

Cartwright Industries Ltd.



FOR IMMEDIATE RELEASE

**Mystery Novelist and Industrialist Digger
Cartwright Comments on the State of the U.S.
Economy**

Orlando, FL (PRWEB) July 8, 2008—The office of Digger Cartwright, mystery novelist and industrialist, recently released the transcript of Mr. Cartwright's comments on the state of the U.S. economy made at the conclusion of a series of business meetings with associates and investors in South Carolina. The following are Mr. Cartwright's comments.

"The last few days we have had quite a few discussions regarding the overall business environment and investment opportunities here in the United States and abroad. A lot of people have asked me what my take is on the current economic situation and how that is going to impact our business decisions going forward for the next six to twelve months. As many of you know, I have had reservations on the economy for about a year now, and while I still believe in the strong fundamentals for our economy long-term, I have become increasingly pessimistic during the last few months.

"The complexity of our current situation is unlike any other situation that I can recall at any other time in recent decades. We don't just have one factor at play here that is causing problems. It would be convenient if we could just point to energy prices as the culprit, but, in fact, this is just one of the many aspects that are working in concert to put pressure on our economy.

"If we go back to last year at this time, we were just beginning to feel the rumblings of what would be a near meltdown in the mortgage markets and a severe credit crunch. By mid-August the scope of the mortgage market crisis was fairly well-known. We saw the Federal Reserve step in to, in essence, bail out

Cartwright Industries Ltd.



the banks. I was and remain a harsh critic of the actions that the Fed took then and has taken since then. But that is a discussion that many of us have already had and that I am already on the record as having voiced my opinion.

"However, what this situation created was a credit crunch for consumers and businesses and a continued downward pressure in the real estate markets. This has placed pressure on lenders to restructure outstanding mortgages that may be close to foreclosure or risk taking possession of assets that have little liquidity and negative returns for now. As a result, many individuals and businesses, particularly smaller establishments, have had a very difficult time getting lines of credit or loans for expansion. Even many larger companies, and by this I refer to some publicly traded companies as well, have had trouble in the debt markets.

"Add to this weaker consumer confidence and buying power, as a result of inflation, the weak dollar, and escalating energy prices and we have the makings of a slowdown in general business activity. This has been evidenced in the decrease in corporate profits in the fourth quarter and again in the first quarter. Businesses have responded by cutting costs, particularly in payrolls—not a very good thing to do from workers' perspectives in these times. The impact of this drop in corporate profits has been felt by investors in the equity markets, which have declined noticeably in recent weeks. The bloodletting in equities is far from over. We may well see another 15% or 20% decline in the major indices by year end. Investors should hold on for what may be a wild ride.

"Now, let's throw in the impact of a rapid escalation in oil prices. We're at nearly \$150 per barrel for oil with gasoline prices over \$4.00 per gallon. Businesses are hurting, and consumers are hurting even more. Up until recently, businesses were reluctant to pass along the increased cost of energy to consumers, but with oil prices continuing to rise and

Cartwright Industries Ltd.



transportation prices skyrocketing, businesses have grown tired of bearing the brunt of this. So, consumers have started paying more for their everyday goods—food, clothes, etc.—that are being transported to markets all over the country. Milk prices have gone up, dairy products of all kinds have increased, and corn prices and related products have increased as well. Ethanol, in theory, is a pretty good idea, but now we're seeing the impact on inflation by using corn to make ethanol. I don't think we're really gaining anything by this right now.

"And while all of this is going on, oil prices continue to rise. Of course, the consumers are blaming the oil companies of price gouging, and the politicians have taken this matter up—it seems to be good fodder in this election cycle—but no one seems to be offering any relief to the problem. We have politicians calling for more drilling (something we have needed to do for three decades), a gas tax holiday, the taking of oil company profits, and all manners of proposals that don't address the root of the problem. Our nation is addicted to oil. That's a simple fact. And most of the proposals are focused on initiatives that encourage more oil consumption not less. The last thing we need right now is more consumption. If we can consume less, we'll be far better off.

"Of course, that is easier said than done. Having said this, our demand for oil here in America is relatively stable. Worldwide demand, however, is higher due to increased usage in developing countries such as China and India. By all indications, the oil markets are well supplied. OPEC has been saying this for months. Now I know that no one wants to believe OPEC, but the fact is that oil markets are well supplied. If that's the case, then, why is oil continuing to rise? Well, for one, our refining capacity is limited. Refiners here in America are operating at or near capacity. There is no productive slack, and no new refineries are coming on line. We are unable to increase refining capacity in the short-

Cartwright Industries Ltd.



term. So, one hurricane in the Gulf or a disaster at a refinery, and oil prices are likely to surge even more. That's not speculation, that's just a fact.

"Speaking of speculation, let's not forget the speculators in the oil markets. I, and others, have talked about this for nearly three years now. It's difficult to gauge the impact of speculators, because we don't even know who all the speculators are—individuals, syndicates, hedge funds. We know they are there, and we know they are having an impact on prices. What is the magnitude of this on prices? No one knows for sure. I comfortable saying that if the positions were unwound we would see oil prices more fairly valued around \$90 to \$100 per barrel. I have seen models that suggest a greater impact and models that suggest a lesser impact. Speculators will continue to influence the market. The only thing that is going to stop this is a marked downturn in demand for oil. Until that happens, consumers had better get used to higher prices, because I don't think we're going to see \$2.00 per gallon gasoline for a long time, if ever.

"Where does all of this leave us? GDP growth was about 1% in the first quarter. We still haven't tipped into a technical recession, but there are many people—your everyday, average, working Americans—who will say that we are in a recession. And from their perspective, I can't say that I disagree with them. But, I am not yet convinced that we are going to avoid a technical recession. The higher oil prices climb, the more inflation increases, the more likely we are to tip into a full blown recession. When is this going to happen? That's the \$64,000 question that everyone wants answered. If it is going to happen, I would venture a guess that it will happen in the second half of the year.

"So where does that leave us? Oil prices remain high and will likely go higher. Inflation is not under control as much as the Fed would like us to believe that it is. The real estate market is still in

Cartwright Industries Ltd.



decline and is not going to turn around anytime soon. Consumers have limited credit, banks are not likely to lend on real estate without great credit and more skin in the game from buyers, and many markets are still overvalued when it comes to real estate. Forget a turnaround in real estate in 2008 or 2009. We will be lucky if real estate stabilizes in 2010. Businesses are still getting squeezed and will continue to be squeezed by higher energy and transportation costs as well as weaker consumer consumption.

"But there are some bright spots in the economy. The weaker dollar has been good for domestic production of goods exported overseas. This is good news for American manufacturing and repatriating of corporate profits from overseas. Unfortunately, manufacturing countries that export to the U.S. don't like a weak dollar. I could frankly care less about what these other countries think or want right now. Hopefully, this will help domestic manufacturing and employment in this sector. American made goods are the best quality in the world. Let us not forget that.

"We are seeing a more judicious spending behaviour by U.S. consumers. This is not an altogether bad phenomenon. U.S. consumers were making purchases beyond their means. This has been and will be a valuable lesson for them.

"And from an investing perspective, the decline in real estate prices and equity markets that is currently in progress and likely to continue in the near future offers those with liquidity a tremendous opportunity to buy good assets at long-term value prices. In addition, businesses looking to expand through acquisitions are in prime position to capitalize on the weaker economy as similar businesses or competitors find value in consolidation that offers long-term revenue generating benefits and cost cutting opportunities. American businesses willing to take the leap of faith and invest in themselves now will be well positioned to weather this storm and benefit from the upturn likely next year.

Cartwright Industries Ltd.



"Well, I guess that about covers what I have to say, and I am sure that I have bored you all long enough. I would conclude with a few final thoughts. Things are going to get worse before they get better. I don't see any way around this. But I, like you all, am a firm believer in America and all that it has to offer. There are three things in which I believe that will enable us to overcome this difficult period—the American dollar, American manufactured goods, and the American worker. They won't let us down. Thank you all."

Mr. Cartwright's office indicated that no photo opportunities were arranged during Mr. Cartwright's meetings. Full transcripts of the meetings were not made available nor were details of the nature of Mr. Cartwright's meetings or the participants.

About Mr. Cartwright—Robert "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.

Press Contact:

Executive Assistant to Mr. Cartwright

Telephone: 407-232-4065

website: <http://www.DiggerCartwright.com>

###