

March 31, 2005

Thanks to our friend Dr. Michael Berry for his excellent [Morning Notes](#)

March 30, 2005

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March 29, 2005

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March 27, 2006

Compliments of Bloomberg

[**Fed Rate to Exceed 10-Year Yield, May Herald Slowdown**](#)

March 27, 2006

Compliments of John Mauldin's "Outside The Box"

[**2005 Flow-of-Funds Data - I Report, You Decide**](#)

by Paul Kasriel
(March 17, 2006)

March 27, 2005

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March 27, 2006

Compliments of Barron's

The World's Best CEOs by Andrew Bary

Part 1 and **Part 2**

March 27, 2006

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A Tastier Way to Play Tim's by Michael Santoli

March 24, 2006

Compliments of Safehaven.com

Who Needs Al Capone? by Rob Kirby

March 23, 2006

The Bottomless Well by John Mauldin

March 23, 2006

Compliments of Bloomberg

Stock Performance Undercuts Bush's Vision of Ownership Society

President George W. Bush has tried to sell Americans on an "ownership society" that would create more wealth -- and more Republicans in the process. The stock market hasn't accommodated.

The Standard & Poor's 500 Index -- the benchmark for American equities -- is down 2.8 percent since Bush took office five years and two months ago. That's the worst performance during the same stage of any two-term administration in the past half century except that of Richard M. Nixon.

The market's performance is undermining a central goal of White House Deputy Chief of Staff Karl Rove, Bush's chief political adviser. Borrowing from Margaret Thatcher's privatization push in the U.K. in the 1980s, Rove's theory is that if more Americans make their own financial decisions and the last vestiges of a welfare state are dismantled, a culture of ownership will spring up. The ranks of Republican voters, the

idea goes, will swell along with it.

``The ownership society looked very attractive on paper," said Jacob Hacker, a political science professor at Yale University in New Haven, Connecticut. ``But once you flesh out the changes, people become very concerned because they are already fearful that their economic security is slipping away,"

Those fears are playing out as campaigns are getting underway for the November congressional elections.

March 23, 2005

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

March 22, 2005

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

March 21, 2005

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March 21, 2005

Compliments of MarHedge

Bad News Bear

March 20, 2006

Compliments of The Christian Science Monitor

Al Qaeda's hand in tipping Iraq toward civil war

Creating chaos in Iraq serves Al Qaeda's goal of uniting the Muslim world under one caliph.

By Abdel Bari Atwan

March 20, 2005

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

March 20, 2006

Compliments of The New York Federal Reserve Board

Risk Management Challenges in the U.S. Financial System

By Timothy F. Geithner, President and Chief Executive Officer

March 19, 2006

Compliments of The New York Times
'American Theocracy,' by Kevin Phillips

Clear and Present Dangers

Review by ALAN BRINKLEY

March 19, 2006

Compliments of The New York Times

The Bigger the Better as Large Stocks Regain Favor

By J. ALEX TARQUINIO

March 17, 2006

Compliments of the Globe and Mail

Crunch time for Ontario Teachers

Growing shortfall brings call for reduced benefits, higher contributions

By Leonard Zehr

March 17, 2005

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

March 17, 2006

"Economic Suicide" by James Turk

March 17, 2006

Compliments of Dresdener Kleinwort Wasserstein

Global Equity Strategy

"The little note that beats the markets"

March 16, 2005

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

March 15, 2005

Compliments of The New York Times...

Is Business Ready for a Flu Pandemic?

By ELISABETH ROSENTHAL and KEITH BRADSHER

March 15, 2005

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

March 14, 2006

Seven Pillars of Folly by Edward Chancellor

March 14, 2006

The paragraphs below are excerpted from the latest piece by Morgan Stanley's chief economist, Steven Roach.

The Dubai port incident, unfortunately, is only the tip of a much bigger iceberg. There was also last year's high-profile rejection of a bid to buy Unocal by a Chinese oil company. Moreover, in recent weeks, Washington's increasingly xenophobic politicians

have gone even further. A leading US senator floated the possibility of legislation preventing cross-border acquisitions of US companies by foreign state-owned entities. And during last week's negotiations over the debt ceiling bill -- with a lifting of the government's debt limit required only because a saving-short US has decided to up the ante on deficit spending -- there was actually an attempt made to restrict foreign ownership of US Treasuries. The good news, if you want to call it that, is that this latter attempt has since been watered down "only" to require a detailed accounting of the overseas holding of US government debt. But the irony of these politically motivated efforts to throw "sand in the gears" of America's external funding mechanism is especially striking: At precisely the moment when the US has pushed its external funding requirements into unprecedented territory, it is becoming more and more aggressive in dictating the terms of the requisite inflows.

Meanwhile, there's another very important shoe about to fall in the arena of global capital flows -- the likely shrinkage of current-account surpluses by the world's largest biggest savers. Japan, China, and even Germany are all making determined efforts to stimulate internal consumption in order to promote balanced and sustainable economic expansions. This will have the effect of drawing down their excess saving, reducing their trade and current account surpluses, and leaving them with less external capital available to fund America's saving shortfall. Japan is leading the way in that regard; on the back of a marked pickup in domestic demand, its trade balance has gone from surplus to deficit for the first time in five years. China is also increasingly focused on transforming its export-led economy into a consumer-driven growth dynamic; that emphasis is very much in evidence at this year's National People's Congress currently in session in Beijing. These developments in both Japan and China are further examples of the pitfalls of a renewal of synchronous growth in an unbalanced world: Unless the deficit nation (the United States) starts saving again, a drawdown of saving elsewhere in the global economy will only complicate the world's current-account financing tensions.

To me, all this speaks of an increasingly treacherous endgame for the current state of tranquility in world financial markets -- especially the all-important expectational underpinnings of the dollar and longer-term US real interest rates. Investors are nearly unanimous these days in dismissing the mounting economic and political tensions of an unbalanced world -- arguing that it is in everyone's best interest to keep the game going. The retort of increasingly smug US fund managers is typically something along the lines of, "What else are the Chinese going to buy -- euros?"

At the same time, I worry about an even more treacherous aspect of the endgame. An earlier era of globalization was brought to a tragic end by two world wars in the first half of the 20th century. While history rarely repeats itself, the rhymes never cease to amaze me. The current wave of globalization is occurring against the backdrop of a very different mosaic of geopolitical risks than those which prevailed a century ago. Nation-specific rivalries have given way to threats coming from the amorphous terrorist ranks. Yet there is a worrisome common thread: In both cases, the integration of economies and capital markets clashed with the fragmentation of geopolitical order. Add in the current tensions associated with widening income disparities, real wage stagnation in developed countries, and the growing outbreak of trade frictions and protectionism, and today's world looks far from secure. The tripwires of globalization are now being set.

March 17, 2006

Compliments of Marketwatch

Speaking truth or crying 'wolf'? by Paul B. Farrell

March 13, 2006

Compliments of BMO Nesbitt Burns

The Avian Flu Crisis An Economic Update by Dr. Sherry Cooper

March 12, 2006

Compliments of Mark Hugh Sam of Sellers Capital

Giverny Capital Inc.- **Annual Report 2005**

March 12, 2006

Compliments of The Daily Reckoning...

The Truth About Dubai by J. Henderson

March 12, 2006

Compliments of the New York Times

Thanks to Detroit, China Is Poised to Lead by Keith Bradsher

March 11, 2006

Compliments of Barron's...

UP AND DOWN WALL STREET by Randall W. Forsyth

March 10, 2006

Compliments of GlobeandMail.com

Trusts overstate payout ability: report
Capital expenses ignored, S&P says
By Rob Carrick

March 10, 2005

Thanks to our friend Dr. Michael Berry for his excellent **Morning Notes**

March 9, 2006

Compliments of the Globe and Mail

Editorial: **Scott Brison's two-step**

March 9, 2005

A different perspective....

**U.S. AND GLOBAL IMBALANCES:
CAN DARK MATTER
PREVENT A BIG BANG?**

Ricardo Hausmann

Kennedy School of Government and Center for International Development,, Harvard University

Federico Sturzenegger

Kennedy School of Government, Harvard University and Universidad Torcuato Di Tella

Published on November 13, 2005

March 8, 2006

Compliments of The Daily Reckoning...

Bill Bonner, back in London...

*** Why do the rich get richer? Why do the poor get poorer?

We posed the question yesterday to colleague, Lila Rajiva. Since she comes from India, we figured she might have thought about it.

"The rich are better educated; they tend to save money, they invest, and they own capital assets. Oh - but do you mean why are the rich getting richer now?"

"Sorry, yes." We meant, how come the rich are getting richer, now, at top speed, while the poor still stay poor. But the question requires more even clarification. Because not all the 'rich' are getting richer and not all the poor are staying poor. For instance, the average American working stiff - who must look like Croesus himself to a Mumbai street sweeper - is having trouble keeping up. His real, hourly wages have gone nowhere for 30 years. His family's disposable income has actually gone down for the last three.

A conundrum...but, a dear reader provides a picture of why home ownership rates are declining:

"Florida is a great example of why the rate is declining," he writes.

"First of all, the Republicans like to point to their tax cuts as some great accomplishment. But at our middle-class level, few of us see any cuts at all. Maybe we save a little on income taxes, but it's not much. On the other hand, our real estate taxes have been increasing every year.

Where I used to pay about \$800 per year, I now pay over \$1,300 per year.

"Then there is the cost of insuring your house, if you can find someone willing to do it in this state. If you do find someone, you find that you will probably have to pay much more than you had paid in years past.

Sometimes about two to three times as much as what you paid just two years ago.

"Then there are our wages. Over the last five years, our wages have pretty much just kept pace with inflation. When you figure the outrageous home prices, the rising taxes, the rising cost of home insurance, and the stagnant wages it makes a lot more sense to rent than to own these days."

*** We get no letters like this from readers in India. We only know, statistically, what has happened to them. The Chinese or Indian laborer who was able to get a job in a decent sweatshop has seen his earnings soar - on average; they've doubled in the last 10 years. He still earns only about 5% of what the GM factory hand gets, but he's gaining ground rapidly. Relatively, the American workingman is getting poorer while the Asian workingman is getting richer.

We see nothing wrong with this. Here at The Daily Reckoning, we put our hand over our wallet, take a drink, and line up beside George W. Bush and Thomas L. Friedman in favor of free trade. Not that we are philosophically or ideologically in agreement with them; it's just that we just don't like anyone telling us what to do. But we're also not fool enough to think that everyone benefits from globalization all the time, or liar enough to tell Americans that they will all come out ahead. They won't.

Some will, of course, because that's what globalization does. Here's how it works. Take bananas. You can probably grow them in Iceland, but it would be rather expensive to do so. Better to let the Nicaraguans grow the bananas, while you Icelanders concentrate on pickled herring. That is what the great economist David Ricardo termed the "theory of competitive advantage." It says that you should do what you do best and let others do what they do best. That is the principle behind globalization. It is what draws capital to Chinese factories and business to Indian call centers. Labor costs are much lower, so they can produce more, less expensively. Thus, they have a competitive advantage over similar enterprises in the West.

The theory of comparative advantage is almost certainly correct; in that, the more people do what they do best, the better off everyone is. And it is probably true that the world's output goes up as more and more people in Asia are drawn into the modern economy.

But, of course, three billion people jumping into the planet's labor pool is bound to make a splash. And when they do, someone's bound to get soaked...

March 7, 2006

Compliments of The Daily Reckoning...

SOMETHING WICKED THIS WAY COMES

by Bill Bonner

The force of a correction is equal and opposite to the deception and delusion that preceded it. Alan Greenspan, George W. Bush, and all the great nabobs of positivism assure us that there is nothing to fear. Our favorite imperial columnist, Thomas L. Friedman of the New York Times, explained, "the next big thing almost always comes out of America . . .

[because] . . . America allows you to explore your own mind."

Friedman believes the world would be a better place if America were more aggressive about "empowering women" and "building democracies." He also thinks that technical innovations give America a permanent advantage.

Americans are always innovating, always figuring things out. Heck, we even invented outsourcing, says Friedman:

"This is America's real edge. Sure Bangalore has a lot of engineering schools, but the local government is rife with corruption; half the city has no sidewalks; there are constant electricity blackouts; the rivers are choked with pollution; the public school system is dysfunctional; beggars dart in and out of the traffic...and so forth.

Among the things Mr. Friedman seems to lack is a feeling for verb tenses. He goes to Bangalore and notices that it is backward. His conclusion is that it will always be so. "Is" is forever in Friedman's mind. "Will be" has no place. It is as if he looked at the stock market in 1982. "Stocks are cheap," he

might have said. "Stocks elsewhere are expensive," he might have added, without it ever occurring to him that they might change places.

And yet, why else would anyone outsource work from Baltimore to Bangalore unless Bangalore was relatively, though not necessarily permanently, cheaper? Let us imagine that Bangalore had no electricity blackouts or pollution or beggars. Let us imagine that it was like Beverly Hills or Boca Raton. We might just as well imagine that stocks were expensive in 1982. Of course, if they had been, there never would have been the bull market of 1982 to 2000. It is only because they were cheap in the past that they had the potential to be expensive in the future. And it is only because Bangalore is a Third World hellhole that it is cheap enough to take work away from overpaid Americans 10,000 miles away.

Whether it will, neither Friedman nor we can know.

We always try to get our day off on the right foot by reading Friedman's column before breakfast. There is something so gloriously naïve and clumsy in the man's *pensée*, it never fails to brighten our mornings. It refreshes our faith in our fellow men; they are not evil, just mindless. We have never met the man, but we imagine Friedman as a high school teacher, warping young minds with drippy thoughts. But to say his ideas are sophomoric or juvenile merely libels young people, most of whom have far more cleverly nuanced opinions than the columnist. You might criticize the man by saying his work is without merit, but too that would be flattery.

His work has negative merit. Every column subtracts from the sum of human knowledge in the way a broken pipe drains the town's water tower.

Not that Mr. Friedman's ideas are uniquely bad. Many people have similarly puerile, insipid notions in their heads. But Friedman expresses his hollow thoughts with such heavy-handed earnestness, it often makes us laugh. He seems completely unaware that he is a simpleton. That, of course, is a charm; he is so dense you can laugh at him without hurting his feelings.

Friedman writes regularly and voluminously. But thinking must be painful to him; he shows no evidence of it. Instead, he just writes down whatever humbug appeals to him at the moment, as unquestioningly as a mule goes for water.

One of the things Friedman worries about is that America will "go dark."

As near as we can tell, he means that the many changes wrought after 9/11 are changing the character of the nation, so that "our DNA as a nation...has become badly deformed or mutated." In classic Friedman style, he proposes something that any 12-year-old would recognize as

preposterous: another national commission! "America urgently needs a national commission to look at all the little changes that were made in response to 9/11," three he writes. If a nation had DNA and if it could be mutated, we still are left with the enormous wonder: What difference would a national commission make? Wouldn't the members have the national DNA? Or should we pack the commission with people from other countries to get an objective opinion - a U.N. panel and a few illiterate tribesman - and achieve cultural diversity?

But this is what is so jaw-dropping about Friedman's ideas: Even mules and teenagers have more complex views. His work is a long series of "we should do this" and "they

should do that." Never for a moment does he stop to wonder why people actually do what they do. Nor has the thought crossed his mind that other people might have their own ideas about they should do and no particular reason to think Mr. Friedman's ideas are any better.

There is no trace of modesty in his writing-no skepticism, no cynicism, no irony, no suspicion lurking in the corner of his brain that he might be a jackass. Of course, there is nothing false about him either; he is not capable of either false modesty or falsetto principles. With Friedman, it is all alarmingly real. Nor is there any hesitation or bewilderment in his opinions; that would require circumspection, a quality he completely lacks.

Friedman fears he may not approve of all the post-9/11 changes. But so what? Why would the entire world "go dark" just because America stoops to empire? The idea is nothing more than a silly imperial conceit. America is not the light of the world. Friedman can stop worrying. The sun shone before the United States existed. It will shine long after she exists no more. But, without realizing it, imperial conceits are what Mr. Friedman offers, one after another. He knows what is best for everyone, all the time.

But even at his specialty, Friedman is second-rate. It is not that his proposals are much dumber than anyone else's, but he offers them in a dumber way. He sets them up like a TV newscaster, unaware that they mean anything, not knowing whether to smile or weep, out of any context other than the desire to make himself look good. He does not seem to notice that his own DNA has mutated along with the nation's institutions . . . and that he does nothing more than amplify the vanities and prejudices that pass for the evening's news. Is there trouble in Palestine? Well, the Palestinians should have done what we told them. Have peace and democracy come to Iraq? If so, it is thanks to the brave efforts of our own troops.

Is the price of oil going up? Well, of course it is; the United States has not yet taken up the comprehensive energy policy he proposed for it.

Friedman's world is so neat. So simple. There must be nothing but right angles. And no problem that doesn't have a commission waiting to solve it.

It must be unfathomable to such a man that the world could work in ways that surpass his understanding. In our experience, any man who understands even his own thoughts must have few of them. And those he has must be simpleminded.

But we enjoy Friedman's insipid commentaries. The man is too clumsy to hide or disguise the awkward imbecility of his own line of thinking. The silliness of it is right out in the open, where we can laugh at it. His whole oeuvre can be reduced to the proposition that Arabs ought to shape up and start acting more like New Yorkers. If they don't want to do it on their own, we can give them some help. He says we can send "caring" and "nurturing" troops to "build democracies" in these places and "protect the rights of women." But he doesn't understand how armies, empires, politics, or markets really work. American troops can give help, but it is the kind of help that Scipio gave Carthageor Sherman gave Atlanta. Armies are a blunt instrument, not a precision tool.

Friedman urged the Bush administration to attack Iraq. But the man has a solution for every problem he causes. "So how do we get the Sunni Arab village to de-legitimize [we love these big words - every one of them hides a whole dictionary of lies, fibs,

prevarications, malentendus, misapprehensions, miscalculations, guesswork, hallucination, conceit, and mendacity] suicide bombers?"

Simple. Propaganda! "The Bush team needs to be forcefully demanding that Saudi Arabia and other key Arab allies use their news media, government, and religious systems to denounce and de-legitimize the despicable murder of Muslims by Muslims in Iraq."

That ought to do it. What is wrong with the Bush team? Why didn't they think of that? "Forcefully demand" that the Arab states do more propaganda. Yes, problem solved.

By the way, your authors have no position on foreign policy. We only notice that the people who do have them are idiots.

Regards,

Bill Bonner
The Daily Reckoning

March 6, 2006

John Mauldin's Outside The Box...

A Look Inside The Housing Bubble

March 6, 2006

Compliments of The Daily Reckoning...

"The Earth is Flat," says Thomas L. Friedman.

Every time we check, Friedman's book is way ahead of our Empire of Debt in the rankings. We see people reading it numbly on airplanes. We see it stacked up like waffles at the entrance of B. Dalton's and Barnes and Noble (we have to rummage around to find our book!). And what earnest business executive has failed to read at least enough of it so he can talk about "globalization" unintelligently?

We have been following Friedman's work in the press now for several years. It is so appallingly empty-headed that for a long time we couldn't bring ourselves to buy his book; we were afraid we'd feel obliged to read it.

Well, last week, we found it on sale at a 15% discount, and picked up a copy. As expected, the book is only suitable for children...and only for them to sit on or club each other over the head with.

But what do we know?

Friedman claims to have made a discovery equal and opposite to that of Christopher Columbus. While Columbus found that the Earth was round, Friedman notices that it is now flattened out. Thanks to modern technology and the spread of robust American-style capitalism (to say nothing of the protection racket run by the empire's military forces), we all play on the same level field of global commerce. We also wear the same clothes (business suits for adults, Che T-shirts for the young), talk the same language (English), share the same political ideology (humbug democracy), and worship the same God (mammon).

We are all one. One people. One world. With one idea: to get rich. And in this new flat Earth, we can all get rich, too. Now, the entire world can compete, share technology, share information, and share opportunities. It is as if the world had been flattened into a kind of United States of Earth, where people in Mississippi can live as well as those in New Hampshire - competing for the same jobs, trading, cooperating, schlepping their way toward a New World Order that is better for everyone.

Globalization takes the wrinkles and creases out of the planet. You can now eat the same Chinese food in Newport News as in New Delhi. You can buy the same clothes in Toronto as in Quangzhou. You can live in the same apartment, designed by the same architect, and built of the same materials in Buenos Aires as in Belfast. And of course, you can watch CNN everywhere.

The only thing threatening this brave, new ironed-out world, according to Friedman, is that some people don't want to go along with it:

backward-looking losers who think religion is more important than material progress, insurgents who defy the imperial authority and protectionists who want to push a stick into the wheels of history.

If those were the only threats, Friedman may have a decent point, but Friedman is like a geologist who has his head stuck in the clouds: Rain, wind, sun, storm...all of it seems to wash down and wear down the surface of the Earth, he notices astutely. Ah ha, he concludes, the mountains will keep on eroding. Pretty soon, the whole world will be as flat as Kansas.

Of course, if he had any imagination, curiosity or even remembered to look down at the ground under his feet, he would have wondered how it was possible that after so many millions of years of leveling, the Earth was not flat already. And if he had bothered to look beneath the surface, he would see why: there are new volcanoes bubbling up all the time, new mountain ranges welling up, and eruptions waiting to explode.

Geologist Stephen Roach sees his seismograph twitching:

"First in manufacturing, now in services, the global labor arbitrage has been unrelenting in pushing U.S. pay rates down to international norms.

But the real wage compression in the United States has not been uniform across the income spectrum. In large part, that has occurred because increasingly broad segments of the American labor market are now exposed to a uniquely powerful competitive force - the IT-enabled arbitrage.

Courtesy of the hyper-speed of sharply accelerating Internet penetration, the global labor arbitrage has pushed into areas that historically have been unaccustomed to wage competition. In earlier research I found that the disconnect between

compensation and productivity growth during the current economic expansion has been much greater in services than in manufacturing. This once nontradable segment of the U.S. economy is now feeling the increasingly powerful forces of the global labor arbitrage for the first time ever (see my 8 July 2005 dispatch, 'Back to the Drawing Board').

"The Internet has forever changed the competitive climate for most white-collar knowledge workers. Courtesy of near-ubiquitous connectivity, the output of the knowledge worker can now be e-mailed to a desktop from anywhere in the world. That brings low-cost, well-trained, highly educated workers in Bangalore, Shanghai, and Eastern and Central Europe into the global knowledge-worker pool. That's now true of software programmers, engineers, designers, as well as a broad array of professionals toiling in legal, accounting, medical, actuarial, consulting, and financial-analyst positions. Within this global pool of like-quality workers, a powerful arbitrage acts to narrow wage disparities. As a result, real wage compression in open economies like the United States has moved rapidly up the value chain - sparing an increasingly small portion of those at the very top of the occupational hierarchy. In short, the IT-enabled global labor arbitrage is a guaranteed recipe for mounting income inequality."

Income inequality has been growing in the United States for the last 35 years, says Roach. We have explained why many times. Per capital income is \$1,700 in China. It is \$38,000 in America. As the Chinese (and others) compete with American workers, the low end of the wage scale in the United States is held down. Since the wage difference is so great, this process has a long way to go. While he goes deeper and deeper into debt, the average American employee may not enjoy any real income growth for the next two decades.

The rich, on the other hand, continue to make rapid financial progress. They are the ones who own the companies that benefit from lower wages and globalized markets.

Economists measure wage equality with way they call a Gini Index. At zero, people all earn the same thing. At 100, the rich get all the income. Currently, in Japan the Gini Index is 25. In Europe, it is 32. In America, the index is at 40, and in China, it is at 45.

In America, low-level earners can't get ahead because they have no bargaining power. They are competing with a billion workers in Asia willing to do the same work for less than one-tenth the cost. And in China, there is also growing income inequality between those who have joined the global economy and those who have not. Some 500 million people live in coastal cities in China and participate in modern commerce, but there are another 700 million who still live in the countryside. While the cities grow richer, the poor in China are left behind, like America's industrial workers.

In short, the world is not getting flatter at all. It is getting flatter in some areas, and steeper in others. There is less difference between China's industrial workers and those in America, but the difference between the globalized wage slave and the capitalists who employ them is growing.

Beneath the surface of Friedman's flat Earth, the pressure is growing -either in China or in America and sooner or later, it is bound to explode.

March 6, 2006

Thanks to our friend Dr. Michael Berry for his excellent [Morning Notes](#)

March 4, 2006

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Compliments of Barron's...Up and Down Wall Street

[Fear Factor](#) by Randall Forsyth

March 4, 2006

Berkshire Hathaway Inc. [2005 Annual Report](#)

Compliments of the Wall Street Journal.... [Highlights From Buffett's Letter](#)

Dear Berkshire Holders: Net Leaps

[Buffett's Letter Reflects On Solid but Tough Year](#);

P.S. Avoid Wall Street Pros

By Karen Richardson

March 3, 2006

An excerpt from Richard Russell's valued 'Latest Remark'...

The Chinese aren't resting. In Women's Wear Daily (Feb. 22), I read that "China Trains Eye on Italian Firms." The Chinese are now moving into world fashion. Says an Italian fashion expert, "I am 100 percent sure that the Chinese will enter Europe this way, not with their own brands but by buying international brands that have their own distribution network." Says another expert, "This venture is part of a long-term strategy. Over the past seven or eight years, the Chinese have increased their production of finished products. We want to be part of this scenario, if and when China will no longer be a low-cost manufacturing country." Says another, "Surely the Chinese will not stand for

being only fashion manufacturers for long. This has already happened in the consumer electronics sector, in a market that was once dominated by Japan and Germany. It will happen in fashion, too. Today, we are beginning to deal with mergers and acquisitions."

and...

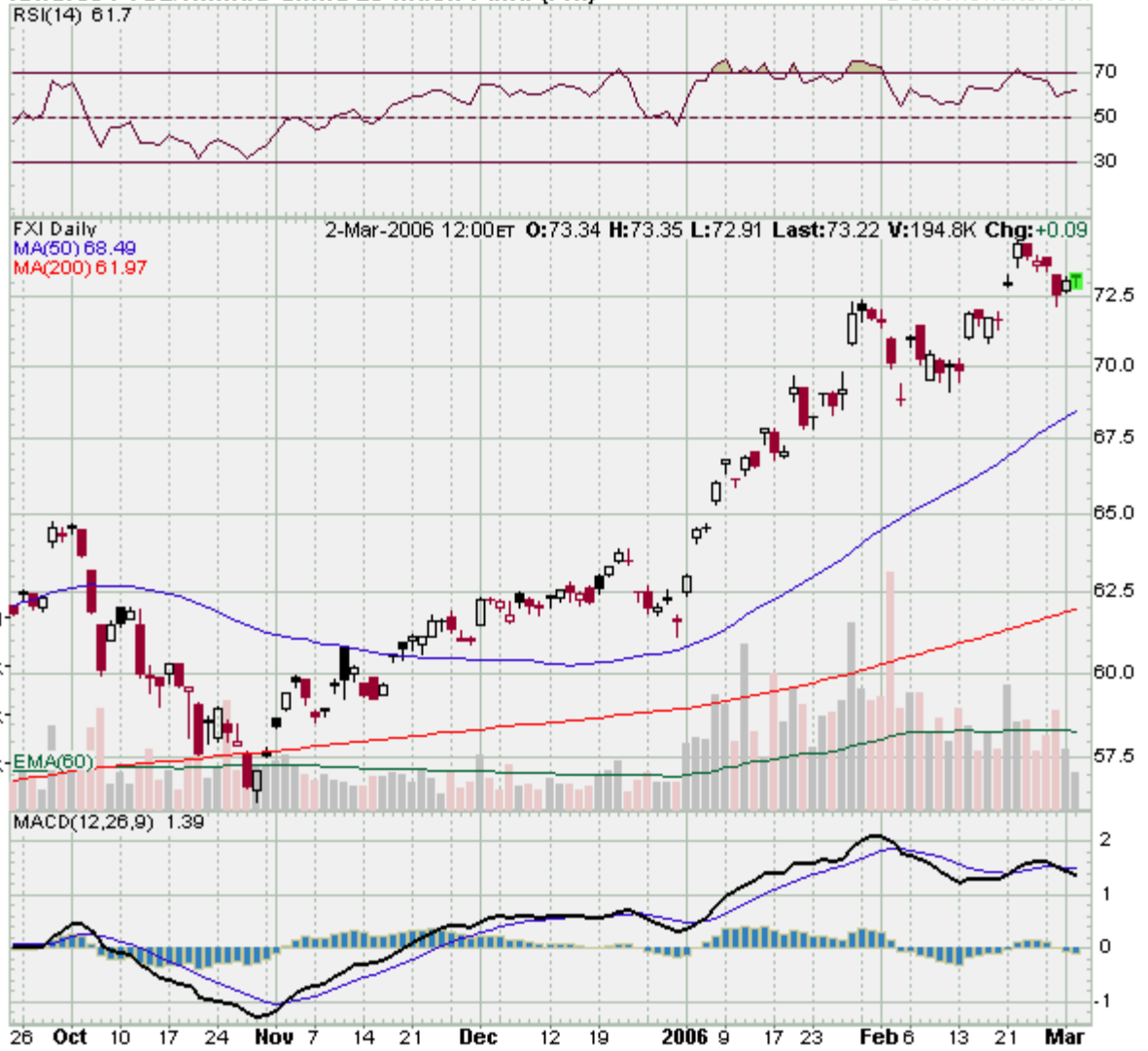
From the cover of this week's Newsweek, (Mar 6) "The New India. Asia's Other Powerhouse Steps Out." And inside the magazine, "Over 125 Fortune 500 firms now have R&D bases in India. . . . Expected year 2040 rank among world's economies -- India number 3. . . . Year of India's most recent nuclear tests, 1998."

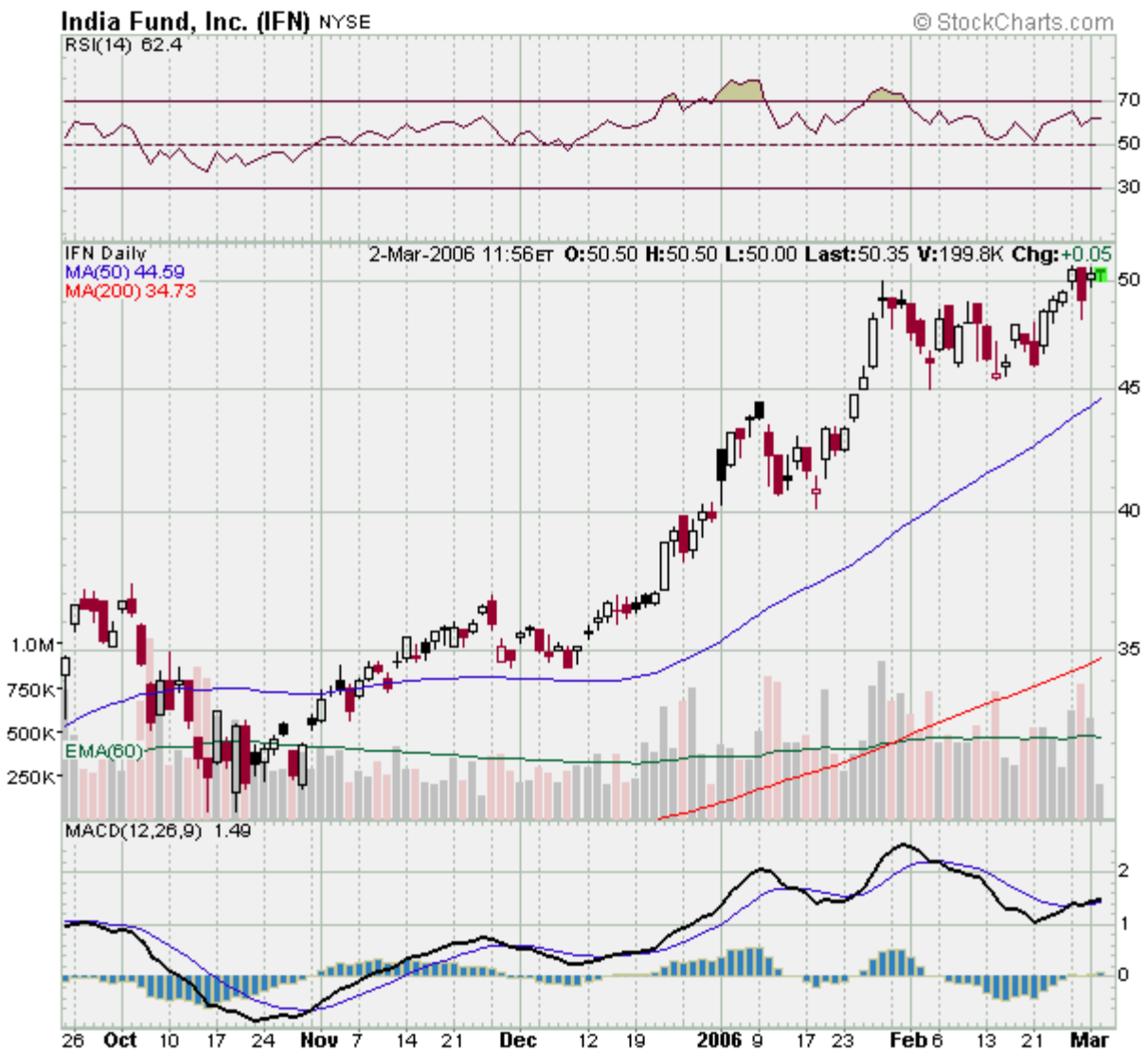
Says the writer, "Every year at the World Economic Forum in Davos, there's a star. Not a person but a country. . . This year there was no contest. In the decade that I've been going to Davos, no country has captured the imagination of the conference and dominated the conversation as has India in 2006."

Follow the money, and the money is moving toward Asia. You can see it in the newspaper and magazine comments and reviews, and you can see it in the charts.

iShares FTSE/Xinhua China 25 Index Fund (FXI) NYSE

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March 1, 2006

Compliments of the Globe and Mail...

Gold bugs vs. Gartman by John Partridge

March 1, 2006

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