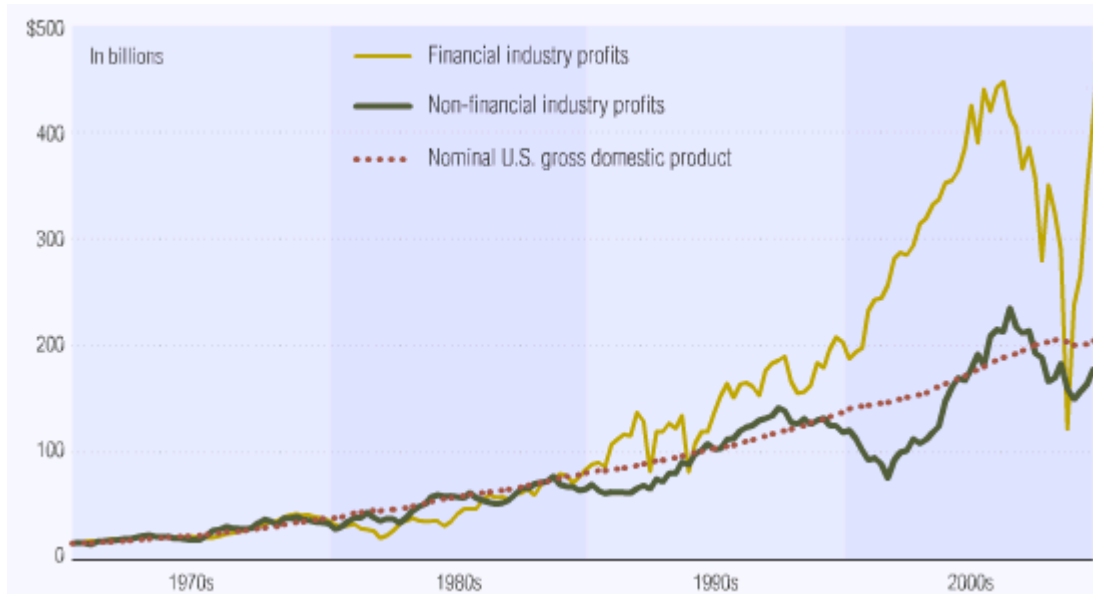


## BACK IN THE SOUP AGAIN

### WEB BUZZ 2011.08.01

This is the only chart you need to see that explains what has happened to our economy.



Adapted from pragcap.com

Do any of you remember the days of Michael Milliken and leveraged buyouts? This happened in the 1980s when it became obvious to the wizards of finance on Wall Street that corporate America was too conservative. They were not making good use of their cash and other book value assets. That started an avalanche of borrowing, first in the corporate sector, followed by the household sector, and now, of course, it's the government.

Debt was substituted for equity. Besides being accepted on the street, interest on debt was deductible. So the pendulum moved from very conservative to very liberal - thus the current problem. Human nature never seems to change - in the 1930s and now 70 plus years later the same mistakes have been made - both in causing and in trying to correct. But you know we will survive. Expect, however, a much more conservative bent.