

Artificial economy fueled housing crisis

This from the Sept. 12 wire report — for 2007:

“An Associated Press analysis of new Census data provides insight into the reasons for the slumping housing market: Since 1990, homeowners have faced a growing gap between their incomes and the price of their homes.

“The widening gap in all but a handful of the nation’s 500 largest cities helped make the recent boom in housing prices unsustainable.... The rising prices were fueled largely by low interest rates and risky borrowing, rather than increasing incomes.”

Perhaps the ultimate analysis: “We had an artificial economy,” said Brad Geisen, founder of the website Foreclosure.com. “There was all this wealth created in real estate, and it wasn’t really created.”

The only real question is why it took 17 years for anyone to see the light. The unreal uptick in city housing prices — while rural areas were left largely untouched, except for resort zones — seemed obvious from the start.

Congress was bent on selling homes to more and more people, so it pumped money into the system and kept rates down. Anytime the government pumps money into something, the sharpies will see a way to make a buck. They started pushing high-rate and complex mortgages on people who wanted no homes. These people had no idea what they could afford.

But the mortgage sharps didn’t care. They weren’t going to service the notes, just make a buck off writing them up and dumping them.

During the period from 1990 to 2006, the AP reported, household income rose about 60 percent, roughly matching inflation. In the same period, housing prices more than doubled. The median price of a home hit \$185,200.

And in some cities with “hot” real estate markets, the gap was even more. In Miami, the median price quadrupled to \$315,900. In cities such as Las Vegas where incomes doubled, housing prices were up fivefold.

“Mark Andi, chief economist at Moody’s Economy.com, likened the current housing market to the dot-com boom and bust of 2000 and 2001, when stock prices for many high-tech companies soared — before some even turned a profit — and then crashed.

“Nationally, the share of gross income consumers spend on housing jumped from 21 percent to 25 percent,” the AP reported.

Over and over again in this country, we stand by and watch as one market or another gets out of whack. Regulators do nothing, or worse, as with the mortgage crisis, actually encourage the boom for political reasons. The truth is, the regulators are usually in cahoots with the industry they’re supposed to watch.

Across the country, the government and the banking system stood by and watched as millions of Americans got into financial straits by buying houses they could not afford. Instead of insisting on a responsible mortgage system, the government encouraged this excess. Banks, if they weren’t involved, started to try to figure out how they could get a slice of the pie.

And consumers who knew no better signed on the line.

Greed, that’s all it was. Greed and stupidity.

When will we learn? If a deal, or a market, seems too good to be true, it probably is.

The great promoter P.T. Barnum said it best: “There’s one born every minute.”

And today, we are paying the price for all this excess, all of us. You’d think some day we’d wise up.

— Steve Haynes

Lights out

It’s only 10 p.m. mountain time, but it’s already “lights out.”

This edition of Outback is coming to you from the top of a wobbly table in the kitchenette of the hospitality house where we’re staying in El Paso, the night before we are to cross the border.

It’s the second night of our mission trip to build a house in Mexico. I was tossing and turning trying to get comfortable in the bunkbed assigned to me when a “flash” hit me, — I hadn’t written this column yet. Not that I hadn’t had enough time. During the 14 hours of drive time I could have put pen to paper but, there was always someone to talk to, a song to sing or a new game to play. I thought about what I was going to say — but that’s as far as it went.

Now, it’s “do or die” because we’re scheduled to cross the border at 7 a.m. and that leaves no time in the morning to be creative.

— ob —

Friday night I listened to a radio evangelist talk about doing good works. He

Out Back

Carolyn Plotts

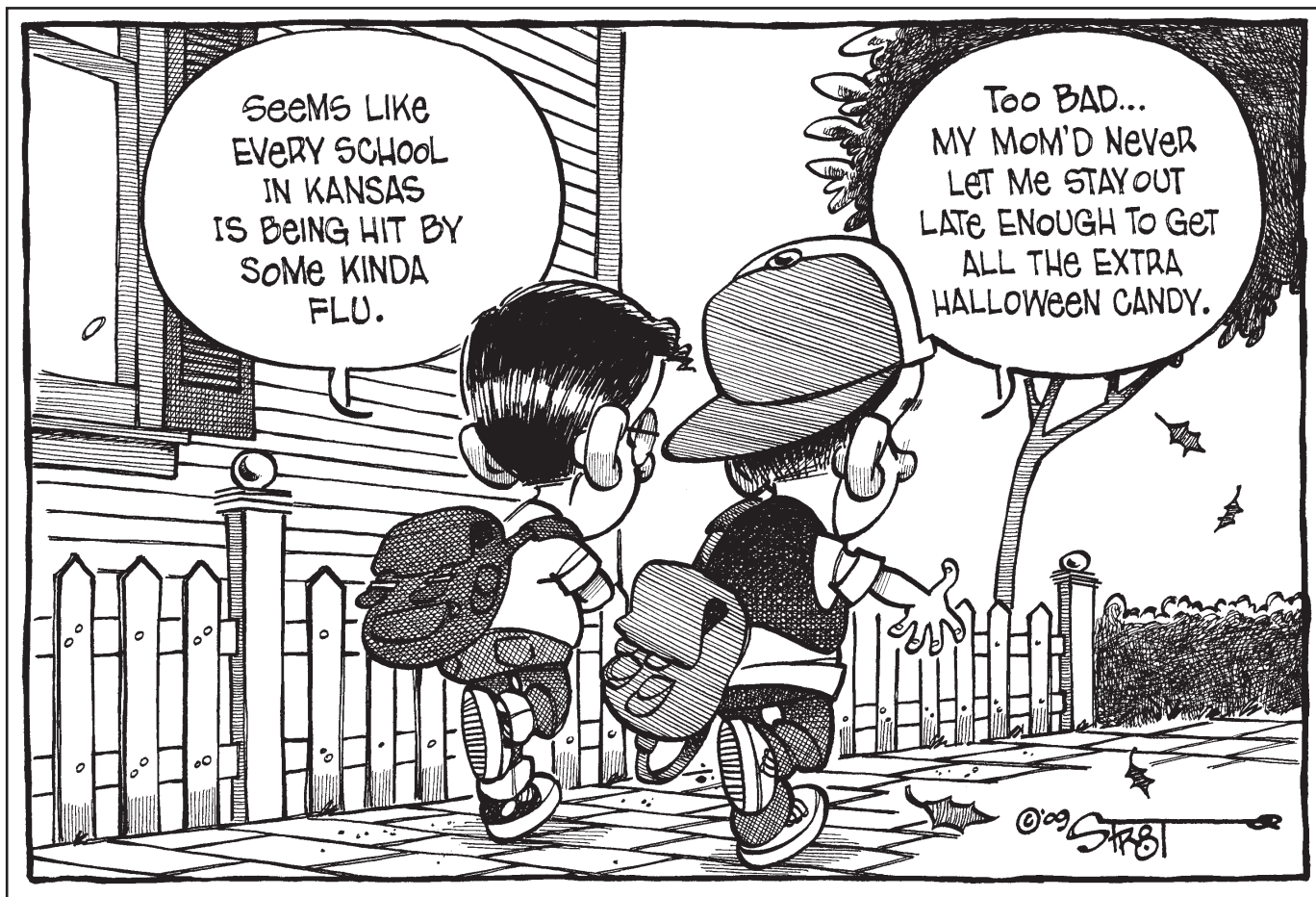


said the way it was used meant “to toil” or “to sweat.” With only two men and five women on our team, I’m sure we’ll get our share of toiling and sweating. Still, no one is daunted by the work that lies ahead.

Besides, how do you eat an elephant? One bite at a time. That’s how we’ll build this house — one nail, one board, one piece of chicken wire at a time.

— ob —

By Thursday we should be on our way home. A man named Juan Carlos Felix Munos and his three children will be sleeping in a warm, safe and comfortable home. Something we take for granted — to be warm and safe.



Health reform will be costly

As Charlie Rich sang, “Oh, no-one knows what goes on behind closed doors.” This is certainly true regarding health care reform legislation in Congress. Despite all that you have heard about the two Senate proposals, these two health care reform bills are being merged together by the Majority, out of the public eye. Even some Democrats don’t know if their provisions will survive this process.

I served on both committees drafting these so-called reforms, and I voted against both bills. I predict we will end up worse than we began when the Majority emerges from behind these closed doors.

Lets look at the Finance Committee’s “moderate” plan that only one Republican supported. For people who truly need health care reform, this bill isn’t the answer. I voted no. Here’s why:

The bill costs \$1.8 trillion when fully implemented, and still leaves 25 million people uninsured.

Although it is true that the Congressional Budget Office has scored the bill as cutting the deficit, this is only achieved through massive cuts to Medicare and huge new taxes on every American.

The bill cuts Medicare by more than \$500 billion, and Congressional Budget Office estimates that future cuts to Medicare, Medicaid and the Children’s Health Insurance Program will accelerate by 10-15 percent each year.

It cuts Medicare Advantage — a program with huge satisfaction rates among 41,000 Kansas seniors — by over \$117 billion.

To further pay for this new spending,

Costly reform

Sen. Pat Roberts

the bill imposes more than \$400 billion in new taxes that will burden all Kansans.

The bill levies a \$201 billion excise tax on high-cost health insurance plans. However, CBO says that eventually the tax will hit a majority of, if not all, health insurance plans in America, resulting in higher premiums for all.

The bill also imposes new taxes on health insurance providers, manufacturers of brand-name drugs and medical devices. These taxes will be passed directly on to you in the form of higher insurance premiums.

In fact, the bill will result in insurance premium costs going up for many of the 85 percent of Americans who currently have insurance. Independent estimates have said that, as compared with cost projections based on our current system, premium costs could go up by as much as \$1,500 for single coverage and \$4,000 for families over ten years.

In addition, some 3 million Americans will lose their existing employer-sponsored coverage under this bill.

Government entitlements will skyrocket, as 14 million more people will be added to the Medicaid and CHIP rolls, and 23 million new people will receive taxpayer-financed government subsidies to purchase insurance.

Finally, the bill will result in a substantial government intrusion into your most personal and private health decisions.

It will use the long arm of the IRS and the Department of Health and Human Services to force you to purchase an insurance plan loaded up with a laundry-list of benefits that you don’t want or need.

It will place the government, and not you and your doctor, at the center of your treatment decisions.

I introduced an amendment to prohibit the federal government from using comparative effectiveness research to limit your options for care, it failed on a party line vote.

Unfortunately, I fear the reform legislation will only get worse from here. Whatever the Senate passes must then be merged with the House version, which contains a public plan steeped in controversy.

As we go through this process, I will continue to fight for real reforms Kansans want like preventing health insurers from denying coverage due to pre-existing conditions, ensuring patients have their choice of providers, enabling people without employer-sponsored health insurance to deduct premiums, offering incentives for healthy behaviors, improving transparency in health care quality and costs so that patients decide how to best spend their health care dollar, and reducing health care costs overall through tort reform.

I urge you to pay close attention to the debate in the coming weeks. There will be other closed doors before we are through. The so-called reforms under consideration by this Congress won’t get any more personal than this for every man, woman and child in Kansas.

Adaptation and Evolution

Some ideas championed by environmental groups have been less than kind to agriculture. They have bombarded the public with figures on soil loss, pesticide-related mishaps and alleged failed attempts at using pesticides to reduce infestation. Their figures are oftentimes unverifiable.

Technology has often been labeled the number 1 environmental enemy by some of these environmental groups. Food producers, farmers and ranchers view technology as the application of knowledge. As humans, we survive by adapting the environment to our needs.

Take away technology and man would be just like other primates — confined to tropical regions and subject to extinction due to environmental changes. To survive and progress, we must disturb the environment, conserve resources and continually produce new food and fiber.

Some would argue that resources are made not born and I agree. Land, ores, petroleum, etc. — the raw materials of our planet — are not inherent resources. They do not inherently further human purposes.

Man determines what is useful and how to use it. Topsoil becomes a resource when a farmer tills the soil and plants wheat seed, for example. Ores become resources when metals are extracted from them.

Insight

John Schlageck

During the past two centuries, technology has been creating resources more rapidly than humans have been consuming them. By every measure of price and availability, resources have become more abundant.

Without science and technology today’s farmers and ranchers would be unable to feed the masses outside of the agricultural industry. Farmers use technology responsibly. They constantly learn new farming methods and practices by attending training sessions and courses. Using minimum and no-till farming practices and incorporating grass waterways and buffer strips, farmers have improved water quality and increased wildlife habitat.

But new farm technology is expensive. It is in the best interest of farmers to use it carefully and sparingly. Misuse would add to the cost of production, which would result in an even lower return on their investment.

Food produced in the United States is safe. More than four decades of Food and Drug Administration testing has shown the majority of our fruits and vegetables have no detectable pesticide residues. This underscores that American farmers use pesticides properly.

Countless laws help ensure our food is safe. Billions of dollars annually are spent to support food and agricultural safety and quality inspection. The private sector, combined with state and local governments, spend additional billions on similar activities.

Farmers and ranchers support efforts to evaluate and enhance the current regulatory and food monitoring system. Agricultural producers want to work with all parties toward maintaining safe food, but this industry and our society must avoid policy changes that are based solely on fear or false information.

Decisions affecting the course of agricultural production in the future are critically important and will have far reaching implications on our quality of life. We must be careful in determining long-term policies. Farmers and ranchers must continue to maximize their production capacity with an ever-watchful eye on food safety, quality and the environment.

So by all means lets have this conversation about food safety and public health. Let’s also make sure this conversation is complete, fair and factual.

John Schlageck is a leading commentator on agriculture and rural Kansas. Born and raised on a diversified farm in northwestern Kansas, his writing reflects a lifetime of experience, knowledge and passion.

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