

So What's All the Fuss About?

Overview

During our sojourn to Europe from June, 2003, to November, 2004, the Europeans we met consistently questioned the soundness of the US economy. On a dare to substantiate “how bad could it be?” I decided to review the 2005 results of the US Government’s operations as reported by the US Treasury.

Afterward I studied the facts, I wondered why my family and friends were not screaming from the rafters. Then it dawned on me: Either nobody is watching the “show” or nobody is taking it *personally*. And by ignoring the waves of adverse economic trends that America faces, Americans are, in fact, consenting to the very political and economic environment that originally spawned and now feeds them.

Americans simply do not understand our country’s financial status. As we are distracted watching TV, reading the press, attending social and religious events, earning our living, shopping for our needs and wants, we look at the bounty around us and ask the question, “How bad can it be?” If history is any predictor, some tomorrow we will have no choice but to squarely face the results of the choices we make today. Everyday the word “unsustainable” is used by politicians, economists, and the business press. It means exactly what it so nicely states: the “show” will end. But when and on what pressure point? Really, *how bad is it?*

Bottom line: the US Treasury’s 2005 Financial Report states in simple financial language that the US Government is insolvent *today*. We don’t need to wait for the impact of future Social Security and Medicare entitlements for a “market adjustment” to confirm this status. As an example, 53% of the US Public Debt, which equals more than 135% of the Total Assets of the US Government, is owned by foreign governments or foreign private entities. If foreigners stop buying our national debt at the rate of \$2 billion each day or, worse yet, sell what they own on the open market, the result would cause financial turmoil in the United States as interest rates rise to heights not seen since the 1980’s. Remember 18% interest rates in 1981? And I am not alone in stating this fact: David Walker, the Comptroller of the United States, expresses the same facts and concerns.

And if this were the only trend moving in the wrong direction, facing and fixing it would be monumental, but doable. Our dependence on foreigners to finance our federal government,

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unfortunately, is one of *many* unhealthy trends which I discovered as I studied the US Treasury's 2005 Financial Report, available online to the world at no cost.

In this manuscript, I analyze the financial results of 230 years of democracy as an economic layman in a professional, yet friendly, tone. The results are astonishing, overwhelming, scary, and not easily correctable. Other books recently published about the forces tugging on the United States such as the future weight of Medicare and Social Security, globalization, outsourcing, or the BRIC's (Brazil-Russia-India-China) competition for the world's natural resources, pick one topic and explain it well. No author has attempted to identify all the puzzle pieces and explain how the pieces relate to one another. As an example, Medicare does not exist independently of the U.S. healthcare industry. But how much does Medicare affect the healthcare system and how much is it affected by the healthcare system?

The process begins by finding and formatting economic numbers available to everyone free on US government and other public web sites to paint a realistic picture of the US economy today. What were major problems before 2001 have now escalated to potential disasters. Yes, the severity of our situation is new, less than ten years old.

The mechanics of the exploration into the wonderful world of the US economy are simple and straight-forward. After defining the major economic trends which the world watches for each country (yes, the world is watching), I divide the US economy into two sectors: the public sector for government operations and the private sector for all others. The first analysis focuses on the results of the actions of the US consumer, the private sector, including consumer attitudes and spending habits resulting in US Trade Deficit, negative consumer saving habits, healthcare, education, and immigration. The second reviews the issues under the federal government's control such as deficit spending, future obligations for entitlements, and currency issues.

Then I compare these results with those from the rest of the world. The reader should be astounded to learn, for example, that according to the Morgan Stanley Country Index (MSCI), the 2005 return on the US stock market ranked 47th of 53 for developed countries and 36th of 40 when compared to the return for emerging countries. At the end of the comparisons between the US and the rest of the world, the reader will understand that we no longer lead the world in any area other than military technology. So we still can be, if we want to be, the bully on the block. The bottom line: we are not the economic super-power that we perceive ourselves to be.

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No other book explains the potential problems that the current US economic status might create for the reader *personally*. In an attempt to suggest one possible scenario, I evaluate the 1997 Asian Crisis which swept through Asia in weeks. With our high speed communications and consumer driven market reactions, I believe that this event may be the only relevant model for any future U.S. market adjustment. Using the Great Depression of the 1930s as a model would be unreliable because today everything is faster: the good, the bad, and the ugly. And the last two adjectives accurately describe the Asian Crisis of 1997, especially for women and children.

Lastly I use my small business owner "let's get it fixed now" mentality to suggest at least several simple, straight-forward solutions to a few of the basic issues. However the United States must cure huge self-inflicted wounds and this effort will require a concerted effort from many, if not most, Americans. My goal is to start a dialogue between the American people and their families, friends, employers, and state, local, and federal governments.

Significantly external terrorism is excluded from this book. The responsible party for our diabolical financial condition is the American people. We have allowed our appetite for military power, consumer goods, and "welfare for all" to endanger our future. We elected and have failed to monitor Congress which is attempting to implement their perception of our demand for a Greater and Greater Society. We are doing a fine job all by ourselves to devastate our country. As a famous Chinese proverb states: "When your enemy is doing the wrong thing, do nothing."

Public awareness of the results of our last twenty years of reckless stewardship must realign to reality. To illustrate to the reader how far his perception mismatches reality, each chapter lists five statements and quizzes the reader whether the statements are true or false. At the end of each section, I explain the correct answers in the context of the material revealed in the chapter.

Because the book's subject matter is timely and its presentation straight-forward and standard, if commercially successful it should be updated and reprinted on a regular basis, similar to Nelson Bolles's, "What Color Is Your Parachute 2006: A Practical Manual for Job-hunters And Career-Changers." If the reader understands the message, they will experience Elizabeth Kubler-Ross's five stages of death: denial, anger, bargaining, depression and acceptance.

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This book is a wake-up call for America. When readers accept the facts and analysis in this manuscript, they will demand to know how well future solutions are working during the next eight to ten years ... because that's the shortest time any cleanup will take.

America needs to define what future it wants for its children. And then Americans need to work to create that society.

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Content

In the "Introduction," I explain why, in the context of my upbringing during the 60s as a small town Southern girl, I feel there is a problem with the American public's perception of the U.S. economy. My experiences in the 1980s and 1990s as the owner/operator of a software development firm building financial software systems for large American and Canadian corporations and as a non-practicing N.C. licensed CPA provide the basis for my initial interest in studying "how bad could it really be?" After describing the simple and straight-forward methodology that I developed to analyze our economy's raw data, I advise readers not to be intimidated by numbers, but to study them without anyone else's, including my, "spin." My effort is focused on teaching the reader how to poke around, what to scrutinize, and how to rank what he finds to truly understand the information he gleans from raw data. America, THINK!

(add single paragraph to describe each chapter)

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Format

Approximately 230 pages in length complete with a table of contents, table of figures, introduction, twelve chapters in four parts, ?? appendixes, a list of printed references for further suggested reading, and a list of Internet references for further research, this book will not require color printing or any special effects other than ?? spreadsheet figures. Since the information is timely and controversial, the market should demand an updated edition in a workbook format on a regular basis to answer the question: "Is America doing better or worse?" Therefore production costs should be kept to a minimum: possibly an 8 ½ by 11 paperback with wide outside margins to allow each reader to insert personal comments beside passages important to him.

Permission fees will require budget attention as I quote several current authors including Thomas Freidman, Marc Faber, Clyde Presowitz, and Jim Rogers ??.

America needs a groundswell of support to counteract its past irresponsible actions. This book is directed to:

1. 20 million American taxpayers with incomes of \$75,000 or more per year representing 15% of total taxpayers as they contribute 75% of total individual taxpayer revenues,
2. CFOs and CEOs managing US companies with more than \$250,000 in Total Assets as their companies contribute 80% of total corporate tax revenues,
3. Every man who is a father and every woman who is a mother as their children will inherit this mess unless the parents force corrective action now.

The items that separate this book from the fountain of the other current event books on the market today include:

1. A top-down all-inclusive approach which identifies the basic puzzle pieces of our American lifestyle, prioritizes their importance, ranks them to the world's major economic indicators, and identifies our vulnerability to them.
2. Trails to follow the source data summarized in each figure presented as both a printed document and a web page which provides the reader his own instant access to confirm the raw data being analyzed.
3. Concrete scenarios of what the "market adjustment" might mean to the middle class American. Using a concrete example of a family of four, the impact of possible market reactions will personalize our current economic situation as no other effort can.
4. Solutions which would alert the world that we are aware of our problems and that we are determined to fix them. Solutions that are doable but require us to tighten our belt ourselves before the world decides to tighten it for us. *Solutions which will only work when middle class America demands them.*

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Since it is middle class America that needs to hear this wake up call, this book must capture the attention of the media that caters to them: Oprah Winfrey's Book Club, Dr. Phil, Larry King, National Public Radio, Public Broadcasting, etc. ***Since middle class America is the problem, middle class America is also the solution.*** This book is designed not only to educate middle class America about the problems America faces, but to motivate them to action.

Just as in the scenario on Flight 93, folks, it's "time to roll."

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Author's Qualifications

Before my retirement in 2001, I spent my entire career creating improved business processes. As a system analyst, I studied how a process works by dividing the tasks within each component, studying their relationships, and identifying their interfaces. Using this information, the company I owned and operated then rebuilt these processes into more efficient, faster, and effective systems using the most cost-effective computer technology available. My staff used two questions. "What are they doing now?" and "What could they be doing with a little help from technology?" to upgrade an operational model from the restraints of human capacities to one with a mixture of human and machine capacities: our solution allowed machines to do the repetitive "grunt" work while employees provided the always-essential human interfaces.

SYSGEN, the first company I founded, initially reworked the product distribution interface for independent Coca-Cola bottlers. From 1975 to 1984, we installed 48 computerized distribution systems at independent Cola-Cola Bottler companies nationwide. When Coca-Cola USA purchased our system in 1984 and renamed it Bottler Systems Inc., SYSGEN conceived, designed, coded, sold, installed, and maintained a general ledger software system which included foreign currency accounting for major US corporations such as Samsonite, The Dannon Company, Food Lion, The Breakers Hotel, and 70 others.

When I sold the company in 1987, I gave 100% of my customer list to the potential buyer as references: our sales force successfully set our customer's expectations, our installation teams taught the users how to master it, and our customer support team responded to our customer's questions and their requests for product improvements. Today these systems are still processing information for most of my former customers.

From 1990 to 2001, my second company, Management Style, tackled the medical billing process to integrate private patient, workers compensation, and corporate medical invoices into one streamlined process. The resulting software system is currently the foundation for Puget Sound Blood Center's billing interface.

Looking at the big picture, subdividing it into components, and then studying the essence of each component to understand its relevance to the others is second nature to me. Although I never practiced as a CPA, I was a licensed North Carolina CPA from **197? To 199?**.