolina, Texas and Virginia — all led by Republicans with national aspirations. But almost all US states are facing dire economic circumstances. Yet Washington schemes on spending willy-nilly without regard for what is about to happen to mom and pop in Kankakee. We are now entitled indeed – to hard times and lower QOL that Americans are being ceded by their elected officials. All systems eventually regress to their mean level. Such is our future. The entitlement economy, as we have known it, is fast waning. Be prepared.

2. I NEED HELP

On April 8th I will testify to Congress on the broad economic benefits of a domestic natural resource policy. The specific focal point is the potential benefit of mining uranium north of the Grand Canyon in Arizona. But the real issues are much broader. They include all domestic extractive industries and the downstream benefits to our domestic wealth and international security. The hearings will be held at the Grand Canyon. I will be writing a White Paper and presenting the paper, then opening for questioning by both Democrats and Republicans on the Committee.

If any of you have thoughts or data on this topic please send an email. I have always supported development of a North American extractive resource policy. Many valuable projects (the uranium pipes north of the Canyon in particular) have been delayed or stopped by a well financed, vocal and small group of environmentalists. Indeed President Obama now seems to support nuclear energy but not necessarily mining of the fuel for which we are 93% dependant on foreigners (Russia in particular). Cameco notes in a recent report that Russia will cease its weapons grade uranium recycling program as of 2013 putting serious pressure on uranium supplies.

Our country needs jobs and also to develop our domestic resources. That will be my message. Arizona needs jobs that such environmentally responsible uranium mining could provide. Please let me know your thoughts. Under the circumstances discussed in MN 1 we need productive jobs such as those that evolve from extractive industries and other discovery endeavours. By the way I hold the Canadian Province of Quebec in high regards as the model for a state that understands the benefits of supporting extractive industries. It can be accomplished if only we want it.

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