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**Mystery Novelist Digger Cartwright Releases
Transcripts of Q&A Session from the Thinking
Outside the Boxe Annual Symposium**

Myrtle Beach, SC, Orlando, FL and Washington, D.C.
(PRWEB) **September 15, 2007**—The office of Digger Cartwright, author of *Murder at the Ocean Forest*, released the transcripts of a question and answer session from Thinking Outside the Boxe's Annual Symposium held in South Carolina recently. Mr. Cartwright participated in the symposium question and answer session via telephone. The symposium focused on a wide range of topics including economic developments over the last few months and the outlook for the coming year, geopolitical events, domestic politics, global warming, and energy.

Mr. Cartwright's opening statement was as follows:

Thank you very much. It is a pleasure and an honour to be participating in the Thinking Outside the Boxe Annual Symposium. This event provides a valuable opportunity for a wide range of business people, academics, intellectuals, and hardworking Americans to discuss some of the most pressing topics of our times in a forum where thought outside the box is welcomed. Far too often we are spoon-fed the information that the mainstream media--the newspapers, the television news programmes, the internet--wants us to have. Unfortunately, this is usually tainted by the producers' political or personal agendas. Journalistic integrity has reached a low point these last few years, but it is refreshing to see so many great minds participate in Thinking Outside the Boxe's symposium. It is quite encouraging to learn that so many people have read their material, questioned issues, and contributed to the body of knowledge.

When I was invited to participate in Thinking Outside the Boxe's endeavours, I knew little of their think tank and what they were all about. Working with them over time



on various topics, I have come to more fully appreciate the magnitude of their work. Their cause is far bigger than any one individual or group of individuals. Their desire to foster the very creativity and intellectual growth that has been at the heart of America since our Founding Fathers formed this great nation is true American spirit. Their efforts can rightly be compared to those of John Jay, Alexander Hamilton, and James Madison whose contributions to the birth of our nation helped to lay the foundations for the great nation that we have today. Today, Thinking Outside the Boxe helps to keep the American spirit alive.

As such, I would like to pay tribute to the efforts of the team at Thinking Outside the Boxe in promoting thoughtful consideration and debate of topics vital to our nation. Further, the research that they have conducted presents, in my view, balanced, unbiased perspectives and outlines the facts in a straight-forward manner. They call it as they see it, which is a difficult thing to do nowadays for most media outlets in pursuit of political correctness and ratings. And when they take a position, they back up their position with reasoned arguments. For this, I commend them.

Again, it is truly an honour to participate for the first time in Thinking Outside the Boxe's Annual Symposium. I look forward to spirited conversation and debate and thought provoking questions. I hope that this will be the start of a long tradition for me and my friends at Thinking Outside the Boxe.



The transcript of the questions and Mr. Cartwright's responses is as follows:

- 1) You have recently endorsed Fred Thompson for President. How do you feel about the Democratic candidates?**

None of the Democratic contenders for the presidency in 2008 really impress me at all. I don't feel very good about the direction in which the Democratic party is heading with their policies and vision for America. Talk of universal healthcare and negotiating with America's enemies is just not good policy. Universal healthcare is another term for socialized medicine. We certainly don't need to be taking America in the direction of socialism. They talk about restoring fiscal discipline but want to swell the government spending on social programmes. It just doesn't add up to fiscal responsibility in my opinion.

Negotiating with our enemies is a sign of weakness. Do it once and they will always have us over a barrel. National defence is probably the most important issue for America in the geopolitical struggle against terrorism and Islamic extremism. America needs to remain strong both militarily and foreign policy-wise and, of course, economically. Nothing that the Democrats have proposed fits into this framework.

Having said this, I think the last best hope for the Democratic Party is John Edwards. If you recall in my statement endorsing former Senator Fred Thompson, I mentioned that to be President of the United States an individual needs to have a certain presence--a certain look. John Edwards has an almost Kennedyesque aura about him. If you look at the Presidents and presidential candidates from FDR to President Bush, you'll notice that they all have a certain "presidential" look as compared to their opponents. Fred Thompson and John Edwards have this look.



But more than that, John Edwards is, in my opinion, the most capable leader of the Democratic candidates. Though he has his own faults, they are far fewer than the other candidates, and I think he can make a certain connection with the people of America that will be helpful in moving America forward.

2) What are your thoughts on the Congress and the job it is doing?

I was disappointed with the Republican controlled Congress towards the end of its leadership, and I am even more disappointed with the current Democratic controlled Congress. All the talk by the Democrats that this would be a different Congress, this would be the most ethical Congress, this would be the Congress of fiscal responsibility. It all rings hollow if you ask me. This Congress has done nothing to move America forward and put the bitterness and divisions of the recent past behind us.

It is all petty partisan politics--measures to force the President to withdraw from Iraq, political witch hunts, budget wrangling for pork. Why can't the Congress get together and work towards finding bipartisan solutions for the problems and challenges facing America? When is the Congress going to start working for the common good of the people who elected them--the hardworking men and women who make this country what it is?

This Congress' real agenda is obstructionist policies, antagonism towards President Bush and his administration, and rolling back the policies that the Administration successfully pursued in its first term. The policies such as tax relief helped to benefit the hardworking people of America and stimulate our economy unlike ever before. This Congress, however, is intent on raising taxes and undoing the economic good resulting from those tax cuts.

And the sad thing about all of this is that the American people are the ones who get shafted. But



more importantly, the American people don't seem to care all that much--they seem agnostic towards this mess. And until the people make enough noise and put enough pressure on their representatives and senators in the Congress to get some work done, sadly, nothing is going to change.

3) We have had some problems with products imported from China. How do you think we should address this safety issue?

It's very simple--buy American made products! It is frightening that our nation has become so dependent upon other countries for most of our goods. Go to the grocery store and a department store and you'll find that a majority of the products come from overseas. Why are we importing pineapples from Costa Rica when Hawaii is known for pineapples? Why are we getting our onions from Peru, our oranges from Brazil, lettuce and tomatoes from Mexico? The farmers of America can produce enough goods to feed the world, but we can't get our own goods here in America? This is absurd.

You know, it wasn't the American produced onions that made people at Chi-Chi's sick. It was onions produced in Mexico that were grown in contaminated water. And how about the contaminated strawberries? Those weren't American produced either. Why are we so surprised when we have problems with produce from other countries that don't have the same health standards that we have here?

And the same goes for lead paint in toys from China or poisons in our pet foods. They are producing to a set of standards that they set--not standards that we set. Therefore, we have to live with what we get if we want to continue to buy products from these places.

But the problem isn't this simple. There are many facets to this. For example, let's consider oranges and orange juice. Hundreds of thousands of acres of orange groves have been destroyed in Florida, without being replaced, for rampant real estate development.



The same goes for California. Has the demand for oranges or orange juice gone down? No! So, we have fewer orange groves producing less supply for equal or growing demand. Well, it is easy to see that two things are going to happen. First, prices are going to go up; that's economics 101. Second, we are going to have to start to import additional oranges to fulfill our demand. So, as more and more orange groves are destroyed in the coming years, we are going to be paying more for oranges and orange juice, and we will be forced to become more dependent on foreign suppliers. With respect to these foreign suppliers, we don't know what they are using to grow these oranges or maintain their orange groves, what pesticides they are using, what quality of water is being used, etc. And it doesn't stop with oranges.

Second, we have the larger issue of globalization. Let's be clear that globalization is not a bad phenomenon. The forces of globalization have driven down prices for many goods, thus enabling many people to purchase products that may have been too expensive in the past. Globalization is an extension of an economic principle known as comparative advantage whereby each party should produce that goods that they are most efficient at producing then trade with other parties. For example, suppose country A has access to technology that enables them to produce widgets at a lower cost than county B. However, country B has a larger workforce and factory base that enables it to produce gadgets more cost effectively than country A. Both countries need these products, so they focus on producing what they are good at then trade with each other for what they need.

Today, China has a large, cheap workforce. Thus, they produce labour intensive products--textiles, durable goods, etc. Americans want these products and are willing to buy them from foreign sources. This has come at the cost of a loss of hundreds of thousands of manufacturing jobs here in America simply because American companies cannot compete with the cheap labour costs of countries such as India and China.



So, manufactured goods production has been dying a slow death here in America. But beyond the sacrifice of jobs, Americans have sacrificed quality of the products. Are American produced textiles of a higher quality than those produced overseas? Absolutely! Anyone who says American made goods are not a higher quality is just fooling themselves. In addition to sacrificing quality, we have been forced to sacrifice standards. Again, goods produced here in America are done so under laws and regulations that do not necessarily exist in foreign countries. Thus, they are more likely to cut corners in an effort to maximize return. After all, it's all about the money, even in these foreign countries.

So, we find ourselves in a quandary. Do we sacrifice quality and standards to save a few bucks and in the process perhaps risk our lives or those of our children? Or do we try to return to American manufacturing where we know what quality we are getting and don't have to worry about safety issues?

I prefer that we return to American made products and in so doing show our economic patriotism. Unfortunately, that isn't likely to happen just yet. It will probably take some tragedy that costs many lives before Americans wake up and smell the roses on this issue. Until the mentality in America changes, all we can do is hope that our private industry and political leaders work with our trading partners to ensure that the safety of consumers is the highest priority.

4) What is your assessment of the economy and general business conditions?

There is no doubt that the economy has slowed down in the last several months. GDP figures were weak for the first quarter of this year, but there was a slight rebound in the second quarter GDP growth. This might be a little misleading. The biggest issue right now is inflation. The monthly CPI numbers can be all over the map, and some economists and analysts like to use



the core CPI as an inflation measure. But I don't think removing food and energy prices from the inflation figures is a wise thing to do.

Let's just look at the basics. Oil prices have been reaching new highs. We've seen a large and sustainable increase in oil prices the last few years. This has translated into higher prices for gasoline at the pumps. Anyone who drives a car knows that this has a negative impact on their purchasing power. If you're spending \$20 more in gas per week, that means you have \$20 less to spend on something else or to save. And we talked earlier about importing goods, both food and manufactured products. Those goods have to get here by some mode of transportation that likely relies on oil or gas. Guess what--the prices of those imported goods are likely to rise. Last time I checked at the grocery store, we're paying more for food across the board. In fact, it seems like we're paying a little more for most goods.

It is no surprise to me that this rise in energy prices has started to cost the consumer. But the consumer in America has been resilient over the last few years mainly as a result of skyrocketing real estate prices that allowed many to tap into the equity in their homes at very cheap rates. Now that the real estate boom party is over, those consumers are not going to be able to rely on rising home values to support equity extraction for spending.

And, I think this slowdown in the housing market and the subprime debacle is going to have more of an impact on the economy than we think. I believe it is going to get worse before it gets any better.

So, overall, I am pessimistic on the economy right now. I think that we will continue to muddle along for the time being, but the effects of higher prices is ultimately going to manifest. At that point, I would not be surprised if we see a recession. Business conditions are favourable now for non-



discretionary spending. People will still need food and clothing, so those areas should be fine.

I would end by cautioning about the headline numbers that are always released regarding economic data. That data can be quite misleading and lagging. We need to focus on where we are going in the coming quarters not where we were in the first or second quarter.

5) What is your outlook for the economy and interest rates?

Like I said, I am quite pessimistic on the economy right now. I am willing to say that the preponderance of evidence seems to me to suggest that we will have significant economic weakness in the second half of this year along with a higher level of inflation. Whether or not the economy actually contracts in two consecutive quarters (the typical definition of a recession) or just experiences slow to no growth is tough to gauge.

The Federal Reserve is in quite a position from a monetary policy perspective. If they cut rates to stimulate growth, they risk rising inflationary pressures. Increased growth translates into more demand for energy and oil which could, in turn, propel oil prices even higher. That could then further stoke inflationary pressures and become a drag on the economy. If interest rates hold steady, there is a good chance that the Fed can choke off inflation.

It will be interesting to see what the FOMC does at the upcoming meeting. I would hope that they would stand firm on rates for now, but the futures markets are pricing in a cut of at least twenty-five basis points. If the Fed does cut rates, we will likely see some short-term pop in the equity markets and a fall in the dollar on foreign exchange markets. But even so, I don't think a cut will stem the bleeding in the real estate markets. This is an issue that is just going to have to work itself out. Since it takes



about eighteen months for rate changes to work through the economy, a cut now won't stop the economy from slowing in the short-term and will only perpetuate future inflationary pressures.

6) Rate Federal Reserve Chairman Ben Bernanke's job thus far.

It's too early to tell really. He is quite different from former chairman Alan Greenspan in that he talks about monetary policy at a level that most members of the Congress, business leaders, and the public understand. There are those who believe his plainspoken style as opposed to Chairman Greenspan's cryptic messages has helped to convey the Fed's positions along with its views on the economy and the attending risk to the public in a more effective manner. I'm not sure that I agree with this assessment, but to each his own.

Chairman Bernanke showed clear leadership in presenting a statement on August 17, 2007 that indicated the Federal Reserve was aware of the deterioration in economic conditions and the risks posed by the credit crunch. However, I think that the Fed's subsequent action in reducing the discount rate by fifty basis points was premature. That action was not going to make any difference in economic activity, though it did send a signal to the financial market participants that it would take the steps it deemed necessary to ensure a properly functioning financial system.

The real test for Chairman Bernanke will be his handling of monetary policy during this current real estate downturn, subprime crisis, and credit crunch. If he appeases the markets and gives them a cut in the federal funds rate, it will send a signal that this Fed will provide a protective "Bernanke put" to investors who have made bad decisions.



7) Do you feel the stock market is overvalued, undervalued, or fairly valued?

Right now the market is probably overvalued. I don't think that analysts and investors have priced in the risks to the economy as I see them and as we previously discussed here today. Sure, corporate profits have performed well of late, but the ability to continue this performance is contingent upon strong economic activity in the future. My assessment is that inflation is going to rise and economic growth is going to slow. I don't think that businesses or the markets will perform well in an environment of stagflation. It is almost as if businesses and investors have blinders on and that they don't want to hear anything negative about the economy--like the three monkeys that see no evil, speak no evil, hear no evil.

I hope that I'm wrong, but I don't think I am. Once the economy starts to show signs of weakness, we may well see substantial declines in the markets of 20%-30%. This could be more if the downturn is prolonged or deeper than I'm thinking.

8) Will it be a Republican or Democratic victory in 2008?

We're still a long way out, and it could go either way. The Republicans may have a difficult time holding the White House given there is so much anger and bitterness towards President Bush. I think the American public's disappointment in the previous Congress, which was controlled by the Republicans, was illustrated by the Democratic win in November 2006. However, since then the Democrats have been fueling this anti-Bush and anti-Republican fire in every possible way. Ultimately, I think this will backfire on them, particularly if the Democrats nominate a polarizing figure such as Hillary Clinton.

If I had to make a guess now, I think the Democrats will keep firm control of the House of Representatives. The Senate may revert back to



Republican control given the number of seats up for grabs, but we're more likely to end up back at 50-50 or with only a one or two seat Democratic majority. The control of the Senate will be the most hardly fought battle, in my opinion.

Control of the White House really depends upon who gets the party nominations. I think Fred Thompson has the best ability to win the election if he gets the nomination. John McCain could also win in a close contest. I don't think that the Republicans can win if they nominate Mitt Romney or Rudy Giuliani, unless the Democrats nominate Obama. If Edwards wins the Democratic nomination, I think he will likely be the next President of the United States, regardless of who the Republicans nominate.

9) What are your views on Social Security reform?

Social Security reform is an issue that needs great attention. I applaud President Bush's efforts to address this issue during the 2004 campaign and at the start of his second term. I am highly disappointed that the Congress and the public dropped the ball on this matter. It is not as if we don't know about the insolvency facing Social Security. We've known about this problem for quite sometime now. Our hosts at Thinking Outside the Boxe have written about this issue for several years now. They have, in fact, come up with some creative ways to address the issue.

Simple fact is that we must reform Social Security or else raise payroll taxes substantially. The Social Security Trust is going to be bust, bankrupt, or whatever you want to call it, in about two decades. If we wait until then to fix the problem, payroll taxes will have to rise so much as to make American labour more uncompetitive. But more than that, this places a substantial burden of paying for programmes that this generation and previous generations promised upon the next generations that were not even part of the decision making process. That's unfair for the American people and the next generation of workers.



How do we start to fix the system? I am a proponent of reforming Social Security in such a way as to give the younger generation the option of a personal account. People call this "privatization" and shirk away from this as if such proposals are heresy. I would rather take my chances with an account to which a portion of my payroll taxes are being contributed and accumulated for my benefit than with the current system. By the trustees own information, we know that the Social Security trust is earning a below average rate of return of less than 4%. Any money manager, even the most conservative money managers, should be able to beat the returns on the current Social Security trust. Wouldn't workers be better off putting their money in a diversified investment account? Absolutely! And the worker is able to claim ownership of this investment account, unlike the current Social Security system. If the worker dies, the surviving spouse, family, etc. would be able to have this asset that has accumulated over time.

Social Security reform is not a matter of if; it is a matter of when. Burying our heads in the sand will not make the problem go away, and ignoring it will only exacerbate it. Now is the time to take action to protect current Social Security beneficiaries and the future generations of workers. I will continue to support privatization until we have a better proposal on the table.

10) What are your views on tax reform?

Much like reforming Social Security, reforming our tax regime is a matter of when not if. The current income tax system is antiquated and horribly complicated. The tax code has become so convoluted that the ordinary hardworking American can't understand it. It's grossly unfair in that the middle class bears a disproportionate burden. And what does it say when more people are afraid of being audited by the IRS than of being mugged?



Of course, there are few options when it comes to an overhaul of the tax code. We can tax incomes, we can tax property, or we can tax consumption. I have long supported Steve Forbes' plan for a flat tax on incomes. This would be an important step towards comprehensive tax reform, but I think that we will ultimately need to change to a consumption tax much like the Fair Tax proposed by Neal Boortz and John Linder. Philosophically it makes sense--if you consume more, you pay more. Thus, there is also an inherent incentive to save money, which could help America balance the current account and increase the national savings rate from abysmally low levels.

There are several benefits to a consumption tax. *The Economist* several years ago did a large piece on European countries that had switched to a consumption tax from an income tax. The data showed that the government tax revenues increased overall whilst there were no adverse impacts on the individual as a result of a change from the income tax system. I think we would see a similar surge in government tax receipts here in America given the huge underground economy and the number of illegals here who don't pay any income taxes.

Think about it--if there are in excess of an estimated twelve million illegal aliens here in America who are not paying income taxes but who are consuming goods, a consumption tax makes them unable to avoid paying their fair share of taxes. If each illegal is making \$15,000 per year in cash, spending \$10,000 per year of that income on clothes, toys, electronics, etc., and we have a new 10% national consumption tax on purchases, each illegal will be paying \$1,000 per year in tax. If there are twelve million illegal aliens here, that would equate to roughly \$12 billion for the government that was not there before. If we had this \$12 billion per year now, it could help make the Social Security system more secure. Isn't this fair? Why should hardworking Americans bear a disproportionate tax burden under the income tax



system whilst millions of illegals here make their money tax free?

In the long-term, I think that we would see an improved standard of living for more Americans across the country. In an ideal world, higher tax revenues coupled with constrained spending would benefit everyone. But to get to this point, a lot has to change, particularly the mentality of the public and our elected leaders' willingness to tackle this very large and politically-charged issue.

11) What risk does the federal deficit and federal debt have in the outlook for the economy and business long-term?

Let's consider this from a business perspective. Budget deficits or net losses for a business are unsustainable for the long-term. The same goes for the level of debt. It cannot continue to increase without bounds forever. Short-term, businesses can experience losses and increase their debt burden. In fact, it is even healthy to do this sometimes. For the government, deficit spending is sometimes the right thing to do to get an economy out of recession. But the deficit spending cannot go on forever. Likewise, governments can take on debt at manageable levels. Basic finance principles indicate that debt in the capital structure of a business increases the shareholders' return on equity. Debt may be necessary to expand a business and maximize returns and production potential. So, deficit spending and debt are not evil things.

However, uncontrolled deficit spending and increasing debt can drive a company into bankruptcy. There is a point beyond which additional debt for a company increases the risk of bankruptcy at an exponential rate and actually becomes a drag on the company. I think we're getting to that point with the federal debt for the United States. The federal government, of course, can simply raise taxes to cover budget shortfalls or reduce outstanding debt. Often times,



that is not an economically sound or politically-wise move.

Former President Bush and the Congress increased taxes in the early 1990s. This ultimately resulted in an increase in government revenues which, coupled with a strong economy and the balanced budget initiative by the Republican controlled Congress in the mid-1990s, produced a budget surplus. The Congress and President Clinton's administration used the budget surplus to pay down a portion of the federal debt. At the time, there were projections that the federal debt would be complete eliminated by something like 2030 or so. Those projections did not include extraordinary and unexpected events such as the bursting of the internet stock bubble in the early 2000s and the attending recession and the 9/11 attacks and the havoc that brought on the economy. President Bush and the Congress decided to use the budget surplus that they inherited to fund a massive tax cut that helped avoid a potentially prolonged and deep recession and brought substantial tax relief to most American taxpayers. Then we had the wars in Afghanistan and Iraq that have cost billions to protect America and our interests overseas. But then the Congress embarked on runaway spending initiatives that included massive pork projects like the infamous bridge to nowhere in Alaska. That is when things went awry.

Quite simply, we need to restore fiscal discipline. Yes, deficit spending is necessary at times, but we must then attempt to return to a balanced budget. I believe that a balanced budget is a fiscally responsible endeavour. If there is a budget surplus, I would advocate a combination of paying down the debt and tax relief. What I do not advocate is a *complete* paydown of the federal debt. I think we could get the federal debt down to a more manageable level which could help to lower long-term interest rates. But before we do this, I would advocate using a portion of the surplus to help, in the absence of comprehensive reform to the programmes, shore up Social Security and Medicare.



If we allow the trend of budget deficits to continue indefinitely and the federal debt to increase uncontrolled, there will likely be long-term adverse impacts to economic activity. The likely outcome would be higher interest rates and a potential increase in taxes which would make our economy less competitive. These events could trigger a slowdown in general economic activity, perhaps spark inflationary pressures, and damage overall business activity and industry.

12) Global warming—fact or fiction?

I'm not totally convinced that the global warming debate is all that important. The Earth has been here for billions of years, and it has undergone changes in cycles. We don't know if global warming is a new phenomenon or just another climatic cycle that the Earth has undergone before. It's true that this year has seen many record setting temperatures throughout the nation. I venture to say that you've set some records there in South Carolina. In many cases these records are breaking the previous records set fifty or sixty years ago or even longer in some cases. I would think that, if the global warming philosophy were correct, we would see records set every year.

But whether or not global warming is a natural phenomenon or attributable to human activity is not really the issue. We can't fight Mother Nature. If Mother Nature wishes to wipe us out and let the Earth regenerate, there is nothing we can do to stop it. What we should be focused on is the human acts that the proponents of global warming allege are creating the problem--greenhouse gas emissions, pollution, etc.

I believe that we should support reductions in greenhouse gas emissions and pollution not because it is causing global warming but rather because it is the right thing to do to protect our environment. A move towards renewable energy sources and alternative fuels will help to reduce our dependence on foreign oil and



promote a cleaner environment. Dumping pollutants in our rivers, streams, oceans, and the ground is wrong. It is not in our best interests as stewards of this planet. Let's focus on preserving and protecting our environment in an economically responsible way.

Let's look to Theodore Roosevelt as a model leader in this area. He was a great conservationist, and his initiatives have protected millions of acres of beautiful natural resources in America. Let's take things one step further and commit ourselves to reducing greenhouse gas emissions through alternative fuels and a carbon trading scheme much like that in Europe and California. If we raze a thousand acres for development, let's take the steps necessary to give back to the Earth. But we must make sure that our actions are not overly economically onerous on business and industry lest we risk economic advancement in the name of environmentalism.

13) Iran and North Korea both have nuclear programmes. Will diplomacy solve these issues long-term?

I would like to believe that diplomacy could solve these two very difficult geopolitical situations. Unfortunately, I'm not sure that diplomacy is going to be successful in dealing with the Iranian and North Korean nuclear programmes long-term. Are both of these regimes a threat to the United States and the West? Yes! Are they part of an axis of evil? Absolutely. Either of these regimes would sell their nuclear technologies to the highest bidder or give them to a terrorist organization to use against us and our allies.

We probably have a better chance of negotiating with North Korea, but as we have found out already, Kim Jong-Il is not a man of his word. He has gone back on the promises he made with the Clinton administration, and he has not exactly negotiated in good faith during the six or eight rounds of multi-lateral talks over the last several years. I am not convinced at all that he will honour his agreements made earlier in the



year with the negotiating team. I believe he is an opportunist who will use his nuclear ambitions again in the future to blackmail the United States and the West into making concessions that keep him in power, keep his regime safe and wealthy, and the people impoverished. Presuming he is not taken out or dies prematurely of natural causes, we may be dealing with Kim Jong-Il for a few more decades. And, once he is gone, we are likely to be dealing with another despot who may be even more dangerous than this one.

Iran is a much different scenario. I don't believe that they are trying to blackmail the United States or the West. This is an ideological struggle between radical Islam and democracy as we know it. This isn't a popular thing to say in the mainstream media nowadays. It seems like the media wants to try to sugarcoat this issue and convince the American people that Iran and their brand of radical Islam is not much of a threat. They're doing a great disservice to the people of this great nation, but that's another debate for another time.

Unlike political enemies whose political ideologies are different such as the United States and the Soviet Union during the Cold War, there is no reasoning with religious fanatics that characterize radical Islam and the Iranian leadership. These people believe that their God wants them to kill all of us infidels and that as a reward they will enjoy all these virgins in their heaven. Sounds pretty extreme to me. This is a fundamental difference that I don't think we can overcome with diplomacy. There is no doubt in my mind that Iran would use its nuclear programme to develop nuclear weapons and that they would then use these nuclear weapons on their neighbours in the Middle East and on the United States and other western countries to bring about our complete and total destruction. There's no brinkmanship here like in the Cold War. The Soviet Union knew we would destroy them if they attacked us and vice versa. These Islamic radicals just don't care if we kill them. If they die fighting the infidels they're rewarded in heaven. It's pretty



frightening if you ask me. Further, I have no doubt that they would give nuclear weapons to the terrorists that they are known to support. This is just an unacceptable risk to be taking.

The EU3 (Great Britain, France, and Germany) tried to use diplomacy with Iran, but that failed miserably. It was a total waste of time. Iran still claims that its nuclear programme is for peaceful purposes. If that were the case, why did the Iranians reject proposals to import fuel for energy from other countries and process nuclear fuel in Russia? Clearly, the preponderance of the evidence points to a clandestine nuclear weapons programme. I don't think that anyone doubts that at this point. So, the EU3 failed in their diplomatic efforts, the Iranian regime remains defiant, and the United Nations appears to have been castrated. Will diplomacy solve the impasse with Iran? I highly doubt it, and I think any additional diplomatic efforts would just be a waste of time.

14) What are the prospects for alternative energy?

The prospects for alternative energy look good, but until they become economically viable, I'm not sure that we will see much progress in wide-spread use. Ethanol is a great alternative to petroleum products—it comes from renewable resources such as sugarcane and corn, and it is cleaner burning than fossil fuels. Unfortunately, we do not have sufficient refining capacity here in America to produce enough ethanol fuel to displace gasoline for automobiles. I suspect it is going to be a long time before we get to the point where ethanol displaces petroleum. Getting to that point will take a massive capital investment with little upfront return until such as time as ethanol becomes the primary mode of fueling automobiles.

The same could be said of other sources of renewable energy such as solar, wind, and water power or even nuclear power for that matter. All of these other sources of energy require substantial capital



investment. This is far greater than the financial cost of using oil and gas in the short-term. But this doesn't consider the non-financial costs, such as the cost of our dependence on foreign oil, pollution, etc.

It is encouraging, however, to see a trend towards more "green" projects. If memory serves, Beach First's headquarters in Myrtle Beach is one of the first "green" buildings in the state of South Carolina. I think that the people and businesses are starting to take a more pragmatic approach to the issue of protecting our environment and conservation of our resources. Changing people's hearts and minds is an important first step in adopting more green initiatives.

This is particularly important as we consider the future of our power grid here in America. I think this is a gravely important issue that has been overlooked, in general, and that should get our immediate attention. In the past decade we have seen blackouts throughout the western part of the United States, namely California, and tremendous increases in the price of power in some areas of the country. And we are seeing more and more demand on our power grid as development has boomed in the last few years. This development has become particularly strenuous on the aging power grid that we have here in America. We know that the demand on the power supplies will continue to increase, but it doesn't seem like we are ahead of the curve. All of the upgrades to the power grid have been aimed at catching us up with where we need to be. We just haven't gotten ahead yet.

I believe that alternative energy supplies could help in this realm. Solar and wind power would be environmentally friendly ways of boosting power production. Nuclear energy could also help tremendously, though this does pose some serious environmental hazards. But again, this is going to take a massive capital investment in these projects which many business leaders are reluctant to undertake if the short-term gains are not tangible.



Undoubtedly, we need to get on top of this issue and get our hands around it before it's too late. We can bite the bullet now and get it done at a high cost or we can wait until later when it absolutely must be done (that's when it's too late) at a much higher cost to all parties and stakeholders involved.

15) Should we give debt relief to HIPCs (Highly Indebted Poor Countries)?

Debt relief to highly indebted poor countries is one of these "feel good" issues. It makes us all feel good to think that we are helping these impoverished countries and it makes America, the most powerful and richest nation in the world, look good and compassionate. Unfortunately, we're not really helping them solve the fundamental problems that plague them and keep them in poverty. There's an old Chinese adage about give a man a fish and feed him for a day but teach a man to fish and feed him for a lifetime. That's what we need to focus on with these poor countries in Asia, Africa, Latin America and the Middle East. Debt relief does not achieve this. We give them debt relief now, and these nations will simply rack up more debt and keep their hands out for more foreign aid. I would rather keep the debt on the books as interest free until repaid so long as said debt is repaid by the end of the term originally set forth by the creditors.

Having said this, I don't object to private charitable contributions to these nations to help build schools and hospitals, to provide food and medical assistance, or to help with clothing and housing. I have a problem when our government pledges billions of dollars each year in foreign aid to nations throughout the world, some of which hate us with a passion and some of which are run by corrupt officials. I don't think this was something envisioned by the framers of our Constitution. I would rather see this money diverted to take care of Americans here at home. There are plenty of worthwhile endeavours here to help Americans who live in poverty. Granted even the poor



here have a standard of living that is an order of magnitude greater than that of those in impoverished nations.

You know, I don't want people to think that I am an ogre or that I don't have a heart. The poverty in which these people live is terrible, and my heart does go out to them. Some of these countries in Africa have been impoverished for all of known history. I don't think we're going to change that. So why throw money down a black hole when it can be doing good for the people here in America who have sacrificed and worked hard for our nation? I think many tax payers would resent the fact that they are being taxed for working hard only for that money to be given away to other nations who can't help themselves, particularly when we have appalling statistics on the number of children and elderly who go to bed hungry each day here in America. Let's make America and its citizens first.

16) Does the concentration of power by Russian president Vladimir Putin give cause for concern?

It concerns me insofar as that Russia appears to be heading towards a new freeze in relations with the West, particularly the United States. I think the world had high hopes for Russia under President Putin, but in the last few years it seems as though democracy has crumbled in favour of an oligarchy whereby you have a few high net worth industrialists who are close to President Putin all calling the shots. This has created a greater disparity between those at the top, the haves, and those at the bottom, the have nots. There's probably scant hope for real democracy in Russia for the foreseeable future.

What concerns me is the relationships that Russia has been forming with other nations in the recent past. They seem to be growing closer to China, Iran, and Venezuela but growing farther apart from the United States and the West. It almost seems as if they are teaming up with some nations who are hostile towards



the West, particularly the United States. I get quite uncomfortable to think that some nations who aren't exactly our friends start ganging up. Their motivations are still somewhat of a mystery; it could be economic or militarily oriented or they could be looking to establish relationships that benefit them by way of energy. I believe we'll likely see a new age of a diplomatic or economic proxy war between Russia and the United States whereby Russia uses some of these third world nations to do their bidding. That certainly is not an optimal geopolitical situation.

17) Is Osama bin Laden dead or alive?

Personally, I think bin Laden is dead. I think we killed him in the early bombing campaigns in Afghanistan in October 2001. Even if he were in a bunker in the mountains, I think the odds of him surviving bombings with ten thousand pound daisy-cutter bombs that bore into the ground before detonating are remote. Besides, he was not in the best of health back then with the dialysis and all. If we were able to find Saddam Hussein in a spider hole in the middle of Iraq, are we to believe that we have not been able to find bin Laden traveling around with a dialysis machine? No, I think that he's dead and that all of the videos we have seen were pre-made by him and his band of misfit terrorists. They planned out the entire 9/11 attacks, so I'm sure they were resourceful enough to produce enough ambiguous videos to keep up appearances if he were killed.

However, even though bin Laden is probably dead, what he represents is still alive and well. Radical Islam or Islamic extremism, whatever you want to call it, is still strong throughout the Middle East and other parts of the world. You can kill a man, but you can't kill an ideology. And as we have seen, other members of the al-Qaida organization have come to the forefront in recent years. We've gotten some of them as well, but others are still at large. And, sadly, there are others waiting in the wings to take their place when we take these guys out.



This struggle against terrorism is an ongoing struggle. Radical Islam promotes hate towards the United States, the West, and all that we represent. This is going to be a multi-generational struggle for us. It's going to be quite some time before we eliminate all of the terrorists, because this situation, unlike that in Northern Ireland, cannot be solved through diplomacy or negotiating with the enemy.

18) What is your assessment of the Bush Administration?

President Bush and his administration are quite an emotional topic for most people. Unfortunately, I think he's a president that you either really like or really dislike. I fall into the category of people who really like President Bush. I believe he has been a good leader that has accomplished a number of good things during his two terms in the White House.

He worked together with Democrats in the Congress to pass sweeping tax cuts that stimulated the economy and helped avert a potentially deep and prolonged recession in 2001 and 2002. Tens of millions of Americans received tax relief as a result. He worked with Democrats like Teddy Kennedy to pass a large education bill, the No Child Left Behind Act. Now, this wasn't necessarily the most ideal educational bill, but it was a good step and it showed his ability to work with both parties to accomplish good things for the people of America. He and the Congress crafted a prescription drug plan for seniors, which means many seniors will not have to choose between groceries and their medicine. True, it was not the most financially sound initiative, but the intention was noble.

He has been a good leader in defending America in response to the 9/11 terrorist attacks on our country. The creation of the Department of Homeland Security and reorganisation of intelligence gathering has been instrumental in preventing further terrorist attacks



and keeping America safer in the global war against terror.

Of course, the war in Iraq has been the most controversial and most divisive issue that we've faced in a long time. Whilst I'm not going to debate this whole issue, I would only offer a few points. First, prior to the U.S. invasion of Iraq, all the major intelligence agencies throughout the world--the CIA, NSA, MI6, French intelligence, Italian intelligence, and Russian intelligence--believed that Saddam Hussein had a covert weapons of mass destruction programme. Even the United Nations believed this. Everyone had and saw the same intelligence information that President Bush saw. In addition, Saddam Hussein offered to go into exile prior to our invasion if he could take one billion dollars and all of his weapons technology. If he didn't have an illicit weapons programme, why would he make this offer that was ultimately rejected by all parties.

Beyond this, does anyone really believe that the world would be a better place if Saddam Hussein were still in power? We've seen the torture chambers, we know of his atrocities, and yet people still think that deposing him was the wrong thing to do.

All the claims that President Bush misled the public and manipulated the information on Iraq is just a feeble attempt by certain Democrats to try to gain political advantage by impugning the President and his credibility. All of this stems from public disenfranchisement resulting from the lack of progress in Iraq following the war.

You know, keeping the peace is almost always harder than winning the war. I will admit that members of the Administration underestimated the difficulty in maintaining peace following Saddam being deposed and in creating a functioning democracy in a country that has historically been ruled by strong-armed leaders. There should have been much more post-war contingency planning for the fallout that we have experienced.



But to demonize the President for all that is wrong in the world is unfair. He has admitted to the mistakes made by members of the Administration, and instead of accepting this and working together, the members of the Congress, both Democrat and Republican, have turned on the President and sought to engage in petty bickering to advance their own political agendas as opposed to doing the work that is in the best interests of the people of America.

19) What do you perceive to be the biggest threat to the U.S. economy---inflation, interest rates, oil prices, etc.?

Right now I believe the greatest risk to the economy is a condition called stagflation whereby we have low economic growth but higher inflationary pressures. Oil prices are probably going to reach ninety dollars per barrel by the end of the year which could fuel further inflationary pressures and slow economic growth. If the FOMC cuts interest rates at its upcoming meeting, as the futures are predicting, this could further stoke inflation without boosting economic growth. Of course, geopolitical tensions factor into this with respect to the price of oil, and uncertainty surrounding the 2008 presidential election (yes, people are already worrying about that) may contribute to a reluctance of investors and businesses alike to take a wait-and-see approach to making significant investments.

20) General Pervez Musharraf—friend or foe?

He's certainly not a foe of the United States, but I would venture to guess that we have a rather agnostic view towards him. I like to believe that he is someone that we can count as a friend. General Musharraf has been a valuable ally in the global war on terror in the last six years, but he could certainly have done more during this time to help track down and bring terrorists to justice (or take justice to them). To be sure, he has done his part in this struggle, as the terrorists are just as much a



threat to him as they are to the United States and the rest of the world.

We have a very unique situation with Pakistan. General Musharraf is not very popular on the world stage in that he is a military dictator, and it is quite strange that we are supporting his regime despite our efforts to promote democracy abroad. Prior to General Musharraf's coup, however, Pakistan was plagued by corruption at the highest levels; both Benazhir Bhutto and Nawaz Sharif were plagued by corruption scandals whilst they were prime minister, which ultimately resulted in their going into exile. And the former regimes did little to stop terror networks from training there. I think it would be difficult to consider the former regimes in Pakistan our friends.

General Musharraf definitely brings stability to a country that could very easily go the way of Iraq and collapse from bitter infighting and internal strife. We certainly don't want that to happen, especially since Pakistan has nuclear weapons. But Pakistan remains a hotbed where anything can happen politically. General Musharraf has certainly made some questionable decisions, such as removing the supreme court justices, but things there remain relatively stable. I think the real test for Pakistan is how the pending return of Benazhir Bhutto and Nawaz Sharif will impact October's general election. I suspect that General Musharraf will be returned to power amid accusations of rigged elections aimed at tainting his ability to govern or to force him to give up his post as the commander of the military in order to remain as president.

21) Do you support universal healthcare?

I don't believe in universal healthcare that is paid for by the federal government, but I do believe that all Americans should have access to affordable healthcare. The framers of our Constitution did not have universal healthcare in mind when founding our nation and setting forth the responsibilities of the



federal government. Socialized medicine or universal healthcare, call it what you will, is an expensive endeavour for any government to undertake. Medicare is already bankrupt and will require substantial financial assistance to remain solvent. Adding universal healthcare to the budget of the government would literally bankrupt America. Our level of income and payroll taxes would have to rise by so much to pay for such a program that working Americans would see a majority, let me emphasize a majority, of their paychecks go to the federal government. This would kill the competitiveness of the American economy, place a tremendous financial burden on the generations to come, and drag down our economy to depths that this generation has never seen.

As I said, I do believe that every American should have access to affordable healthcare. There are over forty-three million Americans who do not have any healthcare coverage right now. Many of these people have been turned down by the insurance companies due to preexisting conditions or merely labeled as high risk. Many others simply cannot afford the exorbitant premiums demanded by the insurance carriers for coverage. This, of course, beckons the question as to why are insurance premiums so high?

Well, we have higher claims because Americans don't really take care of themselves. We've become a fat, gluttonous nation with many problems related to people who are overweight. Most Americans don't diet and exercise, both of which contribute to better overall health. Diet and exercise are two of the most effective means of preventative healthcare. We have illegal aliens who are using our hospital emergency rooms for primary care. If they aren't able to pay, someone has to subsidize it. Any guesses who that would be?

Finally, we are a litigious society whose courts are backlogged with frivolous lawsuits, many of them relating to medical malpractice. Whilst there are many legitimate claims, there are many, many cases that do not have any merit but that get their day in



court. These cases have helped to drive up medical malpractice insurance rates for doctors, which in turn drives up the cost of healthcare in general.

If we could get a handle on some of these issues, healthcare costs would likely fall, which could lead to a fall in insurance premiums. I am very reluctant to suggest that the federal government intervene with rate caps or price setting or even offering initiatives to increase competition in the insurance markets, but something ultimately has to give in order for the average, hardworking American to have access to affordable health insurance.

But one positive trend that I see is the growing popularity of retail medical care. Companies such as Wal-Mart and a couple of drug store chains are now offering customers in-house doctors/nurse practitioners to provide very affordable healthcare. Obviously, this only applies for minor illnesses, but this could go a very long way in providing access to affordable healthcare and in driving down insurance premiums. We are probably going to see more and more of these set-ups in the next few years.

22) Do we attack Iran if the regime of Mahmoud Ahmadinejad does not abandon its nuclear weapons programme?

We're going to have to make some very difficult decisions regarding Iran. The United Nations and the rest of the world do not have the resolve to impose and enforce strict sanctions that deprive the regime of outside resources. Other nations point out that sanctions against the Iranian regime would hurt the ordinary Iranian. Too bad. If the people of Iran don't like the mess their leaders have gotten them into, institute change. Let's not forget that the people of Iran elected Mahmoud Ahmadinejad as their president. They obviously support his policies and his leadership. If the sanctions are bad enough and the people hurt enough, perhaps they will seek change on their own. That would be the optimal solution. In the process, of course, it will engender hate and resentment towards the United States, the Great Satan



as they perceive us. So, we're damned if we do and damned if we don't. The overriding concern, in my opinion, is that Iran will embargo oil sales to other nations, driving up the price of oil and plunging the world economy into a deep recession. That is a legitimate concern, and there is no doubt that the Iranian regime will use an embargo as a form of economic terrorism.

We know that Iran is not going to end its nuclear weapons programme. They want nuclear weapons so that they can control the Middle East, wipe out Israel, and destroy the United States. They believe that they have a religious mandate to do this. That is what makes them so dangerous to the rest of the world. We simply cannot let them acquire nuclear weapons technology. If the United Nations and the rest of the world will not act, we must destroy their nuclear weapons programme through tactical airstrikes against their facilities. We have a presence in Iraq, and we can certainly launch airstrikes from there. An intense bombing campaign against strategic targets in Iran could help to weaken the regime enough for internal forces to bring about change. Certainly, we don't need to put any troops on the ground there. Let's just bomb them into submission. The bombing campaign against Libya in the 1980s helped to bring Muammar Gaddafi around; he learned not to mess with the United States. And though it took a while, he eventually renounced pursuit of weapons of mass destruction.

Unfortunately, if we do launch airstrikes against Iran's nuclear facilities, they will probably institute an embargo of oil and drive up the prices. And we'll probably see emboldened terrorists and increased violence in Iraq where we're fighting a proxy war against Iranian backed fighters. But are the risks of this greater than the risks of Iran actually obtaining nuclear weapons? In my estimation, they are not, and we must prevent Iran from its pursuit of weapons of mass destruction at almost all costs.



23) Is formal inflation targeting by the Federal Reserve an effective means of achieving price stability?

I belong to the school of thought that is against publishing formal inflation targets for the Federal Reserve. Chairman Bernanke, however, seems to be a proponent of this initiative. I'm glad that he and the European Central Bank like that initiative, but I don't. Formal inflation targeting would seem to put the Federal Reserve policymakers in a difficult position of placing more emphasis on the price stability aspect of its dual mandate as opposed to maximum sustainable employment. If they have to worry about keeping inflation in a certain range, I venture to say that they may miss the bigger picture.

For example, let's assume that the Fed published a formal inflation target of 2%-2½% for the core price index measure. Let's say that core inflation for the two months prior to its meeting was 3%. Does this mean that the FOMC has to raise rates to try to get inflation back down to 2½% or lower? What if the prior quarter's change in real GDP was only 1% at an annual basis? Raising rates may choke off the inflation but also result in lower economic growth. If the FOMC decided to take no action, they would then have to always justify and explain to the markets their decisions. You would have rules, but then there would be exceptions to the rule and exceptions to the exceptions. This would insert more uncertainty into the markets, and analysts, economists, academics, and investors would try to read into the FOMC's decisions even more so than they do now. Additional risk premiums in the markets due to this uncertainty would have adverse economic consequences.

In the final analysis, inflation targeting just makes the already difficult job of the Federal Reserve even more difficult whilst placing constraints on the decision making process. The manner in which the Federal Reserve currently makes policy works, and there's no apparent benefit to changing it in my estimation.



24) What does the future look like for Cuba?

The world has wondered for years now, ever since the collapse of the Soviet Union and the fall of the Berlin Wall, what would happen in Cuba when Fidel Castro dies. Practically, he is dead at this point. His frail health forced him to turn over power to his brother Raul last year, and since then, he hasn't been a very large force in Cuba except in name only. The big question now is what happens when Raul dies or steps down due to his own age. The communist *apparatik* or *party politik* still has its grip on the government and the people of Cuba. So, it's likely that even if Raul Castro dies or steps down he will be replaced by some other communist dictator in the party echelon, and we have no idea what we'll get then. There's something to be said for the old saying about better the devil you know than the devil you don't.

What we don't want to happen is for Cuba to fall under the influence of someone like Hugo Chavez in Venezuela. Outside of Iran and North Korea, he is probably the biggest threat that we face. He's a loose cannon, and his attempts to influence other nations' foreign policy against the United States are dangerous. To allow Cuba to fall under his auspices is to doom them to the same fate they suffered as one of the Soviet Union's proxy states.

What I think we will see is a gradual decline in communism in Cuba. I don't really foresee a revolution that overthrows the government to install a democracy. It would be ideal if the people of Cuba could accomplish this without violence and bloodshed, but I don't think that's possible or likely. We may well see something similar to the trend in China where the communists still control the government but where the economy is trending towards a free-market based system and where gains are being made in the realm of property rights and civil liberties. I suspect that if this happens we'll see a thaw in relations between the United States and Cuba in coming years.



About Mr. Cartwright—Digger Cartwright is the author of several mystery stories, teleplays, and novels. He is the author of *The Versailles Conspiracy*, a modern day political thriller, and *Murder at the Ocean Forest*, a traditional mystery novel set in Myrtle Beach, South Carolina in the 1940s. Mr. Cartwright is also a noted industrialist, investor, and director of several private companies. In the business realm, he has contributed to a number of articles on a wide range of financial, strategic planning, and policy topics and is the contributing author of several finance/economic books. He divides his time between Washington, D.C., South Carolina, and Florida.

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