

Answering Your Questions

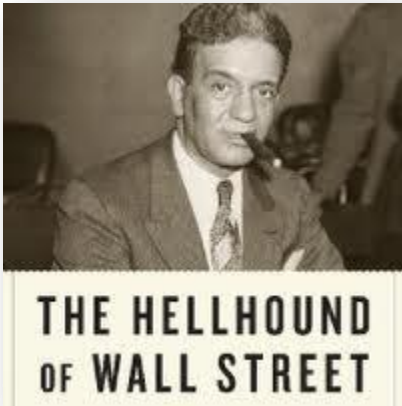
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FOUR EUROPEAN NATIONS BAN SHORT-SELLING

A European market regulator announced Thursday night that short-selling of financial stocks in several countries would be temporarily banned in an effort to stop the support the markets in France, Belgium, Italy and Spain effective Friday. There is already a temporary short-sale ban in Greece and Turkey.

It appears that stupidity must be a new form of disease that is contagious. This is the problem with government officials. They respond **ALWAYS** the same way and **NEVER** consult history to just perhaps see if by chance their idea has been tried before and what was the result. Every crash is followed by an investigation into the proverbial short player that overwhelmed the markets and forced them to collapse. During the Great Depression, one of the most ruthless prosecutors of all time, **Ferdinand Pecora** (1882–1971) summoned everyone he could think of and built his career on accusing others falsely. He achieved his goal and became a commissioner of the newly formed SEC. But the notorious investigations turned up no secret plot by mythical short-sellers to create the depression.





The damage of the **Pecora witch-hunts** of the 1930s was their contribution to sending the stock market down to 10 cents on the dollar. They lasted over a year and did far more damage because they laid the blame in a socialistic manner upon the feet of investors with no unbiased review of the real cause of the Great Depression.

The net result, without **SHORT** positions, is simple. The markets go down even more. The reason is clear. A short position is either (1) a hedge and banning short selling forces people to liquidate when they cannot hedge. (2) Abolishing short selling prevents a short-cover rally and eliminates the one person who buys during a panic

providing essential support and liquidity. But politicians are not elected because they actually understand anything. They smile and can look the part, but that's it. The day we can outlaw politicians from meddling with the economy, we will be much better off.

The reason panics take place is because you undermine the **CONFIDENCE** of the people. Once **CONFIDENCE** is lost, people sell. If shorts are eliminated, then the **ONLY** buying requires courage from someone going long. That person may eventually buy, but he usually waits until the market has at least paused and the panic selling stops. It is the **FLASH CRASH** we saw last year. This was one of the primary reasons **WHY** the market fell to 10% of the high during the Great Depression – scared the shorts.

We live in a **POLITICAL-ECONOMY** and those are two words that should have been divorced the first day they met. Japan Nikkei fell because people believed that government would support the market. When they lost about \$1 trillion trying and failed, then the Japanese people lost **CONFIDENCE** in government and the LDP was thrown out of office.

The new European ban on short-selling is pure insanity. It is doing the same thing politicians do with every crash that fails and they actually expect a different result. It also highlights our problem that nobody even bothers to look at what has been tried before. We cannot hope to advance as a society with stupid management of the economy by people who are clueless.

So hold on to whatever you can grab. The politicians are out to just destroy society once again and picking up a simple history book is just too much trouble. I can predict with 100% accuracy what they will do next because they follow the same script each time like a rat in a maze that can smell the cheese. They **NEVER** learn about anything. They are like a mentally defective person who keeps putting their finger in the flame of a candle incapable of understanding that the flame burns. And this is what democracy is all about?

This is another brain-dead idea. So what's next? We outlaw down-tics outright? (SEC Down-Tic Rule) Whatever they can screw-up, they are doing spectacularly.