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Let the spooky times begin!

America's second most favorite holiday, Halloween, has come and gone again. The midterm elections are now over and even though the hassle over winners and losers in some races will continue for some time, it is time to move forward. Today the Federal Reserve is meeting and the preliminary results show some quantitative easing, more than some had hoped for, but not enough for the money hounds.

So where do we go from here? Take a deep breath and let the spooky times begin.

The first major question seems to revolve around the premise, that Barak Obama has no real understanding of the reasons of what just happened, and probably has surrounded himself with advisors, who really don't have the intestinal fortitude to tell him, or don't think he will understand — so why bother.

Needless to say, for the next couple of years, until after the 2012 election, will include some serious hubris about economics, finance,

money, and taxes. The question will be who or what will become the nemesis of these spooky times?

While the Biblical metaphor of Abraham leaving Ur to go to a land that God will show him, is probably too religious for most people, in reality, probably your danger principle should flag first and foremost those who state that they really have the answer. The common reality seems to suggest that we are closer to the beginning of this societal odyssey than near the destination. The travel adventures of Odysseus seem to be a good time frame for these spooky times, so it is probably wise for you to develop some sources of fundamental re supply along the way.

Last week in “You Can't Buy Creativity?” we proposed the creation of an individual entrepreneurial frontier of the Wild West, free from all the regulations that so easily entangle today's startup enterprises. Then we need to let that liberty and freedom create new wealth, something that



has been missing from the American economic equation for at least a generation.

Put into some sort of academic jargon, so that even the president and vice president might understand, the goal of what we called Moola Land was to restructure the historical commons so that those who currently have no access to capital, other than through leveraged debt, might be able to create wealth from equity money. This “right?” now is only commonly available to those who have access to Wall Street investment bankers.

I really like our vice president in a humors sense, sometimes mixed within all his spin he says some things that are utterly profound, but I doubt he really understands the depth of what he said, and those who report his remarks really have no understanding of the broader context either.

Joe reminds me of one of my uncles’ father in law; I called him BS Henry. Henry could talk faster and say things that made no sense to anyone for long periods of time, however sometimes amidst all the blather, he would say something truly profound. If you interrupted him and took him back to the statement, his response was he was totally unaware of what he had just so profoundly stated.

This week we will see that spooky times are really a failure of the commons that provided for the misapplication of capital. Through government programs in harmony or in collusion with the “capitalist money structure” we have either through systematic planning or stupidity continued to concentrate wealth (as money) in the hands of a few rather than providing for the “common good.”

The henryism that “say it ain’t so Joe” uttered was basically “that the federal government has been responsible for much of the development of the United States for the last 200 years.” We shall assume what Joe was talking about in the nineteenth century context, were the intercontinental railroads and the homestead programs.

So were these truly great achievements of federalism, or were they just bureaucratic misapplication of market principles? Did they succeed because the government got it right, or because the government play was the only game in town, or more properly, the nation?

The correct answer was these federal programs did allow for the closing of the western frontier, but we are still forced to live and restructure the American landscape because the government’s once size fits all (egalitarian) solution. Could some sort of free market approach have done it better or faster, but as in FDR’s New Deal, it is just water behind the dam reservoir?

Virtually all the railroad development in the west was done on the basis of state and federal land grants. This was true for regional lines as well as the transcontinental. The significant question that relates to us today were these railroad builders really railroad developers, or did they develop the railroads because that was a requirement to be major western land speculators?

It seems the latter is truer than the former. The only transcontinental railroad built in the United States without land grant help was the Great Northern. St. Paul entrepreneurial capitalist James J. Hill, with the eventual terminus in Seattle, built the Great Northern through primarily the use of his railway bonds as a funding mechanism. If it were not for the progressive disdain of president Theodore Roosevelt, in his lifetime Hill would have probably owned a western railroad monopoly. Today the Burlington Northern Santa Fe (BNSF) recently purchased by Warren Buffet, is Hill’s legacy brought in harmony with the delayed fruits of government activism.

With their land grants, railroad speculators sold much of their free land to farmers and others. Those land sales however, because of the freedom in the real estate market, are the basis for the continuing success of American agriculture. Could that land have been directly sold by the government to the frontier people and then used that wealth in productive common ways? Again this land grant program provides for stories to be mulled over with a good brandy in the appropriate gentleman’s club.

Without land grants, it still could be said that much of Hill’s market success was the result of being able to provide a route to eastern markets for Midwestern homesteads. Especially in the areas of the tall grass prairie these 160-acre homesteads were of sufficient size for Jefferson’s dream of the yeoman farmer to become reality. Sadly when you moved beyond the one hundredth meridian, (near Minot, North Dakota today and south) that 160 acres, this time short grass prairie flowing into desert, a

government edict of one size fits all homesteads, becomes a slow progressing economic disaster to those who really had nothing to begin with.

Wallace Stegner covers this demise of arid and semiarid homesteading extensively in his classic work: "Beyond the Hundredth Meridian, John Wesley Powell and the Second Opening of the West." On the basis of the book there are those who criticize Powell for being an early progressive, promoting giving out land to the poor folks who had a true American Dream.

However homesteading was the governmental program designed in Washington DC to settle the west. The real problem, really didn't come from a mechanism of people achieving the American Dream through land acquisition, the failure stemmed from the egalitarian's stupid concept that 160 acres and hope was enough land, anywhere, for anyone. Powell believed that homesteads could be successful in a few as 40 acres with access to significant water, to beyond no less than 2560 acres where livestock grazing was the only means of achieving farm profitability.

So what we really see is not as Joe Biden said, the success of government in meddling with markets, but really just a mechanism to dash the hopes of those, who really had nothing but hope and gumption to begin with. It seems as the more things change, many realities remain the same.

For example on my mother's side of the family my great grandfather Jump, homesteaded and built a successful homestead in Jump Canyon on the shores of the Columbia River, near Whitestone Rock. With the profits from that 160 acres, basically which today would be called a truck farm, he was able to buy more land, and the residual of that homestead still above the waters of Lake Roosevelt, the reservoir behind Grand Coulee Dam, is now the vineyard of the Whitestone Winery.

On the other hand my grandfather and great grandfather on my father's side of the family made an attempt to homestead 320 acres at an elevation of 2800 feet in the Okanogan Highland, less than 70 miles to the northwest. Even a century ago Powell's 2560-acre rule should have applied. Part of this homestead dream was also hampered in that it was situated on what had been the north half of the Colville Indian Reservation which was opened to

homesteaders in 1900.

The bottomland, where the small Bannan Creek now flows, maintained ownership as Indian allotments, where the homesteads were located on even more questionable uplands, than the marginal land of the creek bottom. For his part great grandpa, was smart enough to realize his blunder and moved to California leaving his wife alone to manage the homestead. This wife leaving is the way the story was told on this end of the family, but then again maybe he realized his stupid mistake and his wife didn't, or wouldn't.

In the big picture of property rights, at least in the American west and the closing of the frontier, the ownership of physical property was always a means to create wealth, but money was always the wagging-tail tale.

When we look at the real estate meltdown as the true cause of the current mess and the election results from yesterday, what you really see is a couple of centuries of wagging-tail tales. No one in leadership either seems to care, or has the broad management skills to foresee the changes needed and attempt to implement them. In other words we need a John Wesley Powell today, and people willing not to dismiss Powell type solutions because they are too complicated for government politicians, totally too complex for the government bureaucrats. This solution is something that limits those who only leverage money, and moves financial liquidity to the wealth creators.

I see the results of yesterday's election and the promise of today's quantitative easing to be just a continuing of the same ditch we have been traveling for a generation. The real problem is the so-called solutions can no longer do anything other than create more really spooky times of real stupendous change.

As of this early left coast writing, the House swing is reported to be 64 seats to the Republicans, with 11 still up in the air. The Senate is plus 6 for the Republicans with Washington and Colorado leaning Democrat, and Alaskan write-ins leading, which should be interesting to watch as time marches on.

The consensus is of course that divided government really doesn't do all that much, which is superior to doing something wrong. But in spooky times, doing nothing has a magnifying effect much different than when continuing down the same path during prosperity with common support.

After election reporting states that the Federal Reserve will face much more scrutiny. Like most Americans, for a long time I thought that inflation was something that sort of happened because nobody really knew what was going on. Now it seems that might have never been the case. The current goal of the quantitative easing is to boost inflation to just two percent, to help ease the bad times and to get the economy moving again.

So you work hard, try to raise your family, put away a little money and investments for your older years, and now you learn that the grand plan of the unregulated fourth arm of the government is out to make your due diligence worthless, as they reward with cheap money their crony friends from whence they themselves came forth.

It seems that all the Tea Party outrage at government spending is grossly misplaced, as we have been living for a long time in a Halloween house of mirrors. In this light of day, outside the last spooky door, it seems like something as mundane as "auditing the FED" truly is quite similar to arranging the deck chairs on the Titanic. This might be the economic time to eliminate the FED social Darwinists from the governance gene pool.

The wealth creation solutions like we stated last week, must come from outside our common understanding of our Federal structure. Those powers are not going to release their power easily, especially when many people still think getting something from the government is their only hope.

Welcome to the spooky times, in which a lot of people will again understand the power of prayer and the reality of God's Providence.