OPUNTIA

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Whole-numbered OPUNTIAs are sercon, x.1 issues are reviewzines, x.2 issues are indexes, x.3 issues are apazines, and x.5 issues are perzines. A cumulative subject index for all issues is available on request.

THE $20 BILLION BET

by Dale Speirs

Introduction.

In the immediate aftermath of the Panic of 2008, government and bank officials paraded across television screens bleating "No one could have seen it coming". The reality was that hundreds if not thousands of investors and bloggers saw it coming, based on their study of economic fundamentals. Most of them were premature in their prophecies about the exact date because trends go on longer than rational analysis predicts*, but those who heeded their words either made money or at least preserved their capital.

Uneasy Lies The Head That Doesn't Wear The Crown.

THE GREATEST TRADE EVER (2010, trade paperback) by Gregory Zuckerman is the story of some of those investors who saw it coming, with emphasis on one particular trader, John Paulson (not to be confused with Henry Paulson, who was U.S. Treasury Secretary at the time and no relation).

* Orlov's Law: The future always takes longer to arrive than you think. Read his excellent book RE-INVENTING COLLAPSE, about how average Russians survived the fall of the Soviet Union when paper currency became worthless.

John Paulson's place in history was assured when his bet against the Wall Street banksters paid off in 2007 after the American housing market collapsed. He made a profit of $15 billion, with another $5 billion the following year. This was the single most successful bet in history.

Paulson was middle-aged at the time of his success, a rarity in a business where most players have either retired rich at 35 or burned out by 40 and working in a bookstore/coffee shop in some rural village. His investment firm was lower mid-level, with a respectable book of clients but never to be mentioned among the big players.

How The Scam Worked.

To set the stage for Paulson's story, one must look at how the American housing bubble developed. After the 9/11 attacks, the U.S. Federal Reserve adopted low interest rates in keeping with Shrub's admonition to defeat the terrorists by going shopping. The problem was that average American real incomes, adjusted for inflation, had been declining ever since Nixon took the U.S. dollar off the gold standard on August 15, 1971.

People could borrow money but the banks were pesky about having it paid back with interest. In the early 2000s, the banks had run out of borrowers, and that is where they make their money. A new idea came to the fore, that of mortgage-backed securities (MBSs). Banks collected their mortgages into bundles and sold them as high-return paper, as much as 10%. Since mortgage rates were much lower, in the 5% area, the obvious question was how a thousand 5% mortgages could pay a dividend of 10%. The answer involved a lot of hand-waving and computer models that no one questioned but which were based on the false assumption that house prices always rise in value. At first, the mortgages were granted under traditional rules. When the Federal Reserve lowered interest rates, more people entered the real estate market, which caused house prices to rise. Standards were lowered, gradually at first, then done away with completely. Because the banks were selling off the mortgages to MBSs for cash, and didn't have to worry about defaults, which became the MBS buyer's problem, they no longer checked the qualifications of those buying houses.

This set up a feedback. The lower the borrowing standards, the more people qualified no matter how bad their credit, and thus house prices rose. Those who were in danger of default simply refinanced, using the increase in the equity of their house. Those who were good credit risks refinanced anyway and used their house equity to buy SUVs, large-screen television sets, two weeks in Hawaii every winter, and all the other accouterments of the good life. The American way of life became non-negotiable.

Convenience store clerks lived 30 miles away from their job, commuted to work in an SUV, and refinanced their McMansion every six months with interest-only payments.

What about the mortgages in a given MBS that defaulted? Firstly, each MBS contained thousands of mortgages, so if a few should default, then it wouldn't seriously affect them. Secondly, the mortgages in each bundle were deliberately distributed from across the country, so that if one or two cities should suffer an economic slump, others wouldn't be affected. The brokers all knew that real estate was local, and house prices would never collapse simultaneously country-wide. It must be remembered that brokers are relatively young. By the 2000s, no one was left in the industry who had personal experience of the Great Depression, when house prices collapsed simultaneously country-wide. That time was different.

MBSs were divided into tranches (the French word for slice), up to eighteen of them in some. The top tranche, rated AAA by rating agencies, was guaranteed full income from the mortgages even if some defaulted, the next tranche would be guaranteed only after the AAA tranche was paid, and so on down the line. The rate of return was set to the risk. The top tranche would be paid 5% return. The bottom tranche had no guarantee but paid 10%. MBSs were so successful that they became the USA's biggest export, which is how the American housing collapse managed to take out most of the world's economies. As long as American house prices continued to rise, MBSs were profitable and all the tranches were paid.

There was another problem. In stock and commodity markets, it is possible to bet against rising markets by short selling. There are several methods of shorting the market. One is to borrow stocks or commodity contracts from someone, paying them a fee or interest, sell the stocks, wait for the market to drop, buy back at the lower price, return the stocks or contracts to the lender, and pocket the difference. Another method is to sell options to investors who think the price will continue to rise. Say, for example, you think silver will drop to $25 per ounce at a time when it is selling for $30. You sell an option to supply silver at $30 to an investor who thinks it will rise to $35. If the price rises, he will assert the option before it expires and you lose money selling him silver at $30 when the market is $35. But if you were the one who guessed correctly, he will not bother redeeming the option for $30 when the open market price is $25, and you get to keep the premium.

Short selling helps keep markets in check when they become overbalanced. The problem that John Paulson and other real estate bears had was that there was no practical method at the time to short sell real estate.

You can't borrow a house, sell it, and then buy back the same house at a lower price. Stocks in real estate developers and construction corporations are not necessarily directly related to the price of houses. Many premature prophets short sold the stock market in 2003 or 2004 expecting an imminent crash, but then lost money paying interest on borrowed shares that kept going up for another four years.

Time To Pay The Piper.

The continually rising housing market made MBS sellers feel immune. But sooner or later, the piper has to be paid. In early 2006, house prices wobbled, plateaued, peaked, and then declined. More and more mortgages defaulted, and MBSs began failing. Wall Street banks had been a victim of group think. In Hollywood, it is said that an actor is on the downhill slope when he begins to believe his own publicity. Wall Street bankers were no different and many of them came to believe their own brochures. They not only sold the toxic paper, they kept the worst tranches, the 10%ers, for themselves to maximize their own profits. After all, they knew that house prices only go up. Since those tranches had no guarantees, the banksters were stuck with worthless paper. First some small brokerages failed. Then Bear Sterns. Then Lehman Brothers. At that point, all banks stopped lending worldwide because none of them trusted anyone to be solvent, not even each other.

But wait! There's more! Nervous investors could buy insurance against default for their bonds or MBSs. These were known as credit default swaps (CDSs). You paid an annual fee, say $10,000, to protect your $1,000,000 worth of bonds. The riskier the bond, the more the CDS cost. All the insurers who sold CDSs agreed that house prices would never collapse simultaneously country-wide, so CDSs on MBSs (pardon all the acronyms) were cheap. A few prescient investors such as Paulson bought them. When the housing market first wobbled, more piled on.

The problem was that 90% of MBS CDSs in the world came to be guaranteed by one company, a re-insurer called AIG. It couldn't possibly pay off if all the MBSs defaulted at once. This company wasn't a Wall Street bank, it was an international insurance company. If it defaulted, the American government would be facing an international trade war for doing nothing about it. So there was no choice; the Federal Reserve had to print $1 trillion to cover the defaulted CDSs.

Between the credit lock-up of banks and the failure of AIG, the stock markets were badly shaken. This created the third problem, which was the immediate trigger for the Panic of 2008. The bankrupt organizations had all their assets sold off by the receivers. Dumping such a huge quantity of stocks on the stock exchanges all at once caused the market to fall.

Other investors and companies not owning MBSs had been buying stocks on margin, that is, with borrowed money. When the initial fall took place, their stocks were suddenly worth less than their margin account, so they were forcibly sold out by their brokers according to rules. Stock transactions on margin are recourse loans, meaning that any loss still remaining after the stocks were involuntarily liquidated had to be paid back. This meant that the investors had to sell other assets, such as their houses, gold or silver, commodity investments, or their car. This set off a chain reaction. As the market crashed, each round of investors selling out for any price they could get caused a further decline and wiped out the next round of investors. It didn't matter what the fundamentals of their assets were like, it had to sell for pennies on the dollar to pay off the margin calls. That is why everything falls in a panic, not just the bad assets.

Meanwhile, Back At Mr. Paulson's Office.

John Paulson was suffering a mid-life crisis by about 2003. He was in his late 40s, a dinosaur among the young bucks who make up the majority of traders on Wall Street. His small firm, with nine employees, was locked into a type of trading called merger arbitration, where his investment funds bet on the price of shares of companies announcing mergers. Under law, all investment funds have to announce their type of trading and stick to it. Paulson wanted to get into other opportunities but he couldn't start up new funds because none of the other brokers would let him buy in to their new investment offers. This is legal; you are not obligated to sell your shares or bonds to every applicant, just as fine restaurants have the right to refuse service if you are not wearing a suit and tie.

Paulson bought and sold some real estate in Manhattan as his family grew and needed more room. He noticed that prices seemed higher than what one would expect from the economy. His friends were flipping real estate for ridiculous amounts of money, and he grew uneasy.

Things came to a head in early 2004 when he hired an Italian friend named Paolo Pellegrini, more out of sympathy than anything. Pellegrini's career and personal life (two divorces, living in a cheap one-bedroom apartment out in the suburbs) were going nowhere fast. At 45 he was unemployable on Wall Street because his reputation as a maverick preceded him. He and Paulson were both searching for ways to short the increasingly overheated markets. Pellegrini discovered CDSs, and for $500,000 Paulson & Co. bought $100 million insurance on a mortgage company that was in the thick of the MBS market. But the housing market kept climbing and the CDS expired worthless. The two men ran afoul of Orlov's Law, and the future kept taking longer and longer to arrive.

Enter Another Character. Then Later, Another.

Paulson and Pellegrini weren't the only two worrying about the markets. Another investor, Michael Burry, was worried as well. He lived in California and while a medical student began investing on the side. After graduating, he found hospital life increasingly unsatisfying, and soon abandoned his practice to open up an investment firm. He too was concerned about the housing bubble. At first he bought CDSs on the banks that were loaning prolifically for mortgages, but those CDSs expired worthless as the boom rolled on.

In New York City, another player entered the stage, Greg Lippmann. His contribution to history was to invent the MBS CDS in middle 2005. Paulson, Pellegrini, Burry, and other bears had been buying CDSs on the banks and mortgage companies, but no one had been able, until now, to buy a CDS for the actual MBS itself. Lippmann got all the Wall Street banksters to agree on a standardized CDS contract for mortgages. For the first time, it was possible to short sell the housing market directly.

Pension funds, big banks, and stock brokerages who were convinced that the housing boom would roll on for years or at least make a soft landing were the ones who issued the MBS CDSs. They relied on computer models that stood on foundations of sand, for two reasons. Firstly, computer simulations can only be based on what is known, and cannot handle wild-card factors. If a skyscraper owner did a computer model in 1999 about security threats to his building, he would have simulated car bombs, drive-by shootings, and hostage takings. He never would have imagined passenger jets being deliberately flown into his building. Secondly, computer models must take into account all known scenarios and not use only straight-line extrapolations.

The young men in their 20s and 30s who programmed the computers were born and raised in an atypical real estate time, when houses steadily increased in price as the Boomer generation matured and bought houses. The majority of people who will ever buy a house will have done so by the time they are in their 50s, which happened to be circa 2005 for the Boomer generation. The following generation is much smaller, and therefore housing demand began to fall, even as developers continued to overbuild houses by the millions.

Burry was among the first buyers, searching out 10% MBSs, the unguaranteed riskiest type, and buying CDSs on them at a cost of $155,000 for each $10 million of MBS. Paulson and Pellegrini also bought in but all three kept running into Orlov's Law, and losing money on their bets. The fact that they and other bearish investors kept losing money on these bets encouraged those who issued MBS CDSs to churn out more of them. It was, after all, found money, like issuing insurance policies on the sun rising in the west instead of the east. Many CDS issuers were leveraged to the point that they potentially owed $25 for every $1 they made.

Saepe Mendosus, Nunquam Dubius.

Paulson's company earned lower returns than most brokerages, costing them customers and putting pressure on Paulson and Pellegrini to join the rest of Wall Street in buying MBSs. It is easy to be brave when you are winning, but another thing to stand fast when your competition is winning and your customers are walking out the door. Paulson and Pellegrini were under great pressure not only from clients, friends, and family, but their own employees, whose pay was linked to performance and who resented being dragged down by an untested idea. After the Panic of 2008, the bears who bought MBS CDSs were hailed as inevitable heroes, but they suffered immense psychological stress while waiting for the future to arrive. It is easy to point at something after the fact and say that anyone could have done it, but not so easy to be the ridiculed pioneer before the event.

Lippmann, who invented the MBS CDS, was initially an enthusiastic seller of them. But not long after, he began looking at the detailed data on mortgage defaults, something that, astonishingly, few bankers or brokers ever did. He noticed that the historical record showed that the states with the hottest markets were the first to collapse if interest rates moved up or other adverse economic changes happened. Like Saul on the road to Damascus, he converted and instead of selling CDSs, convinced his bosses to let him buy them. They too gave him trouble when he ran up against Orlov's Law.

In middle 2006, a few segments of the American housing market plateaued. Almost no one noticed, but Paulson took it as a sign that the end was near. His firm stepped up buying MBS CDSs, spreading it out here and there, a bit more each day, but slowly so that the insurance premiums wouldn't go up due to the sudden large demand. A few more investors joined his hedge fund, people who had noticed the insanity in Florida or California, or real estate owners who still talked upbeat but just the same wanted to offset their property with a bet on the other side.

Burry wasn't so fortunate. His customers out in sunny California were bailing out on him because he was buying CDSs instead of real estate or MBSs. Just as the finish line was in sight, he was tripped up by investors who preferred the mainstream view of real estate. He had to lay off employees and sell off CDSs to meet withdrawals. Lippmann was openly mocked by other traders, and his bosses politely suggested that if he didn't show results soon, he might get a pink slip.

ACRONYM ALERT There was another type of investment called collateralized debt obligations or CDOs. These were originally like MBSs except that the debt they represented was non-mortgage debt such as personal loans, credit card balances, car leases, and municipal bonds. In the early 2000s, the Wall Street banks started adding mortgages into the mix as well, so that CDOs had a bit of every kind of debt that an American could get into. CDOs were also divided into tranches like MBSs. Paulson began buying CDSs on these, that is, buying CDO CDSs along with the usual MBS CDSs. (Sorry about that)

Every Valley Shall Be Filled, And Every Mountain Leveled.

On February 7, 2007, New Century, one of the biggest mortgage companies dealing in subprime and other junk mortgages, released its 2006 annual report. It admitted that it had to take back numerous mortgages whose buyers couldn't even make the first monthly payment. (Once the first payment had been made, a mortgage could be sold to an MBS, where it would become someone else's problem.) New Century shares fell 36% that day, and several weeks later it went bankrupt. MBSs started to decline little by little. Each 1% decline meant $250 million for Paulson & Co. Some of the CDS sellers tried to back out from their contracts, but Paulson held firm, and the money rolled in. There was a mad rush by Wall Street firms to buy CDSs but they were too late because the cost of insurance against defaults began to soar. Paulson sold a few of his CDSs at a good profit, but held on to most of them because he knew the storm was only just starting to blow hard.

As often happens, the falling market temporarily reversed. Those who thought they saw bargains dived into MBSs again and brought the prices back up but only partway. CDOs began declining throughout the summer of 2007. Bear Sterns, which had tried unsuccessfully to manipulate its way out of the CDSs it sold to Paulson, was caught short $1.6 billion in one of its CDO funds and had to pay up out of its reserves. By July 2007, every mortgage fund was in freefall. Paulson and others who had bet big were collecting as much as $100 million per day from their CDSs.

MBSs and CDOs had been sold around the world to thousands of investors, who were now watching their money vanish. Many of those investors had in turn sold CDSs, and were now forced to pay out the insurance. At first, it was generally agreed that the failing mortgages were only the subprime ones sold to house buyers who had no business owning. The fall would therefore be contained because most mortgages were prime, sold to respectable people with steady jobs who could handle the debt. As 2007 shaded into 2008, and Paulson held on to his CDSs, a new unsettling fact emerged: the majority of mortgages in America were subprime. Then the second shoe dropped: as house prices fell, prime mortgages began going into default. This was because when a mortgage is renewed, if the value of the house is less than the remaining mortgage then the owner must either pay cash for the difference, extend the mortgage on unfavourable terms, or default. Consumers stopped spending. Businesses began laying off. Laid-off employees who had prime mortgages began defaulting. And this was just the beginning.

Troubles never come singly but in battalions. Paulson's nanny quit her job in September 2007 and moved out of town. She had used his home as her mailing address, and soon he began receiving dunning letters addressed to her by the hundreds. His nanny had adopted a simple financial system: never pay any of your bills and skip town when the heat is too much. Out of curiosity he recorded what she had done. She owed for a dozen different cellphone services; when one of them cut her off, she just went to a different service provider. She had dozens of credit cards, all far over the limit and defaulted, but each time one card was cut off she got another. This woke up Paulson to another endangered market, as he realized that credit card companies weren't checking references any more than mortgage lenders. So he began buying CDSs on banks and credit card companies.

As the markets collapsed, Paulson and others began selling their CDSs at substantial profits to troubled brokerages who needed the insurance to protect themselves against their own MBSs and CDOs. Paulson's company booked $15 billion in profit for 2007 and instantly became a giant in the industry. Paulson earned $4 billion personally, the biggest paycheque in history. Pellegrini got a bonus of $175 million. Lippmann got $50 million. Burry made $700 million for his company, of which $70 million was his share.

As these prophets were finally vindicated, blood began flowing down Wall Street. By July 2008, Paulson had sold off all his CDSs at huge profits. Bear Sterns went under earlier, and not long after so did Lehman Brothers. AIG then collapsed. Those who had waited too long to sell their CDSs held worthless paper because AIG was liable for most of them. Those who had bought CDSs from Paulson et al to bail themselves out of MBSs found themselves with worthless insurance policies. It would be like having your house burn down but reassuring yourself that you could re-build because you had insurance, only to visit the insurance company's office and find it vacant, with a bailiff's notice taped to the front door.

MBSs and CDOs were not regulated and investors didn't have to publicly report their exposure to them, so no one knew what anyone else had. The result was that no one trusted anyone else. Why buy an investment in bank X if it might be out of business tomorrow? Why loan anyone money if they might file for bankruptcy a week later? The Panic of 2008 had begun. The rest of it you know.

ZINE LISTINGS

by Dale Speirs

[The Usual means $3 cash ($5 overseas) or trade for your zine. Americans: please don't send cheques for small amounts to Canada or overseas (the bank fee to cash them is usually more than the amount) or mint USA stamps (which are not valid for postage outside USA). US$ banknotes are acceptable around the world.]

[SF means science fiction. An apazine is a zine for an amateur press association distro, a perzine is a personal zine, sercon is serious-constructive, and a genzine is a general zine]

Chunga #17 (The Usual from Randy Byers, 1013 North 36 Street, Seattle, Washington 98103) SF genzine, starting off with a series of predictions by various fans about the future of the future. Also some television and fanzine reviews, and letters of comment.

EOD Letter #16 and #17 (The Usual from Ken Faig Jr, 2311 Swainwood Drive, Glenview, Illinois 60025-2741) Apazine for Lovecraftians. Extensive book reviews and peripheral matters relating to HPL and his milieu.

Trap Door #27 (US$5 from Robert Lichtman, 11037 Broadway terrace, Oakland, California 94611-1948) Genzine with articles on Paul Williams (publisher of CRAWDADDY, now in institutional care with dementia as a result of a head injury in a motorcycle accident), professional book scouting, making a geological map of Utah the hard way, fannish writing, and letters of comment.

The New Port News #255 (The Usual from Ned Brooks, 4817 Dean Lane, Lilburn, Georgia 30047-4720) Apazine with various comments.

The Pterodactyl #6 (The Usual from James Dawson, Box 292, Malden, Washington 99149) Apazine with reviews of horror and action-adventure movies.

The Fossil #346 to #347 (US$10 per year from The Fossils, c/o Tom Parson, 157 South Logan, Denver, Colorado 80209) Clubzine of apa and zinedom history, with accounts of zinesters of a century ago, the history of round robin publications, and news.

The Great Stereopticon #1 to 3 (The Usual from James Dawson, Box 292, Malden, Washington 99149) Apazine with mostly biographical material and a commentary on religions.

The Knarley Knews #137 (The Usual from Henry Welch, 15290 Upper Ellen Road, Los Gatos, California 95033) SF genzine, with essays on the expansion of SF into the mainstream, a New Zealand trip report, and lots of letters of comment.

Narcolepsy Press Review #6 (The Usual from Randy Robbins, Box 17131, Anaheim, California 92817-7131) Review zine of alternative and prisoner zines, as well as letters of comment, especially from prisoners.

Rambles To T(L)C #321 (The Usual from James Dawson, Box 292, Malden, Washington 99149) Apazine with mailing remarks and letters of comment.

Alexiad V9#6 (The Usual from Lisa and Joseph Major, 1409 Christy Avenue, Louisville, Kentucky 40204-2040) Lots of book reviews, candy reviews, and letters of comment.

Statement #380 (The Usual from Ottawa SF Society, 18 Norice Street, Ottawa, Ontario K2G 2X5) SF clubzine with news and notes, movie reviews, and, as always, a good assortment of astronomy news.

BCSFAzine #451 to #452 (The Usual from British Columbia SF Association, c/o Felicity Walker, 3851 Francis Road #209, Richmond, British Columbia V7C 1J6) SF clubzine with letters of comment, zine and convention reviews, and lots of event listings (there's never a dull moment in the Lower Mainland).

Insomnia And The Oneirophiliac (The Usual from Sinoun, Box 1602, Decatur, Georgia 30031) One-shot mini-zine which transcribes a conversation the editor had with someone who has serious insomnia and bad dreams, especially about zombies. The interview was made three years ago before the current zombie fad started up, so I don't think this was autosuggestion.

Christian New Age Quarterly V19#4 (US$5 from Catherine Groves, Box 276, Clifton, New Jersey 07015-0276) This issue has an extended article on the Bible's view of prayer as it evolved. Originally it began as "ask and you shall receive", then "ask and you shall receive but only if you have no doubt whatsoever in your faith", and finally on to "ask and God will decide if it fits in with his plans". I have always objected to the idea of praying for specific results, as if shopping for groceries. Also an article on the shamans of the Andes, and letters of comment.

Grunted Warning #4 (The Usual from Stuart Stratu, Box 93, Paddington, New South Wales 2021, Australia) Cut-and-paste zine with lots of newspaper clippings about weird news and oddball crimes.

The Ken Chronicles #18 (The Usual from Ken Bausert, 2140 Erma Drive, East Meadow, New York 11554-1120) Perzine, with articles about having lunch at the place that claims to have invented hamburgers, visiting old family houses, fun with humidifiers, and miscellaneous reviews.

Banana Wings #44 (The Usual from Claire Brialey, 59 Shirley Road, Croydon, Surrey CR0 7ES, England) SF fanzine with musings on the state of fandom, convention reports, an essay on a bird lady of Toronto, and letters of comment.

If I Had A Coupla G-Notes #4 (The Usual from James Dawson, Box 292, Malden, Washington 99149) Single-sheet apazine done by spirit duplicating on typewriter stencils, certainly seldom seen these days. This issue reviews a number of books on Christian history.

Sugar Needle #35 (The Usual from Phlox Icona, 36 Huntington Place Drive, Atlanta, Georgia 30350) Devoted to candy, especially weird and exotic types from foreign countries.

Vanamonde #853 to #867 (The Usual from John Hertz, 236 South Coronado Street #409, Los Angeles, California 90057) Weekly-single-sheet apazine commenting on various subjects.

It Goes On The Shelf #32 (The Usual from Ned Brooks, 4817 Dean Lane, Lilburn, Georgia 30047-4720) Reviewzine of unusual and obscure books, new and old.

The Aardvark #1 to #2 (The Usual from Red Roach Press, Box 771, College Park, Maryland 20740) Essays on the decline of paper books, the difference between spot reading on a screen versus settling down with a book for an extended read, and a query about why you need to store 200 books on an iGadget if you otherwise would only ever carry one book with you at a time. Also an essay on Aesop's fable about the grasshopper and the ants, which reminds us that the ending we think it has wasn't the actual ending of the original fable.

Xerography Debt #28 (US$ from Davida Gypsy Breier, Box 11064, Baltimore, Maryland 21212) Reviewzine with multiple reviewers, and commentary on the zine scene. Also continues an interview series with ex-zinesters.

Mark Time #100 (The Usual from Mark Strickert, Box 1051, Orange, California 92856) Perzine of the doings in the Strickert family, and some transit fanning along the way.

Argentus #10 (The Usual from Steven Silver, 707 Sapling Lane, Deerfield, Illinois 60015-3969) SF genzine which first starts off on a diversion to food and restaurants, although considering the weight of an average SF fan, this isn't such a diversion. But it's nice to see someone else panning the movie E.T., which I've always said should never be viewed by diabetics because of the sugar content. Elsewhere there are thoughts on how to introduce someone to written SF, lost SF short stories, steampunk, convention reports, life in Yemen, and letters of comment.

Zine World #30 (US$5 from Jerianne, Box 330156, Murfreesboro, Tennessee 37133) Review zine with hundreds of listings and letters of comment.

Show Me The Money #33 (The Usual from Tony Hunnicutt, Box 48161, Minneapolis, Minnesota 55448) Densely-packed sercon zine with various articles on the aftermath of the Panic of 2008 and the ongoing economics thereof. There is also an article about a proposal to establish a local currency based on demurrage (negative interest rates) but the author seems unaware of the 1936 Prosperity Certificates of Alberta.

Who Is The Star-Spangled Torquemada Now? #491 and #493 (The Usual from Ned Brooks, 4817 Dean Lane, Lilburn, Georgia 30047-4720) Single-sheet apazine with comments on various items.

The Zine Dump #26 (The Usual from Guy Lillian, Box 163, Benton, Louisiana 71006) Reviewzine of SF zines, plus commentary on the Best Fanzine award at the World SF Convention going to a podcast.

LETTERS TO THE EDITOR

[Editor's remarks in square brackets.]

FROM: Lloyd Penney 2010-12-15
1706 - 24 Eva Road
Etobicoke, Ontario M9C 2B2

Writers' workshops have never been good for me, and I've taken a couple of them. A few years ago I joined a local writers and editors group. I gathered with them for their monthly restaurant breakfast ... once. I found I was the only editor in a room full of writers, and the rest of the event was spent trying to ward off other members attempting to sell me their vanity press-published books. I did not return or renew my membership.

2011-01-26

While there is now a glut of steampunk novels and stories out, what little I've been able to read seems, shall we say, a little florid. I tried reading a novel by Stephen Hunt, who seems to be among the first of the steampunk authors, and I couldn't get through the first thirty pages. I think he's been trying too hard to create the steampunk setting. Like steampunk must have goggles, gears, and pocket watches, steampunk novels must have zeppelins, mechanics, and your choice of Nikola Tesla or Thomas Edison, or both for some real conflict. I want them to be better but they have become somewhat formulaic.

[The bookstore shelves seem to be full of steampunk drek now, and one must be very selective. Steampunk is being taken over by fantasy elements or mundane stories that throw in a clockwork automaton so the author can improve sales. At SF conventions, I see fans dressed up in 1920s aviator gear and calling themselves steampunk, which doesn't seem to follow.]

FROM: Joseph Nicholas 2011-01-18
15 Jansons Road
Tottenham, London N15 4JU

[Re: commodities and Peak Everything] According to the Soil Association Website, 158 million tonnes of phosphate-bearing rock are mined each year for use in fertilizer, but once the peak is hit and supplies begin to decline, agricultural output will suffer, with some crop yields falling by around 50%. Recognizing the importance of phosphate to agricultural production, the USA is said to have ceased phosphate exports in 2004, and China imposes a 135% tariff on its phosphate exports. Europe is wholly dependent on phosphate imports since it has no reserves of its own.

The Soil Association's suggested solution to the forthcoming shortage is to change the way that human poo is dealt with, in order to more effectively mine its phosphorous content. Because it's flushed away and mixed with other wastewater streams, it ends up with a high heavy-metal content which limits soils to which it can be applied. It can't be used on croplands because the metals would be taken up by plants.

To overcome this problem, the Soil Association argues for the introduction of an ecological sanitation system which treats wastewater streams separately, thus reducing potential contamination. The chances of there ever being such a parallel wastewater system introduced in a large city like London, England, or even a smaller city such as Calgary, are negligible. It could only be considered for rural areas or small villages, but the actual cost would be beyond the community's reach.

[Calgary has had sewage recycling for decades, using giant tanker trucks to spray sewer sludge on farmland around the city at no charge to farmers. The soils of the Canadian prairies are alkaline, which immobilizes heavy metals.]

FROM: Ned Brooks 2010-12-15
4817 Dean Lane
Lilburn, Georgia 30047

[Re: inflation comparison using gold versus price of a suit] The other side of such price comparisons between eras is that in 1895 no one could have bought at any price the technology we now take for granted. Even the typewriters of 1895 would seem very awkward and inconvenient to us.

[This is why economists use the gold standard to determine true inflation rates over the centuries by comparing the price of a top-quality suit and shoes, or how many loaves of bread could be bought with an ounce of gold. We live better today than the greatest kings of yore in qualitative terms but converting that into quantitative numbers results in a moving baseline. The problem is that North Americans want to live better than kings even if they only earn what a yeoman did.]

FROM: Stuart Stratu 2011-01-29
10/1-5 Woodcourt Street
Marrickville, New South Wales 2204, Australia

[Re: THE WORLD IN 2050] This climate hysteria is also being played out in Australia. You may have heard about the recent floods in Queensland. The Green Party leader, Bob Brown, really came out with a good one; he said that since the big coal companies are responsible for global warming and it caused these terrible floods, they should foot the bill for the clean-up and costs of rebuilding houses.

FROM: Kris Mininger
Calle Obispo 4 bajo
Plasencia 10600, Caceres, Spain

It looks like there are plenty of other reviewers writing for XEROGRAPHY DEBT or ZINE WORLD that are also receiving your zine. Do you get many new readers from these reviews? Do you receive many letters (since you don't print an e-mail address) from young people just getting involved with zines?

[I usually get about three or four inquiries from either XD or ZW who enclose money. I send off a batch of OPUNTIAs, but most never respond any further. However, I do pick up a few new exchanges each year, so the Papernet isn't dead yet.]

FROM: Sheryl Birkhead 2011-02-11
25509 Jonnie Court
Gaithersburg, Maryland 20882

At the current rate of agricultural production, as it is practiced, what is the tip-over population? I'm guessing that way before that particular point is reached, someone would note the trend and forcibly alter agriculture to whatever is more efficient. Unless human population dropped precipitously, this would only be a stop-gap.

[Modern agriculture is heavily dependent on petroleum, not just for the growing but for transporting crops to market, so its future will follow the path of Peak Oil. Knowing human nature, I suspect that nothing will change until it has to. SUV sales are back up again, as people forget $147 oil. Matthew Simmons, author of the excellent book TWILIGHT IN THE DESERT, predicted that North Americans will have to go through several more oil shocks, each worse than the last, before it finally sinks in that, no, you can't continue with business as usual.]

FROM: John Held Jr 2011-02-08
Box 410837
San Francisco, California 94141

Here's my question: with all the oil being taken out of the Earth, do you think there is a possibility of increased earthquake action due to the elimination of organic lubricant? Nobody ever addresses this.

[Major earthquakes are caused by tectonic forces, such as strike/slip sideways movements of the crust, found where you live, or plates descending one under the other, in volcanic areas. Oil doesn't lubricate anything underground; oil fields are like sponges and the rate of flow is dependent on how porous the bedrock is. Withdrawal of oil and natural gas does cause

subsidence as the emptied pore spaces settle in. The amount of subsidence depends on the hardness of the bedrock and how big the pores are. In western North America, the bedrock is quite hard and pore space relatively small, so subsidence is usually minor. Micro-quakes can be detected with seismometers frequently in Alberta, for example, but cannot be felt by humans. On the other hand, the North Sea oil is in soft chalk, and the seabed has sunk by as much as six metres in many places, forcing the oil companies to jack up their rigs.]

FROM: Franz Zrilich 2011-01-10
4004 Granger Road
Medina, Ohio 44256-8602

If I had money to invest, I would take several courses in finance, so as to better understand what goes on.

[You don't need to take courses; just go to your library and browse the shelves. On the Internet, two useful Websites are www.financialsense.com and www.goldseek.com]

I Also Heard From: Brandon Green, Sue Jones, Theo Nelson, Jeanette Handling, Phlox Icona, Tokitama, Henry Welch, Franz Miklis, Mike Dickau, Sinoun, Liz Gilkey, Joel Cohen