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The Collapse of the American Standard of Living

By Stephen Bucaro

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The Collapse of the American Standard of Living

By Stephen Bucaro

== Your Job Is Not Coming back ==

Over the past three years, 3 million American jobs have been outsourced, primarily to China and India. In this article I'm going to tell you:

- How and why those jobs were lost
- Why 14 million more jobs will be lost
- why those jobs are never coming back
- What the future will be like for Americans
- How you can survive the collapse

Millions of American manufacturing jobs have been lost since the 1960's. But American ingenuity allowed many of those jobs to be replaced by high-tech jobs. The jobs we are losing now are in Engineering, Computer Science, Research and Development, and most other high-tech areas.

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Over many decades, American workers, through unions and scarcity of skilled workers, have raised their standard of living. American companies couldn't use cheap foreign labor because communicating and coordinating over great distance was costly and complicated. The Internet changed that.

Using cheap Internet bandwidth provided by American telecom companies, American companies are now able to communicate and coordinate with cheap foreign workers just as easily as if they lived next door. The Internet has leveled the

playing field for all workers world-wide. An American worker now competes for a job against workers in Beijing China, Calcutta India and everywhere else in the world.

American companies have the choice of paying a reasonable wage, or even the minimum wage of \$6.00 per hour, to an American worker, or paying 24 cents an hour for a worker in China, or 34 cents an hour for a worker in India. The choice is clear. Fire the American worker.

Some experts are saying that the job outsourcing trend is not permanent. Just like the high-tech revolution of the last decades, America will find a way to replace the lost jobs. Unfortunately, wishful thinking does not put food on the table. The job outsourcing can end only when the American worker becomes cheaper than their foreign competitors.

Since China and India each have a population of over one billion (not to mention Indonesia and Africa), compared to about 300 million for the United States, the wages of American workers would have to drop until their standard of living collapsed to that of the average Chinese or Indian.

== Why the U.S. Government is Exporting Your Job ==

Over the past three years, 3 million American jobs have been outsourced, primarily to China and India. A study by UC Berkeley predicts that as many as 14 million more jobs will be lost. Why doesn't our government do something? Has our government and the Bush administration been asleep on the job? To the contrary, the government is using the

export of your job as a political tool.

Recall the tension between the United States and China over Taiwan, and the "spy plane" incident. China is a country with nuclear weapons. Why doesn't China just take Taiwan? Why didn't China respond more aggressively to the spy plane incident?

Because tensions with the United States would cause 10 million Chinese workers to lose their jobs. The 10 million American workers jobs "gifted" from the U.S Government to China as a political tool. Loss of those jobs would bring China's rapidly growing economy to a halt and push China back into the poverty of the Mao Tse-tung era.

Recall the tension between India and Pakistan over Kashmir

and the power base that radical Muslims have in these two countries. Both India and Pakistan are countries with nuclear weapons. Why haven't they responded more aggressively in the struggle over Kashmir? Why have they taken strong action to keep the radical Muslim element under control?

Because a war between India and Pakistan, or giving free reign to radical Muslim terrorists, would cause 10 million Indian and Pakistani workers to lose their jobs. The 10 million American workers jobs "gifted" from the U.S Government to India and Pakistan as a political tool. Loss of those jobs would bring India and Pakistan's rapidly growing economies to a halt and push them back into the poverty of the Mahatma Gandhi era.

The last several decades have been very stressful and dangerous for the United States and the world. Personally, I am very surprised that the world has avoided a nuclear incident that would kill billions of people. The reason it has avoided that disaster is because the U.S. Government has been offering up American workers jobs to trouble-making foreign countries as an incentive to behave themselves.

The loss of 3 million American jobs and a trade deficit of \$541.8 Billion is the cost that U.S. Government is willing to pay to keep the peace. To keep the peace, we have to

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share the pie. That's why 14 million more American workers will lose their jobs. That's why those jobs are never coming back.

== What the Future Will be Like for Americans ==

According to the Bureau Of Economic Analysis, GDP in the U.S. increased at an annual rate of 4.1% in the 4th quarter of 2003. You would think business would need to hire more than the measly 21,000 new workers they hired.

A study by Cutting Edge Information found that 90% of all U.S. business hire cheap foreign workers instead of American Workers. That's why this has been a jobless recovery for America's 8.2 million unemployed.

Do the math; the 3 million American Workers jobs lost to outsourcing over the last three years cost about \$450 billion in lost wages and about \$150 billion in lost tax revenue for local, state, and the federal government. This explains the states crumbling infrastructure and the half

a trillion dollar federal annual budget deficit.

A study by UC Berkeley predicts that as many as 14 million more jobs will be lost, costing local, state, and the federal government about \$250 billion each year in lost tax revenue. With that magnitude of tax revenue loss, the states can forget about investing in infrastructure. And they certainly will not be able to continue unemployment insurance and welfare benefits when the unemployment numbers reach 22 million.

Think that can't happen? Then you haven't been paying attention to the news lately. Allen Greenspan, the head of the Federal Reserve, stated that the federal government will not be able to pay Social Security after the year 2015. Benefits must be reduced and the age to receive benefits must be raised. A Medicare act passed last year took Benefits away from 14 million senior citizens.

Think retirees will be able to rely on their pensions? After years of turmoil in the job market, few American workers have a pension. Even if they have a pension, 63% of all companies have underfunded pension plans. That's

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up 6.5% from a year ago and rising at the fastest rate in history.

America is facing a future with 22 million unemployed and 70 million retired people (AARP 2030 projection) who will have very little in entitlement systems to fall back on. Here in Phoenix we are already witnessing the strange new phenomenon of people 70 and 80 years old robbing banks!

Mexico was America's low cost labor source, but they have been "outsourced" to even cheaper labor in China and India. Here in Arizona, we are under invasion from Mexicans hoping to find work. People who can't find legitimate work will create their own jobs; burglary, drugs, and prostitution.

If you are not taking my message seriously, do the math yourself. China and India each have a population of over one billion (not to mention Indonesia and Africa), compared to about 300 million for the United States. In order to compete in the globalized economy, American wages and the American standard of living will need to drop to the level of the poorest counties on the planet.

== How To Survive the Collapse ==

Over the past three years, 3 million American jobs have

been outsourced. America now has 8.2 million unemployed, and a study by UC Berkeley predicts that as many as 14 million more jobs will be lost. Unemployment numbers could reach as high as 22 million. As U.S. companies shove American workers out the door to be replaced by cheap foreign labor, how can you protect yourself?

The way to protect yourself is to examine your current job to determine if it's a candidate for outsourcing. If it CAN be outsourced, it WILL be outsourced. The secret is to recognize which jobs WILL be outsourced, and if yours is one of them, take action to change to a job that can't be outsourced.

Below is a list of some of the jobs that will be outsourced.

- Accounting
- Call Center

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- Computer Programming
- Design
- Engineering
- Medical Transcription
- Research
- System Administration
- Telemarketing

If you are in a job that can be outsourced, begin taking action to change to a job that can't be outsourced. Jobs that can't be outsourced are jobs that can't be done over the Internet. They require a physical person to be present. Below is a list of some jobs that can't be outsourced.

– Construction: Landscaper, Building Framer, Heavy Equipment Operator. You can't transmit building or highway construction over the Internet. Avoid design jobs such as architectural design and civil engineering, which can be outsourced.

– Delivery: Furniture Delivery, Household Mover, Package Delivery, Truck Driver. You can't transmit physical objects over the Internet. They require a physical person to deliver them.

– Law Enforcement: Alarm Installer, Corrections Officer, Courtroom lawyer, Police Officer, Security Guard. Crime is soaring, providing opportunities for jobs that can't be outsourced. Avoid legal documenting or research jobs which can be outsourced.

– Service: Appliance Repair, Auto Mechanic, Cleaning, Computer and Office Equipment Repair. These jobs require a physical person to be present, but System and Network Administration is questionable. Most administration can be done remotely.

– Movies and Entertainment: Movie making is a giant industry in America. You might think some aspects of movie making can be outsourced, but the industry is run with incredibly tight schedules that can be met only with maximum communication and coordination. Even jobs like computer special effects require real-time collaboration.

– Multilingual Coordinator: If you can speak Chinese and

are familiar with the customs of China, your chances of promotion to manager are very high.

– Import/Export: If you can't beat them, join them. Become a seller of foreign made products and services. You can make millions of dollars and live in a mansion like Bill Gates just by facilitating the loss of your fellow Americans jobs.

– Start Your Own Business. Choose a type of business where you won't be competing with foreign companies. Examples are dry cleaner, caterer, decorator, mail boxes and packaging. Anything that requires a physical person to be present.

U.S. Companies will continue to fire millions American workers and replace them with cheap foreign workers. If your job CAN be outsourced, it WILL be outsourced. Examine your current job to see if it's a candidate for outsourcing. If it is, take action to change to a job that can't be outsourced.

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Stock market is overbought

By Al Amzin

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STOCK MARKET IS OVERBOUGHT. TOO LATE TO INVEST!

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There's no need to explain what a stock market collapse means. Possibility of a collapse is a source of tensity for a trader. Traders are afraid of it and hope this will never happen again. But it always does. Stock market crises are taking place quite often. The problem is how to estimate when this crisis will happen again. How to forecast when a stock market bubble is ready to blow up? It's very important to estimate the moment of a collapse.

We will try to do it by using instruments based on regression model, such as CAPM. CAPM is a well-known regression model that is able to estimate asset risk in comparison with stock market index. CAPM model is an equilibrium model. It estimates stock market movement after market loses its balance. CAPM determines the balance conditions.

To test this system it is essential to select a country with long financial history. The history should comprise stock market bubbles and collapses. In this example we choose USA. And we select the main well-known indices, such as blue chips Dow Jones, technology-laced Nasdaq Composite and broader Standard and Poor's 500 Index.

The Dow Jones Industrial Average is the main American index. It's the oldest and single most watched index in the world. DJIA is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. Charles Dow invented the DJIA back in 1896. The DJIA includes blue chips companies like General Electric, Disney, Exxon, Microsoft and others.

The Nasdaq Composite index is market value weighted index of all common stocks listed on Nasdaq. The Nasdaq Composite dates back to 1971, when the Nasdaq exchange was first formalized. The Nasdaq Composite Index measures all listed Nasdaq domestic and international based common type stocks. Today the Nasdaq Composite includes over 4,000 companies, making it one of the most widely followed and quoted major market indices. Unlike the DJIA, the Nasdaq is market value-weighted, so it takes into account the total market capitalization of the companies it tracks and not just their share prices.

The Standard and Poor's 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index, with each stock's weight in the index

proportionate to its market value. S&P 500 consists of 400 industrial companies, 20 transportation, and 40 financial and 40 utilities companies. The S&P 500 is one of the most commonly used benchmarks of the overall stock market.

We have to compare stock market indices with Gross Domestic Product, to estimate if market oversold or overbought. We choose as a dependent variable stock market index, and as an independent variable GDP. These two variables can be presented in percent as a difference between first date and the settlement date divide by its first year value. Such variable allow us to compare different indices in single country and indices of different countries.

We'll explain why we choose GDP as a dependent variable. Our choice based on the main stock market risk concerned with marginability. Stock market doesn't produce new money, its just redistribute the existing money. As a result of this stock market yield should be limited by economy efficiency.

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When marginability is violated, when stock market rate of growth exceed economy rate of growth and stock market become very risky.

As mentioned above, CAPM estimates the point when stock market becomes unstable.

It becomes obvious if you take a look on the rate of change. When rates of change are more than 1, stock market is considered risky. The more the rates of change the more it's risky. When slope is less than 1, we can say that stock market is underestimated and during the some period it will aspire to 1.

Variables that we place on different axes can be negative. For instance, to calculate rate of growth for GDP 1980 we have to deduct GDP 1995 from GDP 1980 and this negative deduction compare with the 1995 date.

Let's compare 3 main American indices to find common features. The first one Dow Jones Industrial Average represents blue chip companies, second Nasdaq Composite Index – technology companies, and the third one S&P 500, consists of both blue chips and technology companies.

[illustrations]

It's obvious, that these three main indices have common behavior in these three patterns. Stock market growth rate outstrips economy growth. Stock market is overestimated. This situation is lasting for a long time, and now it's getting even worse.

It's clear that stock market indices have dependence. As a result of it let's review the dynamic of main American index Dow Jones.

Linear part locates between 1980 and 1990. It can be revealed by line with an angle 1.14. In this period stock market rate of growth a little bit bigger then economy rate of growth. Beginning with the 1994 Dow Jones Industrial Average grows very fast comparing to real economy growth. You can see it on the graph. The angle has increased more then 3 times. This means that stock market growth exceeds real economy growth more then 3 times. Such rise lasted till the 2000. In 2000 raise changed into fall (angle equals 5.96). During the fall stock market rate of growth didn't reach economy rate of growth. This means that stock market is still overbought. Situation is getting even worse every day. DJIA is growing and getting overheated even more. This situation may cause a stock market collapse. It

doesn't mean that stock market falls today or tomorrow. But it will happen in any case in a future.

If the S&P 500 Index looks like DJIA, the situation with the Nasdaq composite seems even worse. Since 1994 the Nasdaq Composite rate of growth grows up more then 12 times. Starting from 2000 the Nasdaq fall was much horrible then Dow. Technology index didn't reach its fair price the same as Dow Jones. Beta coefficient equals 5.19 right now. According to these calculations we can say that the Nasdaq composite is overestimated at present. It can cause even greater collapse.

So, if the index value didn't reach the balanced price, stock market fall possibility will always exist. We've got such situation right now. Stock market is overheated already and getting even more

overheated. It's time for traders to think if this a good time for investing or not and what kind of trading strategy to follow.

We are not advising you not to invest in stock market, we just warning you that it's very risky right now. Stock market collapse is not far off. Traders, be careful!

None



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