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Get ahead of the "pundits" here! You will, without a doubt, hear that Exxon-Mobil's profits of \$10 billion were "obscene", and constitute "gouging". What isn't in the headlines, though, is their gross sales " \$99.6 billion. The raw profit number is meaningless. What's important is the **percentage** of profit earned. Exxon's, at 10.04%, is actually quite low, as profit margins go. Over historical periods of time, you can make about 11% (pre tax) simply by buying the S&P 500 in the stock market. If you do this, instead of running a business, you have your risk spread over 500 different firms; if any of them fail only 1/500th of your money goes away. If you run your own firm, and blow it, all your money is at risk. Here's reality folks " a 10% profit margin is not "gouging." If Exxon had reported profits of 20%, that might raise some eyebrows. If they had reported 30%, 40% or 50% margins, that would support a claim that something's funny. 10% is barely enough to be worth running a business with all the risk that it entails. There will be many who will take cheap shots at Exxon. Before you become one of them you might want to use your brain.

Posted by Karl Denninger at 09:45

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Thursday, January 26, 2006

Clarity finally comes to the forefront....

â€œ on the Iraq WMD issueâ€œ. See, Saddamâ€™s former #1 in the military â€œ his top advisor â€œ has just released a book. In it, he **details** what happened to the WMDs. Theyâ€™re in Syria, as Saddam moved them knowing that â€œthis time the US is coming to get me.â€œ Correct! We were, and did. This is bombshell stuff guys and gals. Its not conjecture coming from CIA leaks. This is **from Saddamâ€™s former right-hand man!** Read it yourself: <http://www.nysun.com/article/26514> Now if this is true, it changes everything for the â€™06 elections. The Democratic Party is finished in this country. Absolutely, 100% finished. No American with an ounce of common sense is going to vote for those clowns. Any bets on whether ABC, CBS, NBC, CNN or MSNBC will pick this story up? Ha! Not a snowballâ€™s chance in hell â€œ until it can no longer be deniedâ€œ! Stay tuned folksâ€œ. This is going to get interesting!

Posted by Karl Denninger at 18:15

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Put a fork in Ford.....

â€¢. theyâ€™re done.â€™m speaking of their plan to cut 30,000 â€“ yes, thatâ€™s a 3 with four zeros â€“ more jobs in the next year or two, added to the 10,000 they shed **this** year. Why? Well, mostly because their share of the market has dropped an astounding 30 percentage points. Fewer sales means fewer people can be kept on the payroll. This is simple economics. Whatâ€™s not so simple is **why** this happened. See, Ford, along with GM and Chrysler, have counted on extremely profitable truck and SUV sales for the last few years to prop up their bottom line. A Suburban, you see, doesnâ€™t count four times what a Nova does to build â€“ but it sells for four times as much. In real-profit terms there is almost no point to selling the inexpensive â€“ and fuel efficient â€“ vehicle at all. All the money is being made in the truck and SUV sales. Then along came high gas prices, and the game unraveled. Sales of trucks and SUVs tanked, as the market shifted to smaller, more fuel-efficient vehicles. Along with it went the US Automakerâ€™s profits. They knew this was coming, by the way. And whatâ€™s even worse, they were basically robbing the American Public for the last decade with their big-vehicle pricing. Consider this â€“ when you bought that truck or SUV, you deposited a cool 10 grand or more into the pocket of the automaker â€“ compared with perhaps a thousand dollars on that Neon. Why did this all come about? Thank the UAW. See, labor unions have made the cost of doing business for these automakers astronomical. Among other things their pension and health-care costs for retirees are literally crushing the life out of the automakers. There is roughly \$1,000 worth of health care costs **alone** embedded in every single American automobile produced! And that ignores the pension costs, which, with a flat to normal (instead of skyrocketing) stock market, suddenly winds up being unaffordable as well. Rather than deal with this as management â€“ telling the UAW that this is simply not affordable and will not be agreed to â€“ shut us down for a while if you must, eventually you will come back when your strike fund runs out and your refrigerators are empty â€“ the automakers instead priced their trucks and SUVs in a fashion that effectively raped the American Public in order to pay off Big Labor! This looks good to the shareholders â€“ until the bill comes due for the retirees and a market shift happens. Then youâ€™re dead. Well, the shift happened, and the pension and health care load is here. The Japanese, on the other hand, have priced **their** small cars such that they make money on all of them. As a consequence they can just shrug their shoulders. How? They donâ€™t have the union problem â€“ there is no defined benefit pension for them to worry about (they do 401ks instead), and no â€œmy wallet is your ATM machineâ€• retiree health care issue for them. They never made that mistake originally, so they donâ€™t have to absorb that cost now. The Japanese correctly figured out that accurately predicting the cost of benefits for an aging workforce is impossible and out of their control, and thus left it in the hands of the individual workers â€“ who suddenly have an incentive to manage their retirement costs (since it now comes out of their pocket!) GM, Ford and Chrysler, on the other hand, not only made that mistake originally but didnâ€™t learn a damn thing in the 1970s when their teeth got kicked in by the Japanese. Their contention was that the problem was â€œall about the quality.â€• Well, they were right that there was a quality problem, but that wasnâ€™t the end of it. The rest was the cost problem, which they dutifully ignored. Now the chickens have come home to roost and itâ€™s not pretty. Its also not over â€“ Ford is just the first dominoâ€¢. If you live somewhere like Michigan, you might want to rethink your state of residence. See, youâ€™re fixing to have this little tax problem up there, as all these plants close and the tax base disappears. Not to mention the people who will all be looking for work â€“ at once. While the nation as a whole is doing just fine economically, youâ€™re about to not be. This isnâ€™t the first time, by the way. I lived there during the last â€œbig bustâ€• and it was **bad** throughout the entire state. Why? Well, because of course the tentacles of the auto industry reach **everywhere**. So when theyâ€™re in trouble, suddenly so is everyone else. So what do we do about it? Well, **we** canâ€™t fix this. GM, Ford and Daimler-Chrysler have to. The UAW is simply going to have to go. They bear responsibility for this as much as the automakers do â€“ the latter will be punished appropriately by the financial markets, and at least one of them may actually end up bankrupt. So be it. I have zero sympathy for the automakers as they brought this on themselves with bad business decisions, and the financial markets will deal with them appropriately. Thatâ€™s just and proper. The UAW is not blameless here, and needs to

be held to account. By effectively forcing these firms into untenable labor agreements they have cost their own workforce their jobs and the economy billions of dollars. It is not beyond the pale to think that this could, over the next decade or so, slice a **trillion** off the GDP. To let the labor unions off without bearing any of the cost and responsibility would be a travesty of justice. There is no direct means for the markets or us as citizens, or for that matter the government to punish them directly. We are left with indirect means of punishment a refusal to buy union-made goods and services where we can until and unless these organizations take financial responsibility for their share of this mess. Unfortunately this means that there are going to be a lot of people who get hurt. But the workers are not blameless either so all the crying that is certain to ensue into the beer (of which there will be much) should be met with shrugged shoulders and a turned head. These voted to certify these unions and did not vote to get rid of them both of which are their right, but they must accept responsibility for what has befallen them. They were lured in by wages twice the value of their work and pension and retiree medical benefits that could not possibly be funded. They voted for those contracts and through the actions of their own hand in those union halls were full partners in this rape both of the nation and, if you bought a truck or SUV, of you as a consumer. Now the bill for their greed has come due. In the coming weeks and months I'm sure you will hear much wailing and gnashing of teeth how this is so unfair that corporate America dumped all these poor people out of a job. When you do, remember that each and every one of them had a voice and a democratic vote to certify the UAW as their bargaining agent, and that **they asked for this representation**. They can hardly complain now when the results of their decision come back to haunt them. In the meantime, there's a further lesson here, and it applies to the Boomer generation and that before it (the current Retirees) that has had its hand out for **literally everything** including free medical care, social security, etc. The Federal Government is in the same role as GM's management and is playing the game the **exact** same way. Those Ponzi schemes are just as unsustainable as the automakers. They will have the exact same result too. It is just a matter of time and whether we'd like to deal with it now before it becomes an active crisis, or **when** it does when it will be much, much more painful. Your **children** are looking up at you, right now, wondering if you're going to do the right thing or screw **them** 20 years down the road with your actions **now**.

Posted by Karl Denninger at 23:33

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Iran - Bringing the US Energy Situation To A Head

Are we ready to solve our problems with energy yet? During the last couple of weeks Iran has threatened to shut off their oil if we "interfere" with their nuclear ambitions. This is coming from a nation that has all but threatened nuclear war on Israel. Now I am no fan of Israeli politics. But that doesn't mean that I think it would be a good idea for anyone to cook off a few nuclear bombs in anger. Indeed, the probability has gone way up that by the end of the year there will be a second Middle East war on in some fashion " this time over and in Iran. In the meantime we must take seriously their threat. While we do not buy any oil from them, the other nations in the world do. If they shut off the tap, those nations will look to the remaining suppliers. Even worse, Iran **could** launch attacks on ships coming through the straits from the Persian Gulf " even one such attack would effectively halt oil supplies from Saudi Arabia and elsewhere in the Middle East. We, and the rest of the world, would be forced to respond militarily " but in the meantime, there'd be no oil. If you think Katrina was bad for the nation's oil supply, you've not seen **anything** yet. Its time for a solution " one that the left wing will go bananas over, but one which **we can achieve** using technology available **today**. No more obstruction, no more interference. Here it is folks: We have enough oil shale to produce petroleum fuels for the next 50 years or so. Our **proven reserves** in the form of shale exceed the entire inventory of Saudi Arabia. **There is no oil shortage in the United States " we have simply refused to go get it due to the screaming of a bunch of left-wing socialists!** We can produce our way out of this mess short-term (0-20 years) while we create a long-term solution to our energy problems that will **permanently** solve the problem. Here's the prescription:

1. Mine the shale - right now - on federal lands.
2. Open up drilling in all places where there is currently oil and natural gas. Right now. This includes but is not limited to ANWR and the Gulf of Mexico. Ban sale of these fuels outside the US. The fuel comes off federal property, it must stay in the United States. Anyone diverting it goes to federal prison and the company responsible if fined 5 times the amount of product diverted.
3. Build the terminals for and use all the imports we are able to acquire at a price no higher than our domestic production. We don't have to mandate any of this - if our local oil is \$40/bbl and foreign is \$39, you know what Shell will buy for its refinery. Ditto for natural gas.
4. Build the refineries and processing facilities necessary to produce ALL our domestic requirements - right here, in the US, again, diversified across the country. Gasoline and other energy is inherently an interstate commerce issue; ergo, all state and local attempts to regulate or prevent this must be overruled. A streamlined permitting process that can be completed from start to finish in **no more than six months** must be put in place so that construction can begin **now** " not five years hence.

These are short-term solutions but they stabilize the price of petroleum in the \$40/bbl range for US consumption for the next 10 to 20 years. During this time we have a STABLE supply of fuels for our vehicles (cars, boats, trucks, etc) at a price under \$2/gallon that is IMMUNE to supply disruption from Nigeria, Iran and Venezuela. This **completely removes** the ability of foreign governments and radicals to play with us over energy supply concerns. We **can** produce enough domestically to meet our own demand - we have just historically refused **because of the environmentalists who have refused to let us stuff our own supply lines with our own raw materials!** Yes, this supply will run out. I understand that. This is why we use the intervening 20 years to fix the problem permanently. During that time we:

1. Build nuclear and other (e.g. indirect conversion solar " aka "solar boiler" - and wind) plants. Simply put, we require that 100% of our electrical energy needs be met by off-petroleum and off-coal resources within that 20 year timeframe. We pass a federal law that no utility may tie into any interstate grid, directly or indirectly, if they consume any fossil fuel to produce their power 20 years hence " no exceptions or extensions. Local and state governments are forbidden (under the

commerce clause - already existing law) from blocking the construction of nuclear, solar and wind energy production facilities - energy is inherently traded in interstate commerce; this is not a stretch by any means. Over time (more than 20 years out) we are likely to be able to use fusion - energy breakeven has been achieved, and it's only a matter of time before we're able to commercially exploit it. However, for now the breeder reactor - which produces more fuel (and easily separable fuel too, since it's in the form of plutonium which can be chemically separated rather than needing gas centrifuge enrichment) than it consumes - is the best option available to us. Fermi I gave breeders a bad name, but there is no inherent reason we cannot operate them - we're just unwilling to do so. This must end today if we are going to break the stranglehold.

2. Coal becomes our petroleum of last resort. Coal liquifaction is a proven technology and we have several hundred years of proven reserves. It's expensive to process this way, which is why we use it LAST - but we keep it up our sleeve.
3. Gasoline automobiles are outlawed for new sale 5 years hence. Compression-ignition engines (diesels) are required. Exceptions are left in place for weight-sensitive applications (e.g. motorcycles, lawn mowers, etc.) There shall be no subsidy and no federal grant money for any fuel research that has a negative net energy cost (that is, which requires more BTUs to be put in than you get back out.) This immediately excludes any attempt at a "hydrogen car", since by definition these are net energy negative. We simply cannot afford pipe dreams and pie-in-the-sky technology that will work technologically but is thermodynamically and fiscally unsound on the federal teat.
4. Biomass conversion is mandated to produce diesel fuel; within 10 years we can produce all the over-the-road fuel necessary using this technology. The Germans already have this working "not on soy or rapeseed (which is woefully inefficient) but on raw biomass. Biodiesel using conventional oil seed methods cannot work because we cannot grow enough soy or rape to create more than about 5% of our fuel with it. Raw biomass conversion, on the other hand, can easily manage 100% and more of our fuel demand " it works on **anything** that grows. Most of our land can grow **something**. You simply pick the most productive (in terms of mass per unit of time) vegetative material for the area in question. This conversion unloads the remaining petroleum reserves (shale and offshore drilling) leaving them for industrial uses where ACTUAL petroleum is necessary (e.g. some plastics, etc) AND radically (by hundreds of years) extends our supply. Biomass conversion is economical **now** with a total delivered price of under \$2.50/gallon " below our current road diesel cost. This cost is expected to drop as economies of scale come into play. In addition this fuel is 100% compatible with **existing** engines " stick it in your car, truck or boat and turn the key, and also can be burned as home heating oil.
5. The diesel vehicle shift instantly results in a 30% drop in consumption for vehicular use since these engines are at least 20% more efficient on a per-gallon basis thermodynamically AND you get ~10% more diesel fuel out of barrel of oil than you do gasoline. It's also easier to refine and consumes less energy, producing less waste product, in doing so. Within 5 years, we achieve what we could not with CAFE requirements - a real honest-to-god 30% improvement in fuel economy - without forcing people to buy smaller vehicles while at the same time reducing energy losses in the production pipeline. In addition within 10 years NONE of these vehicles consume one drop of petroleum " it's all coming from biomass. **When the biomass conversion is complete then all greenhouse gas emission from these vehicles and home heating oil use also ceases - burning biomass-converted fuel is carbon-cycle neutral as the CO2 emitted is re-absorbed, short-term, by plants to make new biomass!**
6. AFTER we transition ALL of our electrical generation off coal and petroleum fuels, if the price of using electrical power to crack water is cheaper than using biomass fuel directly then so be it. I don't believe it will be - but I could be wrong. IF there is a hydrogen fuel car in the future, that's the time and place for it - purely driven by economics, not by insane environmental activism.

You want a solution? There it is, and not one bit of it requires technology that we do not currently possess. No pie-in-the-sky research projects, no advances on current technology required. It WILL work because every bit of this is proven technology that we already know how to do in a cost-effective manner. In addition it puts a sock in all those who argue for Kyoto or similarly-flawed treaties by **completely removing**

transportation and electrical generationâ€™s contribution to greenhouse emissions â€” the two biggest contributors. Within 20 years, we can be free from the â€œdrill for itâ€• oil economy. We will still use natural gas and we will hold in reserve our coal â€” just in case. The oil companies will now be in the business of producing â€œrenewable oilâ€•, a carbon-cycle-neutral fuel that has no greenhouse gas consequence. We will drive cars that get 20% better fuel mileage â€” and will still be able to get fuel for them at a competitive price. The mercury problem in our environment will be solved, as will that of greenhouse and other emissions from power plants. **We can reach energy independence from the â€œweird beardsâ€• within 3-5 years. We can also reach a *stable energy posture* in this nation inside of a decade, and cast off forever the tie to petroleum as a primary resource within two decades.** With this change will come lasting prosperity and destroy the ability of radical world governments â€” or terrorists â€” to destabilize our economic base. To implement this plan out of the box we must strip the environmentalists of their ability to stop it from being put into place, and demand that Washington implement it. It CAN be done. Will we come together to do it today, or will we become a third-world country when Iran, Venezuela or some other nation decides to turn off the tap?

Posted by Karl Denninger at 16:55

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Are we ready to solve our problems with energy yet? During the last couple of weeks Iran has threatened to shut off their oil if we â€œinterfereâ€• with their nuclear ambitions. This is coming from a nation that has all but threatened nuclear war on Israel. Now I am no fan of Israeli politics. But that doesnâ€™t mean that I think it would be a good idea for anyone to cook off a few nuclear bombs in anger. Indeed, the probability has gone way up that by the end of the year there will be a second Middle East war on in some fashion â€” this time over and in Iran. In the meantime we must take seriously their threat. While we do not buy any oil from them, the other nations in the world do. If they shut off the tap, those nations will look to the remaining suppliers. Even worse, Iran **could** launch attacks on ships coming through the straits from the Persian Gulf â€” even one such attack would effectively halt oil supplies from Saudi Arabia and elsewhere in the Middle East. We, and the rest of the world, would be forced to respond militarily â€” but in the meantime, thereâ€™d be no oil. If you think Katrina was bad for the nationâ€™s oil supply, youâ€™ve not seen **anything** yet. Its time for a solution â€” one that the left wing will go bananas over, but one which **we can achieve** using technology available **today**. No more obstruction, no more interference. Here it is folks: We have enough oil shale to produce petroleum fuels for the next 50 years or so. Our **proven reserves** in the form of shale exceed the entire inventory of Saudi Arabia. **There is no oil shortage in the United States â€” we have simply refused to go get it due to the screaming of a bunch of left-wing socialists!** We can produce our way out of this mess short-term (0-20 years) while we create a long-term solution to our energy problems that will **permanently** solve the problem. Hereâ€™s the prescription:

1. Mine the shale - right now - on federal lands.
2. Open up drilling in all places where there is currently oil and natural gas. Right now. This includes but is not limited to ANWR and the Gulf of Mexico. Ban sale of these fuels outside the US. The fuel comes off federal property, it must stay in the United States. Anyone diverting it goes to federal prison and the company responsible if fined 5 times the amount of product diverted.
3. Build the terminals for and use all the imports we are able to acquire at a price no higher than our domestic production. We don't have to mandate any of this - if our local oil is \$40/bbl and foreign is \$39, you know what Shell will buy for its refinery. Ditto for natural gas.
4. Build the refineries and processing facilities necessary to produce ALL our domestic requirements - right here, in the US, again, diversified across the country. Gasoline and other energy is inherently an interstate commerce issue; ergo, all state and local attempts to regulate or prevent this must be overruled. A streamlined permitting process that can be completed from start to finish in **no more than six months** must be put in place so that construction can begin **now** â€” not five years hence.

These are short-term solutions but they stabilize the price of petroleum in the \$40/bbl range for US consumption for the next 10 to 20 years. During this time we have a STABLE supply of fuels for our vehicles

(cars, boats, trucks, etc) at a price under \$2/gallon that is IMMUNE to supply disruption from Nigeria, Iran and Venezuela. This **completely removes** the ability of foreign governments and radicals to play with us over energy supply concerns. We **can** produce enough domestically to meet our own demand - we have just historically refused **because of the environmentalists who have refused to let us stuff our own supply lines with our own raw materials!** Yes, this supply will run out. I understand that. This is why we use the intervening 20 years to fix the problem permanently. During that time we:

1. Build nuclear and other (e.g. indirect conversion solar " aka "solar boiler" - and wind) plants. Simply put, we require that 100% of our electrical energy needs be met by off-petroleum and off-coal resources within that 20 year timeframe. We pass a federal law that no utility may tie into any interstate grid, directly or indirectly, if they consume any fossil fuel to produce their power 20 years hence " no exceptions or extensions. Local and state governments are forbidden (under the commerce clause - already existing law) from blocking the construction of nuclear, solar and wind energy production facilities - energy is inherently traded in interstate commerce; this is not a stretch by any means. Over time (more than 20 years out) we are likely to be able to use fusion - energy breakeven has been achieved, and it's only a matter of time before we're able to commercially exploit it. However, for now the breeder reactor - which produces more fuel (and easily separable fuel too, since it's in the form of plutonium which can be chemically separated rather than needing gas centrifuge enrichment) than it consumes - is the best option available to us. Fermi I gave breeders a bad name, but there is no inherent reason we cannot operate them - we're just unwilling to do so. This must end today if we are going to break the stranglehold.
2. Coal becomes our petroleum of last resort. Coal liquifaction is a proven technology and we have several hundred years of proven reserves. It's expensive to process this way, which is why we use it LAST - but we keep it up our sleeve.
3. Gasoline automobiles are outlawed for new sale 5 years hence. Compression-ignition engines (diesels) are required. Exceptions are left in place for weight-sensitive applications (e.g. motorcycles, lawn mowers, etc.) There shall be no subsidy and no federal grant money for any fuel research that has a negative net energy cost (that is, which requires more BTUs to be put in than you get back out.) This immediately excludes any attempt at a "hydrogen car", since by definition these are net energy negative. We simply cannot afford pipe dreams and pie-in-the-sky technology that will work technologically but is thermodynamically and fiscally unsound on the federal teat.
4. Biomass conversion is mandated to produce diesel fuel; within 10 years we can produce all the over-the-road fuel necessary using this technology. The Germans already have this working " not on soy or rapeseed (which is woefully inefficient) but on raw biomass. Biodiesel using conventional oil seed methods cannot work because we cannot grow enough soy or rape to create more than about 5% of our fuel with it. Raw biomass conversion, on the other hand, can easily manage 100% and more of our fuel demand " it works on **anything** that grows. Most of our land can grow **something**. You simply pick the most productive (in terms of mass per unit of time) vegetative material for the area in question. This conversion unloads the remaining petroleum reserves (shale and offshore drilling) leaving them for industrial uses where ACTUAL petroleum is necessary (e.g. some plastics, etc) AND radically (by hundreds of years) extends our supply. Biomass conversion is economical **now** with a total delivered price of under \$2.50/gallon " below our current road diesel cost. This cost is expected to drop as economies of scale come into play. In addition this fuel is 100% compatible with **existing** engines " stick it in your car, truck or boat and turn the key, and also can be burned as home heating oil.
5. The diesel vehicle shift instantly results in a 30% drop in consumption for vehicular use since these engines are at least 20% more efficient on a per-gallon basis thermodynamically AND you get ~10% more diesel fuel out of barrel of oil than you do gasoline. It's also easier to refine and consumes less energy, producing less waste product, in doing so. Within 5 years, we achieve what we could not with CAFE requirements - a real honest-to-god 30% improvement in fuel economy - without forcing people to buy smaller vehicles while at the same time reducing energy losses in the production pipeline. In addition within 10 years NONE of these vehicles consume one drop of petroleum " it's all coming from biomass. **When the biomass conversion is complete then all greenhouse**

gas emission from these vehicles and home heating oil use also ceases - burning biomass-converted fuel is carbon-cycle neutral as the CO2 emitted is re-absorbed, short-term, by plants to make new biomass!

6. AFTER we transition ALL of our electrical generation off coal and petroleum fuels, if the price of using electrical power to crack water is cheaper than using biomass fuel directly then so be it. I don't believe it will be - but I could be wrong. IF there is a hydrogen fuel car in the future, that's the time and place for it - purely driven by economics, not by insane environmental activism.

You want a solution? There it is, and not one bit of it requires technology that we do not currently possess. No pie-in-the-sky research projects, no advances on current technology required. It WILL work because every bit of this is proven technology that we already know how to do in a cost-effective manner. In addition it puts a sock in all those who argue for Kyoto or similarly-flawed treaties by **completely removing** transportation and electrical generation's contribution to greenhouse emissions - the two biggest contributors. Within 20 years, we can be free from the "drill for it" oil economy. We will still use natural gas and we will hold in reserve our coal - just in case. The oil companies will now be in the business of producing "renewable oil", a carbon-cycle-neutral fuel that has no greenhouse gas consequence. We will drive cars that get 20% better fuel mileage and will still be able to get fuel for them at a competitive price. The mercury problem in our environment will be solved, as will that of greenhouse and other emissions from power plants. **We can reach energy independence from the "weird beards" within 3-5 years. We can also reach a stable energy posture in this nation inside of a decade, and cast off forever the tie to petroleum as a primary resource within two decades.** With this change will come lasting prosperity and destroy the ability of radical world governments or terrorists to destabilize our economic base. To implement this plan out of the box we must strip the environmentalists of their ability to stop it from being put into place, and demand that Washington implement it. It CAN be done. Will we come together to do it today, or will we become a third-world country when Iran, Venezuela or some other nation decides to turn off the tap?

Posted by Karl Denninger at 16:55

Why Did The Right Have to Show.....

And how come it's called the "right"? Is it because they think they're right? Oh, the left does too. That's a big shock!..Anyway, I speak of Pat Robertson's comments about Sharon, in which he said that the Prime Minister's stroke was the "wrath of God" for "dividing God's land." Let's be careful here, ok? After all, there are some 5,000 religions active in the world today. All of them make a pretty clear claim that they're right and the other 4,999 are wrong. Follow them or burn in hell (or something similar, anyway.) Now I may not be the sharpest knife in the drawer, but where I come from the odds on this bet aren't all that good. I sure wouldn't put my horseracing money on a 4999:1 long shot! Further, let's consider that if the Christians are ok in claiming that some piece of property is "God's Land", then the Muslims could easily make the same claim. Of course they're both claiming the **same** land. Isn't that what "at its root" this entire "Palestinian" thing has been about? Yep. Let's be blunt and honest here "Israel was created out of whole cloth after WWII by a world community that was looking for a way to "give something back" to a people who had a huge percentage of their population slaughtered. So what they did was screw a bunch of people who lived on a piece of land that was not involved in the conflict because that's where God said (according to their version of it) these folks should live. The world has been dealing with the consequences of that action ever since, and will have to continue to deal with it for the foreseeable future. It's a difficult problem. But we must recognize a few fundamental facts in this debate, or we're going to end up starting another religious war:

- Religions are like buttocks. We all have 'em (even the atheists, who claim there is no God at all) and most of them stink to one degree or another. There is a strong argument to be made that organized religion in **all** its forms is destructive to humanity and always has been. Nonetheless, religion is a part of most people's life to one degree or another.
- Taking property from one person to give it to another by force is wrong. It has happened thousands of times in the past, and will likely happen in the future "but it still is wrong.
- Those who are aggrieved in such a circumstance can be expected to fight back. If you attempt to keep them from doing so in an organized fashion (e.g. by making it illegal for them to have an army or weapons) they will fashion their own "including using themselves as weapons. If there is one lesson to be learned from the Palestinian conflict, it is that dedicated people are willing to commit suicide in order to further their cause.
- Whether you're a freedom fighter or an insurgent is often determined by which side of an argument you're on. It would be nice if we could agree on this, but we won't get there. My personal belief is that if you're fighting to expel an occupying force *for the purpose of establishing or protecting self-government* you're a freedom fighter. If you're shooting at people to **establish or maintain** an occupation, or to establish or maintain a dictatorship, you're an insurgent. This makes the Iraqis insurgents "and the Palestinians Freedom Fighters " at least it did up until Sharon started to withdraw.
- Notice how Palestinian attacks on Israelis have dwindled to almost nothing since Sharon started leaving Palestine? They were a daily event earlier on.... The Palestinians said they were fighting for freedom "not to exterminate Jewish people. Maybe they were telling the truth?

Sharon was a five-alarm asshole in his dealings with the Palestinian conflict until fairly recently. The idea of collective punishment "which he not only endorsed but espoused and practiced - is straight out of Hitler's and Stalin's playbooks, and that we, in the United States, not only tolerated this crap but funded it both with money and guns pisses me off to no end. Such a policy would be flatly illegal in this country as directly unconstitutional and we simply should not spend nickel one of our federal money in places that do this sort of thing. However, in the last couple of years Sharon seems to have removed his head from

his anal sphincter and started to use it to think with instead. This is laudable, especially coming from a guy who has shown no proclivity towards anything but Jewish Supremacy, guided by the view that "God gave us this and it's OURS!" up until that point. He had not yet gone far enough, in my view, but how far he was willing to go was untested and may never be tested now, as I place the odds of him being able to effectively govern at any time in the future "if he survives" as darn close to zero. The only true solution to the Palestinian problem will come when Palestine is given its original borders back and a corridor is established that remains Palestine so its territory is contiguous, along with full statehood and all rights that accrue to a state. That includes airspace, mineral, watershed and defensive rights, unfettered by Israel's demands, and with the full support of the world community in protecting its borders. At the same time Israel has the right to insist that Palestine not be a terrorist launching point for attacks on its people and land, and the world community **as a whole** needs to step up and deal with those who define themselves as insurgents just like we are in Iraq and Afghanistan. Forcible land swaps that involve giving the only arable land the Palestinians have away for far less desirable land in Israel are not only unworkable they are flatly wrong. That's what was tried at Camp David and it was (correctly) turned down. Sharon seems to have come to the realization that this was the only way out in the long term, and that "crushing" the Palestinians was not going to do the job. Oh sure, you can try, but every nation that has attempted this has lost in the end. Afghanistan is but one of many examples; we have our Vietnam of course. It is my sincere hope that Sharon recovers from his illness, although I admit that this is extremely unlikely. He is far more likely to learn first-hand whether or not his view of religion "out of the 5,000" is the correct one. I do hope that his will to face the Palestinian problem face-on and make a correct choice "even when you've been a dedicated warrior with a one-track mind for 60 years" prevails in Israel's new Prime Minister and government. I'm cautiously optimistic that this may, indeed, come to pass. If it does, then the world will truly be a better place, and Sharon will "and should" rightly get credit for his role in that.

Posted by Karl Denninger at 13:09

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Posted by Karl Denninger at 13:09

News Flash! Bush Caused the Sago Mine Disaster!

How long did it take for people to blame Bush for the Sago mine disaster? About 12 hours. Last night we had the first of what I'm sure will be many people blaming President Bush for the explosion and loss of life. The argument laid on the table? That Bush hasn't done enough to insure mine safety. Why does it keep coming back to a nanny state? Did we learn **nothing** from Katrina this last year? It appears that even a Category 5 hurricane can go in one ear and out the other! Let's be frank here folks - it is not the government's job to insure that you have work. It is not the government's job to insure your safety. It is not the government's job to provision your home for a hurricane, or to dictate to you what job you may or may not take, and its risks. Just today I hired a crew to remove five dead trees from my yard, victims of the last two years of hurricanes. They had to come down, as repeated saltwater inundation had killed them off and bugs were starting to work on 'em - dangerous, in that the NEXT hurricane would certainly topple them, perhaps on my house. It was not cheap either - guys like to get paid quite a bit to shimmy up a tree with a **chainsaw**, cut the top off, drop it, then come back down and fell the rest. See, you have to do that when the tree is 100' high and 50' away from the house, lest you drop the tree on the roof. Needless to say, this is a fairly hazardous operation since you could drop the top of the tree on yourself or cut your own arm off - swinging a chainsaw around when you're literally 'up a tree' is inherently hazardous - and tree services typically charge several hundred dollars a tree to drop it, chip the wood up to mulch for you, and grind out the stump. They also carry insurance so IF they screw up your house gets fixed by them. Well, duh! If it wasn't dangerous I'd shimmy up the tree with chainsaw in hand and drop it myself! These guys are making on average \$50,000 a year mining coal. That's pretty good money - the best wages available in the area - for what is essentially unskilled labor. Why such good pay? Because it's a fairly dangerous job - in the 1920s over **one thousand people** died in a single year in mine-related accidents. We've come a long way since then, and now only a dozen or two, on average, die in this profession. Indeed, the rate of industrial accidents for miners isn't too much higher than it is for all other private industry combined. Like, for example, tree services. If the explosion was sparked by lightning, which is entirely plausible (there were severe electrical storms in the area at the time of the blast) then the explosion itself was an Act of God. Certainly, one can argue that more steps could have been taken to further reduce the risk, but reducing the risk of accidents to zero is simply not possible. This is where the 'risk premium' comes from that leads to relatively high wages. Next, we heard from family members that they're going to sue the mining company because they were (falsely) led to believe their family members were alive - when they were not. However, none of the mining company employees made that statement - it was a rumor that was repeated by various officials, none of whom worked for the mining company, originated through an **overheard** radio call! Why aren't these people going to sue the media - ALL the national media were broadcasting headlines that these people were 'rescued' when it was false! Let me guess - that was Bush's fault too. Folks, let's get a grip. Some professions are more dangerous than others. That's one reason that a particular job might pay better than others in a given area - say, mining coal .vs. working at WalMart. If the owner of the Sago mine has criminal liability for the conditions at the mine leading to these deaths, then bring the responsible parties up on involuntary manslaughter charges, and let them have their day in court. But blame Bush for the accident? What are these people smoking?

Posted by Karl Denninger at 20:23

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