

PERL
YOUR LENDER FOR LIFE



deanvlamis
MARKET NEWS

2936 W. Belmont Avenue Chicago 60618

773.612.2666 | dean@perlmortgage.com

www.deanvlamis.com

It's the economy, stupid!

I was truly hoping that I could write about something new in this edition, but it appears that for the last few years there is a constant theme. It's the economy stupid! So it appears that once again I will have to stick with the basic underlying theme.

Things are challenging in today's economy to say the least, and it has been going on for over three years now and it is understandable why people are getting impatient. In years past the US has hit recessions and economic slowdowns, but has always bounced back, pulling out of it and coming out stronger and for the better. Traditionally this growth will take a few years and although recessions can be tough, at times they are necessary.

Yes, necessary.

All a recession is doing is letting the market correct itself from bad investments or over exuberance. Remember the late 90's when everyone was buying .com stocks of companies that made no money, but it was all the craze? It was easy money and the mass investors, just like a herd of cattle, followed the lead. When this didn't pan out the market simply corrected itself, slowing things down a bit and dipping into a recession. Banks restricted their lending to make sure that any companies they lent to could actually turn a profit. This, coupled with the shock of 9/11 a few years later, triggered the Fed to take actions never before seen. Not leaving market forces to fix things, they decided that they would make money cheap and basically free. What the Fed was doing was basically taking the stance that recessions are no longer tolerable or should not be allowed to ever happen. They lowered the Federal Funds rates in order to "avert" a recession. In doing this they were making it cheap for banks to borrow from the Fed in hopes that these large banks would in turn continue to lend to "spur" the economy

and to avoid a slow-down. Subsequently throughout the past decade the Fed has become the savior of all things, making money incredibly cheap and continuing to pump or print money to try and create growth. In the past two years the Fed has taken unprecedented action in this case to no avail.

This brings me back to my original theme of America and American exceptionalism, or what has happened to it.

Before I start reminiscing again about yesteryear and the days when America and Americans took care of themselves, let's break down the current climate in this country and how the perception of success and wealth has changed.

Instead of focusing on past success and how America and the American people have been able to prosper and withstand hard times, we now focus on material possessions as a measure of success.

There is a connection between the discipline of thrift and earned achievement that is vital to the creation of wealth, and to overall success in life; but these are virtues that require acts of will. One has to actually go out and stake a claim and earn what they want.

It's very important to understand this:

The cultural disconnection between willpower and success has been a constant theme in the past years.

The very idea of "spreading the wealth around" denies any relation between wealth and human action. (Who is spreading the wealth and how?) The ethical behavior that leads to wealth should be applauded and emulated, but instead they are sidelined as insignificant background noise. Thus the disconnect between achievement, taking

action and success. (Success is vilified and class warfare has become the norm).

What is focused on then is not living in a fashion that creates wealth, but rather the concrete material products of those who live well. (It now matters what you have, rather than what is earned or created).

This was the problem with the mortgage policies that lead to our present financial collapse. It was observed that people who owned their own homes were more successful than those who did not. So the busybodies in government decided that more people should own their own homes, and then more people would be more successful!

Banks were then "encouraged" to make easier loans to people who could not really manage that debt, so that they could own homes, too. The government implored Fannie Mae and Freddie Mac to loosen guidelines so more people would qualify for a home (a *New York Times* article from 1998 states the dangers of easing Fannie Mae and Freddie Mac guidelines and the potential horrific fallout that would occur in a downturn...very prophetic). So, by becoming homeowners they were now successful.

Divorced from this wacky idea is any appreciation that it is not the home itself that makes a person more successful, but the habits and practices that create a life and a lifestyle which enables a person to accumulate enough wealth that they can afford to buy and maintain a home.

The home, or any material possession, is not the virtue - the home or any material possession is a byproduct of the virtues which lead to it.

What actually leads to success is not the stuff you have, but the capacity of

willpower, self-control, and self-regulation that allows you to earn that stuff.

The whole premise of throwing money at problems is based on the idea that people need stuff, and if people have stuff, they will be better off. And this is the basis for most of the government's actions.

Liberty requires the capacity for self-regulation. It is the freedom to live as you choose, without imposition by the state. When you abandon your own willpower and self-responsibility, you are surrendering yourself to the control and custody of others.

Production, not consumption, drives the economy; risk-taking creates growth, not subsidies. These were basic concepts that America understood in the past.

Whew...

When I was young and impressionable I was always inspired by people of action, people who overcame the odds to make their mark. Who wasn't?

Of all my childhood heros I came across this inspiring quote; can you guess who this is?

"Let me tell you something you already know. The world ain't all sunshine and rainbows. It is a very mean and nasty place and it will beat you to your knees and keep you there permanently if you let it. You, me, or nobody is gonna hit as hard as life. But it ain't how hard you hit; it's about how hard you can get hit, and keep moving forward. How much you can take, and keep moving forward. That's how winning is done. Now if you know what you are worth, then go out and get what you are worth. But you gotta be willing to take the hit, and not pointing fingers saying you ain't where you are because of him, her or anybody. Cowards do that and that ain't you. You're better than that!"



Rocky! Rocky!

It was none other than Rocky Balboa. Yes, I know that there have been so many Rocky movies that it has diluted the original meaning. Surprisingly enough this quote is actually from the very last entry, *Rocky Balboa*. In this movie, Rocky, now nearing 70 years old or something like that comes out of retirement to fight the current champ...and almost wins!!! Yes, very believable. So before you laugh, try and remember the first time you actually saw the first *Rocky*. If you were in the theaters back in 1976 when this came out then you could easily remember a packed audience cheering wildly as Rocky fought back against the unbeatable Apollo Creed. An underdog from nowhere with a chance to make it for himself, he took his opportunity and used his own action and willpower to succeed. People were literally jumping out of their seats. So if we skip the middle five *Rocky*'s and simply use the first and last, you can see that this is truly an inspirational great American story.

This is what America loves; why? Not because we are underdogs and the "little guy" winning. No, it is the will, strength and determination to succeed that we have always appreciated. Think Steve Jobs, Hank Reardon, or John Galt. That is why as far back as 1937, the race horse Seabiscuit was a national phenomenon. Seabiscuit was the Rocky of his time. A horse no one thought could run. But when left to his own competitive nature, it was said that never was a horse so competitive and determined to succeed. This is what America gravitates to.



Seabiscuit

Don't get me wrong, America has made mistakes before, plenty of them, and I would have to admit that I fell for a lot of these. Who can forget the following?

Duran Duran, Right Said Fred, The Pet Rock, stonewashed jeans (yep, had a pair), parachute pants (never), perms for men, Abba, flower power, spandex shorts for men (can someone please help me on this and come to my gym to let them know

that it is not OK to work out in spandex shorts!), *Joanie Loves Chachi*, Boy George, *The Love Boat*, mood rings (wore one proudly in 6th grade), disco, *Dirty Dancing*, Vanilla Ice...you get the idea, we let this happen!!!



Seriously?

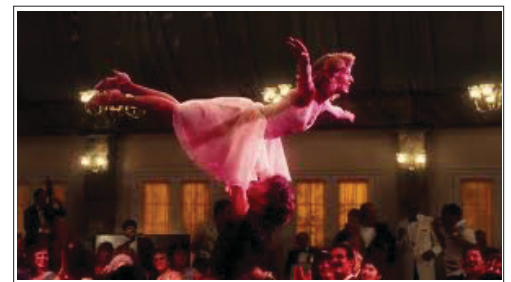
But we fixed it and moved on, and didn't take any of it seriously. Hopefully we can get back to the basics and realize that we have been here before and relied on ourselves to get us through these times.



Parachute pants



Joanie Loves Chachi



Nobody makes Baby sit in the corner.