

# Still at Large

A collection of columns by

Scott Burns

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## **Dedication**

To Carolyn, my wife, for her patience, love, and encouragement as I wrote these columns.

## Acknowledgements

Hundreds of people contributed to this book. Many are named and quoted. But I've had help from other people whose names don't appear in the columns--- my editors at AM Universal. Every Tuesday afternoon I would get a call from an editor. First Sue Roush, then Greg Melvin, then Alan McDermott. Laura Jacobus, my editor at the Dallas Morning News did the same. Each helped make better columns with attention to grammar and detail. Any remaining errors, however, are entirely my own.





Another kind of well-heeled. A chartered Hunter 28, en route from Burnt Store to Cabbage Key.

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## Introduction

If you are reading this, you're a regular reader. The columns collected here were written between late 1998 and 2016. And, as promised, they were written when I left my desk, my computer, and my comfort zone.

That last part is important. Unless you are a natural extrovert it's pretty easy to arrange a life of habit, one that minimizes surprises. There 's a good reason for this. Life is filled with surprises. Not all of them are pleasant.

But we can miss a lot by not taking a chance. And the more time we spend outside of our comfort zone, the greater the odds our eyes will open, wider and wider, to all of creation. The same effort increases the chance we will marvel at how unpredictable, how adaptive, and how truly amazing we humans can be.

That's what these columns are about.

Sunday, February 6, 2000

## Riding Into Laredo

---

When you read this I will probably be somewhere between Austin and San Antonio, on the way to Brownsville, Zapata, Laredo, Del Rio, El Paso, Tucson, Yuma, and San Diego. I'll be riding a 1996 BMW motorcycle and toting my laptop along with a digital camera and recorder. If I can get the timing right, I might even get to places like Terlingua, Presidio, Marfa, and Fort Davis as I follow the 2,000 mile long border between the United States and Mexico.

Why am I doing this?

Because the border is the base of America's growth wedge--- a vast triangle whose apex is Denver, a triangle that encompasses both our fastest growing urban areas and our most remote and untouched lands. It holds the surging expansion of Phoenix, the growth of San Antonio, and the recovery of San Diego. It also holds the expanse of Big Bend, the Indian lands in Arizona, and the mountains of New Mexico. This triangle is our biggest cultural and economic intersection, bringing changes as basic as the displacement of ketchup by salsa and as esoteric as Mexican art. It is the newest, oldest, and by far the largest, American melting pot.

It also confronts us, along every mile of that border, with an odd reality: If the Immigration Service ever succeeded at stopping the human river that crosses the border seeking work and opportunity in America, businesses and families from Los Angeles to Dallas to Denver would have trouble getting through the day. Nothing in my fifteen years in Dallas has struck me more powerfully than the enormous debt Anglos have to the entire Hispanic population, many of whom can trace their roots in America as far back as the crustiest Boston Brahmins.

Fascination with our southern border isn't new. Others have traveled its length before: Tim Miller wrote "On the Border" after four months of travel in 1981; Alan Weisman and Jay Dusard wrote and photographed "La Frontera" after four years of traveling the border in 1986. You can find more than a dozen other books about life on the border simply putting phrases like "Mexico border" or "Border Land" into the search engine at amazon.com. You can visit the Dallas Federal Reserve Bank and find their publications on the Colonias--- the unincorporated villages that fill the exurbs of the Rio Grande Valley--- and on the importance of the Maquiladoras, the factories in Mexico that line the border.

But I want to see for myself.

And I want to share what I see, as best I can, with you.

Many of us now live with a screen of abstraction separating us from experience. I certainly do. I have spent years behind a computer, perceiving the world through databases and Excel models. It's very fast and very useful. But it is also very far removed from the world in which most people live.

Many of us also live in a world that is increasingly affluent. We may not think so, having become inured to the good life in urban America. We assume a lot, from

good health insurance to multiple varieties of goat cheese in the supermarket. Many of the people I will be visiting will be poor. Most won't have a checking account, let alone a 401k plan, and many won't have regular employment. Few spend time debating whether they should own a technology fund or have an investment in the Pacific Rim.

There is much to learn. There is also the personal challenge: to be immersed while retaining the acuity to report and juggling the task of uploading from strange motel rooms. Think of me as The Digital Itinerant. My first report will appear next Sunday.

If you want to get in touch with me about this trip over the next four weeks, you can do it by sending e-mail to [installmentbiker@yahoo.com](mailto:installmentbiker@yahoo.com). You can also check the public calendar I'll be keeping on Yahoo, updating where I am and where I'm going. You can see that at <http://calendar.yahoo.com/public/installmentbiker>. And you can see maps, directions and mileage for any segment of the trip by plugging two locations into Yahoo's mapping facility.

And, finally, you can wish me luck.

A boy from New Jersey, now 59, will soon be "riding into Laredo."

Sunday, February 13, 2000

## The Incredible Disappearing Slacker

---

AUSTIN. This city is on a roll, except at rush hour. Then, in spite of what seems like more lanes than Brunswick has bowling alleys, traffic on I-35 is slow all the way from Georgetown into the city proper. In the city itself, traffic regularly stops altogether, making it just a little more difficult to be laid back in the once funky capital of Texas.

Fortunately, I arrive on a Saturday afternoon. Traffic is moderate and the only thing I am really worrying about is when, if ever, I will feel warm. With the temperature around 50 and traffic moving at 70 to 75, the wind chill factor is similar to the surface of Mars. A biker has two choices: roll on the speed and shed therms or get run down by traffic.

As some would say: life isn't fair.

I left Dallas a bit embarrassed. Stopping at a gas station, I realized that I have not owned my dream bike long enough to have filled the gas tank. It is used, nicely broken in, with a fresh service and tire change from BMW Motorcycles of North Dallas, but I haven't had enough riding time to empty the first tank of gas.

I fill it for the first time. When I go to lock the tank-lid, I discover that I don't know how. Reluctantly, parked at a busy Dallas intersection, I find the manual and read. Combine that with a friend's neatly wrapped slices of banana-nut bread in my tank bag and I suddenly feel more like a child leaving home with cookies and milk



than a grown man starting a 2,400 mile motorcycle trip along the U.S./Mexico border.

Actually, it's a good thing I've got the banana bread.

I had hoped to take the back road route, the one that goes through old, remembered Texas, perhaps stopping in Hico for meringue pie or in Hamilton for apricot fried pie, both places suggested by friends. But it is colder and later than I expected and I want to be in Austin before dark.

So I bundle up and head for I-35, the highway that is to Texas as the Nile is to Egypt. When I moved to Texas fifteen years ago I-35 was a long thread that connected Dallas, Waxahachie, Waco, Temple, Austin, and San Antonio. Each place was distinct and you got a sense of countryside between the cities.

Now the virtual river spills back and forth, flooding the rich silt of industrial activity over its banks. Each year, it floods deeper into old agrarian, extractive Texas--- the Texas of oil, cotton, cattle, and crops. If you look at the map of metropolitan areas in the United States you can see that the Dallas/Fort Worth area stretches North as far as Sherman-Denison and the Oklahoma border. It also extends a long finger East, through Tyler, all the way into Louisiana. To the South only a tiny patch of white space separates the Dallas metropolitan area from Waco.

It is in that white patch, in the middle of proverbial nowhere, that I encounter the only other biker of the day. Riding a black Harley, a very large person--- the kind usually nicknamed "Tiny"--- pulls up from behind. He's in full leathers and his head is covered with a black ski mask that appears to have no openings at all, making him look like a blood relative of the family immortalized in the "Texas Chainsaw Massacres."

Probably a real nice guy, I think. And I bet he doesn't need to read the manual to close his gas cap.

Waco begins a separate island of urbanization that stretches through Austin to San Antonio. Except for that white strip before Waco, Texas has a largely urban area that now stretches about 350 miles. To be sure, it isn't all high rises, glass office buildings, and trendy restaurants serving arugula and goat cheese. But it is largely urban, modern, and significantly removed from the primary economy, the one that takes stuff out of the ground or grows it in the ground, the one that is the foundation for everything else.

While the world has known that Dallas was a city of workaholics and dealmakers since JR made it famous, Austin has hidden its work addiction pretty well. It is, after all, the world capital of calm Good Old Boys. It's also the city that invented "slackers."

One clue that we're talking about cities that are twins at heart is a recent report from the Dallas Federal Reserve Bank. The report noted that Dallas and Austin were pushing for the lowest unemployment rates in the state--- well below the national average. In both cities, sign painters are getting rich painting two simple words:

**"Help Wanted."**

At the same time, the two cities also had the highest labor force participation rates in the state. They were also more than 10 percentage points higher than the 67

percent national average. This means just about everyone of working age has a job. If you can sit in a chair and fog a mirror, you can probably get a job in Austin.

More important, everyone *came* to Austin to get the job. From 1990 to 1997 Austin's population grew by 26.6 percent, making it the eighth fastest growing metropolitan area in the country. Even more surprising is the population growth that occurred during the eighties: 44.6 percent.

This is no longer the sleepy, lowest cost-of-living city in America that it was during the seventies. Recently, home resale prices have surpassed Dallas, as has the overall cost of living. Today, the real estate market is so tight University of Texas students are suffering from "crowding out." People who can pay more rent shut out the students who aren't blessed with generous parents. Now the University is trying to catch up on the years of under-building that followed the oil and real estate collapse of the eighties. Cranes, building equipment, and new construction litter the campus.

And that's where the big economic secret is: on campus.

Regular reports tell us that we are spendthrifts. We're not just poor savers. We're non-savers, a nation that borrows everything and invests nothing, a nation squandering its future.

That is pure cow paddy. Look at that campus again. That's investment. Here in Texas it is being made for Texans by the state of Texas but it is also happening in every other state. Add the money parents spend on tuition, room, and board. Add the money kids are earning to cover their expenses. The total is a major sum. It's called savings: consumption deferred.

Economists Robert Formaini and Richard McKenzie, at the Dallas Federal Reserve Bank and the Graduate School of Management at the University of California, Irvine, have taken this idea a step further. The personal saving rate is "an accounting construct," they wrote in a Dallas Fed publication last fall. Because it only deals with these sums in a very gross way, the much publicized savings rate fails to include the unused portion of the car, refrigerator, house or whatever that you bought this year but didn't use up. It fails to include personal spending on education. And it fails to include retained corporate earnings.

Adjust for those factors and what might be called our national "functional" savings rate has actually risen since the seventies. And that's just one glimpse of the future--- Texas' and the nations'--- that's visible from Austin's crowded expressways.

Tuesday, February 15, 2000

## High Times and Low Water

---

SAN ANTONIO. On the seventy-mile ride from Austin to San Antonio I tried to remember: Had I ever met anyone who didn't like San Antonio? No one comes to

mind, not in fifteen years. A friend, a former Methodist minister who grew up in the area but never lived in San Antonio itself says, "San Antonio is my emotional childhood home even though I never lived there."

He's not alone. San Antonio is a feel good place.

Just as Dallas and Fort Worth are geographically close but psychologically distant, San Antonio and Austin have different hearts that are increasingly joined by proximity, dense traffic, and roadside development.

Both are on I-35, the road to Laredo, the highway to Mexico. Route NAFTA. San Antonio, however, is the last stop before everything changes, a city that still connects with every other city in America by a degree of urban homogenization and connectivity. One immediate sign: this is a city of meetings and conventions, bringing people together from all over the country. Today, in the lobby of the historic Menger Hotel, where Teddy Roosevelt recruited Rough Riders in the bar, a less historic sign informs employees of Nortel Networks of routes and meetings. Tomorrow there will be another sign and another meeting.

Some of this can be read in the big statistics. San Antonio is a core American city. It is large enough to be on every executive list and intimately connected to our long economic boom. It has an unemployment rate of only 3 percent. It has also enjoyed brisk population growth. From 1990 to 1997 population grew by 14.1 percent. That's nearly double the national average of 7.6 percent but it trails the 16.0 percent for Dallas and the 26.6 percent for Austin. Unlike the work holism of Dallas and Austin, where as many people work as possible, San Antonio is normal, with a 67 percent labor force participation rate. For San Antonio, this amounts to an ace up the sleeve. If Austin and Dallas need more workers, they will have to be imported. In San Antonio, more people can go to work.

If the Texas Workforce Commission has its projections right, more people in San Antonio *will* go to work because San Antonio will be one of the four areas in Texas with the greatest job growth to the year 2006. (The others are Dallas, Austin, and Laredo.)

And what will that work be?

One sign appears on East Crockett Street, across from the Menger Hotel. A brass plaque on an archway at the side of the Alamo reads:

## The Alamo

Hours: Weekdays 9-5:30

Sundays 10-5:30

It's an odd notion--- that the scene of a great historic battle could have visiting hours. But it's a clue about the future and something that might be called The Experience Economy. At one level we could call the constant stream of visitors tourists. San Antonio is the top tourist destination in Texas.

There is, however, another level. To the left of the original Menger Hotel entrance there is a shop that sells authentic tin soldiers. Want to duplicate the Battle of the Alamo? That's a specialty. You can also collect soldiers from the World Wars, British Regiments in India, and Minutemen from the original Revolution.

Significantly, another shop across the plaza offers similar soldiers and, only two doors down, another shop sells memorabilia for fighter pilots. Walk a short block and you're at the entrance to a special effects show that will allow you to experience the Alamo while still another location will let you experience the battle of the Alamo in an IMAX theater.

Along the Riverwalk there is now a Harley Davidson shop and, just like the one in Las Vegas, it has no motorcycles. Like the nearby Hard Rock Café and Fat Tuesdays, it sells the *idea* of an experience, manifest as a T-shirt. Beyond the Riverwalk, in the highway rings that surround the city, you can visit three theme parks, a botanical garden, and a museum of history and science.

Critics of popular culture wring their hands over this. They wonder about the lines between real and virtual experience and where branding displaces reality. Well, let them worry. I see people having a good time in a world that is demanding and confusing. I also see a new economy, something way beyond the early extractive economy of minerals and agriculture.

Ironically, the Experience Economy--- trade in real experience, images, and symbols--- is connected to the old economy by something worrisome and unalterably real.

In San Antonio it is called the Edwards Aquifer, the source of the cities drinking water. Recent and forecasted weather patterns don't auger well for the areas' water supply. The Pacific Decadal Oscillation, a weather movement that could bring drought measured in decades, not years, may replace it. It could reduce rainfall and water tables from here to California with resulting havoc for farmers, crops, and cattle in the Rio Grande Valley to the South.

Leaving, I look in the window of the toy soldier shop once more and remember the old lines:

“For want of a nail, the shoe was lost,  
For want of a shoe, the horse was lost,  
For want of a horse, the rider was lost,  
For want of a rider, the battle was lost...”

Now, 350 miles of concrete unites the place I've called DalAntonio, one of the largest urbanizations in America. It's a place that supports millions of people and virtually all of us are oblivious to where we get our food, water, and energy.

Sunday, February 20, 2000

## Where's The Beef?

---

WILD HORSE DESERT. You will not find this place on a map, at least not a recent map. I left for it yesterday, swinging onto Interstate 37 from 410, the

outermost circumferential highway that surrounds San Antonio. Almost immediately miles of luscious clear highway replaced the dense city traffic. Speed candy. Ninety horses, squeezed into the bikes' two cylinders, begged to run free. A few miles before Corpus Christi, it was time to turn south on Route 77. I wanted to make Kingsville, the town within the famed King Ranch, before dark.

Here, as local lore has it, a number of merchant alchemists made fortunes during the Civil War, magically transmuting Confederate cotton into Mexican cotton in the now vanished city of Baghdad. The cotton was transmuted, once more, into arms and supplies to sustain the war for the South and into large quantities of cash for the alchemists. Captain Richard King built the King Ranch, introduced windmills and surface water to the Wild Horse Desert, and started grazing cattle. The cattle, brought north from Mexico, are believed to have carried mesquite seeds in their bowels and introduced the trees, well fertilized, to the area. Today the rangeland resembles the African veldt.

One of those alchemists was named Don Francisco. The founder of the first bank in Brownsville, he also assembled an 150,000-acre ranch adjacent to the King Ranch. Now owned by two descendent families, the Yturrias and Garcias, the property is divided in half at the railroad that parallels highway 77. On the Yturria side of the road, the property is held in corporate form. On the Garcia side, the property has been subdivided with each generation.

Decisions being made about this land, if repeated by other ranchers, may soon have us asking a strangely familiar question:

*Where's the beef?*

It won't, however, be inspired by a funny television commercial about small hamburgers. It will be about the displacement of cattle from American rangeland.

I learned this after going through the guarded gate to the Yturria Land and Cattle Company and driving down a long road to a hunting camp with a yard full of wild turkeys and a single meandering armadillo. On the way, I saw cattle, deer, antelope, and javalinas. I met Danny and Richard Butler, the brothers who run the ranch, along with help from Richards' two daughters, Quita and Tina.

"We commercial cattle people won't be able to compete with Mexican beef. The cow eats the same grass on both sides of the river. There are no costs like Workmen's Comp on the other side. You could see the impact (of NAFTA) right away on the vegetable growers. The land lease rates fell. Land by the river that once rented for \$40 an acre was re-leased for \$17 an acre. Now it isn't under lease. It's earning nothing. That's what's coming for cattle." Richard said.

"It would still be difficult if there was no NAFTA," Danny Butler added. "You could be making the finest buggy whips in the country but when Henry Ford started making cars it didn't matter. Food is being globalized."

"This land has been in our family for 142 years. We've got an asset here and it has to produce money. So we're trying different things." Richard said.

"It's all prices. We still get the price (for cattle) that we got in 1973, plus or minus five cents. Compare that to other prices. We've cleared more land. We've rotated our pastures. But we're maxed out. We can't work harder, stronger, or

longer.” Danny said. “Our accountant says it doesn’t work. We know we’re not alone.”

Although the brothers speak with a passion and urgency that would make you feel a crisis was imminent, one isn’t. They tell me that they are living under an umbrella of oil and gas royalties from the same land. They know the oil and gas income won’t last forever. They need to put the land to a use that generates more money than cattle do, and they’ve got to get it done while the oil and gas income is still flowing. Otherwise, Richard and Danny will be the last generation on the land. They want to see it go to Quita and Tina.

I ask if there are any other alternatives.

“Sure. It’s the one we don’t want. The other transition is that someone who made money somewhere else will own the ranch. They won’t be buying to make a sound investment. They’ll be buying the bragging rights.” Danny said.

So the brothers are trying another solution: they are letting the cattle herd dwindle while growing a new “crop” of exotic wild game. In addition to a base of one-year deer leases, they are also allowing guided hunts on the property. The economics compare favorably with raising cattle.

“In 1970 it was \$650 for four trophy deer. Today it’s one trophy deer for \$4,500 and we’ve got people waiting in line. We’re booked for next year. Now we look at deer like a herd of cattle. Just compare the prices (of cattle and deer). We don’t hunt anymore because they’re all assets.”

The comparison is dramatic. Cattle are bought, raised for a year, and then sold. The rancher makes his profit, if any, on the slender difference. Exotic game, on the other hand, can be a renewable crop that requires less time and effort but yields a far higher price.

Danny Butler and I spend the afternoon driving around the ranch in his Suburban. In half a day I saw more deer than I have seen in my entire life. I see a wandering herd of javalina parading around the family ranch house. I see Nilgai, which I have never seen before, several other types of antelope, geese, ducks, and sable. What the Butlers are building is a private nature reserve, one where the excitement of seeing animals is virtually constant.

Will the economics work?

They don’t know. Listening to them, I realize there is a fundamental disconnect between the modern economy and the economy that grows our food. If ranch land is worth, say, \$1,000 an acre and must produce a 10 percent annual return to be competitive with other investments, it has to generate a net income of \$100 an acre. Nothing they are talking about comes close. Start thinking about Internet investments and ranching looks a little, well, quaint.

Nilgai and deer may change that.

As we’re leaving the ranch, Danny suddenly gestures with excitement. He has done this all day.

“Look! A javalina!”

Suddenly, I realize what this is all about. Danny and Richard Butler are joining the Experience Economy. That’s not the same as producing hamburger.

Sidebar:

## Refining the Experience Economy

“If you had said in 1970 that the Rio Grande Valley was going to become a bird watching hot spot, people would have laughed at you. But we’ve got five very distinct habitats and they are all within an hour,” Ray Burdette says.

Ray is not a birder. Ray is a retired Army lieutenant colonel from West Virginia. He has enjoyed hunting all his life and now he’s doing it for a living. He’s married to Monica Burdette and she is a Garcia, a member of the family that owns the ranch on the other side of the road from the Yterria Land and Cattle Company. Together, Ray and Monica are running a bed and breakfast called the El Canalo Inn, located some 5.5-miles from the highway.

They are the next step in the Experience Economy.

“We’ve got Ferruginous Pigmy Owls in our backyard here. Birders come from all over to see them because they are so rare and their habitat is so concentrated”, Monica tells me.

I ask Monica, in light of the 5-mile drive through her front yard, just how big her back yard is.

“I mean the real back yard, inside the fences. You can see them from this window.”

Ray and Monica lease the land and house from Monica’s mother. They don’t participate in the oil and gas income the property generates. That means, Ray says, that their task is to find a combination of activities that will generate enough income to support them as well as pay the overhead and lease costs. They do this by capitalizing on hunting, birding, and gourmet get-a-ways. Monica runs the Bed and Breakfast side of the ranch, cooking gourmet meals and keeping the place stocked with good wine. She also tends the visiting birders. Ray does guided hunts on several properties, including the Yturria Ranch across the highway.

“My goal is to entertain them every minute they are here. We try to make people feel like they’re the first people to come here,” Ray says. While you can stay at the Inn for \$125 per person, per day including all three meals, it is the guided hunts that change the economics of the ranch. A five-day/four night hunt for Whitetail Buck is priced at \$3,500 per hunter and allows the hunter to take one trophy buck, one doe, one hog, one javelina, and “unlimited coyotes.” Take a single extra buck, measuring 10 points or more, and it will cost an additional \$2,250. Other guided hunts, including quail, duck, and dove or a combination of wing shooting and fly fishing are priced as low as \$300 a night, everything included. If the hunt is on another property--- such as Danny and Richard Butler’s ranch “across the street,” a portion of the fees is paid to the other property.

Either way, it beats raising cattle so Ray is thinking of shrinking their herd of certified cattle.

Speaking about some of his corporate groups--- often people who are tightly wound and in need of a real escape--- Ray smiles and tells me his solution for the inescapable cell phone.

“I tell them the cell phone ringing attracts rattlesnakes.”

Tuesday, February 22, 2000

## Lifeguard On the Rio Grande

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MATAMOROS, MEXICO. The wind is brisk, buffeting and laden with sand as I ride into Brownsville. I am relieved to have arrived before the hordes of Spring Break college students who will be invading its sister city, Matamoros, in a few weeks. I have arranged to meet Bill Wolfe, a well known figure in maquiladoro development, for breakfast at the Sheraton Four Seasons on Route 77, a highway that can only be described as a series of concrete convulsions, pressed on both sides by relentless construction.

To recognize him, Wolfe has given me some visual clues: “tall with a shaved head.”

Which he is. Coming through the door in a short-sleeved jersey, faded denims and moccasins, he doesn't look his 62 years. He could also be a close relative of Jesse Ventura. A native of Indiana, it is immediately clear that he is a manufacturing guy, the kind who builds and organizes factories and gets things done. He would not be happy in a corporate staff job, trading memos about divisions, units, and plants.

This may explain the turn his career took about twenty years ago. Back then he was running a GM plant in Anderson, Indiana with the full knowledge that he could rise no higher without moving to Detroit. He had started making other plans when GM asked him to build two plants in Mexico, one for the flexible bumper system, the other for dashboards and steering wheels. After that he left GM to build Eagle busses--- the great busses of rock stars and cross country travel. He left before the company went out of business as airline deregulation made air travel cheaper than bus travel. From there he went to Trico Technologies because they had asked him to build a one million square foot plant so they could move out of Buffalo, New York.

“Trico had 98 percent of the market (for windshield wipers) in the country. But their profit margins were declining and Ford wanted lower prices.” He said. “So they had an accounting firm do a study. They suggested moving production to Louisiana if they could avoid a union, to a maquiladora in Mexico--- or to sell the company while it was still worth something.”

Trico built in Matamoros.

What interested him most, however, was all the phone calls in Buffalo from people who wanted to do something in Mexico. “People just had a lot of odd ideas about maquiladoras,” he said.

Like?

“You know, that whole ‘giant sucking sound’ thing.”



His take on the paired production facilities that recently numbered over 3,200 and employed over a million workers in Mexico, becoming the single largest source of dollars for Mexico, is that they are part of a long evolution in manufacturing and the growth of decentralized, entrepreneurially-driven production.

“Actually, this all started in the 50’s. It’s not news. We learned then that we had to work differently. A lot of manufacturing moved south to save a dollar. At the same time, apparel and electronics started going offshore, to reap the difference in manufacturing costs.

“Mexico wasn’t in the picture then. Twenty-five years ago there were signs just over the bridge that said “Yankee Go Home.” Fortunately, there were also some people who realized that *they* needed some new ideas, too. Today it all comes down to one thing: how fast can you move and does it make sense to manufacture out of the country?

“Today, most of what we do is move jobs *back* from Asia and other places that are pretty far away. There is a reason for this. Most things, now, are fashion oriented. A creator in New York has an idea and sells it. Now you’ve got to produce it and it may come in 15 colors and 13 sizes. When you go to produce you take material from Korea and ship it to Bangladesh. It’s on the water for 60, maybe 70, days. Then it’s in a warehouse. Finally, it gets to Dillards and there is a year supply out there.”

“But it’s fashion. You want to get it into the hands of the public as fast as possible. It has to be done quickly, like those baggy pants, because as soon as it appears, it will be knocked off. That’s one element. It holds in electronics, too.

“The second element is getting the dollars out of the supply system.

“What I do in Mexico is save time. I can get plans and manufacture in a day or two. We’ll be speaking English, communicating clearly, and the turnaround is one-twentieth (of Asia).”

What Wolfe is talking about is supply chain management, the hard, information driven push that shrinks materials, goods-in-process, and finished inventory. For manufacturers, this is the real giant sucking sound--- it’s the sound of the single largest user of capital in the production process. Cut it and you raise return on capital.

“In addition, the fabric and trim comes from the United States. If you manufacture in Bangladesh, everything comes from Korea. We have assembly jobs now where some material comes from Michigan; we get springs from Indiana, hoses from Canada, and die castings from Texas. Now there are jobs in the U.S. because it is profitable to assemble in Mexico.

“So think about something else. In the U.S. no one wants to sew anymore. The sewers are all old. For some (U.S. manufacturers) it’s not a question of wages, it’s finding a way to get the work done.”

Later, we drive to Matamoros to see one of the plants in his current business, Nova-Link. Crossing the bridge over the Rio Grande I look down and see a scrawny creek no more than 75 feet wide. Nova-Link, he explains, is based on a simple idea: there are a lot of smaller companies that don’t want to build a plant in Mexico and staff it. They also don’t have any time.

His answer: leased and managed space. He provides the facility, the workers, and the management. The (U.S.) customer provides the production equipment, the techniques, special training, and U.S. distribution. The result: major cost savings as full factory overhead costs drop from \$30 an hour in the U.S. to \$5 or \$6 an hour in Matamoros.

But what about those lost jobs?

"You've got to understand something here. No one in their right mind would move a company to another country. It isn't done for fun. It's a necessity."

Between Matamoros and Reynosa, Nova-Link has some 500,000 square feet of manufacturing space and 3,500 employees. The buildings are organized in large, open bays. Some are nearly the size of a football field. As we are walking through, Wolfe explains that most of the workers are young and like to socialize. So he tries to keep the spaces open.

Moving from space to space I see several kinds of outdoor wear being assembled for U.S. brand names everyone knows; I see hospital and restaurant clothing and supplies, I see water meters being assembled, electric harnesses, electrical assemblies, etc.--- what he has done is provide a managed umbrella, a kind of floating job shop, for virtually anything that could be called light manufacturing or assembly work.

How does it compare to working conditions in the U.S.?

Equal to better, and I say that from personal experience. I have worked in factories in Massachusetts and New Jersey. I have been a director of a multi-divisional manufacturing firm with operations in New York, Ohio, Pennsylvania, and Georgia. Nova-Link was better than most and as good as the best.

Are all maquiladora plants this good? Probably not.

But they are what is.

Crossing the Rio Grande once more, Wolfe comments on how tiny it is and what happens because it is a river between two countries.

"It's hard to believe, but about 25 people drown each year. It happens when they try to cross the river."

Sunday, February 27, 2000

## Fields of Dreams

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McALLEN, TEXAS. Time was invented, it has been said, to keep everything from happening at once. Here, time has been forgotten twice. When it was first forgotten this was a largely agricultural area and nothing happened. Now it is post-NAFTA. Time has been forgotten again and everything is happening at once. Between Brownsville and McAllen there seems to be construction, dust, and heavy equipment wherever you turn. Within yards you can go from decrepit buildings with hand painted signs for businesses

that no longer exist to brand new franchises that line the Interstate north and south of the new Sunshine Mall in Brownsville or the La Plaza Mall in McAllen.

Prosperity isn't around the corner; it is *on* the corner. For the first time in years, the unemployment rate is going below 10 percent. Now there is something to do other than farm work. Now it is possible to finance a house. This is a major change.

These once sleepy places--- Brownsville, McAllen, and Laredo--- are now major growth centers. With population growth of 37.5 percent from 1990 to 1997, Laredo is the second fastest growing urban area in the United States.

Only Las Vegas, at 48 percent, grew faster.

McAllen, at 33.2 percent growth, is the third fastest growing. Brownsville, at 23.3 percent growth, is growing at 3 times the national average.

Numbers do not describe growth like this. You have to think about something that is moving, pulsing. You need to imagine, instead, one of those algae blooms in the oceans, those odd events where a combination of nutrients and temperature causes algae to go into reproductive overdrive and fill an entire area, crowding out everything else. That's what you see down here. Inevitable, overpowering growth. It's an industrial bloom that is overrunning the agriculture roots of the Rio Grande Valley and turning Laredo, always a trade oriented city, into a sprawling version of Beyond Thunderdome.

Those quick messages are confirmed by the ride from Brownsville to McAllen. Instead of taking Interstate 83 I took what some call the old military highway, route 281. It is an old two-lane road that runs closer to the Rio Grande, through farmland and small villages. It is quieter, has much less traffic of any kind, and provides a calmer window on how things are changing.

On both sides of the road, freshly tilled fields recede into the distance. They are fields of dreams. Villages--- small gatherings of modest houses usually made of wood or adobe and articulated by dirt roads--- hug the side of the highway. Old cars. Collections of rusting objects. Sometimes a gathering of mobile homes.

Small cemeteries are also along the road, some near villages, and some at a mysterious distance from any community. One is set like an island surrounded by an ocean of recently tilled soil. It is connected to the highway by a narrow isthmus, a pathway lined with brilliant flowers.

New housing developments--- or at least offers of developments--- appear here and there, usually offering an acre or so of land for something under \$10,000 with \$50 to \$100 down. Most are signs on vacant land. Some have houses sprinkled at random. Unlike the Colonias, developments on unincorporated land that have little or nothing in the way of infrastructure, the new developments promise water and electricity. Add a manufactured home to the lot and it is possible to have a new house for less than \$40,000. That price, in turn, is on target for income along most of the border. It is not difficult to imagine miles of subdivisions replacing the farmland very quickly.

I stop to examine one of the cemeteries. It is a small piece of land measuring about 40 by 50 feet and separated from the road by a low chain link fence. There is no barrier on the other three sides, which recede into a tilled field. Inside, it is a mixture of large and small stones, single plots and family plots. At the front there is a

wooden marker with toys and flowers, a child's grave. The names on the stones are Hispanic.

This should not be surprising. While less than 11 percent of our total population is Hispanic, the statistical relationship reverses along the border. Moving along the border, Brownsville is 84.4 percent Hispanic, McAllen is 87.3 percent Hispanic, and Laredo is 94.5 percent Hispanic.

The birth dates on the stones, in this particular cemetery, range back to 1870. Others, without stones, were probably born and buried at earlier times. It makes me think of my family. My paternal grandfather was born in Scotland and came to this country at the turn of the century. My maternal grandfather was born in Ireland and came to this country just before the turn of the century. Born in Massachusetts, raised in New Jersey, I have always thought of myself as 100 percent American. But the people in these fields were being born and buried here long before my forebears even thought about crossing the ocean.

Standing there I get an odd feeling about being short-changed by language, by how much we lose when we use a word like "Hispanic" because it is politically correct. It is the word to use if you are to understand the statistics kept by the United States government. (The word was, after all, a government invention to provide a classification for the many people in America with a relationship to Spanish language and culture.) It does not describe what is happening on the border.

The people in this cemetery are not from Puerto Rico. They are not from Cuba. They are Mexicans. They are Americans. They are *mestizos*, descendents from intermarriages of invading Spaniards and Mexican Indians. They are the children of Cortez. They were here when the Rio Grande was a bigger river. They were here before the Rio Grande was the boundary it is today. They were here before Texas, New Mexico, Arizona, and California were called states.

Whatever the future holds, their presence is here is more powerful than language and more enduring than maps.

Tuesday, February 29, 2000

## All Roads Lead To Crystal City

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CRYSTAL CITY, TEXAS. Yes, you can find Crystal City on a map and, no, it isn't in the Land of Oz. It's in the "wide open spaces" of Texas--- west of Laredo, east of Eagle Pass, and miles from any major highway. It is just out there, lost in an expanse of flat, unbroken rangeland that extends for miles in all directions. Highway 83, the road I took from Laredo, is nearly empty. No trucks. No cars. It's just my motorcycle and me.

I've come to Crystal City because of an e-mail message from Adolfo Gonzalez, the Superintendent of Schools. "Politicians should understand that our voting

numbers might be small, but we have strong ties and influence throughout the nation,” he wrote. I wondered what else he might have to say and tell.

Mr. Gonzalez quickly overcomes his surprise at my unannounced arrival. He is a distinguished looking man with a full head of graying hair and a large mustache. He gathers a small group of people--- a teacher, a curriculum specialist, their technology specialist, a businessman and a lay minister. I am not sure how this happened, it is as if by magic. We sit down at a long table. I learn that Crystal City is primarily a farming and ranching town, that it has high unemployment, that most of its residents are Hispanic, and that much of its past is rooted in the fortunes, and misfortunes, of migrant labor and a single major crop--- spinach.

The school system itself has about 2,000 students, divided evenly between junior high/high school students and grade school students. They believe the area has one of the highest unemployment rates in the state, which it does, although it is not in the same leaking boat as Starr, Maverick, and Presidio counties. All border counties; these are the only places in Texas where unemployment is still over 20 percent. Zavala County clocks in at 15.7 percent.

Painful enough.

“A lot has changed since the 60’s.” Mr. Gonzalez says. “And it has changed for the better. Back then, Mexican food wasn’t allowed in cafeterias. Now there is Taco Bell and it is everywhere. We are also seen in entertainment now, with actors like Martin Sheen, Jimmy Smit and singers like Ricky Martin.”

“Mexican spices are becoming part of the main stream now--- cumin and cilantro. We have grown medicinal herbs in our backyards for decades and now they are becoming popular everywhere.”

Jose Baleras, a businessman in town adds. “My brother is a trucker. Now he’s driving in North and South Carolina and he can find tacos and enchiladas. The Hispanic influence is all over the nation.”

I ask how that turns into votes and how they might think a town with seven or eight thousand residents could be influential.

“We may be only seven or eight thousand people *here* but we’re a hundred thousand all over the United States. We are in North and South Dakota. We are in Wisconsin. It started with being migrant workers. Now we educate and they leave town looking for jobs because there aren’t enough jobs here.” Mr. Gonzalez said.

“At the annual spinach festival we get seventy to eighty thousand people, most of them originally from Crystal City. They stay with their families. You can’t even walk downtown. You talk with everyone and you have a beer in your hand.” Mr. Baleras adds.

“We believe in the extended family. Family unity is one of the greatest things we can give. We have had family reunions with 300 people. They were migrants once but they are transitioning to other jobs.” Mr. Gonzalez says.

“I think it is a big myth that we crossed the river,” Louis Lopez, the lay minister, says. “We didn’t cross the river. We never left. *We were always here*. It was the border that kept moving. We are Mexicans but we never left (Mexico).”

“It’s like Rome. It was a world power for 600 years. They tried to dominate the people in their lands but they couldn’t. It is the same here.” Mr. Gonzalez said.

“We’ve learned to use the system and we have prevailed.” Mr. Baleras adds. “When I was young we were kicked out of school for speaking Spanish. Now, everyone wants to be bi-lingual.”

Around the table, they tell stories of discrimination they experienced, of votes and public offices gained, of classrooms opened, even of how the barracks of a World War II internment camp for Japanese were turned into classrooms.

The word “prevail” is used several times. It is an interesting word. It is not violent. It is not even a win/lose word. It is just a word of implacable strength, like the “endure” William Faulkner spoke.

When it is time to go, we take pictures around the motorcycle and Robert Castillo, a De Frye graduate that manages computers for the school, takes me on a quick trip to see the statue at City Hall.

There, larger than life, is a figure of Popeye the Sailor, the hero and patron saint of spinach. To his immediate right, a flagpole flies the Texas colors.

*“I yam what I yam,” a child inside my head says, “I yam what I yam.”*

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Special Reader Contest:

Can you name the worst place in Texas to get a flat tire? Did Scott Burns find it? Or was it just in the top ten? Send your entry for The Most Desolate Place in Texas To Have A Flat to: [installmentbiker@yahoo.com](mailto:installmentbiker@yahoo.com) .

Sunday, March 5, 2000

## Night Song in Nuevo Laredo

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LAREDO, TX. Doubts come in the night. They come at odd moments and I am not sure why. One night here, for instance, the entire three miles of highway from my motel room to the bridge is lined with 18-wheelers waiting to cross the border. It is a massive display of capital, a gigantic standing stock of goods and equipment, yet it is only a fraction of the thousands of trucks that cross here each month. As portals go, Laredo is up there with AOL and Yahoo, but the flow is measured in pounds and tons, not bytes and page views.

What is strange is that so little money seems to have rubbed off on either Laredo or its Mexican counterpart, Nuevo Laredo. While Laredo has expanded wildly, scattering franchise pads and roadside businesses willy-nilly on the roads outside the old city, the pre-NAFTA parts of the city--- the ones closest to the border--- are remarkably drab and shabby.

This is not a sin. What is troubling is that businesses are stretched so tight. There is a sense that every dollar that can be squeezed out of a business and taken

home *is* taken home, that money for inventory and reinvestment--- whatever is needed to grow and develop an enterprise--- is scarce to non-existent.

The impression is reinforced in Nuevo Laredo. There, walking the blocks immediately over the bridge, I pass small food shops that only grudgingly offer worn plastic chairs, retailers with hand made signs, and storefronts that seem to have selected their patchwork of goods by lottery or blind chance. In a plaza with a bus depot at the east end, I stop to watch and listen, concentrating on the sound of birds and the constant movement of people. The number of children is surprising, given the late hour. Suddenly, I feel as though I have stepped into a Mexican translation of Edward Hopper's haunting painting, *Diner*.

The walk back across the bridge is a somber one.

But impressions aren't facts.

The facts are that the entire border zone is a magnet, that the unemployment rate has dropped significantly in the past three years, and that personal income is rising. Per capita income in Webb County, the county in which Laredo is located, is \$12,999 a year. That's about half of the per capita income in the rest of the country. The figures are very similar for Cameron county (Brownsville) and Hidalgo county (McAllen). Per capita income in Starr county, directly west of McAllen, is the lowest on the border, \$7,550 a year. That's only 30 percent of the national average. It is poorer than any of the border counties in New Mexico.

What do figures like that mean in something other than dollars? Simply this: in fast growing McAllen, Texas, *over half the children still live in poverty*. In Laredo the figure is only slightly lower, 45 percent. Nationally, the figure is "only" 19 percent. There is plenty of room--- and need--- for income to grow.

Small wonder that the walking around evidence also says that the dominant financial institution along the border isn't the local bank. It's the pawnshop. They are so prominent in every city along the border that I decide to do a reality check and examine the yellow pages for the Rio Grande Valley. Sure enough, the directory has 5 pages under "pawnbrokers". It also has seven pages of "loan companies" offering "30 minute service" and loan amounts "to \$450."

There are only four pages under the listing "banks."

EZ-Pawn, which has a large display ad, has 18 offices in the Valley. First Cash Pawn has 16 while Cash America Pawn has only seven and Amigo Pawn and Jewelry has only four. The Sun Loan Company advertises that its Brownsville office is "across from Whataburger", its Pharr office is "behind Bus Station", its McAllen office is "next to Payless Shoes", and its Mission office is "Next to Dollar General."

A visit to a Laredo pawnshop reveals a mixture of jewelry, consumer electronics, and the inevitable bass guitars and amplifiers. With the exception of one Glock, there is also a predictable assortment of 38 caliber handguns.

Financial transactions are different on the border. One study by Texas A&M, for instance, showed that only 15 to 45 percent of adults in the colonias--- unincorporated housing communities that often lack water, sewer, and utility services--- had Texas bank accounts, figures wildly different from the national numbers. According to the 1998 Survey of Consumer Finances done by the Federal Reserve Board, more than 90 percent of all households in America have a checking account.

In Del Rio, I visit Jerry Simpton. He is Executive Vice President of the Del Rio National Bank with 35 years of experience on the border. He has a different interpretation.

“The pawn shop proliferation has happened in the last few years. Most are chain operated and have multiple locations. I think they are more visible here (than elsewhere). They have a strong marketing push but I don’t think it is different from other cities.”

I asked if consumer credit had changed.

“In the past, lower income people might have a small loan with the bank and a Sears charge account. We don’t see those customers anymore. They probably have any number of credit cards. I see it across the board. Now everyone uses the cards,” he said.

The greatest danger to understanding the border may be the comparisons that we bring. If we look at it through experiential glasses that were made elsewhere--- whether in Portland, Maine or Portland, Oregon--- we are likely to see weakness and vulnerability at near apocalyptic levels. But I think that would be a mistake. Like the desert, the strength and power of the border comes from the tenacity of life in want, from the obdurate will to continue with what is rather than what is wished for. The border, some have said, isn’t America and it isn’t Mexico. It is the Border, a place of mind, a third country, a different place.

Tuesday, March 7, 2000

## The Bridge at Presidio

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PRESIDIO, TEXAS. Some say the West begins in Fort Worth. That may be so in the world of conversational visions. But the visceral West, the one that brings out an involuntary cry of “Yeesh-haah”, the one we dream about--- the West of independence, freedom, and strength--- that West begins elsewhere.

I felt hints of it riding through small towns just west of McAllen, towns that don’t seem to have changed since the 1930’s. The feeling grew stronger as I rode into Langtry to see if I could visit a readers’ mother who lived “just two houses down from the Hanging Tree.” That’s the tree, legend has it, that Judge Roy Bean used to exact justice.

The feeling became an overwhelming rush just east of Marathon as the horizon widened, the road straightened, and the landscape changed to a luminous mixture of yellow grasses, brush, and dark mountains.

Wide open spaces. You are on your own out here.

Not wanting to spoil the experience for others, I left as much empty road behind me as I could, slowing down only when I reached Marathon. There, Barbara Novovitch told me how she and her husband had visited once and came back as quickly as they could for another three or four visits. Then they packed up and left



Washington, D.C. to live in Marathon, a tiny town in a gigantic county with a population of only 10,000 people. The county is large enough to hold the states of Rhode Island and Connecticut with room to spare, not to mention being large enough to hold all of Big Bend National Park.

Pictures and words can't convey the vast beauty of Big Bend, a place of prodigal landforms, immense stones, and space that can only be described as magnificent. In fact, stirring beauty isn't limited to the park. The entire 65-mile road from Marathon to the park entrance is a beautiful ride, surpassed only by the 50-mile road from Study Butte to Presidio--- what many call "the river road." The road out of the area, from Presidio to Marfa and Fort Davis, is strikingly different, amazingly beautiful, and almost eerie for its vast spaces.

Perhaps that is what makes the experience of Presidio so strange. Described by journalist John Reed in 1913 as "a stragglng and indescribably desolate village," Presidio in the year 2000 is neither stragglng nor desolate. It is just oddly vacuous, a large village with wide and dusty dirt roads, a multitude of manufactured homes, and a broad boulevard-like highway that leads to and from the bridge to Ojinaga (pronounced Oh-hee-na-ga) and Mexico.

Known to odd fact seekers as the town with the highest daytime temperatures in America and to the Texas Workforce Commission as the highest unemployment area in the state, 26.2 percent, Presidio can legitimately moan that it is lost, forgotten, and abandoned. It is an isolated outpost.

Crossing the bridge on my motorcycle, I quickly learn that there is a lot more going on in Ojinaga than there is in Presidio.

All of which makes the bridge more interesting.

Why do people from Mexico cross it? Where are they going? What do they want to do? While people can cross from Mexico to McAllen or El Paso to shop, there is little shopping in Presidio. So why are people crossing the bridge?

This is not an idle question. According to one source, some 888,857 people crossed this bridge in 1986. The guards at the bridge don't know how many crossed in 1999, but I will be daring and guess that the number is higher today with a new bridge and better roads.

I will also venture a reason for all that traffic.

There is no bridge to America that is so small, so humble, or so remote that a multitude won't cross it.

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## Sidebar: **Herds of Tomatoes as Far as the Eye Can See**

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MARFA, TEXAS. Remember "Giant"--- one of the early wide screen movies starring Rock Hudson, James Dean, and Elizabeth Taylor? Well, it was filmed here in Marfa and is immortalized at the Paisano Hotel where the cast stayed long enough that the hotel has been declared a historic treasure.

Whether you approach this town from the north, south, east, or west it is clear why Marfa was chosen as the best site for filming Edna Ferbers' grand novel of Texas cattle and Texas oil--- the range land begins just outside of town and extends as far as the eye can see. It is a stirring landscape.

So imagine that you are riding a motorcycle, that you left Study Butte in the morning after deciding that you would not visit Joe Black Spring because you want to meet Joe Black later, not sooner. Imagine that you have been surrounded, for the last two days, by gigantic RVs and a dusty culture of disconnection. Imagine also a landscape, in Terlingua, that is as close to the original Mel Gibson Road Warrior movie as you can get and not be radioactive.

Even with that, you will not be prepared for the vision at the side of the road just north of Marfa: crystalline white buildings--- greenhouses--- that fill the horizon.

I am not kidding. This is not hyperbole. *Fill the horizon.* You must imagine the largest greenhouse you have ever seen and then multiply by a kaleidoscopically large number. We are not talking so much about a greenhouse as a vision from the X-Files or some unregistered Federal presence that was meant to be in Roswell to house reproducing aliens and their fleet of flying saucers.

I stop the motorcycle, turn around, and enter the facility. It is a series of linked greenhouses and what appears to be a shipping facility. I clock one of the greenhouses and it measures about 2/10ths of a mile on my odometer. This greenhouse, one next to it, and another are completely filled with tall tomato plants. Hundreds of thousands of tomato plants.

Entering the office area, I ask if there is someone who can tell me about the buildings. No, I am told, but you can go up the road toward Fort Davis and look for Paul Selina. He'll tell you all about it.

I ride up the road and find a virtually identical facility. *Herds of tomatoes, as far as the eye can see.*

Mr. Selina isn't there, either.

Later, by phone, Mr. Selina tells me that Village Farms is a wholly owned subsidiary of Eco-Sciences, a publicly traded company (ticker ECSC) that grows and markets vegetables and flowers. When their operations in Holland are added, the company has thousands of acres of greenhouses, of which 106 acres are in Marfa and Fort Davis.

"The reason they are here is we can grow premium greenhouse tomatoes. The locations in Fort Davis and Marfa were selected to optimize production in the winter months. We're growing hydroponically, drip feeding in a computer controlled environment," he told me.

"We follow a 'little but often' strategy for watering, giving the plants small amounts of water frequently. It's about a half gallon of water per plant per day, but it can be as high as a gallon a day in July."

How much do the greenhouses produce?

"Last year we grew 45 million pounds of tomatoes here. That's about 220 tons per acre. We have about 10,000 plants per acre so we've got about a million plants."

Next time I make a tomato salad I know what I will say.

*"Git along there, little doggies!"*

Sunday, March 12, 2000

## A Great Raw Deal in Juarez

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JUAREZ, MEXICO. How did this happen? Here I am, milling around and waiting with about two hundred people. We are all within a guarded, fenced enclosure topped with barbed wire and that, in turn, is nearly surrounded by a moat filled with raw sewage. The sun beats down, increasing what can only be called an amazing--- truly amazing--- redolence. A song like a Mexican version of "YMCA" is playing over the public address system.

How *did* this happen? And where is Dave Barry when you really need him?

I count a half dozen television cameras on a raised platform, all pointed over the crowd to a much shorter platform on which fourteen small white circles indicate where the dignitaries will stand. Two podiums flank the platform. In the background, open ground is covered with a neat carpet of crushed pecan shells. In a large concrete structure nearby, three enormous metal screws--- call them postmodern-medieval--- rotate and lift pre-treatment wastewater, otherwise known as sewage, to a separating station.

Except for their darker skin, the crowd is watched by the same impassive, sun glassed faces that I associate with the U.S. Secret Service. Only these fellows are here to protect Ernesto Zedillo, the President of Mexico, when he arrives to start the celebration.

Carlos Ramirez, the mayor of El Paso, is standing near me. He has just taken off his tie, having learned that this is an "informal-formal" event, which means President Zedillo will not be wearing a tie. Therefore, all ties must be shed.

His Honor asks if a building in the background has a model of the entire plant. I tell him it does.

"Does it have a bathroom?" he asks.

"Yes", I say. "I felt the same way myself."

He tries to leave but is stopped by a security guard. President Zedillo is arriving any moment. No one is allowed to leave the area. Seconds later someone spots a plume of dust. It is a caravan of about eight Chevrolet Suburbans and two police cruisers.

Dignitaries take their positions. A corridor is opened through the crowd so the President can pass and take the center position on the platform.

There are two brief speeches about the importance of water and the environment and how much cooperation was needed to build this plant, each speaker walking to the nearest of the flanking podiums. The President, dressed in tan walking shoes, light olive pants, and a short tan jacket, listens thoughtfully. He makes eye contact with Mayor Ramirez and nods a greeting.

When the speeches are finished one of the podiums is moved to the center, directly in front of President Zedillo. He takes a single step forward to speak. The mountain has moved to Mohammed.

The crowd applauds.

And then, only the blink of an eye later, President Zedillo is gone, the caravan is disappearing in a cloud of dust, and the 1.2 million people of Juarez have their very first wastewater treatment plant.

*How did this happen?*

Part of the answer is a name: Victor Miramontes. Mr. Miramontes, 48, is CEO of the North American Development Bank, a joint U.S./Mexico enterprise devoted to financing infrastructure along the border. Nearly half the money for this project, which actually came from Environmental Protection Agency funds (with their deep blessing), can be traced to the management and patient negotiation of his agency.

Over dinner in El Paso the night before, I had learned that Mr. Miramontes was an El Paso native, the son of a truck driver whose forebears were migrant workers and miners, a graduate of Stanford, and a former business partner of Henry Cisneros. Like Mr. Cisneros, he possesses a rare combination of scope, sensitivity, and charm-- qualities vital to getting things done along the border.

"The city has changed." He said, speaking of El Paso. "It used to be easy to cross into Juarez. Now it's difficult. It has killed the relationship. It's no longer a real twin cities. It has made a *distance*."

He is talking about what some call "the tortilla curtain", the long fence topped with barbed wire that runs along the Rio Grande and separates El Paso from Juarez. In the few areas where there is no fence, Border Patrol cars are stationed within visual distance of each other, round the clock.

"There is a huge difference in income here. It's almost a fault line." Mr. Miramontes observes.

He tells me about the beauty and delicate desert ecology of the border region, about the danger a large colonia poses to the underlying aquifer, about the need to build self-sustaining financial markets, about the relationship between running water and home mortgages, about the need for patience because none of the problems on the border can be solved when time is measured by elections. Instead, it will take years and billions. He is talking about a life work of a million small steps.

Ironically, he points out, a dollar spent on wastewater treatment in Mexico may have more environmental and health benefits for the United States than the same money spent on "our" side of the border.

One example can be found further west in San Diego, the home of Qualcomm. The daily weather map in the Union-Tribune carries a pollution warning, noting that the ocean water is polluted from famed Coronado all the way "*south to the U.S./Mexico border due to contaminated flows from the Tijuana River.*" Like Juarez, Tijuana lacks adequate wastewater treatment. Like Juarez, the Tijuana border area has a tortilla curtain.

The stakes here are huge. They involve the lives of more than 12 million people and the future of big cities like San Diego, El Paso, Tucson, and Phoenix as well as border towns that barely appear on the map.

How much money will it take to provide adequate infrastructure and reduce threats to public health along the entire 2,000-mile border?

Try more than \$1 billion in the next five years. Add the same amount over the following five years. Call it \$2 billion.

*That, however, is less than the change in market value in a single day for Qualcomm.* Yet, it is difficult to find the money. Measured against the entire federal budget, \$2 billion is no more than rounding error.

Why is it so difficult to find the money?

Because whether it is Texas, New Mexico, Arizona, or California, the border is still the border. Many residents feel the border is America's throwaway child.

Something about 1.2 million people getting their first waste water treatment plant tells me that feeling is right on.

Tuesday, March 14, 2000

## Containing Growth

TUCSON, ARIZONA. Packed and ready to roll early, I scribble the directions to Tucson Container on a notepad and slip it under the transparent cover on my motorcycles' tank bag, and then I ease into 18-wheeler traffic on I-10 East. Minutes later I exit south and start looking for two very tall palm trees--- the landmarks for the entry to Tucson Container, one of a family of privately held companies founded by John Widera.

I've come in response to an e-mail from David Zapf, the controller and manager for Tucson Container. He is also a former resident of Dallas. Mr. Zapf has offered to show me their facilities and to explain their business and its relationship to the maquiladora plants across the border in Nogales.

As we walk through the two plants, Mr. Zapf shows me the equipment and offers figures on how much their plant produces. He is also careful to point out that this is a relatively small company that sells to medium size companies. Basically, the company is in three different businesses: die cutting and printing corrugated board containers, fabricating foam inserts for boxes, and reselling a variety of related packaging supplies.

On any given day, he says, they receive five complete truckloads of corrugated board--- about 120,000 square feet a day. The board comes from El Paso, usually ordered only the day before, and is quickly used by gigantic presses that can print up to three colors while making the necessary die cuts to create a box. Scrap is collected, bundled, and recycled and the completed boxes are shipped to companies like General Instruments that have maquila plants.

"Our niche is faster service, split shipping, and inventory storage. The maquilas, especially, need this because space in Nogales is expensive. That has driven them to eliminate their raw materials inventory (as much as possible).

"They are now designing facilities with virtually no inventory storage. As a result, a delay crossing the border can cause them to shut down. So they want us to store in Mexico.

“It’s all a problem because you have to go through brokers (to cross the border). It costs about \$200 a truckload and for corrugated board that can be a large percentage of the cost.”

Whatever the day-to-day hassles of crossing the border, Mr. Zapf tells me that 80 percent of their output is shipped to maquila plants and that business is growing rapidly. General Instruments, he points out, is a large customer and has projected that its volume will increase from \$400 million to \$1 billion next year.

“A lot of it is cable TV related. We were the sole supplier until last year. Now, even though they have another supplier, our business with them is still growing.”

Tucson Container Corp. employs about 80 people.

Why am I telling you all this?

Because Tucson Container is a good example of what economists call “the multiplier effect”, the notion that a dollar of activity will generate many more dollars.

How much additional employment can be generated from a maquila job?

It all depends, but most economists would probably feel comfortable with a multiplier effect around three, with jobs ranging from small businesses that sell lunches to housing to jobs that could be miles away--- like Tucson Container.

So let’s see just how powerful those maquila jobs are. According to a study by the Dallas Federal Reserve Bank there are now more than 3,200 maquila plants along the 2,000-mile border from Brownsville to Tijuana, with the largest concentrations in Ciudad Juarez (across from El Paso) and Tijuana, south of San Diego. Direct employment in these plants is over 1.1 million.

That means total job creation from the maquiladora plants could be another 3 million jobs.

Sidebar: Born to be Wild?

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Tuesday, March 14, 2000

## Born To Be Wild?

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TUCSON, ARIZONA. After getting a flat tire a few miles west of Kent, Texas it occurred to me that riding a motorcycle isn’t very practical. There is no trunk. There is no spare. The only way to get in motion again is to find the hole, plug it, and reflate enough to get to a gas station. After that, it’s time to buy a new tire.

I got my new tire installed in Deming, New Mexico and then headed for Douglas and Bisbee Arizona, the long but ‘Old West’ way to Tucson. Unfortunately, I then encountered another of the joys of motorcycling--- exquisite sensitivity to weather.

A cold front was blowing through. By the time I got to Douglas the temperature was in the 40s and I was looking for new layers of clothing. Heated grips helped. So did having an electrically operated windshield that could be raised.

But I was still cold and had another two hours of riding. I fixed the problem by putting on a windbreaker over my leather jacket--- and just in time because there was some light but very cold rain, too.

As I said, traveling by motorcycle isn't very practical.

The next morning I decided to visit a Mecca for bikers--- Iron Horse Motorcycles in Tucson. I would buy an electrically heated vest. On the way I had a near accident and dropped the bike just as I came to a stop. In addition to being shaken by how close I had come to a major accident, I now had to pick up the 600-pound bike.

But I didn't. Two drivers, in separate cars, ran to the bike, brushed me aside, and lifted the bike. Then they told me to get on. I felt like Blanche Dubois in Streetcar Named Desire.

"I have always depended", I wanted to say, "on the kindness of strangers."

On the bike again I noticed that the right foot peg had broken off when I dropped the bike. Now I had another reason to visit Iron Horse--- a replacement peg. By the time I arrived at the shop, I was having second thoughts about my coordination, my judgment, my sanity, my maturity, and my innermost desire to live a long life.

Enter Martin Cohen.

The owner of Iron Horse, Mr. Cohen is a near life-long rider. He started when he was 12. After that, he only wanted to ride. In college he got a degree in mechanical engineering, a ploy that made his parents happier than his desire to be a motorcycle mechanic. The engineering degree, however, turned out to be good training for running a top-notch dealership and his business has thrived on those who love BMW motorcycles.

You need to understand that motorcycle riders are members of different tribes. They will stand together against automobiles, but they have basic doubts about those who ride other brands.

One example: the best selling T-shirt at Iron Horse has two statements:

- This is your brain. (A BMW emblem is depicted.)
- This is your brain on drugs. (A Harley Davidson emblem is depicted.)

BMW riders wear helmets. They also tend to be distance riders and loners. Harley riders don't wear helmets, having a deep belief that their brains will regenerate themselves. They also tend to be town riders and to travel in packs. Neither tribe understands the adrenaline freaks that ride the "crotch rockets" from Japan.

I asked Mr. Cohen who his customers were.

"It's the people I went to college with. In their 20s and 30's there were no motorcycles. But in their 40's and 50's they come back. These come-back riders account for about 40 percent of our sales."

Men like me, in other words.

Mr. Cohen explained that the average age of motorcycle riders had been rising for years and was now 38, with lots of riders returning or starting after their 40's.

But don't take his word for it. Or mine. Francis Glamser, a professor of Sociology at the University of Mississippi, has done a study of 100 older bikers and found that they

weren't crazy people with suicidal impulses. (I should mention that he is now in his 50's and is a rider himself, a fact that may influence his interpretation.)

Reading his study, I felt it was all about me. If you are one of the many readers who felt a pang of envy as I reported this ride, allow me to make a suggestion--- read Professor Glamsers' study and see if its about you. Here's the address: <http://www-dept.usm.edu/~antsoc/socio/older-riders.html>.

If it is, you may need to buy a motorcycle. If you do, just remember one thing.  
*Keep the shiny side up.*

Sunday, March 19, 2000

## RVs and the Dusty Road to Mexicare

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YUMA, ARIZONA. It's high season in Yuma! Moments after turning off Interstate 8 and entering this RV heaven, I know I've found one of the major gathering spots for "snow birds."

A mild scent of citrus provokes an odd feeling of comfort against the stark desert environment. The scent comes from roadside stands that crush oranges grown in the nearby groves. Sadly, new RV parks are displacing the groves.

What brings people here?

My head tells me that the usual reasons loom large: escape from winter, escape from a high cost of living, and escape from a world you no longer understand. Yuma even offers a feeling of personal safety. The crime rate is 30 percent lower than the national rate and nearly half the rate of other border communities. My senses give me another reason: people are attracted by a delicious combination of desert environment and a feeling that you're close to the ocean. It's something in the air.

In fact, it's more than a feeling. The Gulf of California is less than forty miles away.

The Holiday Inn doesn't have a vacancy. At the Travel Lodge, I take the last room. A calendar board behind the registration desk tells me they have been sold out almost every night and the desk attendant tells me it has been like this since early January. Some people are here for a few days or a week, others are here to explore more permanent options.

The Yuma yellow pages have seventy-five listings under "Recreational Vehicle Parks." They have names like "A Shady Tree", "Cactus Gardens", "El Prado Estates", "Hitching Post Trailer Park", and "Suni Sands RV Resort." I decide to learn more at the Blue Diamond Home and RV sales lot.

I ask Sandy Cunningham, a fiftyish woman with auburn hair, if she would spend a few minutes with me and explain what she does, how much things cost, and what she knows about RV parks.



“These Park Models are the hottest thing right now,” she says, pointing to a group of small mobile homes. Park Models have about 400 square feet of floor area, high ceilings, a bedroom, a kitchen, a bathroom, and a living/dining area. Unlike traditional RVs, which are designed to be towed from park to park, Park Models are usually moved only once--- from the factory to a permanent location in an RV park.

“Our models, made by Chariot Eagle, sell for \$24,000 to \$40,000,” she explains.

What’s the low end of the market?

“You can get a basic model for about \$20,000.”

And what about used models?

“We’ve got listings for those, too.” She reaches for a listings book and shows me a picture of 1999 Cavco Park Model with air conditioning. It’s listed at \$31,000. “That air conditioner is important because they’re not standard equipment and a 2 ½ ton air conditioner costs about \$1,900.”

Why aren’t they standard equipment?

“A lot of people are only interested in being here during the winter. They would rather spend their money on a storage shed or a deck or something like that.”

She shows me a picture of a 1996 Park Model with a 10x35 foot deck, a storage shed, and a 3-ton air conditioner. The asking price is \$32,000.

Are older models less expensive?

“Sure. Look at this 1990 Chaparral. It’s got an 8x17 Arizona room--- that’s really small--- and it’s priced at \$20,000.”

Across Route 80, there is a park with an imposing gated entry, a large clubhouse, and well-tended plantings. Lots in places like that, Ms. Cunningham tells me, sell for as much as \$25,000. You can, however, rent a spot in other developments for \$185 to \$300 a month.

What about trying it out by renting a Park Model?

“The season is nearly six months--- October to April--- and you can rent a unit, all utilities included, for \$1,000 a month.”

Is it always this crowded?

She laughs. “When I arrived here in October there were empty spaces lined up forever. It was eerie. By January they were all filled. Over 100,000 people hit here in January. Some are here by October but most come in January, after Christmas. This is my first year here and I’ve got to tell you, I’ve never seen anything like this.”

The economics are very simple. In Yuma, you can have a second home for \$20,000 to \$60,000, depending on the quality of the Park Model and whether you buy land or rent a space in an RV park. Either way, there are six to eight lots per acre of land which means that an acre of orange grove can be sold for \$150,000 as RV “estates” or rented for about \$2,000 a month as an RV park.

*Oranges don’t have a chance.*

### **The Road To Algodones**

“By the way,” she adds, “if you’re exploring you need to make a visit to Algodones.”

I ask her to explain.

"It's a little town just across the border. My husband and I go there regularly. I had breast cancer and my prescriptions cost \$260 a month here but only \$18.94 a month across the border. People cross the border everyday to get prescriptions filled.

"It's the same with dental work. I spent \$6,000 for crowns on my upper teeth in Florida and got an estimate of \$6,500 for my lower teeth. But I can get it done for \$2,200 in Algodones and it's all the latest equipment. It's a big business. They've got billboards along the highway and when you cross the border they've got barkers hustling people into the clinics."

What about Medicare and U.S. medical treatment, I ask.

"So what..." she answers with a shrug.

Only a few miles west of Yuma on Interstate 8, I see the first billboard for dental work. Then another. Then a billboard for prescriptions.

*This is for real.*

Soon after that, I exit for Algodones. In the last few miles the citrus groves of Yuma have disappeared, replaced by a spare desert landscape. At the turnout, RVs are circled like a wagon train on drugs. On the other side of the highway overpass the terrain becomes rockier and RVs are parked in odd, isolated places.

Then I see the solar energy signs. Big RVs with awnings offer solar cell electric generators.

What we have here is a kind of prep school for post-apocalypse life. Like some of the travelers in Big Bend, people are driving live-aboard busses that trail 4-wheel drive cars and those, in turn, are topped with aluminum fishing boats.

Ready for the flood. Ready for whatever.

Not much further, traffic starts to thicken. Suddenly cars, busses, and RVs are parked on either side of the road. People are on foot, walking as though making a pilgrimage. *Crutches will be thrown away. Sight will be restored. At the very least, Mal occlusions will be mended and smiles will be brightened. We're on our way to Algodones!*

Ahead, traffic has stopped altogether. It's a world-class traffic jam, a quarter mile long, with nowhere to go. The parking lot at the end of the jam is overflowing and I can see a line of people waiting to cross the border.

I have been to Yuma and seen the future. It is called Mexicare. If you want to park, get here early.

Tuesday, March 21, 2000

## The Ultimate Crop

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SAN DIEGO. It's easy to think of San Diego as a sports dreamland. On the ride from Yuma I passed huge sand dunes where dune buggies were cavorting; a mountain peak circled by strangely out-of-scale hawks that turned out to be hang

gliders and para-sails; a gigantic skating park; and finally San Diego bay itself, stately with sails, busy with small fishing boats. If you want to be active and outdoors, this city has got to be one of the great places in America to live.

But a dark shadow looms over San Diego and reaches into every corner of America. It is from Tijuana and drugs. In the first two months of the year, according to news reports, 70 people have been murdered in Tijuana, presumed victims in drug turf battles.

Television news is interrupted on the day of my arrival by an announcement that Tijuana Chief of Police Alfredo de la Torre Marquez was shot to death on his way to work. Ambushed by assassins with automatic weapons, his vehicle was hit by at least 100 shots. Fifty-three bullets were found in his body.

Murder isn't unique to Tijuana. It is increasing along the entire border.

In Juarez, Mayor Gustavo Elizondo has successfully petitioned the government of Mexico to rename the major drug cartels so that they are now named after their top dogs rather than the city in which they operate. Overnight, the "Juarez Cartel," disappears from public reporting.

Not surprisingly, the mayor was concerned with the image of his city after last November's highly publicized search for mass graves. While 100 to 300 bodies were sought, "only" 9 were found. Since 1993 over 200 people have disappeared in Juarez.

Why is this happening?

Drugs. Only the incredible money in illegal drugs can explain the rising level of violence along the border.

Skeptical?

Then consider this. Just west of Del Rio, after riding over the Amistad Reservoir Bridge, a single Border Patrol agent, Alex Lopez, stopped me. Mr. Lopez is part of a Special Response Team in the area. Officer Lopez was alone in a region that resembles the surface of the moon.

I commented that he had a tough job.

"Not so bad." He answered. "It gets exciting sometimes."

I asked how it was exciting.

"This is a major area for drug smuggling. A lot of stuff comes through here and we're here to stop it."

I asked how it came through.

"Oh, someone will swim the river with a raft. They'll haul bags of marijuana or cocaine to a spot near the highway. And then, by pre-arrangement, someone will come along the road and pick it up. It's a huge area to patrol. Catching them is difficult," he said.

*Very difficult.* You can understand by looking at a map. The U.S./Mexico border is 2,000 miles long. Large areas of Texas, New Mexico, and Arizona--- like the area between Del Rio and Langtry--- are virtually devoid of population. It is easy to cross the river and meet waiting transportation. It's easy to cross the border for waiting transportation. And if you want to operate Big Time, you've got thousands of square miles of empty land in Texas to scrape out a dirt airstrip.

Now consider the economics of heroin in the Sierra Madre. According to measurements derived from Edwin Bustillos and Alan Weisman in "The Late Great

Mexican Border” (Cinco Puntos Press, paperback), an acre of land can support about 44,000 poppy bulbs. It takes about 10 poppy bulbs to produce a gram of opium gum and each bulb can be milked 3 to 10 times. This means an acre can produce at least 13,200 grams of opium gum and that, in turn will refine down about 1,320 grams of pure heroin that is valued at \$80 to \$500 a gram in the United States.

So do the math.

Assuming minimum productivity and minimum price, an acre of dirt in the Sierra Madre can produce a heroin crop worth \$105,600. At higher levels of productivity (10 milkings) and higher price levels (\$500 a gram) the heroin from the same acre could have a street value of \$2,200,000. That’s a lot more than can be earned from raising cattle, hunting exotic game, farming pecan groves, citrus groves--- or even renting RV spaces. What we’re talking about here is the Ultimate Crop, the crop that displaces (or corrupts) everything.

While most of the border area struggles to leapfrog from a subsistence agricultural and mining economy to an industrial economy--- one where manufactured homes displace farmland in McAllen and RVs replace orange groves in Yuma--- the crop that beats industrialization cold is heroin. It is an irresistible force.

Our “war on drugs” is a Vietnam: whatever we spend to complete the Tortilla Curtain and turn the entire 2,000 mile border into an American version of the Great Wall of China, it will not be enough to stop the movement of drugs across the border or to reduce the carnage on both sides.

What to do?

Something radical: eliminate the profit in illegal drug traffic.

De-criminalize the production, distribution, and use of drugs. Disembowel criminal levels of profitability. Have normal levels of profitability by conventional companies that produce and distribute high quality, low cost drugs. Use taxes on drugs to support drug treatment programs for people who want to recover. Have the *cahones*, as a nation, to realize that we are awash in substance abuse and that the legality/illegality of substances ranging from legal alcohol and prescription tranquilizers to illegal cocaine and heroin are transitory social conventions that allow criminals to make fortunes, cost the lives of substance abusers, and inflict agony on their loved ones.

Do that and we can enjoy a magnificent decline in the domestic crime rate. We can build treatment centers instead of prisons. We might even restore millions of Americans who live in the shadow world of drugs.

I did not think this way when I left Dallas and headed for Brownsville on February 5th. I was convinced it was the only solution by the time I left San Diego.

Tuesday, March 21, 2000

## Lessons from the Road

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What have I learned after 33 days on the road, riding a motorcycle along the U.S./Mexico border?

A lot, I think. I tried to put much of that learning into the columns that have appeared since February 5<sup>th</sup>. But there are some other things that I haven't shared--- things that remain unsaid, things that are likely to affect what, and how, I write in the future.

The most important is the warmth and generosity of people, our common willingness--- eagerness--- to share. This did not come to me as some fine tuned epiphany. It was more like a large, powerful, warm rolling wave, the kind that brings a sublime combination of excitement and comfort. I wish I could bottle it and give it to everyone who has not experienced it.

The best evidence is reader e-mail. Within days of starting the trip it had come in an electronic wave, more than 200 messages at [installmentbiker@yahoo.com](mailto:installmentbiker@yahoo.com), surging to over 400 by the end of the trip. Some were simple good wishes. Others were funny reminders to "keep the shiny side up." Some were wistful remembrances, wishing they could be on the ride.

Those messages became my guide to the border.

While I left with a small bag of statistics--- the kind of thing I rely on all too often--- I had no idea what I was going to write about, or who I was going to talk to, when I left Dallas. I did not have a single interview scheduled for the entire trip. *Everything came in the wave, from readers who sent messages.*

It was a reader who put me in contact with the Yturria Land and Cattle Company and El Canalo Inn. It was there that I met someone who put me in touch with Bill Wolfe and Nova Link in Matamoros. From there I just followed the trail of reader messages, missing contact with some, making contact with others.

Writing from those contacts, I thought of Stendahl and his notion that a writer's task was to "hold up a mirror to society." The trip made me question how to hold the mirror. Journalists and the media are frequently criticized for being negative, for dwelling on things that are evil, miserable, tawdry, or heart breaking.

Before this trip, I would have said that the journalists' viewpoint--- the hard edge-- comes with the territory. Today, I am not so sure.

I would like to find a way to communicate more of the context of our experience because on the border, as elsewhere, I felt that I was in a benign place, that most of us do the very best we can and wish no harm to others, that the real tragedy in our lives is not willful malice but the hurt we inflict on others because we don't know any better or can't do any better.

I also learned, once again, the danger of pre-conception. Some reader messages asked whether I was carrying a gun to protect myself, whether I have a van following my motorcycle with spare parts, or how many other people were on my team. It was as though I was going to the Amazon basin or trying to make contact with a lost tribe of cannibals.

The border isn't that far away. You can reach any city on the border by scheduled air flight. While the culture is different from, say, New York City, it is still populated by people who want to eat regularly, pay their bills, do something useful, and to love and be

loved. It has highways, phones, hotels, and restaurants. It has people who are very poor and people who are very rich. That's one of the reasons it deserves our attention: it's part of us.

Sunday, March 21, 1999  
Installment Biker I:

## The Phoenician Lives On

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**PHOENIX.** Ahead of me there is a line of stretch limos, all working their way toward the portico where the passengers can step out, watch the attentive staff gather their bags, and admire the abundant sculpture and marble of the Phoenician Resort. We have arrived at one of the most luxurious resorts in Arizona, a place so busy at this time of year that you have to cancel a reservation seven days in advance if you want to avoid a room charge.

And, trust me, you want to avoid a room charge if you aren't there to enjoy it.

When I called to reserve I was told that their least expensive room was \$405 a night. At that rate, *just the tax* on the room, \$42.81, was greater than the \$34.45, tax included, I had spent at a Super 8 Motel the night before. Casita Suites here go for up to \$1,600 a night and a Villa Suite goes for \$3,500 a night.

My own arrival is a bit more modest: I have just ridden from Santa Fe, by way of Flagstaff and Sedona, on a motorcycle. (For bikers: it's a restored 1978 BMW R100RS, Motorsport edition.) While the bike ran smooth and fast on I-40, mainlining into Arizona against miles of thrown tire casings and caravans of trucks, the protective gear that kept me warm at 75 miles an hour has become a personal sauna since slowing down at the Phoenix city limit.

Now, waiting in line, I feel like a bilge rat attending a coronation.

But I am here for a reason.

Charles Keating built the Phoenician Resort. While most people now associate that name with a popular day-time soap actor whose fans want him back in *Another World*, the Charles Keating people were talking about ten years ago was a financier.

It was in April 1989 that Mr. Keatings' empire officially unraveled. Although most assets were seized in April, his two Phoenix hotels, the Crescent and the Phoenician Resort, were taken over in November. By then he had become the best known figure in the mega-billions of the Savings and Loan crisis.

What is the Phoenician Resort like?

Amazing. The hotel is set like a pyramid against Camelback Mountain and cascades down in terraces and pools to a ring of plush casitas that are, in turn, ringed by a luscious golf course. The air is sweetness itself: not overly so, just fresh with a light scent of bougainvillea, hibiscus, and an unexpected hint of anise. Here, the manic possibilities of the senses stir.

In the lobby bar, which overlooks the city of Phoenix, the snack menu offers “Beluga caviar with potato crisps and lemon” for \$250. To be sure, the Beluga is the most expensive item on the menu. But it sets the tone.

Described in a 1990 article as “a hotel that would make even Donald Trump blush”, the Phoenician occupies 130 acres and has 604 rooms. The marble in the lobby was taken from the same quarry in Italy that Michelangelo used for the Pieta. The chandeliers are gold leafed. The 22,000 square foot spa includes a Meditation Center and a menu of treatments that runs from 110 minutes of “Serenity Seaweed Scrub and Wrap” for \$180 to pre and post plastic surgery treatments, Tarot card readings (\$100 for 90 minutes), and consultations on Lifestyle Management.

Mr. Keating was well positioned to contemplate taking luxury to this level. With six relatives as top executives at the company he controlled, American Continental, as well as his wife on the payroll, the Keating family made \$34 million between 1984 and 1989. Against that background, spending \$150 million of government insured money on the Phoenician seems modest.

And, if fact, it is. Ironically, the Phoenician Resort could have disappeared as accountants rounding error when the full size of the lending and deal-making debacle was revealed. In addition to the more than \$200 million investors lost in American Continental junk bonds, authorities estimated that it would cost somewhere between \$2 and \$2.5 billion to clean up the mess at Lincoln Savings, a subsidiary of American Continental.

The \$2 billion, or whatever, came from taxpayers like you and me.

Charles Keating has been tried, convicted, and jailed. He was also released after 4 ½ years in prison when his convictions were overturned. His financial empire is gone. His house was taken in foreclosure. His corporate possessions were sold at auction: artwork and rugs can be found here and there in offices and homes throughout Phoenix.

The Phoenician, however, remains--- although it is now part of the Luxury Collection of ITT Sheraton. It is getting ready for the Millennium. Rooms, I learned, start at \$490 a night, and some are still available (five night minimum) for the Millennium Celebration.

Sorry, there is no discount for taxpayers.

Sunday, March 28, 1999

Installment Biker III:

## The Real Urban Ecology

**Arcosanti.** *If nowhere is a big place, how do I know I'm in the middle?* The question comes to mind as I exit Interstate 17 at Cordes Junction Arizona and turn

east. Immediately ahead, a thin street of small buildings is all that stands between me and infinity, a vista at once beautiful and agoraphobically vast.

Nearby, I see a small sign.

It tells me that Arcosanti is about 2.5 miles down a dirt road.

What is Arcosanti?

It is one of the great counter-culture icons of the seventies. People who inhaled generally knew about it. Others might not. You could read about it in the original Whole Earth Catalog and later you could read about it in CoEvolution Quarterly. Arcosanti came closest to mainstream recognition when historian William Irwin Thompson described it, in an early seventies Harper's article, as a model for communities of the future. Arcosanti was an experiment in "urban ecology."

Well, that was then.

Now, nearly 30 years later, Arcosanti is remote, exurban, and unfinished. The artists there still make wonderful bronze and ceramic windbells; there are regular classes; there are internships; and there is a modest restaurant. But Paolo Soleri's original vision---creating new high-density structures that would end urban sprawl and redefine community--- remains a dream. It's a nice dream, one many people still reach for.

For those who dream, I have news.

There *IS* a new urban ecology. It is down the road, it is thriving, and it may be the answer to a better retirement for many Americans. This urban ecology did not come from a visionary. It came from the marketplace: companies responding to market demand. Because of that, it isn't as pretty---but it works.

I first saw it, in microcosm, at Pioneer RV Park, a recreation vehicle park about 15 miles north of Phoenix. Visible as a patch of white roofs from the road, Pioneer is a community of some 600 RV spaces and nearly 1200 people. It is a model, somewhat altered, of the junction of miniaturization and complexity that architect Soleri saw as vital to his vision of urban ecology.

In fact, Pioneer RV Park, like other stand-alone parks, is an outpost, a village. The real thing, an *RV CITY*, is what you find when you ride East from Phoenix toward the Superstition Hills.

*Apache Junction.*

The name makes you think of John Wayne. The actual place makes you think of Mel Gibson and what might have happened if the population of Thunderdome had lived long enough to elect a good mayor. There, if you cruise up and down Apache Trail, you will find an entire society built for people 55 or older who live in a trailer, fifth wheel, or other RV. You'll find RV parks that are hard, sandy places, barely holding back the desert. You'll also find big time resort communities with entrances that are gated and guarded, huge clubhouses, Olympic swimming pools, and well-tended golf courses. The morning I am there, about half of the Wal-Mart parking lot is given over to a swap meet and the road is loaded with traffic. Up and down the street, for what seem miles, RVs are for sale.

Including Park Models.

What are Park Models?



They are the Lego block of RV urban ecology. Limited to 399 square feet in size (so they can still qualify as recreation vehicles and be taxed accordingly), a Park Model measures about 11 feet by 35 feet, has a pitched roof, and looks like a small manufactured home. Which is what it is.

It contains a bedroom, a full bathroom, a kitchen, and a living room, usually with dining area. Basically, it is a one-bedroom apartment. New, they cost from \$20,000 to over \$35,000 delivered to your site, set up, and skirted. At one lot a sales representative tells me they could be financed for up to 15 years at 9.5 to 9.9 percent. In addition to the basic unit, many owners build a carport or a combination carport/ additional room.

Own your unit free and clear, rent a space by the year for about \$1,800, plug into electric service, and you have just solved the retirement shelter puzzle with a cash outlay of less than \$300 a month. Want to travel? That's OK, too. Lock up, shut off the electricity, and the only overhead you have is \$150 a month in land rent.

Shelter, the largest source of expense for people of all ages, has just become an expense slightly greater than the dry cleaning bill or cell phone service.

Tuesday, March 30, 1999

Installment Biker:

## Living in RV Communities

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**PHOENIX.** “We sold our home in June. We got interested in RVs and we traveled for a while, mostly in New Mexico, Colorado, and Arizona. Then we were looking for a place to spend the winter and we settled here. We bought a Park model. There’s always a lot going on here and everyone’s very friendly.

“But this summer we’re going to get out of the heat--- we’ve volunteered for the Park Service. We’ll take our fifth wheel and do odd jobs around the camp, working 24 hours a week.”

The man speaking is Roger Allen. Sixty-five and retired, he lives with his wife in Pioneer RV Park, about 10 miles North of Phoenix. We are sitting in a Cavco RV, Desert Rose model, where he is the sales representative for the day in this community of some 600 spaces and nearly 1200 people. One of these units, which are very much like a small one-bedroom apartment, can be purchased for \$20,000 to about \$26,000.

The winding streets here are lined with RVs with names like “Casa Real”, “Sun-Haven”, and “Sun Quest.” A bit like circled wagons, the RVs protect a central clubhouse, laundry, and office. After walking the neighborhood you realize that only a small portion of the RVs here are actual RVs--- trailers, motor homes, or fifth wheels--- that

are designed to be moved on a regular basis. Instead, many are moved once, put in place, and never move again: Park models.

“They’re very compact. They’re good for two people.” Marian Leaf says.

When I asked Ms. Leaf if she would give me a tour and tell me about housekeeping, she laughed. “It won’t take long. When my husband retired, I decided to retire from housekeeping, too. We have a small place. All it needs is a little vacuuming and dusting... and with two people you find that you eat out a lot.”

Mrs. Leaf and her husband are “snowbirds,” dividing their time between their RV in Arizona and an apartment in Illinois.

How did you get here?

“We spent our first two years (of retirement) in California, in a condo. But it wasn’t too friendly an atmosphere. Then we met a man who lived in an RV park. He offered to rent his fifth wheel. We tried it and liked it. So we decided to buy a Park Model.”

Did something draw you to RVs?

“We had both worked so many years and were tied down by work. We wanted to travel. Now we’ve been to all 50 states.”

What about your families?

“We miss our grandchildren. But they have their own lives. You can’t depend on your children or grandchildren for entertainment. You have to live your own life.”

In fact, there is a pattern to how people settle at the parks.

“There are about 150 who stay here year round. Each year that number grows. People get tired of traveling and want to settle in.”, Park Manager Floyd Nicholls says. In other words, about 25 percent of the park residents are year round residents. And about 75 percent of the residents take annual leases on their spaces.

“There aren’t many transients,” Mr. Nicholls emphasizes.

One reason: powerful economics.

You can rent a space at Pioneer RV Park for \$1895 a year. That’s \$158 a month. That’s not high, or low, for the parks near Phoenix, in Mesa, or in Apache Junction.

Electricity, the only utility, costs about \$70 a month. The basic charge to plug into the park phone system is \$21 a month and you can also access 19 channels of cable for \$12 a month. In other words, if you own your unit free and clear, \$261 a month covers all the basics of shelter with the exception of insurance and RV taxes. Both are small items. Basically, if you’ve got the price of the home, the out-of-pocket costs can be covered with only a small portion of the average Social Security check of \$779.69.

Compare that to the commitment represented by the median resale value of a traditional home: \$130,600 according to the National Association of Realtors. Now add the annual operating expenses, about \$7,800.

Most of the average Social Security check.

What does that mean?

Simply this: RV units mean personal and economic freedom for those who choose it, without a big retirement nest egg.

Sunday, August 22, 1999

## Living On The Edge

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“These figures aren’t pretty. However you look at it, it’s not pretty. Basically, about one third of all households are broke.”

That’s what I learned in a recent telephone interview with Stuart Feldstein, founder and President of SMR Research; a Hackettstown New Jersey credit research company. I had called him to ask what he thought about our declining savings rate. (The firms’ website is located at: [www.smrresearch.com](http://www.smrresearch.com))

You should know, right now, that Mr. Feldstein isn’t in the Cassandra business. He is quick to point out that he has nothing to gain by making broad statements about consumer credit. Instead, his work is focused on providing detailed research for credit granting institutions. What he sees, however, is a disturbing loss of “resilience” that extends to much of our population.

Listen.

“We believe a credit problem is developing. It’s not solely because of the amount of debt. The other problem is a decline in people’s ability to pay debt.

“We all look at the macro-statistics and know that we’re in a boom. We know that real wages are rising. But these are just averages and don’t apply to everyone. There are people who aren’t on weekly wages. Salesmen, for instance, and others who work on commissions. Waitresses, hairdressers, etc. If you add them up, it’s millions of people.

“Their wages can fluctuate. These people can *always* have income declines. Sometimes its illness. Sometimes its child care. Sometimes its divorce. But at any moment, even in the best of times, there are millions of people subject to income declines.

“The question is what do you do about it? We’re seeing a decline in consumer resiliency because the amount of money people have saved is declining and the rate of saving has declined. We’re seeing hundreds of people complaining about car repair bills and some people who are flat broke.”

I asked if he could explain what he meant by “resiliency.”

“We took measurements of consumer resiliency--- the capacity to cope with expenses and surprises. We asked what the consumer could do right away, what they had in savings, CD’s, stocks, bonds, mutual funds, etc.

“We found that (people with) liquid savings exclusive of IRAs’ had actually been declining about 1 percent a year since 1988. By 1995 nearly 40 percent of all households had liquid savings of less than \$1,000. We also found that another 22 percent had \$1,001 to \$5,000. In other words, over 60 percent of the population has less than \$5,000.

“There is also a difference between age groups. The young are worse off, the old are better off...”

“The basic problem is this--- we’ve got a third of the population with almost no cash assets.”

(It should be noted that Mr. Feldstein’s data does not include assets in 401k plans, a fact that may improve the resilience of some households. He says, however, that he suspects that most of the people without other cash assets probably are among the 30 percent that don’t participate in 401k plans when offered.)

I asked what explained the change.

“Beyond the savings rate you are into psychology. But if you go back only to 1980 you find there are all kinds of spending categories that didn’t exist back then. Things like cable, personal computers, answering services, and cell phones. Some of these things aren’t cheap. Restaurant dining seems to have become a necessity. It used to be a treat.

“Spending priorities seem to be changing. For instance, there are people with cell phones, personal computers, and on-line services--- but no health insurance.”

I asked what caused him to be particularly concerned.

“It’s the combination of failures. An increasing population with no savings. Record numbers of people without health insurance. Record numbers of people who are divorced. Record levels of debt. Since 1990 debt has risen from \$4.76 trillion to \$7.96 trillion, an increase of \$3.2 trillion or 67 percent. Most of it in mortgage credit. Credit figures, by the way, don’t include medical debt or utility debt and those are rising as well.”

Bottom line: some of the affluence we see all around us is real. But much of it is borrowed.

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#### Sidebar: The Credit Card as Savings Account

Ironically, while credit institutions have lobbied to tighten the bankruptcy laws, Mr. Feldstein’s research also shows that lenders are extending credit at unprecedented rates.

“The problem with credit cards isn’t the amount of debt, *it’s the availability of additional credit if things turn down*. In a recession, what would people do? There has been an enormous increase in the amount of credit available,” Mr. Feldstein said in a recent interview.

According to his figures, outstanding consumer credit increased from \$202 billion in 1992 to \$454 billion in 1998. Available credit lines, however, increased from \$772 billion to *\$2.52 trillion*.

“It used to be that you could multiply outstanding credit by 3 to get total credit available. Now it’s more like 6 times.”

One reason for the increase, he explained, is the disappearance of the annual fee for having a credit card. When ATT introduced its Universal card with no annual fee in 1992 competitors matched the offer. As a result, unused cards are now put in a drawer instead of cancelled.

“Since 1992 the number of inactive accounts has grown to 45 percent of all accounts.

“There is an enormous pile of money available if you want to use it. People can use it and it will be wiped out in bankruptcy. ... Fortunately, most people don’t use it. But what would happen in a future recession? With no savings, people will use the cards if it’s a choice between eating and using the card.”

Sunday, April 16, 2000

## Two Lunches, Two Economies, One Message

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Allow me to introduce Comparative Lunching 101. Course materials include a lunch hour and some portion of your wallet. During our study we will learn that America has two economies and that one of them is doing better than the other.

Lunch #1: A few days ago I drove to the trendy “Miracle Mile” in Dallas--- an area of upscale shopping opportunities with a pervasive ambiance of comfort.

I went to the Empire Baking Company and bought one of their “Roasted Veggie” sandwiches and a chocolate macadamia nut cookie. The sandwich was \$5.50, the cookie \$1.50 for a total, with tax, of \$7.58. Then I walked to Starbucks and ordered a Grande Mocha Frappuccino.

I had just spent \$11 for what some would call a brown bag lunch.

Regular customers are not deterred.

The only problem an Empire Baking Company customer can face is late arrival: go for a sandwich anytime after 12:30 and the sandwich you want is likely to be sold out.

And Starbucks? Always busy.

Lunch #2: On another day, I went to McDonald’s where the Extra Value Meals--- which include a large French fries and a medium soft drink--- start at \$3.09 for a McChicken sandwich and top out at \$4.29 for a Double Quarter Pounder. Feeling expansive, I ordered the Big Xtra Crispy Chicken sandwich with cheese and special Santa Fe flavor sauce. (If you are one of those who feel protective of the natural wonders of The City Different, don’t worry. McDonald’s new flavor poses no threat to Pasquale’s, the Pink Adobe, Café Sena, or Geronimo.)

The check was \$4.76.

I could not have spent more without extreme effort. Basically, you can eat at McDonald’s for \$4 plus or minus fifty cents. If you are really trying to pinch your pennies, two people can share the two cheeseburger extra value meal for \$3.29 plus tax. That’s about \$1.75 each for lunch.

Nor does that include the expansive secondary benefits of a McDonald’s lunch. My paper tray liner carried a printed game schedule for the Dallas Stars and offered a 100 percent cotton Stars T-shirt for \$11, postage and handling included. The French fries box offered still more: the possibility of winning a Gateway Profile 2 flat screen computer and two stamps for playing a game of Monopoly in which the top prize was \$50,000 a year for 20 years. The second prize was a \$200,000 family investment account.

*A lifetime trust for Big Macs!*

What’s curious here is that although these two places are within a quarter mile of each other, they are worlds apart. While the Starbucks menu starts at \$2.45 for a tall (their euphemism for small) café latte, the basic fact is that most of their drinks are \$3 to \$4.

That's what most of the complete lunches cost at McDonalds. While Starbucks knows that price resistance exists, the brute fact is that there are millions of Americans for whom \$4 is a trivial amount of money.

It's not that way at McDonald's.

When the histories are finally written, the Great Burger Wars will rank among the longest mercantile conflicts in human history. Raise the price of an Extra Value Meal by a nickel and customers will check out Burger King or Wendy's. They might even bolt the world of burgers completely and head for Subway. Regular customers at the other places will be just as quick to explore McDonald's if prices at their customary places rise. For these establishments and their customers, \$4 is not a trivial amount of money. Huge ad campaigns are waged over pennies.

It should come as no surprise, then, that the two stocks reflect the spending power of their customers. McDonald's has under performed the S&P 500 Index so far this year, in the last 12 months, in the last 3 years, and last 5 years. Starbucks has done just the opposite, beating the S&P 500 in each time period.

#### What Happened To a \$10,000 Investment in McDonalds and Starbucks

Stock	Year to date	Last 12 months	Last 3 years	Last 5 years
Starbucks (SBUX)	\$15,490	\$12,866	\$25,837	\$61,756
McDonalds (MCD)	\$ 9,187	\$ 8,388	\$16,064	\$22,671

Source: Microsoft Investor website, April 6, 2000

Is there a message here?

I think so. For some, the last five years have been great. But we'll know that everyone is sharing in the boom when McDonald's can charge more for a Big Mac.

Sunday, April 23, 2000

### The \$9.50 Martini and the CPI

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Call it inflation shock.

There we were, having dinner at Houston's late on a Sunday afternoon, enjoying what my wife and I call a "mind healthy" meal of steak and dirty Skye martinis, toasting Dan Quayle and others who have made great contributions to Western Civilization.

As usual, Houston's was crowded. Indeed, I have never seen a Houston's that was not crowded at any time of the day or night in any city because it is a terrific chain of restaurants. Good food, well served, in a comfortable atmosphere. When Brinker International tried to get in the ring with a similar concept, Grady's Grill, they were beaten to a pulp and gave up.

Others may try but Houston's delivers.

Then the check arrived.

Each martini was \$9.50. Not \$6, \$6.50, \$7.00, or even \$7.50--- the price you expect to pay for Top Shelf ingredients--- but \$9.50, a price that gives you great pause even if you've had only one. If you've had two you'll be complaining to your designated driver all the way home.

I thought about doing something radical, like picketing on Preston Road with a sign, "Houston's Unfair To Martini Lovers," but my wife's expression made me reconsider. All I can say is that the Burns family affection for Houston's has been greatly reduced.

Lest you think I'm not a devoted researcher, you should also know that I went back a month later with two friends, a doctor and biochemist, to see if my wife and I had experienced some kind of aberration. We hadn't. My friends--- serious professionals and scientists, not rabble rousing, pub-crawling, scum-of-the-earth journalists--- were both shocked by what they experienced.

Absolut Citron martinis were \$9.50 each, too.

Why am I telling you this?

Because the walking around evidence--- the stuff we all see and sense and don't know where to put---says that inflation is back. Until a week ago, this was highly unofficial. Economists were expecting reasonable March figures: 0.5 percent for everything or 0.3 percent if you exclude all the money we spend on silly things like food and gasoline. Instead, the actual report came in at 0.7 percent for the whole index and 0.4 percent for the index excluding food and energy. If inflation averages 0.4 percent a month for the year, we'll lose about 5 percent for the year.

I call that serious inflation.

Is it here? The CPI may or may not tell us.

But the walking around evidence says it is.

Consider another example. Last week I went to the supermarket and came out with a receipt for \$135. The bill, in itself, doesn't tell us much, but I noticed something strange when I got home.

Although no one has been impressed by the remarkable increase in my strength and dexterity, I was able to haul all \$135 of groceries into the house in one trip.

*One trip.* \$135.

I've never done that before. Not ever. Usually, \$135 takes two trips. Sometimes three.

That's not very precise. It's not an index. But it's inflation.

Still skeptical?

OK, how about something absolutely lacking in subtlety, like paying \$30 to fill your gas tank instead of \$20? These experiences, like old wounds, tell me the weather has changed.

Am I right?

Let me know. Share. We've got to help each other. Tell me your Inflation Shockers and I'll pass the information on to other readers. Tell me about the increase in your real estate tax bill, your rising home insurance premium, the increase in your employer provided medical insurance, the change in price for your favorite meal, or... whatever... but tell me your story.

And if you think I'm flat out wrong and you've got some price declines you want to rave about, tell me those, too. (Sorry, computer bargain stories won't cut it. Thou shalt not live by computers alone.)

Sunday, July 30, 2000

## Letter From Peru

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CUSCO, PERU. We arrive at the Manu Bio Reserve in darkness after a ten-hour bus ride from Cusco. For most of the trip the road was stones and dust, barely cut into mountainsides covered with mosaics of tiny wheat fields, all tilled at delirious inclinations. The ragged edges of the road overlook nearly sheer drops that ranged from 1,000 to over 5,000 feet. For the last few hours, as we descended into the lower reaches of the Cloud Forest, the surroundings have become increasingly jungle-like: walls of stone, heavy overgrowth running with spring water on the closed side, a wild green fecundity of impossibly deep mosses and ferns. Yet a dark precipice is only a truck-width away on the other.

This is how Jorge Quinones, our guide, commutes to work.

During our three days together I learn that Jorge had training as a naturalist in biology, had done research on the otters that live further in the Reserve, and had worked at a hospital during the most intense periods of inflation Peru had suffered.

Describing that period, he said, "When you were paid, the first thing you had to do was to go and buy something. The worst thing you could do was to keep money."

Now, things are better. In Fujimori's post-inflation Peru, Jorge is a contract worker taking groups into the Cloud Forest to see myriad butterflies, rare birds, and woolly monkeys in their natural environment. This is a country of amazing beauty.

Although I never asked him directly, I learned that Jorge earns about \$150 a month.

Yes, you read that right. Bright, capable, and blessed with humor and charm, Mr. Quinones earns less than many Dallas realtors pay for cell phone service.

Like most of the world, Peru is poor.

Many Peruvians earn far less than Jorge Quinones and, more important, millions more live almost entirely beyond the reach of the money economy we take for granted. Instead, they live in a world of subsistence agriculture and barter. Finding a potential poster child for Save the Children isn't difficult here. Children are everywhere--- and they are all poster children.

Here, parents don't worry about the effects of MTV because there is no TV and there is no TV because, among other things, there is no electricity.

All of which raises some interesting questions.



The popular notion of poor people is that they don't work hard, that they somehow lack the spark or will of those in the developed world.

This is absolutely untrue.

In ten days I have seen a nation of independent businesses. They are ubiquitous, omnipresent, inescapable, and tireless. Everyone is making or selling something. Or both. Small children sell Chiclets and opportunities to take their photo. Older children pace the street in front of Cusco hotels. Some offer souvenir photos, others offer artwork, and still others offer camera film. Women sell intricately carved gourds from burlap bags. Along every covered portal, people have set up shop to sell fabrics, clothing, carvings, and jewelry. Roads are lined with small restaurants, tiny stores for food and household supplies, ice cream and soda vendors.

Commerce is not scarce.

Coming into the Cusco train station after dark, we encounter a Hieronymus Bosch-like scene with natives from the countryside forming an endless street market that cascades over the cobblestones for blocks, lit by the unique starkness of fluorescent tubes. Here a woman is selling potatoes from a small pile in front of her. There, another woman is selling corn, and next to her still another is selling pieces of unidentified meat off a blanket.

In Aqua Calientes, the gateway to famed Machu Picchu, a stocky woman wearing a T-shirt holds a wooden box lined with velvet and filled with earrings and necklaces. She is standing in the middle of the road, the road itself lined for 150 yards with small shops forming a veritable merchandise gauntlet for tourists.

It is much the same in Lima, the capital city of Peru. Awash in "Se Vende" signs for condominiums and offices built in a long departed economic surge, the atmosphere here is so heavy that I can only think of the place as a movie set. At night it is a dark amalgam of Soylent Green and Blade Runner.

But during the day it bursts with small business commerce.

A nagging question remains: With all this spirit and effort, why is Peru still poor?

Sunday, August 27, 2000

## Fire in the Wild, Wild West

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GALISTEO, NEW MEXICO. "Want to see our fire fighting equipment," Chris Fields asks? A friend who lives in a sprawling and wonderfully eccentric hacienda in the village of Galisteo, Chris works in the juncture of biotechnology and computer databases for Applied Biosystems, a manufacturer of instruments used in the human genome project.

He is also a man of many parts. For one, he is a passionate cook with a preference for all things Cajun, happiest when feeding at least thirty people. And now I learn he is a volunteer firefighter.

“How do you put out fires if there is no fire hydrant for twenty miles?” I ask.  
“Let me show you.”

We leave his house and walk a few hundred yards to the long rectangular building that houses the Galisteo Volunteer Fire Department. There, each in its own bay, are five pieces of equipment--- a medical unit, an engine, a tanker, a brush unit, and a light rescue unit. Chris points to one that carries a large metal tank and what appears to be an uninflated life raft.

In fact, it is a portable water storage tank.

Dispatched to a fire, the tanker truck offloads the rubber tank, pumps it full of water from its metal tank, and departs to get more water, leaving fire fighters behind to use the water in the reservoir. When the truck returns, it refills the rubber tank. The cycle is repeated until the fire is out.

It can't put out forest fires, Chris explains, but it can be useful in putting out small grass fires.

Inside, the office wall is covered with photos of firefighters battling a blazing building. Nearby, what appears to be a commemorative hose section adorns a wall. It is about four feet long and made of rubber-lined canvas. “Wild, Wild West” is printed on the side.

The story comes from Steve Moya, chief of the Galisteo Volunteer Fire Department for the last five years. He explains that when the movie Wild, Wild West was made in 1998, the producers used the old Silverado set on the Cook Movie Ranch in Galisteo. The movie had a scene that called for the explosion of three buildings.

The filmmakers requested to blow up part of the set and have a small fire.

So they contracted the Galisteo volunteer fire department to be on hand. The scene, involving several stuntmen, came off without a hitch--- but the fire spread to more buildings.

“We were to let it burn for a few minutes. But the wood (in the Silverado set) was so old and dry that radiant heat spread the fire. There was no moisture in the wood. A match would have set the whole place off.” Mr. Moya explained in a telephone interview.

More units were called in. “A lot of units came for tanker shuttle. Wild, Wild West also had their own tankers. We drew water from the Galisteo tank. Water came from Eldorado, too,” Mr. Moya said.

Eventually, the fire was put out. No one was hurt.

But in the West, wild and otherwise, water isn't always nearby.

Sunday, August 27, 2000

Installment Biker: Return to Borderland

Earth, Air, Fire, and Water, part 1

## This Time, The Fires

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LOS ALAMOS. The periodic table of the elements displayed on the Los Alamos National Laboratories website features 109 elements and works its way from hydrogen, the lightest, to meitnerium, the newest. If memory serves, the count is eight more than appeared on the table I studied in 1958 as a freshman at M.I.T. Then, the last element was 101, mendelevium, which was discovered at the Berkeley cyclotron in 1955.

Today, riding my motorcycle up the long and narrow road that rises to the mesa on which Los Alamos perches, I couldn't help but think that the real periodic table has only four elements and that those four are quite enough to describe everything important and human.

Earth.

Air.

Fire.

Water.

They may be enough to describe everything economic, too.

Certainly, they will be enough to describe the future of the Great American Growth Triangle. Beginning with a rough apex in Denver and bounded on the East by Houston, the West by Los Angeles, and on the South by our border with Mexico, the triangle is where our most Faustian dreams are starting to collide with a rebirth of Malthusian possibilities. Thomas Robert Malthus, who believed that population growth would always outpace our ability to produce food, was the primary reason economics became known as "the dismal science."

The first thing I see in Los Alamos is a sign next to a firehouse. A needle shows the level of fire danger. Today, the needle is pointed at "moderate" but the backdrop for the sign is a panorama of charred trees that climb each mountain, right to the top. Blackened, they stand stark against a crystal blue and cloudless sky.

I am being literal when I say "panorama"--- the spring fire that held national attention while it threatened the city of Los Alamos scorched thousands of acres at the edge of the city and to the north. Even now, months later, there is an undercurrent scent of burn and char in the air.

On Yucca, Urban, and Arizona Streets the damage is severe. Most houses are gone. Only concrete foundations remain, along with gutted shells of burned out cars in the driveways. If you lived here and your house did not burn, "*There, but for the grace of God*" must have new meaning. I stop to look at a twisted pile, the remains of one house, and see another, untouched, behind it. Still another is unharmed across the street. All around, every tree is blackened and bare, or browned and parched.

A couple on Arizona Street is loading boulders into a wheelbarrow. I stop and ask how long it will be before they can rebuild.

"Oh, they're still in deconstruction mode, clearing," they say. The former homeowner explains the heavy equipment down the street. "Our land will be cleared next week and reconstruction will take about three years."

That's a long time, I said.

“But we lost twenty (years).”

The Los Alamos fire--- its drama heightened by fantasies of melting plutonium and a mysteriously misplaced computer hard drive loaded with nuclear secrets--- actually was smaller than the Viveash fire that started in the Santa Fe National Forest over the Memorial Day weekend and that, in turn, is dwarfed by the fires now raging in Montana. An Associated Press report in the Billings Gazette notes that, nationwide, over 68,000 wildfires have claimed 5.2 million acres this year.

The fires raise questions. How long will the current drought continue? How many more fires will there be? Are the fires the story--- or are they only signs, hints of larger events to come?

Big fires are humbling. They put us at the mercy of things we don't, and can't, control. Think like wind and rain. They remind us that we don't control very much at all and that everything can change. Even the most advanced work that we do--- like work in the Los Alamos National Laboratories--- can be threatened by something as elemental as fire.

In fact, the fires are only bright signs pointing to something else.

Water or, more accurately, its absence.

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Tuesday, August 29, 2000

Installment Biker: Return to Borderland

Earth, Air, Fire, and Water, part 2

## **Water, Cool, Cool Water**

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PECOS, NEW MEXICO. Today, the fire is out. But over the Memorial Day weekend a gigantic plume loomed just beyond Santa Fe. A dark strand in the early afternoon, it looked like the white cloud of a nuclear blast by early evening. It continued growing for three days. From Interstate 25, I could see a helicopter coming to pick up water to drop on the fire, but I couldn't get much more than a few miles closer due to road closings.

After worry about the fire hitting Pecos itself subsided, the next worry was that it would burn the watershed for Las Vegas, New Mexico, a town just up the road. A watershed fire would result in ash, erosion, and other dangers to the water supply. Since then, there have been stories in the Santa Fe New Mexican about the danger of fire in the Santa Fe watershed, an area that supplies a reported forty percent of the water consumed by 'the city different'.

In much of the Southwest, water is becoming a harsh subject. It is not a small town subject, limited to those odd parched dots on the map where a tourist may stop at a Dairy Queen and wonder how or why anyone lives there. No, water is now

a big city subject, one that affects urban residents from Denver to San Diego to El Paso.

Without enough water, one of the most basic government franchises--- fire protection--- can't be supported. Without fire protection property can't be insured. Without an abundant water supply, new homes can't be built, businesses can't grow, and crops can't be grown.

Even though the United States is blessed with a greater supply of fresh water than all but a handful of nations in the world, we may soon experience absolute scarcities of water, massive economic impacts, and battles that could go beyond the courtroom.

- In March, riding near Yuma, I crossed the mighty Colorado River. I didn't know it, however, because only a trickle is left by the time it reaches our border with Mexico. With its flow being used to support Las Vegas Nevada and Phoenix--- not to mention Southern California agriculture--- the river no longer reaches the Sea of Cortez.
- In late May the state of California came to an agreement with Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming. California would cut its use of water from the Colorado River within 15 years by taking water conservation measures. The alternative: having their supply reduced at the end of the 15-year period. Under a 1922 agreement, California was allowed to take 4.4 million acre-feet of water a year from the Colorado River. But it has been taking more than its allotment for years. Now population growth in the six states--- particularly Nevada and Arizona--- is putting the states in competition for a finite supply of water.
- In mid August the ongoing drought in New Mexico was so bad the city of Santa Fe was down to an estimated 50 day supply of surface water. Without rain, the city would have to rely entirely on its wells. Worse, rescue was at least four years away. As Labor Day approached, city officials said that it would be years before they could exercise rights to water from the Rio Grande. Like the Colorado River, the Rio Grande has been so diminished by dams and diversions that it is no longer worthy of the name. Today, it is an endless series of upstream and downstream conflicts, a torrent of litigation, not water.

You can see the nature of the water problem in simple arithmetic if you add up the allotments to each of the eight states that have claims on the Colorado River and compare them to its historical range of water flow. The 16.5 million acre feet of "rights" claimed by seven states plus Mexico total more than the 14 million acre feet of water that flows in an average year--- the kind everyone is praying for the region to have.

### **The Arithmetic of Conflict: Claims on the Colorado River**

Colorado River flow, average year	14 million acre feet
Colorado River flow, big year	18
Colorado River flow, low year	12
California	4.400
Colorado	3.881
Arizona	2.800
Utah	1.725
Mexico	1.500
Wyoming	1.050
New Mexico	0.844
Nevada	0.300
Total	16.500

Source: "Water: The Fate of Our Most Precious Resource," pgs. 240-241

While the other states have been allowing California to take "surplus water"--- water they are allotted but don't use--- you need only consider the fact that the entire region contains some of the fastest growing cities in the country to see that big time economic conflict is here, now.

Sunday, September 3, 2000

### **Of Earth, Rocks and Hard Places**

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SANTA FE, New Mexico. From a stoplight on Interstate 599 a narrow ribbon of road leads you into a place of breathless silence and a magnificent vista of rolling hills covered with pinon trees. Wherever you turn, there is a backdrop of distant mountains.

Here, few houses are visible. Side streets are so discreet you can pass them before you know it. They lead to areas where the quiet is nearly absolute.

Called Las Campanas, this luxury development on 4,800 acres offers a world class golf course--- with a second to be completed this year--- a complete riding center where you can board your horses, a community center with spa, pool, and exercise facilities, and five restaurants.

While the plan calls for a completed community of 1,700 houses--- and some 800 lots have already been sold--- just over 300 houses have been built, and fewer than half of the houses are occupied full time.

Most of the owners are here only a few weeks a year, trusting that an automated sprinkler system will water their grass, plants, and trees.

So it is very quiet here.

As you might expect, this does not come cheap. Lot prices start at \$250,000 and rise to over \$1 million. The least expensive completed house sells for over \$600,000 and most are over \$1 million. Golf memberships sell for \$90,000 with monthly dues of \$410, and boarding your horse will run \$450 a month.

For those who can afford such luxuries, the price of gasoline is not a worry--- and neither is the price of water.

That is why a skirmish line is forming right here and the battle, which will be fought over water, is likely to get ugly.

According to Charles Padilla, a former member of the Metropolitan Water Board, Las Campanas uses 1,100 acre feet of water a year (an acre foot is one acre of water, one foot deep or about 325,000 gallons) while the entire city of Santa Fe--- some 65,000 residents and 1 million tourists--- uses 11,500 acre-feet a year. Worse, peak summer use is higher: then, Las Campanas can account for as much as 25 percent of all water use.

The demand is such, the former Water Board member says, that Las Campanas could cause the city water system to fail, leaving the city without enough water pressure for fire protection.

Still worse, the water supply for the entire development and the hundreds of millions invested there--- remember, they've already sold over 800 lots at \$250,000 and up price tags--- rests on what Mr. Padilla calls "leased water." These are contracts the development made with the city of Albuquerque, which now has its own water problems.

It is not surprising that the developer is making a bid to secure a long-term water supply, one that will keep the golf courses green even as the more ordinary people of Santa Fe are restricted to watering their plantings once a week.

As I said, the skirmish line is forming. And the battle will be over *water*.

In fact, the real problem isn't a luxury housing development that uses massive quantities of water so a handful of occasional visitors can pretend they are playing golf in Scotland. The real problem is that Santa Fe, like New Mexico and most of the entire Southwest, doesn't have enough water to keep up with its population growth. The problem Las Campanas faces is that "Let them play golf" is likely to play as poorly in contemporary New Mexico as "Let them eat cake" played in Mary Antoinette's France.

How serious is the larger problem?

Consider these news items:

- *In mid August the New Mexican editorialized that the cities' surface water supply was down to 50 days. After that, the city would be doing heavy duty pumping from its ground wells, the wells it shares with Las Campanas that draw from a finite, irreplaceable aquifer.*
- *A few days later it was announced that getting water from the Rio Grande, was at least four years away.*
- *Worse, there might not be any water in the Rio Grande, anyway. Last week, Senator Pete Domenici of New Mexico announced that the only way to save an endangered species of minnow in the Rio Grande was to move it far upstream where there was less danger that the river would dry out.*
- *When the river dries out, which also happened in the 50's, the state will default on commitments to deliver water to Texas and Mexico.*

*As situations go, this one is all rocks and hard places.*

“The inescapable vision looms”, *one resident wrote to the New Mexican*, “ of a vast empty city, as mysteriously and completely vacated as Mesa Verde or Chaco Canyon, and for identical reasons: no more water.”

*Without water, there is no wealth.*

## As Visible as the Air We Breathe

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TESUQUE, New Mexico. The views from Vista Redonda give new meaning to the word “breathtaking.” Located a few miles north of Tesuque Village and abutting Indian lands, some of the houses here overlook a vista that stretches from the Santa Fe Opera north of the city, to the lights of Los Alamos, to the dark presence of Black Mesa.

Remote, separated by miles from any development, Vista Redonda's silence is so complete that you hear nothing but the wings of passing birds.

Looking at the unmarked entrance and the wash-board dirt roads you would not think that one of the residents here is a tropical bird that sings the Marine Corps Hymn--- although, truth be told, his owner admits that the bird mumbles when he gets beyond the “shores of Tripoli.”

Mark Shepard, former chairman of Texas Instruments, owns a house here. So does Ali McGraw, the former movie actress who now designs clothing. Most of the homeowners, however, are neither Fortune 500 corporate leaders nor movie stars. They have simply enjoyed the financial success needed to be part of this small community.

Until recently, a major movie star lived here, and he is still remembered.

In fact, he was remembered at a recent gathering even though none of his seventy movies were mentioned. Not a word about the movie largely credited with starting his career. No mention of a more than a dozen blockbuster hits or his two Oscars.

No, the movie star was remembered for his role *as a water consumer*.

The story: shortly after buying a house and becoming a member of the association that maintains the six wells and two large water tanks needed to supply homeowners with water, the actor did major new plantings. Then he started drawing water from the community wells at a rate of one million gallons a year.

I asked an association member to put a million gallons in perspective.

“It’s a great deal of water. The association members who are only here part time might use 50,000 to 60,000 gallons a year. People who live here full time--- like my wife and I--- typically use about 160,000 gallons a year.” (According to the City of Santa Fe water department typical household consumption, including apartment dwellers, is 6,300 gallons a month for a family of 2.8 people, or just over 75,000 gallons a year.)

“We use about 400,000 gallons a year,” the owner of the Marine Corps Hymn bird said. This was necessary, he explained, to sustain their plantings and an aviary for tropical birds. After building the aviary they had quickly learned that they were



consuming too much water from the association wells. To avoid conflict, he and his wife had drilled a well of their own.

“What needs a million gallons of water a year?” I asked.

Both men shrugged. All they knew was that the actor and his family, in one house, had consumed an enormous amount of water.

The movie star was asked to reduce water consumption.

But the high consumption continued.

The request was made again. The issue wasn't price. The issue was the community water supply.

The actor sold his house and moved to another area of Santa Fe.

Sadly, it won't be that easy for the rest of us. While few are movie stars, all of us are water consumers. We don't think about it very much because it hasn't been necessary to think about water consumption.

But that time is ending. Sometime soon it will be necessary for all of us, wherever we live, to think about something we've taken for granted even more than the air we breathe.

The need to think about water will also bring a broader change in how we think. Today, we assume we should be able to buy and use whatever we want, whenever we want, provided only that we can pay for it. We live in a world where the entire vocabulary of experience is based on markets and market pricing. The marketplace is the air we breathe.

If you can afford it, you can water the desert. Just buy the water. The only limit is the size of your bank account.

That is about to change. Silver, Gold, Platinum and diamonds will always be commodities, whatever their price. But water is different. It is the substance of life.

Is it really this serious?

It could be. So it may help to remember what novelist Tom Robbins wrote.

*“Human beings were invented by water as a means of transporting itself.”*

For tomorrow, we need better directions.

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Sunday, October 1, 2000

## **Sears, The Great Indoors, and Improvement Inflation**

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You know times are good when Sears moves upscale.

As evidence I offer “the great indoors”, the gigantic, category killer stores that are setting new standards of luxury for almost anything in your home.

While two others opened earlier--- one in Denver, the other in Scottsdale--- the most recent opening was in far north Dallas, in direct competition with a nearby Home Expo, Restoration Hardware, Williams Sonoma, and Crate and Barrel. A Detroit opening is scheduled for November.

Since the north Dallas opening I've been to 'the great indoors' twice. Each time the parking lot was jammed, filled with luxury cars and eager customers.

This is yet more evidence the economy is not about to slow down just to please some fuddy duddies at the Federal Reserve Bank. It's also evidence that price inflation--- the increase in what we pay for lettuce, gasoline, or dry cleaning--- may not be the biggest worry consumers face. The real worry may be Improvement Inflation, the cavernous gap between the price level of familiar products and the price of their updated and improved replacements.

Examples of Improvement Inflation abound at 'the great indoors.' Once you've been inside, you know we're on our way to the Next Level in home luxury.

Hunger for a \$10,000 digital flat panel TV? It's here.

Looking for a stove with enough power to roast an entire herd of cattle in 30 minutes? It's here. Choose whether you want to spend \$4,000 for four burners, \$6,000 for five, or still more for an added grill.

To be sure, 'the great indoors' also offers products at familiar prices. Indeed, scattered like subliminal advertising among the Viking ranges, the Bosch dishwashers, and the Sub-Zero refrigerators, you'll find Kenmore, the Sears store brand.

You see them because 'the great indoors' is part of Sears.

Elsewhere in the store you can gaze at \$5,000 bathtubs, \$400 faucets, and an entire sealed room filled with showerheads that would reduce Louis XIV to envious tears.

From there you can move on to samples of magnificent tile, incredible marble, cabinet fittings from post-modern to baroque, and--- well, you get the idea, this is One-Stop Power Shopping for the home.

To understand the sociology, get yourself a copy of David Brooks' "BoBos in Paradise: The New Upper Class and How They Got There." It's easily one of the most telling and entertaining books written about social change in the last ten years.

To understand the economics, think about income, lots and lots of income. While there is debate about whether the rising tide has lifted all the boats, there is no doubt that the top 20 percent of households has done very well in the last ten years. The result? Near mass markets for things only the very rich could afford less than a generation ago.

Which brings us to an interesting investment question.

Will "the great indoors" ever be important enough to and pull Sears out of the sinking loss of identity that afflicts virtually all the traditional department stores? Does our new affluence have such depth that it will transform Sears Roebuck?

This is no small task. With 860 traditional department stores in the Sears chain, 'the great indoors' will have to move a lot of Viking ranges to be more than a footnote. More important, Home Depot and Lowe's are "pure play" competitors--- stores devoted entirely to home improvement, with over 1,700 stores combined. Again, it will take a long time before 'the great indoor' becomes visible.

### Will Upscale Home Improvement Mean Stock Improvement for Sears?

Stock	Recent Price	P/E on 2000 eps	2000 estimated eps	2001 estimated eps	5 year estimated growth
Home Depot	\$54.25	42.50x	\$1.25	\$1.54	23.60 percent
Lowe's	\$49.75	21.30x	\$2.23	\$2.73	21.30 percent
Sears	\$34.58	7.30x	\$4.58	\$5.05	10.60 percent

Source: Microsoft Investor.com; Morningstar Principia

Then again, consider the price. Sears sells at 7.3 times estimated earnings, one-sixth the multiple of Home Depot (42.5x) and one-third the multiple of Lowe's (23.3x). If the New Economy is as powerful as some believe, Sears could be a major winner in the spread of affluence.

Sunday, March 4, 2001

Mexico or Bust? Part 1

## Retiring In Mexico

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**San Miguel Allende, Guanajuato, Mexico.** She stands at the front of the tour bus as we file back on board. Sporting a white blouse with large silver buttons fashioned in animal shapes, she looks right at home.

“My name is Roxanne,” says the crisp forty-something home tour guide, “and I’ve lived here for two years. My husband and I moved here from Los Angeles.”

Roxanne and her husband are among an estimated 5,000 Americans who are full time residents of this Colonial city in central Mexico. Attracted by the idea of early retirement, a near perfect climate, a historic city, an active art scene, and a cost of living that is dramatically lower than urban America’s. Roxanne is quick to let you know she’s happy with her decision to move here.

She and a cadre of volunteers devote every Sunday to the weekly House and Garden Tour. Each week, more than two hundred visitors pay for tours of three of San Miguel’s notable homes. The proceeds are used to support programs for reading, education, and health in the area.

The house we’ve just been through, all 220 of us, is straight out of Architectural Digest, recently completed, and beautifully furnished. It’s an investment, including artwork, of at least \$2 million. But it would cost far more in the United States.

What intrigues me is the inconceivable chasm between the value of the house and the cost of the maid. The common figure is that you can have a full-time maid in Mexico for less than \$200 a month. So this house and its contents may represent 833 years of her work

But I haven’t come here to see grand houses or to experience, however vicariously, the lifestyles of the fairly rich and possibly famous. I’ve just been seduced, once again, by our national craving for more.

My real mission is completely different. It is to answer two simple questions.

*If you don’t have a lot of money, can you retire in Mexico? Can you live a different, simpler life?*

Don’t get me wrong, we’re not talking about a kind of *Butch Cassidy and the Sundance Kid* withdrawal from the U.S. market. This is not about slumming in a third world economy. This is about living well with less money.

Suppose you’ve never saved a lot of money, that you’ve had one or another disaster, and that you find yourself at the brink of old age or downsized into early retirement. Suppose you didn’t win the lottery. Suppose none of your employers ever heard of 401k plans or pensions. Suppose what you’ve got is a funky little

house, an aging Oldsmobile, and the prospect of Social Security as your primary source of support?

What can you do? Where can you live?

*Mexico.*

I say this with some confidence now because San Miguel is one of the most expensive places to live in all of Mexico. If you can live afford to live here, the other spots--- such as Lake Chapala, Guanajuato, Merida, Oaxaca, or Cuernavaca--- are likely to cost less. Even beach spots like Mazatlan, Manzanillo, or Puerto Vallarta may cost less.

So lets start with some baseline figures.

According to the Social Security website ([www.ssa.gov](http://www.ssa.gov)), the average monthly Social Security check for a single retired worker this year is \$845. The average retired couple receives \$1,410. The maximum Social Security benefit for a worker retiring this year is \$1,536. This means two maximum earners who didn't have a dime squirreled away at Fidelity, Vanguard, or T. Rowe Price could still have a monthly Social Security income of \$3,072.

Now let's match that against estimated budgets in Mexico.

In "Living Overseas--- Mexico" (Living Overseas Books, pb, \$16.95), writer Robert Johnston says, "Two people can live comfortably for less than \$1,000 a month. A monthly income of \$2,000 or more can provide luxuries only dreamed of in the U.S." Here's the budget he provides for a couple:

#### Average Monthly Budget for Two People

Expense	Amount
Rent	\$300
Electricity, gas	\$ 30
Water	\$ 10
Housekeeper (5 days/week, part time)	\$ 70
Food	\$200
Telephone (local calls)	\$ 15
Transportation (bus-taxi)	\$ 30
Entertainment (once a week)	\$ 80
Health Insurance	\$ 50
Miscellaneous	\$100
Total	<b>\$885</b>

Source: Living Overseas--- Mexico, 1998

Mr. Johnston isn't alone in making such low estimates of living costs. "Mexico" Mike Nelson, whose "Live Better South of the Border in Mexico"(Fulcrum Publishing, pb, \$16.95) is now in its third edition, writes "...as a general rule, you can live on about two-thirds of what you live on at home. Most foreigners have incomes of \$800-\$1,200 a month. You can live on less if you are willing to be very frugal or choose a small town. No matter what you spend, your quality of life will be better."

Ken Luboff, author of "Live Well in Mexico: How to Relocate, Retire, and Increase Your Standard of Living" (John Muir Publications, pb, 1999) writes in his book, "Friends of ours rent a house for about \$500 a month and live well for about

*\$1,200 a month, total, including the cost of a part-time maid and gardener. Barbara and I own a house and live a more luxurious lifestyle for less than \$20,000 a year."*

After a week of exploring, visiting houses, and checking prices, I am convinced--- Living in Mexico is a real option even if you don't have a dime in savings.

Sidebar: A Visitors Guide.

One of the nice things about visiting San Miguel is that you may not have to go through Mexico City. From Dallas, for instance, you can fly American Airlines direct to Leon in about two and a half hours. From there you can travel by private van for about \$22 a person, or by cab for \$60. Either way, you're only an hour and a half from the city of San Miguel. Door-to-door time is about 6 hours, which is a real plus compared to indirect flights to places like Manzanillo.

Accommodations in San Miguel range from the luxurious Casa de Sierra Nevada, where the least expensive room is \$195 a night, to small hotels and bed and breakfasts where you can stay for \$55 a night, including breakfast for two. My wife and I stayed in the Casa Luna B&B, \$110 a night plus tax for a large room with boveda ceiling and fireplace overlooking a lovely garden. Better still, the room offered a terrace from which we could watch the sunsets, the egrets coming to roost at the park, and the evening flights of geese. Ask for "the Red Room." Two other rooms with wonderful light and private patios are the Frida Kahlo Blue Folk Art Room and the Mountain View Room, also \$110 per night plus tax. (web page: [www.casaluna.com](http://www.casaluna.com) )

You can also rent fully furnished apartments by the week or month at very attractive rates (like \$350 a week or less than \$700 a month). You can explore on the infosma webpage: [www.infosma.com](http://www.infosma.com).

The best guide to San Miguel is only available in the city. It's "The Insider's Guide to San Miguel" by Archie Dean, with information on everything from hotels and restaurants to hardware stores and Internet connections. It's \$17. The other publication you need is the weekly "Atencion San Miguel", a five-peso tabloid with a weekly schedule of everything going on in the city. Available Sunday.

Like Santa Fe, New Mexico, San Miguel has more restaurants than most cities its size. For a really pleasant outdoor meal, try the comida special at Café de la Parroquia. For 55 pesos (about \$5.50) I had a glass of tamarindo juice, rolls with salsa, vegetable soup, chicken cooked with a subtle ginger sauce and mashed potatoes, apple struedel, and coffee. For a splurge, have lunch or dinner on the terrace at La Capilla or in the courtyard at Bugambilia. (web page: [www.infosma.com/bugambilia](http://www.infosma.com/bugambilia)). You'll also enjoy the happy hour with music at Casa de Sierra Nevada en el Parque. Wherever you go, the margaritas are good. I say that as Founder and Patron' of *The Santa Fe Society for the Consumption of Historic Tequila*.

The central section of the city reminded me of time spent, years ago, in Rome and Barcelona. The air was as soft as rainwater. You'll wonder why you feel so good and then, slowly, you'll realize that in addition to the incredible light and air, you

haven't had to drive a car in days, TV hasn't assaulted you, and you haven't seen a single franchise.

It's a good feeling.

Tuesday, March 6, 2001

Mexico or Bust? Part 2

## Buy or Rent in Mexico?

---

**San Miguel de Allende, Guanajuato, Mexico.** "All You Wanted To Know About Living In San Miguel" the ad in the weekly edition of 'Atencion' offered. Just show up and I could learn all about buying or renting property here.

So I rushed up the street, which changes from Pila Seca to Cuadrante, to Hospicio in five blocks, and turned into a deep, softly green courtyard opposite the Sierra Nevada hotel. I was the last of 13 people from all over the U.S. and Canada who arrived and Michael Herrera was already speaking.

Mr. Herrera, a handsome man with a radio voice, was born and raised in Los Angeles but spent summers in San Miguel with his grandmother. Eventually, he moved here and started a real estate business that is now, by his reckoning, one of the six agencies in town that do most of the business. (His firm's website is: [www.sanmiguel-mx.com](http://www.sanmiguel-mx.com) )

He tells us, very quickly, that San Miguel real estate has appreciated greatly in the last twenty years and that the central historical district remains the focus of attention for most people. The amount of development in recent years, however, has led to a slowdown with an increasing supply of homes for sale. It may, he says, be a buying opportunity.

After the seminar I introduce myself and ask if he would spend some time showing me properties that might be suitable for retirees--- those ranging, say, from the very lowest cost to no more than \$300,000. We spend two long mornings visiting houses in and out of the city, condos, and buildings that are in the last stages of completion.

I learn that I could buy a 900 square foot town house with two bedrooms and one and a half baths in La Luz, a nearby suburb of San Miguel, for about \$40,000. I could also build a new property of the same size for about \$65,000, buy an existing and slightly larger home in a desirable section of town for about \$85,000. Increase the ante still more and I could have bought a two bedroom, two-bath condo with magnificent views from a gigantic roof terrace--- but it just sold for about \$135,000. Get a little fancy and the widow of an English Barrister is selling an elegant 3 bedroom, two and a half bath house in a prime area of San Miguel for about \$250,000.

And, of course, it is always possible to spend much, much more.

As he said, San Miguel is not cheap. No mansions for the proverbial song.

But add the views, the beauty, the stone, brick, and tile work--- not to mention the incredible climate--- and these houses would cost far, far more in the United States.

The arguable advantage of price, however, isn't the end of the story. The real benefit of housing in Mexico is in the details:

- Like it or not, you probably won't have a mortgage because most houses are sold for cash. So if you've got the money to buy, you won't have a monthly payment. This also works to make a more solid market--- you'll never be surrounded by foreclosures.
- Taxes are very low. While most houses in the United States are taxed based on values that approximate market, appraisers here value houses. Their valuation is significantly below recent market prices. As a consequence, tax bills of \$200 a year for a \$100,000 plus condo are common.
- Operating expenses are very low. With a year round temperate climate, San Miguel has only a handful of homes with central heating and even fewer with air conditioning. During our weeklong stay we used the gas log in our fireplace--- the most common source of heat in San Miguel--- on only one night. So gas and electric bills are low. Water bills are also low. And insurance bills, if any, are small because fire hazards are limited and people aren't as litigious as in the United States.
- Add all the costs, *including a part-time or full-time maid*, and a typical house can be run for around \$300 a month. The cost of operating a house is a fraction of the cost of operating the same house in the United States even though it includes something that very few Americans can afford--- household help.

The caveat side of the story is just as powerful.

Establishing reasonable measures of value isn't as easy in Mexico as it is in the United States because there is no Multiple Listing Service. With no pooled market of properties it takes longer to discern values. I think this puts a real "due diligence" monkey on any buyer. It means that you need to read, and check out, newspaper advertisements and click through as many websites as possible. (Atencion, the weekly publication in English, has plenty of rental and sales ads and you can see quite a few houses for sale or rent on the website, [www.infosma.com](http://www.infosma.com) )

In a short visit to San Miguel so many people fall in love with the city and buy a house in a matter of days that property is regularly for sale simply because the buyers plans have changed or their infatuation has faded. In my two days of looking I found two houses that had been owned for less than a year and occupied for still less.

Which brings us to the rental market.

Unlike most cities in America, San Miguel has a well-developed market of completely furnished houses, condos, and apartments. Rents start around \$300 a month, frequently include all utilities, and often include maid service. It is also possible to do long term rentals of unfurnished houses. What is striking about the



rentals is that the monthly cost is significantly lower than you would expect from the purchase price. I found one two bedroom condo in a complex with a health club, for instance, that could be rented--- furnished--- for \$700 a month but was offered for sale at \$160,000.

Few rental-to-sale-price “spreads” are that dramatic but the message is very clear: this is a buyers market all the way down. No one needs to “panic buy” a house in Mexico because you can rent when you want for as long as you want. Nothing bad will happen to your money while you are renting. Indeed, if you are thinking of becoming the Ultimate Snow Bird and traveling to Mexico for the winter months only, renting makes more sense than buying.

Finally, there is the rest of Mexico. It’s probably cheaper than San Miguel, which means you have a lot of exploring to do.

Ken Luboff, author of “Live Well in Mexico: How to Relocate, Retire, and Increase Your Standard of Living” sold his house in San Miguel a year ago and is now building a house in Ajijic, by Lake Chapala where costs are lower and the climate, I am told, is even better.

Bottom line? Go slow. But go.

Sunday, March 11, 2001

Mexico or Bust? Part 3--- The Pharmaceutical Connection

## The Pharmaceutical Connection

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**San Miguel de Allende, Mexico.** I had assumed, on leaving for Mexico, that my annoying allergy to mountain cedar would abate. Instead, my head got murkier. Whatever I had, it wasn’t an allergy. It was probably an infection. I spent the first two nights here devising different ways to pile bed pillows so I could sit up through the night. I wanted to thwart the coughing.

Instead, my cough got worse.

By the third night there was a new problem: a painful earache. I started thinking about the time, years ago, that I had gotten pneumonia in Paris and was so confused I went to London, hoping to die in English.

What to do?

Visit a pharmacy. Talk to the pharmacist.

That’s what you do in Mexico when you’re sick but can still walk.

So I walked a few blocks to Botica Agundis, otherwise known as “Chelo’s.” A tiny storefront about a block from the jardin, Botica Agundis bears no resemblance to any pharmacy you’ve seen in the United States. It was also clear that it was a competitive business because there were several other pharmacies, equally small, within a few blocks.

I introduced myself to Roberto McLendon, a young pharmacist whose mother is the Chelo in “Chelo’s” and described my symptoms. He suggested Amoxicillin, an anti-biotic, to fight the infection, and Naproxen, an anti-inflammatory, to reduce the internal swelling.

I bought a one-week supply of both and headed back for the hotel. One day later the earache was gone. Two days later I felt much better.

That’s how you buy prescription drugs in Mexico. No doctor.

While visiting with Roberto I asked if he would do me a big favor. Would he give me prices for a list of some of the most commonly prescribed drugs in America? If I could come back that afternoon, he’d have it ready, he said.

Back in Dallas, I went to the Eckerd’s where I pick up my monthly supply of Lipitor and asked pharmacist Cory Christianson if he would do me a big favor and give me a list of prices on the most commonly prescribed drugs in America. I wanted to compare them to prices in Mexico, I told him. Like Roberto, he couldn’t do it on the spot but said he’d have it ready by morning.

Sure enough, Pharmacy Manager John Porter handed me the list in the morning. Both pharmacists were curious about the results. You can see them in the table below where they are ranked by their listing in “The Pill Book,” a thousand-page compendium of pharmaceutical knowledge that even includes a photographic centerfold section sure to thrill pill lovers.

### Comparing Common Prescription Prices in the U.S. and Mexico

Use Rank*	Drug	Dose & Number	Cost-U.S.	Cost Mex (in \$)	Mex as % US	Primary use
1	Premarin	0.625 c/28	\$23.79	\$19.09	80.3%	female hormone replacement
2	Synthroid	100 mcg c/50	\$28.59	\$8.05	28.2%	thyroid hormone replacement
3	Lipitor	10 mg c/20	\$51.79	\$43.92	84.8%	cholesterol reduction
5	Prilosec-brand	70 mg c/20	\$88.29	\$41.08	46.5%	ulcers, reflux
6	Albuterol		\$21.99	\$14.09	64.1%	asthma & bronchospasm
7	Norvasc	5mg c/30	\$46.49	\$39.81	85.6%	angina
8	Claritin	c/20	\$60.59	\$24.52	40.5%	allergies-antihistamine
9	Prozac-brand	c/28	\$83.29	\$68.12	81.8%	depression, compulsions
	Prozac-generic	c/50 caps	na	\$56.15	na	
10	Trimox	500 mg c/16	\$11.89	\$23.74	199.6%	anti-biotic
11	Zoloft*	50 mg c/14	\$39.09	\$29.26	74.9%	depression, compulsions
12	Lanoxin	c/60	\$15.49	\$10.01	64.6%	congestive heart failure
13	Glucophage	850 mg c/40	\$63.79	\$10.94	17.2%	diabetes
14	Prempro	c/28	\$38.99	\$22.44	57.5%	female hormone replacement
15	Paxil	20 mg c/20	\$61.09	\$42.73	69.9%	depression, anxiety
16	Zestril*	5 mg c/28	\$32.89	\$10.51	31.9%	hypertension, cong. heart failure
17	Zocor*	5 mg c/30	\$52.09	\$41.75	80.1%	cholesterol reduction
18	Zithromax	500 mg c/4	\$38.49	\$38.29	99.5%	anti-biotic
19	Prevacid*	15 mg c/28	\$123.89	\$35.56	28.7%	ulcers, reflux
20	Augmentin 12 hrs	c/10	\$46.89	\$25.08	53.5%	anti-biotic
22	Celebrex*	200 mg c/20	\$61.99	\$36.54	58.9%	arthritis
23	Coumadin	5 mg c/25	\$23.09	\$6.19	26.8%	anti-coagulant
24	Amoxicilin-generic	c/50	\$22.09	\$13.73	62.1%	anti-biotic
25	Vasotec*	5 mg c/30	\$41.59	\$13.83	33.3%	hypertension

Sources: The Pill Book, 2000 edition; Botica Agundis, Eckerd's

\*costs for different dosages of these drugs can vary as a percent of U.S. costs  
 Note: positions 4 and 21 were occupied by generic and proprietary versions of Hydrocodone. Prices were not available.

Only one drug, anti-biotic Trimox, cost more in Mexico than in the United States. All the others ranged from a low of 17.2 percent (Glucophage for treating diabetes) to a high of 85.6 percent (Norvasc for treating angina) of the U.S. price. The average saving is nearly 36 percent. You should know that this is not a massive study. It's just a comparison of prices from two drug stores. You may find some lower prices elsewhere in Mexico. You might also find some lower prices than Eckerd's but I wouldn't make a heavy bet on it.

What does it all mean?

Simply this. If you need to take a drug routinely, as many older Americans do, you'll be able to get it for less in Mexico.

Is this a good reason to retire to Mexico?

Hardly. But it wouldn't hurt.

Tuesday, March 13, 2001

Mexico or Bust? Part 4

## The Medicare Buck Stops at the Border

---

When you think about retiring in Mexico one question is the hardest.

*What about Medicare?*

For Americans 65 and older, the question is the biggest single obstacle to becoming a retiree in Mexico. Most retirees can't conceive of NOT having Medicare coverage.

Yet that is exactly what happens if you move to Mexico. Your coverage stops at the border.

With no coverage, retirees are confronted with the need to return to the United States if they have a long-term medical problem or a major emergency. That can be an expensive proposition.

What are the alternatives? It's a short list and each alternative has a major worry factor.

- (1) Take a chance and self-insure. (Sorry, we'll stay in Cleveland.)
- (2) Take a chance and pray that the foreign travel coverage in your Medigap insurance applies. (We might have been that dumb at 25 but not at 65.)
- (3) Join the Mexican health care system, IMSS. It provides the Mexican equivalent of Medicare. (Sorry, moves are one thing; major leaps of faith are another.)
- (4) Buy a private health insurance policy that will insure against major medical expenses. (OK, but the cost is high and what do I do if the company drops me?)

David Warner, a professor at the LBJ School of Public Affairs, University of Texas, has managed two research projects on Americans living in Mexico and the

possibility of extending Medicare into Mexico. In a recent telephone interview he observed that many people who would benefit from extending Medicare coverage into Mexico.

Former American military service veterans, he said, are no longer covered by CHAMPUS after they turn 65 because it is assumed that Medicare covers them. In fact, they aren't covered if they live outside of the United States.

Similarly, Professor Warner observed that thousands of Mexican-Americans who worked their entire lives in the United States and contributed to Medicare return to Mexico when they retire. The only way they can get Medicare is to return to the United States.

Ironically, extending Medicare into Mexico could actually work to save money for the Medicare program. Why? Medical care is much less expensive in Mexico, even when doctors trained in the United States deliver it. While estimates of potential cost savings vary from twenty five percent to fifty percent, the figure is enough to get everyone's attention. In effect, medical costs in the United States provide a huge "umbrella" for alternative arrangements outside the country.

Skeptical?

Then consider this. A long-term resident of Mexico can register for their health insurance program for \$225 a year. "A number of people actually buy into the Mexican Social Security system of healthcare." Professor Warner told me. "In the locations where there are a lot of Americans I think they've been beefing up their services as a way of attracting U.S. retirees. A number of people (in our survey) remarked on how happy they were with the system."

Similarly, a number of companies sell private health insurance for long-term travel. (You can find a list of them on the web at [http://www.mexconnect.com/mex\\_/healmed.html](http://www.mexconnect.com/mex_/healmed.html) )

Sanborn's, an insurance agency better known for its across the border automobile insurance, markets a policy from the International Medical Group in Indianapolis that provides up to \$500,000 of coverage for 65 to 69 year olds for \$160 a month. In Mexico, that's a lot of coverage. The cost rises to \$350 a month for those 70-79 and to \$420 a month for those over 80. You can check on age-specific policy costs by visiting the IMG website at <http://www.great-sw-brokerage.com/products.htm>. Writer Scott Michael Long suggests getting a health insurance policy from Segoros Monterey Aetna through the Lake Chapala Society in Ajijic.

It is also possible to buy policies from companies based in Canada and Britain.

And more is coming.

Pablo Schneider, President of ACTI/BXBSMX in Dallas, is about to launch Blue Cross/Blue Shield insurance coverage in Mexico. "We're just in the process of starting up. We've got plans to develop coverages specifically with U.S. retirees in mind." The coverage will be part of a national Blue Cross plan for Mexico--- and part of the developing cultural transparency of the U.S./Mexico border.

Right now, however, many retirees make other arrangements that may serve their needs. The Americas hospital in Guadalajara, which is close to the big American retiree community at Lake Chapala, accepts Blue Cross Blue Shield

insurance and the staff was trained in California. Similarly, retiree residents of San Miguel can insure through a plan offered by the Hospital San Jose in nearby Queretaro. The hospital also operates a 24-hour emergency clinic in San Miguel.

Bottom line: Replacing Medicare isn't easy or free. While it can be done, it's still the largest single obstacle to retiring in Mexico.

Sunday, May 6, 2001

## Retirement Planning, Part 2

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SARASOTA, FLORIDA. I am shuttling between nursing homes--- my 87-year-old stepfather in one for rehabilitation, my 87-year-old stepmother in another, also for rehabilitation--- when it hits me. South Tamiami Trail, the usual route to fabled Siesta Key, needs a new name. After driving by more than a mile of buildings and signs offering medical services, skin treatments, vision correction, cosmetic surgery, podiatry, and help for just about any other aging body part, I feel that this street should reflect its *use* as much as its long history.

Medicare Boulevard comes to mind.

In my week here I am learning in the most visceral way that retirement isn't what it used to be. Today, it has two parts.

Once a short period between hard work and death, retirement is now the equivalent of starting a new life in a used body. Today, a couple retiring at 65 can expect that one of them will live another 25 years. During that time life expectancy may advance another 25 percent, perhaps more.

Do the math and we're talking about living to be 90 or more. Lead a healthy life and you have a good chance of living to 100.

That's a long, long time.

As a result, modern retirement has two distinct parts--- active retirement and declining retirement. Active retirement is what all the magazine articles are about. It is sunny, cheerful, and playful. Pictures in these articles are full of smiling faces that no longer have to deal with college tuitions and stressful jobs.

These articles tell us how much to save and where to invest our money so we can enjoy a well-financed retirement. For this we learn about equity mutual funds, price to earnings ratios, risk-adjusted returns, growth versus value investing, and all the other buzzwords of financial planning.

The second part of retirement remains in shadow. It is learned on a "need to know" basis, buried beneath mountains of denial by all concerned.

Like investing, it has its own vocabulary.

In late retirement--- the part where health is failing--- there are two basic choices. The relatively fit can go to an ALF, **Assisted Living Facility**. The less fit can go to **Skilled Nursing**. In the first, the door to your room is closed and you can perform as many ADLs (**Adult Daily Living Activities**) as you can manage. The more help you need, the more you will have to pay.

You won't be allowed to live in an ALF, however, unless you can "**transfer.**" This means you can move from a bed to a wheelchair or from a wheelchair to a toilet on your own. You must also be able to leave the building without assistance in event of emergency.

We don't like to think about things like this.

In Skilled Nursing, the door to your room is open and you'll share the room with another person, probably a stranger. Men are a tiny minority and married couples are very, very scarce.

In Skilled Nursing there are two kinds of people. Some pose an "**elopement risk,**" meaning that they might wander away and not know how to come back. The demented and Alzheimer's residents--- who comprised almost half of the population in the five facilities I visited--- live in special, secured wings so they won't "wander" or "elope". The others know where they are.

What is the most important question to ask? The number of CNAs--- **Certified Nursing Assistants.** Why? Because the staffing ratio determines how much care is available for the residents. Another thing to check: the number and nature of the citations in state inspections.

By the time you get into Skilled Nursing, someone else is managing your money or you don't have any. How do we plan for this?

Simple.

First, pray for loving children. George Francis Blasius has five sons. I'm proud to be one of them. We'll see it through.

Second, share information and preferences with your children. Keep your affairs in order. Talk about how you want to deal with the last part of your retirement. Do it now. This is easier said than done, but essential.

Third, accept that late retirement isn't a financial thing. The issue for most Americans isn't *whether* they will run out of money, it is *when*. With a typical monthly cost of \$3,500 to \$4,000 a person, exclusive of medication, Medicaid is the final financial plan. Nationally, 68 percent of all Nursing Home residents are Medicaid patients according to the CareScout website.

Finally, remember this sign from a nursing home wall:

"Worry is like a rocking chair;  
It gives you something to do,  
But it doesn't get you anywhere."

Sunday, October 21, 2001

## Landing In Las Vegas

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LAS VEGAS. If American Airlines flight 1417 from Dallas is any indication, we're well on our way to recovery. I checked a bag at the curb and breezed through inspection with a laptop computer. I used the two hours before boarding to catch up on some reading.

The flight itself was nearly fully booked. My coach row of six seats was full, the row in front had an empty seat, and it pretty much went like that to the front of the plane--- over 90 percent occupancy.

It was as un-comfortable as any flight before September 11<sup>th</sup>.

No one trembled. No one appeared over-medicated.

It was just a normal, crowded, altogether routine flight from Dallas to Las Vegas. The return flight was less crowded, pleasantly so, with about a 50 percent load factor. Average the two flights and you've got a 70 percent load factor, enough for American Airlines to make some money.

The Las Vegas Grand Regent is a bit out of the way, about 11 miles from downtown or the Strip. So I arrange to share an airport limo with a woman who has flown in from Washington DC for some cosmetic dental work. On the way, the driver says weekdays are still slow but things had been back to normal on the previous weekend.

The hotel we're going to, he says, has just been sold in bankruptcy to a new investment group. They've promised, he says, to come up with \$85 million in cash by November 15<sup>th</sup>.

The amount of money is impressive. But it's a 'catch-a-falling-knife' deal, a long drop from an original investment, said to be \$275 million. The loss seems enormous but these things are all relative. Plenty of dot-coms have been 100 percent losses and there are plenty of technology stock *mutual funds* that have lost 70 percent in the last year.

We should expect a very fancy hotel, the driver tells us.

He isn't exaggerating.

It has nearly as much marble and glitz as Mr. Keating's' Phoenician. It can get in the ring with the Broadmoor in Colorado Springs, provided you will allow 100 percent parity between glitz and class. It has palatial bathrooms in marble, mirror, and mahogany. My suite--- an upgrade for the inconvenience of arriving early--- has a powder room, bar, four-poster king bed, and a long balcony overlooking a nearby golf course.

Even so, the casino downstairs isn't very busy during the day. It isn't that much busier at night. There simply aren't enough people playing the slot machines to pay for all that marble.

This is not typical.

As I walk through the Venetian's casino on my way to visit the new "Art of the Motorcycle" show at the new Las Vegas Guggenheim, the tables and slot machines are crowded. It's only three in the afternoon.

That morning I sat in on the 18<sup>th</sup> annual meeting of the Builders Marketing Society, a professional group that takes on the task of marketing and selling major housing developments. In a round robin, members from different areas tell the group how they are doing and what's happened. A man from Virginia says things came to a stop when 30,000 people from his area got on aircraft carriers and left for the Middle East. Others say there has been a pause, but quickly point out sales had slowed well before September 11<sup>th</sup>. Indeed, the consensus is very clear: sales of luxury housing have virtually stopped, but sales of ordinary houses continue, at a more modest pace.



We could do a lot of hand wringing over this.

The consumer, after all, is about two thirds of the economy. Housing is a prime object of consumer spending.

But the worry forgets a major fact: our economy churns through billions in mistakes and misjudgments every year. It does this routinely. Business failures are expected. Personal bankruptcies occur in the best of times. Collectively, we survive it all.

So maybe we need to look at things differently.

We live in a country that is almost unfathomably rich, where hundreds of millions will be bet on a continuing supply of people who will fly to a new hotel in a city that has no productive or natural reason to exist. All so the visitors can lose money as an entertainment.

As I said, *unfathomably* rich.

We don't have a desperate surplus of luxury housing. We have a temporary shortage of millionaires. We'll produce more millionaires, as we always have, in due course.

Sunday, October 20, 2002

## Letter from Northern California

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**San Francisco.** Some people talk about the 'walking around' evidence. Me, I like the 'moving around' kind.

One of the fastest ways to learn how an area is doing is to check how much it would cost to rent a truck and move there. The Budget car and truck rental website, <https://rent.drivebudget.com/Home.jsp>, tells me I can move from Dallas to San Francisco for a lot less money than it would cost to do the reverse. A one-week rental of a 15-foot truck--- the size you need to move 2 or 3 bedrooms--- will cost \$600 for a move from Dallas to San Francisco.

But it will cost \$1,411 to move from San Francisco to Dallas.<sup>i</sup>

Why does one move cost more than twice as much as the other?

Simple. Net-net, people are moving out of the Bay area. The northern California boom is over. Gone. History. A recent Bureau of Labor Statistics listing of employment changes over the last year has San Francisco and San Jose at the bottom of the list with major year-over-year job losses. While the unemployment rate has increased almost everywhere, it hit 7.6 percent in San Jose in August, the highest on the list and the biggest year-over-year change among 65 major urban areas.<sup>ii</sup> Silicon Valley is hurting.

The change has people in shock. Over dinner on Russian Hill, a friend in public relations--- a 20-year survivor who can tell war stories of the 1983 technology crash and name the forgotten companies of the first PC boom--- tells me

his retirement has been wrecked.<sup>iii</sup> All the shares he took in lieu of cash, hoping for the big hit, are virtually worthless.

At a small conference of seasoned management consultants<sup>iv</sup> there is a worried edge to discussion. For some, the backlog of work--- the contracts for services that are the lifeblood of consulting--- is down and perilous. For a few, the backlog is non-existent. Demand went over a cliff.

Visiting a friend Santa Rosa I learn that jobs are hard to find. But real estate appreciation is great. In four years, my friend says, her house has 'earned' more in appreciation than she received in income during the entire period.<sup>v</sup> She has the appraisal and the refinanced cash-out mortgage to prove it.

I find this hard to believe until I read the inevitable real estate magazine in my motel room. In Santa Rosa, which is about 60 miles north of San Francisco, an aging two bedroom, one bath bungalow with 1,000 square feet will set you back about \$250,000. A townhouse with three bedrooms, two and a half baths, and 1,500 square feet is priced over \$300,000.

Later, I drive to Santa Cruz. One of the first resort towns in California, it is located on the beach about 60 miles south of San Francisco. It can be reached by a magnificent drive on Highway 1. The only thing more moving than the beauty of the coastal cliffs is the intoxicating scent of eucalyptus and, later, the pungent scent of beached seaweed.

Santa Cruz, a university town, makes Santa Rosa look cheap. There, a few houses are priced under \$300,000 but many are priced at \$500,000 and up. These are not new "McMansions" with the inevitable granite counters, marble floors, and \$5,000 refrigerators. They are the "ticky-tacky" dwellings in the Malvina Reynolds song, the one Pete Seeger made famous in the sixties.

*"Little boxes on the hillside  
Little boxes made of ticky-tacky,  
Little boxes, little boxes,  
Little boxes, all the same."*

People in a few major cities--- like New York, Boston, Los Angeles, and Washington--- will find these prices plausible. But the rest of the country--- the part where the median home price is \$160,000--- won't.

Is this a real estate bubble?

No. It's real estate froth, a collection of bubbles. Some will pass peacefully. Some won't.

Northern California is a major froth center. It won't pass peacefully.

Ironically, this doesn't mean it's over for California. It just means the usual upheaval, the continuing, incredible churn of winners and losers. While some mourn their stock market losses and hold their breath over home prices, others find opportunity. Jerry Cort, a serial entrepreneur who likes life without venture capitalists and thinks new ventures should be self financing, told me that new businesses should be started in down times, not booms.

"For one thing, people are available," he said.

That's why he's started a new software company, LookAhead Software, to be ready for the next boom. Somehow, I bet he's not alone.

Tuesday, October 22, 2002

## Real Progress Smaller Than We Think

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OAKLAND, CA. We measure the wrong stuff. We add things that should be subtracted. We forget to add (or subtract) other things because they don't go through a cash register. Our broad accounting for the U.S. economy is as accurate as the WorldCom and Enron annual reports.

That's the nutshell message from Michel Gelobter, the new Executive Director of Redefining Progress, a non-profit think tank. When I first visited the organization seven years ago<sup>vi</sup> I learned that real economic progress had stopped in 1973. We were in a broad economic decline. A measure Redefining Progress had created, the Genuine Progress Indicator, gave a very different message from our conventional measures such as Gross Domestic Product.

Today things haven't changed very much but the GPI has turned upward.

"This is all about the three E's--- Environment, Economy, and Equity. I would add a fourth E--- Engagement," Mr. Gelobter said.

I asked him to give me a synopsis of the Genuine Progress Indicator.

"It's a great encapsulation of the three E's. It's the GNP--- but with prison time, heart attacks, and clear-cut forests taken out. We also put back in volunteerism and time spent with families. It's our attempt to measure *real progress*.

"If we don't make those changes we get errors."

I asked for an example.

"Like the error in the 90's when prison building was one of our fastest growing sectors---or by the current zero percent financing of SUVs. The trouble with conventional economic accounting is that it doesn't account for the foundation we're laying for the future. Indiscriminately adding up our economic activity is a way to send the wrong signals. *We have to measure what we want.*"

That's how the Genuine Progress Indicator came about. Starting with a broad measure of the general good--- personal consumption--- they subtract net foreign lending or borrowing. Then they subtract an amount if the distribution of income has become more unequal. They add it if the distribution of income has become more equal.

After that they subtract social costs like the cost of crime (\$30 billion), automobile accidents (\$158 billion), commuting (\$455 billion), family breakdown (\$63 billion), lost leisure time (\$336 billion), and underemployment (\$115 billion). For the year 2000 these losses would have lopped 18.5 percent off the general good of personal consumption.<sup>vii</sup>

The biggest losses, however, aren't social costs. They are environmental costs. Here, they estimate items like the depletion of non-renewable resources, the

cost of long-term environmental damage, and the cost of ozone depletion, lost farmlands, and lost wetlands. Surprisingly, costs like air, noise, and water pollution are much smaller. All together, these items subtract a whopping 60.5 percent from our true welfare.

If you are tempted to blow-off the environmental costs--- as many would--- I suggest you remember one thing. In the game of life, Nature bats last.

Fortunately, conventional economic accounting also ignores a lot of really good things. Among the positives not counted, the \$2,079 billion value of housework and parenting. Not to mention \$97 billion value of volunteer work. We're talking about a very large lump under the conventional accounting rug.

Using the same methodology Redefining Progress found the fifties and sixties were good periods for genuine progress. In the seventies, however, a major gap developed. Genuine Progress slowed dramatically. Progress turned negative in the eighties. In the nineties the downtrend reversed--- but our real progress is only a fraction of what conventional indicators tell us.

Needless to say, none of this is on clay tablets. But when it comes to measuring broad national welfare, Redefining Progress is on the right track. Our government accounts belong in the same landfill as the junk shareholders get from corporate America.

Readers who would like to learn more should visit their website, [www.RedefiningProgress.org](http://www.RedefiningProgress.org). If you would like to measure your personal impact on the environment against a global standard, take the Ecological Footprint quiz at <http://www.redefiningprogress.org/programs/sustainability/ef/quiz/>

Sunday, October 27, 2002

An occasional series:

The Last Great Opportunity, part 1

## Overcoming Wealth Addiction

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SANTA CRUZ, CA. Two months ago I was in Half-Price Books buying tapes for the long drive from Dallas to New Mexico. I found a copy of "Wealth Addiction" by Philip Slater, a tape version of the 1980 book with the same title.

I played it for my wife. She was fascinated. We agreed that this was something very important--- even if both the book and the tape were "out of print."

And that's why I've come to Santa Cruz.

It's where Philip Slater lives.

A sociologist, he wrote "The Pursuit of Loneliness: American Culture at the Breaking Point" in the sixties. The book may be the best selling title ever launched

by Beacon Press. He also co-wrote "The Temporary Society" with management guru Warren Bennis in 1968. In it, they predicted the Soviet Union would fall and worldwide democracy was inevitable. Then, and now, Philip Slater has one of the most insightful societal minds in America.

I've come to visit him because of the growing pain and fear in reader letters. Enormous anxiety has been caused by lost wealth.

Convention and habit would have us believe this is a terrible event. But something is telling me this is not a disaster. It is an opportunity. Our challenge is to find it. We need, in the words of Harvard psychiatrist George Vaillant, to "turn lemons into lemonade."

The obstacle is wealth addiction.

We need to overcome what Philip Slater wrote about in 1980--- our addiction to "Moneythink." We need to rediscover that life is about choices and experiences we create, not things we buy. In the book Slater tells us that wealth addiction can take many forms--- money addiction, possession addiction, power addiction, fame addiction, spending addiction.

"An addiction," he writes, "is a need that is not only (1) intense and (2) chronic, but also (3) feels as if it were essential to our sense of wholeness. Addictions have to do with our feeling about ourselves: if you think you would feel incomplete, less of a person, or unable to function well without something--- even for a little while--- then you are addicted to that something."<sup>viii</sup>

By that definition, most of us have a serious wealth habit.

Philip Slater is now 75. He lives on Social Security in a rented 350 square foot efficiency apartment. He does not own a car. By most money definitions he is poor.<sup>ix</sup> But he is also healthy, slender, handsome, active, and in full possession of an engaged synoptic mind. He recently finished a new book, yet to be published, with insights as clear and unique as Daniel Quinn's "Ishmael."<sup>x</sup>

Over a casual dinner he described his younger self as intent, ambitious, and controlling. I asked how wealth addiction became visible to him.

He explained that in the mid-nineteen-seventies he had gone from being an academic with visions of writing for a living<sup>xi</sup> to being a jobless academic with no money who suddenly had to move in with friends.

"It was the experience of losing everything and finding I was having a wonderful time. It was a feeling of adventure. When I lost control over my life it opened me to experiences I otherwise would not have had. I would have protected myself against them.

"It found me, as they say. It wasn't all pleasant. It was sort of a roller coaster, but there was something so liberating. I hadn't lost anything precious. I'd lost money. I'd lost security. I'd lost the emotional security of having my girlfriend there--- though I hadn't lost her. Because of the situation I was just plunged into new experiences I wouldn't have had otherwise...

"Another factor in writing the book was some insights into the process of addiction itself. I think it was a feeling of 'incomplete'--- of trying to fill the hole in yourself. People who feel that way try to fill the void with any number of things--- alcohol, sex, drugs, money.

“The issue isn’t the ‘drug’--- it’s the emptiness. That emptiness is what the advertising industry plays on--- that people feel ‘not full’ and try to fill the hole with all that junk.”

Is there a remedy?

Yes. But it’s not an easy one. He calls it “reconnection.” In the book he observes that the key to overcoming any addiction is *“the awareness that there is nothing missing in your psyche. You have every trait, every emotional capacity somewhere within you. It’s your birthright as a human being.”* <sup>xii</sup>

And money has nothing to do with it.

Sunday, March 2, 2003

## Return To San Miguel

---

**San Miguel de Allende, Mexico.** Two years ago I came here to research the idea of retiring in Mexico. The question I posed was pretty spare--- suppose you were ready to retire but didn’t have much more than your Social Security check? Could you afford to live in one of the most expensive places in Mexico?

My conclusion was that you could. Readers have sent notes ever since. Is it *really* possible to live in Mexico on \$1,500 a month, or less, they ask?

So I went back and looked for someone who was actually doing it. And I got lucky.

I met Joe and Venae Warner. They aren’t retired--- indeed, they’re more than a decade away from being eligible for Social Security--- but they are here, slowly figuring out how to live a simpler life than what they were living in California. I met them through Gerry Gill, a lovely woman of 70 who transplanted herself here and built a whole new life as an artist and owner of Casa Granada, a small bed and breakfast. When asked about getting a car to take me to Dolores Hidalgo, a nearby city that may be the ceramics capital of Mexico, Joe and Venae were suggested.

Joe is a former construction and landscaping worker. His hands, he told me, had been so damaged by heavy work that he could no longer hold a pick to play guitar. Now, after less than a year in San Miguel, he’s back playing guitar in a band--- at the bar of the Meson de San Antonio Hotel. Venae is a hairdresser, teacher, and artist. Her paintings of imaginary but needed Patron Saints--- such as Saint Antonia, the Patron Saint for Locating Lost Keys--- were on exhibit at a nearby gallery.

They pointed out, early on, that their children were grown, their dog and cat had died, and they were ready for a change. They’re 50, give or take a few years.

Listen:

### On picking San Miguel

Venae: “When I read (the book) “On Mexican Time” I kept thinking, ‘I can do that.’ Then, when I came down to explore, I thought it (San Miguel) was wonderful but probably too expensive. I thought we’d do a bed and breakfast.

“We went to the coast but it was too hot, too buggy, and I kept getting sick. I took that as a sign.

“San Miguel is more ‘user friendly’ than most places.”

Joe: “I try to err on the side of caution. When I go into a fresh culture I don’t really want to be noticed. I felt noticed in the rest of Mexico.”

Vanae: “Mexicans and Americans are more accessible here.”

### On learning Spanish

Vanae: “We’re now able to get around and speak like a three year old.”

Joe: “I spent 25 years in construction so I spoke a version (of Spanish)--- but it was very bad.”

### On buying a house

Joe: “In other areas I just felt it wouldn’t be real safe (because of the language barrier and differences in how sales were done). ...Or that we might never be able to sell it.”

Vanae: “There isn’t title insurance.”

Joe: “It’s still a step of faith here—but there are other gringos who have gone through the same process. You can talk with them.”

When they bought their house in San Miguel, they purchased a small house close to downtown but outside the expensive historic district where it is difficult to find houses for less than \$300,000. Joe says their house reminds him of the bungalows he lived in while growing up in Venice Beach. They got a bargain, paid less than \$100,000, and have no mortgage. Unlike many other Americans who have chosen to live here, they also have no maid.

### On moving to Mexico

Vanae: “We’re learning to experience faith. It’s a blind leap. We aren’t retired. We don’t have a trust fund. We’re just trusting that we belong here.”

“I really felt disheartened by how greedy people were getting (in America). I wanted to go someplace where my kids could go if things got bad.”

Joe: “I was making more and more money every year but I was still acquiring debt. Something is going on with U.S. money--- I don’t understand how I could make more and more but still be more in debt.”

Vanae: “After 9/11 we said why don’t we sell our house, pay off our debt and drive around Mexico to see if we want to live there.”

### On the cost of living

Vanae: “We vacillate. Sometimes it seems like we could live on \$5 a day.”

Joe: “We only have 4 bills now. Electric. Gas. Phone. Water. And they’re not more than \$80. Total.

“No, wait. I forgot cable. Another \$20, but we’re canceling it.

“If you buy and cook your own food, and don’t eat out, you can live inexpensively. We don’t have jobs so we’re being as frugal as possible.”

Vanae: “Reasonably, it can cost us \$100 a week. We don’t have anything on Mastercard.”

Joe: "When you go to the market you get a big basket of fruits and vegetables for \$6."

Vanae: "It isn't all easy. You can start to covet things you can't get here. Like lemons. Or sun dried tomatoes."

### On clothes

Vanae: "We're living on inventory. It's not a temptation."

### On medical care

Vanae: "That's another leap of faith." Having said that, she also said that they've met a U.S. trained internist and know that a stay at the local private hospital would be a fraction of the cost at a U.S. hospital.

### On daily life

Joe: "There's more time to talk to people. In the states, when you've got 20 bills and never catch up on your debt you have no time for friendship. "

Vanae: "We don't have to make appointments to see our friends."

## Sidebar: **Taking the Next Step**

It was a leap but Joe and Vanae Warner didn't make this move on a lark. Before settling in San Miguel they drove the length of the Baja peninsula, took the ferry from La Paz to Mazatlan, explored the Pacific coast beach towns, and gave careful thought to settling in Oaxaca, another art oriented inland city. If the idea of living in Mexico appeals to you I suggest a series of visits.

Start at a bed and breakfast like Casa Granada where you can stay in a lovely room with a fabulous breakfast for \$100 a night. My wife and I stayed in the "Angel Room." You might also arrange to spend a day with Joe and Vanae--- they can show you the ins and outs of daily living in San Miguel. You can reach them at: [joeyvanae@hotmail.com](mailto:joeyvanae@hotmail.com).

Then try a short-term house rental. While in San Miguel I visited with friends who were renting a 2 bedroom, 2 bath house furnished with lovely antiques for \$2,000 a month. The house had parking for their car, a beautiful courtyard, and two terraces with magnificent views. A maid was there to prepare lunch. Needless to say, less elegant places go for less.

You don't have to be in a hurry to buy a house because there is a broad and varied market for fully furnished short-term rentals.

Sunday, March 14, 2004

## **Living Lite: Wealth With Less Money**

---

I've got a project and I need your help.

Four years ago I left Dallas on a motorcycle to travel along the U.S./Mexico border and report on what I saw. At the start, I gave readers my e-mail address and



asked for suggestions. The result was amazing. Within days I had hundreds of e-mails. Two-thirds of the columns I wrote were the direct result of reader suggestions.

I call it 'reader-directed-reporting.'

This time I'm not on a motorcycle. I'll be traveling between Florida and California, with stops in Texas, New Mexico, Arizona, Mexico, and Nevada. I'll be driving a new 2004 Toyota Prius hybrid, trying to 'Drive-Lite' while searching for ways to Live Lite. I'll be visiting places where it is possible to live on less money, with an emphasis on RV parks.

This is not a whim. There is a reason for this trip.

Interest rates are low. Stock yields are low. Millions of Americans have retired early. Some have pensions. Most don't. Some have ample savings. Most don't. A nest egg that seemed generous a few years ago is embattled today. According to figures from the Social Security Administration, Social Security provides at least half of all income for nearly two-thirds of all retirees. It provides an incredible 82 percent of all income for forty percent of those 65 and over.

One message: decisions about savings and investments are secondary to most Americans. Decisions about how we live, where we live, and how we spend the incomes we have are more important than the price of mutual fund shares. It also tells me that virtually all of us will need to pay more attention to our life decisions than in the past because the struggle for retirement income is getting harder, not easier.

The most recent evidence comes from Alan Greenspan. Generally known as Chairman of the Federal Reserve, our nation's central bank, Mr. Greenspan recently assumed a new title.

"Grinch."

He suggested that a long run of federal deficits would collide with future commitments to pay Social Security benefits.

His solution: maintain benefits for those already retired, or near retirement. Give lots of notice to those who will retire in the future. Then raise the retirement age and cut future benefits.

A media/political storm followed. Few remembered that this is exactly what Mr. Greenspan proposed 21 years ago. That was when the Greenspan Commission "saved" Social Security for at least 75 years. That was when the payroll tax was increased, the retirement age for full benefits was increased, and the taxation of Social Security benefits was initiated.

Today, he proposes to do much the same again. Basically, the financial beatings will continue until morale improves. Politicians of both ilk, being the disingenuous, manipulative wretches that they are, immediately disagreed.

Unfortunately, the Grinch speaks the truth. A collision is coming. There will be changes. Young or old, we won't like them. The very young can compensate for lower future benefits and a later retirement age by saving more and consuming less. That's not what anyone wants to do. It's also not what anyone is told to do: remember, the political response to 9/11 was not to tighten our belts. It was to strike back by going to the mall.

Those of us who are older have a choice. We can be hypnotized by finger pointing politicians. Or we can ignore their empty posturing. We can figure out what we personally can do to cope. We might just make a really “good best of the situation.” We could invent a brand new future. What’s most clear is that the time to plan and learn is now.

So how can you help?

Simple. There are pioneers out there. They are people who live differently and think differently. They are people who march to a different drummer. They are people who live on less money but feel wealthy--- if they think about such things at all. I believe most of them are entirely indistinguishable from ordinary human beings.

You may be one of them. Or you may know one of them.

Let me know. I’ll do my best to spread the word and tell the story.

SIDEBAR

## My New (and Bigger) Prius

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You might say it’s an Internet dream come true. The 2004 Toyota Prius is not only bigger than the first model of the hybrid gas/electric car; it can stay on the road longer because it gets better mileage. While the first Prius was rated at 52/45 (city/highway), the new model has an impressive 60/51-mileage rating.

It’s fuel economy improvement notwithstanding, I would not have bought the newer one for this trip if my wife had been willing to part with her 2003 Prius. But the car that I bought to reduce our contribution to Dallas pollution has so charmed my wife that she won’t let it out of her hands for a day, let alone a month.

So when chance made one available at Beaver Toyota in Santa Fe, I bought it. No quibbling. No dickering. For me, it’s a luxury car. I paid the full sticker price, about \$26,000, to get one with all the bells and whistles: in addition to power assisted everything, an upgraded stereo system with 5-CD changer, ABS brakes, stability control, and side curtain airbags, I also got the full voice activated navigation system and Bluetooth communication for the cell phone. It’s a geek dream.

Sadly, most readers won’t be able to duplicate my experience. When I went to see one in Dallas none were available to see. And I was told the wait was at least 8 months. When I saw one on the floor at Beaver Toyota I quickly learned that the new car had more power, smoother acceleration, and a good deal more interior room. It also had the split fold down rear seats that will make our cat happy. I also learned that the price was virtually unchanged from the earlier model, so you can buy the basic car for just over \$20,000 or you can get fancy and spend \$26,000.

Have I gotten 60 miles to the gallon? Not yet. It has, however, gotten 43 miles to the gallon on the windy high speed drive from Santa Fe to Dallas and 47 miles to

the gallon on the back roads between Dallas and Austin. That's better than double the mileage of the 1997 Jeep Grand Cherokee it replaces.

As I see it, the Prius cuts fuel consumption enough that each gallon of regular gasoline is now delivering a savings about equal to the 96-cent a share dividend paid by Exxon Mobil. If I drive 10,000 miles a year my fuel "dividend" will be the equivalent of owning about 300 shares of Exxon Mobil<sup>xiii</sup>, which would cost me more than \$12,000. That makes the Prius look like a really good deal--- one that may improve still more if gasoline prices hit \$3 a gallon, as some expect this summer.

Living Lite, however, isn't about economy alone. If you want cheap transportation, period, the proven way to do it is to own an old car. You won't suffer the depreciation of new cars and, if the car is old enough, you won't have to insure the car for collision. Such economies dwarf any saving you can achieve through fuel economy. Driving a Prius allows me to achieve great fuel economy and environmental cleanliness while driving one of the smoothest, quietest, and most technologically advanced cars in production today. There's very high psychic income from that.

The 2004 Prius also compares rather nicely to the 2004 BMW R1150RT, the model that replaced my 1996 R1100RT. The motorcycle has a higher top speed and will get to it faster than you can say "sudden death", but the Prius will do over 100, carries twice as many people, far more luggage, and doesn't require a special leather wardrobe. The Prius may help me live longer, a goal my wife applauds.

And that's what Living Lite is about. Not just saving money for the sake of saving money. It's about making choices that enhance your life, choices that feel as good as stock dividend. Or better.

Send me your ideas and suggestions. I'm listening.

Tuesday, March 16, 2004

## A Floating Retirement

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**Charlotte Harbor, Florida.** Our chartered Hunter 28.5 sloop is pushing 6 knots, sailing to windward and heeled over hard. It's a tender boat, which makes it great for light winds, but it pulls hard at the wheel today. Puffs have the leeward rail nearly awash. I am sailing with two of my brothers. The last time the three of us were together was two years ago, when all the brothers gathered to bury the ashes of my stepfather, their father, in the Gulf of Mexico.

A family of Patrick O'Brian fans, brother Doug turns up the volume for the music from Master and Commander. But it can't be heard over the wind. We tug at the roller furling and take in some of the jib.

All three of us are maniacally happy.

Like many families, ours has its complexities. I am the only child from my mother's first marriage. My three brothers were born in her second marriage. We have always lived as brothers, bonded by blood and water. Doug is closest to the water, a

tugboat captain in Maine. Don is a college professor in California, but he's also an avid sailor.

At one time I was so into sailing I owned a 25-foot sloop but didn't own a car. To reach the boat, moored south of Boston in Cohasset Harbor, I carried large duffel bags and took the bus. Since then I've owned a sunfish, two windsurfers, a sailing dinghy, and a magnificent 32-foot Herreshoff ketch. Alas, except for charters, I've been beached for 20 years.

Hence the occasional thought: *Perhaps it's time to chuck it all and sail away.*

I'm not the only person who has such thoughts. In fact, while some figures indicate at least a million Americans live on the road in RV "land yachts," thousands do much the same on the water, living in marinas and cruising. They have a magazine, "Living Aboard," that tells their stories and champions their issues. Those issues usually turn on being allowed to live on their boats. There is also a growing body of literature about the hows and whys of life afloat. (See URLs below.)

In fact, living aboard, is a good candidate for "Living Lite" because it can reduce your cost of living even as it increases your exposure to one of America's fastest vanishing wonders: waterfront.

Here's an example. Our charter is based at Burnt Store Marina, the nautical focal point of a WCI Communities development north of Fort Myers, Florida. WCI Communities, one of the premier developers in this state, is now offering water view condos here, starting at \$500,000. The operative word is "starting." You can pay a lot more really fast.

You can, however, buy a very nice used boat, sail or power, for \$100,000 or less and live *on* the water. You'll have less space to live in, of course, but the reduction in space will also allow you to chuck a lot of things (and related expenses) that you don't need.

You can, for instance, simplify your wardrobe big time. Depending on location and amount of travel, you can also eliminate the standing overhead of owning a car. Your utility bills will virtually disappear as you go from thousands of square feet in your home to tens of square feet on your boat. Your local tax bill will decline. Your state tax bill may disappear. Boating is the best excuse ever invented for living lean and simple.

What does it really cost?

It all depends. In Boca Grande we saw a small boat with a strange superstructure anchored with the other yachts and captained by a man with a well-developed Rastafarian hair-do. I'll bet his living aboard expenses are a lot lower than those incurred by the owner of Lionheart, which was docked not far away on exclusive Useppa Island. (Ross Perot owns Lionheart.) Like everything else in life, the final cost is a matter of the resources you have and the choices you make.

The October issue of Cruising World, a magazine dedicated to sailors who venture from their boat slips, got down to real dollars on the whole issue of living aboard. They surveyed some full time cruising families and asked for an accounting of expenses. In a way, what they learned was a bit depressing--- whatever their target budget, cruisers found that life appeared to cost 10 to 20 percent more than planned. (Not exactly unique, is it?)

Actual spending, however, ranged from only \$14,736 a year (for a 47 and 35 year old couple on an older 35 foot boat) to \$66,600 a year (for a 65 and 54 year old couple on a 40 foot boat). If that \$66,000 figure intimidates you, consider that the couple spent \$16,600 for home and off-boat trips, not to mention \$10,200 for provisions and \$7,200 for restaurant meals.

So it can be done. Many do it and never look back.

SIDEBAR:

## The Margarita Portfolio

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CABBAGE KEY, Florida. It's a tiny place, but boaters love it. It's quiet, protected, and far too small for cars. Indeed, this little island has a few paths but no roads. There are some cabins, a boat dock that will hold a handful of boats--- provided they don't need too much water to float--- and a small well-known restaurant.

Which is why my brothers and I have brought Magic, our chartered-28 foot sloop, here.

We're here for a cheeseburger. Not just any cheeseburger, mind you, but "a Cheeseburger in Paradise." Legend has it that a cheeseburger here is what inspired the famed Jimmy Buffett song. Many places make this claim, of course, and a quick Google search reveals that many more will make the claim in the future because, well, there's already a restaurant named "Cheeseburger in Paradise" in sunny Downers Grove, Illinois. It's a partnership between Buffett's Margaritaville Holdings and Outback Steakhouse.

So trust me, Paradise will be in your neighborhood soon and you'll be singing,

*"But times have changed for sailors these days  
When I'm in port I get what I need  
Not just Havanas or bananas or daiquiris  
But that American creation on which I feed*

*Cheeseburger in Paradise  
Medium rare with mustard be nice  
Heaven on earth with an onion slice  
I'm just a cheeseburger in Paradise."*

And if, in the middle of a hot day, you've downed your cheeseburger with a few cold ones, or perhaps a margarita, how do you manage your money? As a practical matter you can't do it the way THE OTHER BUFFET, Warren, does it. That's too demanding.

Fortunately, JIMMY Buffett provides inspiration. Just as you can manage the Couch Potato portfolio if you can fog a mirror and divide by the number “2”, you can manage the Margarita Portfolio if you can make a margarita.

Although there are many abominations that don’t follow the original recipe, the traditional margarita is the best. For drinking, that recipe is one part tequila, one part triple sec, and one part fresh limejuice. Trust me, you can do it by sheer force of habit once you’ve got the knack and have the appropriate tool for squeezing limes.

In the same manner, consider this experimental Margarita Portfolio: one part total domestic stock index, one part international stock index, and one part inflation protected Treasury securities. You can do this, at very low cost, with both mutual funds and exchange-traded funds.

If you did it with Vanguard funds, for instance, you would use their Total Stock Market Index fund (ticker VTSMX), Total International Stock index fund (ticker VGT SX), and Inflation Protected Securities fund (ticker VIPSX). Your return in 2003 would have been 26.56 percent and your losses in 2002 and 2001 would have been 6.48 percent and 7.80 percent, respectively. Your annualized rate of return over the three-year period, assuming annual rebalancing to one-third positions, would have been 2.95 percent.

This is a better showing than both the Traditional Couch Potato portfolios and in the running for the Complete Couch Potato Portfolios. (See URL for the 2003 Couch Potato Portfolio report)

Is the Margarita Portfolio a winner?

We’ll have to ponder it a while. What we know is that it is simple and inexpensive; that it’s 2/3rds equities which makes it a good proxy for a traditional balanced portfolio; and that having both inflation indexed securities and foreign equities means the portfolio is less exposed to the problem of inflation.

Stay tuned.

Sunday, March 21, 2004

## La Dolce Vita in Naples, Florida

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NAPLES, Florida. The cost of a luxury retirement is a bit like the old J.P. Morgan story. Asked how much it cost to operate his yacht, the famed financier answered, “If you have to ask, you can’t afford it.”

But I decided to ask anyway.

I have spent the better part of a week exploring Naples, Bonita Springs, and Fort Myers here on the Florida Gulf Coast, with particular emphasis on WCI Communities, Inc. the premier developer. If you’ve read an in-flight magazine, the Friday edition of the Wall Street Journal, or any of the upscale “shelter” magazines, you’ve probably seen a WCI advertisement for the well-ordered, luxurious lifestyle they offer.

And that isn't just advertising smooth talk. Talk with people locally and you'll quickly learn that one of their earlier developments, Pelican Bay in Naples, is the standard by which all high-quality developments are measured. When you buy a house from WCI you're also buying a well-maintained development. It will be complete with a golf course, tennis courts, a fitness facility, possibly a marina, a country club, long winding roads, fountains, paths for walking or running, and lovely plantings. Many of the houses will have three car garages, the third spot for housing the golf cart that can become your primary transportation.

So how much does it cost?

It all depends. While it is possible to find a WCI offering for less than \$200,000, the number of choices at that price level is small. Your choices starts to expand at \$300,000 and you'll find a good many offerings in the \$400,000 to \$800,000 range.

Of course, you can always spend more. At La Scala, a new high rise inside the Colony Golf and Country Club at Pelican Landing in Bonita Springs, for instance, you can buy a decorator ready unit (one of four per floor, each with its own elevator entrance) for \$1.6 million to over \$5 million for a Penthouse. The price calculates to about \$500 per interior square foot, excluding the impressively large balconies and terraces that are part of each unit. Decorator ready means concrete floors and white plaster walls. It means ready for several hundred thousand dollars of magic from your decorator. At that price level, sales director Victor Spina told me, most of their customers want a highly customized residence. Monthly maintenance costs for these units run \$1,100 to \$1,300 a month. Utilities, insurance, and taxes will take the cost up further.

O.K., let's scale-back a bit.

One house I particularly liked was in Addison Place, a sub-development inside the Colony Club. For just over \$800,000 you could buy a three bedroom, three-bath home with a cabana/guest house and bath, and an enclosed swimming pool. Just to make the whole thing easy, the house was completely (and very nicely) furnished. Start the same house for yourself and it could be yours, unfurnished, for about \$700,000. That figures to about \$200 per interior square foot.

Measure either against the national median home price--- \$171,600 at the end of 2003 according to the National Association of Realtors--- and you can be pretty sure that not everyone will be able to live there. Particularly when you consider that these are often second and third homes.

It also takes some money to support the amenities offered by the community--- the roads, gates, tennis courts, and country club mentioned earlier cost about \$5,000 a year. You'll spend more if you have a golf habit.

Real estate taxes, Mr. Spina said, were about 1.6 percent of sale price--- as with most upscale resort areas in America, taxes tend to be low when you have a lot of appraised value coupled with limited demand for municipal services. Even so, an \$11,200 annual tax bill merits some attention.

What would such a lifestyle cost?

Assuming you sold a median priced home and used the proceeds as a down payment on the completely furnished \$800,000 home, I figure your total shelter and community membership would cost about \$64,000 a year, of which about \$40,000

would be the annual cost of your mortgage. Pay cash and the bill drops to about \$24,000 a year.

That's home base for a luxury retirement.

Who can afford it?

Not many. If you drew 4 percent a year from your investments to pay the \$64,000 bill you'd need \$1.6 million; if you paid cash and drew 4 percent from your investments to pay \$24,000 a year, you'd need \$1.4 million. My Wealth Scoreboard for 2001 indicates that people at least 60 years old are in the top 10 percent of their age group if their net worth (all assets, including houses) is at least \$1.4 million. When you consider that other money is required to eat, wear clothes, drive a car, and pay income taxes, we're probably closer to one retiree in a hundred.

That's why its *luxury*.

As always, luxury is great if you can afford it. But what do the other 99 in 100 retirees do?

In fact, they have lots of choices, including a waterfront Florida residence for \$19,500.

SIDEBAR:

## Can You Say Boom?

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FORT MYERS, Florida. It doesn't matter where you go in Florida these days, it's all going boom as some baby boomers front run their peers and rush to this warm state, buying houses for their eventual retirement.

Housing prices here are soaring. The most recent National Association of Realtors figures show the median Sarasota home price up 26.1 percent (to \$222,100); the Miami median is up 22.9 percent (to \$236,900); the West Palm Beach area is up 19.2 percent (to \$252,900); and the Fort Myers/Cape Coral area is up 12.8 percent (to \$156,500). (See table)

You can get an idea of the self-renewing heat this kind of appreciation creates by considering a simple example. Suppose you earn \$60,000 a year and stretch to buy a house at 4 times your income, or \$240,000. Your net income after payroll and income taxes might be about \$48,000. *That's about what your house will "earn", tax-free, if it appreciates 20 percent.*

So there are areas of Florida where homeowners are making more money by where they choose to live than by where they work. In an era of squeezed payrolls and when millions fear losing their jobs and eke out small wage gains, your future is where you live, not the work you do.

The Sunday edition of the Fort Myers News Press is a good indication of the pressures in this market. The paper offers not one Real Estate section but five, clocking in with a total of 56 pages. That's 7 times as large as the employment pages, a single section of 8 pages.

While most Florida home prices have soared, the national median home price rose a healthy 6.6 percent during the same period. Home prices in workaholic Dallas drifted a



sluggish 0.4 percent. Spunky Denver rose only 4.0 percent. But Florida is the Land of the Soaring Walkers. New construction is everywhere.

Indeed, just driving between Fort Myers and Naples is a major task. Driving down Route 41, the old highway that connects the two areas, you see the shift in retailing that occurs when most of the population is over 60. One store is called “Budget Mobility,” and offers walkers and electric carts of different kinds. Another roadside store sells oxygen.

One evening, I made the mistake of trying to return to Fort Myers from Naples--- at the commuter hour. Older people were eagerly lined up outside the restaurants that dot the highway. The combination of their early dinner hour driving and normal commuting brought traffic to a standstill.

Starting in Fort Myers an endless strip of pawnshops and paycheck loan storefronts slowly transmutes into manicured upscale malls as you approach Naples. Naples itself is reputed to have more millionaires on a per capita basis than any other community of its size in the United States. It’s two areas of very upscale shopping, 5<sup>th</sup> Avenue and 3<sup>rd</sup> Avenue, are regularly referred to as “Rodeo Drive, East.”

We’ve got a new kind of boom here. This isn’t the soaring real estate that happens in Manhattan after a few good years in the stock market. It isn’t the wild appreciation that hit San Francisco in the Bubble Years, when freshly minted Internet millionaires bid against each other to buy houses best described as threats to public health. It isn’t like the Dallas telecom surge or the Boston biotech boom.

This is pure *demographic* boom. It is entirely fueled by people, by a simple, raw flood of aging humanity. In other booms people throng to job opportunities, hoping to make their fortunes. What drives this boom is people who bring their own supply of money. They are here to buy their Last Home. Unlike other booms, this one runs on known numbers, to the Baby Boom of the last century.

### Say Boom: Florida Homes vs. the National Median

Metropolitan Area	Year End 2003	
	Median Home Price	Annual % Change
United States	171.6	6.6%
Major Florida Areas:		
Bradenton, FL	186.1	18.7%
Daytona Beach, FL	113.7	13.0%
Ft. Lauderdale/Hollywood/Pompano Beach, FL	236.3	15.4%
Ft. Myers/Cape Coral, FL	156.5	12.8%
Gainesville, FL	150.0	15.4%
Melbourne/Titusville/Palm Bay, FL	132.0	11.9%
Jacksonville, FL	132.8	9.8%
Miami/Hialeah, FL	236.9	22.9%
Orlando, FL	151.5	8.5%
Pensacola, FL	117.1	3.4%
Sarasota, FL	222.1	26.1%
Tallahassee, FL	139.5	-0.4%
Tampa/St. Petersburg/Clearwater, FL	147.0	7.4%
W. Palm Beach/Boca Raton/Delray Beach, FL	252.9	19.2%

Tuesday, March 23, 2004

## Your Place at the Beach---\$19,500

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FORT MYERS, Florida. Beyond its low room rates, the Riverside Holiday Inn here has little to recommend it. You can sense that its days are numbered; that the incredible wave of tearing down and rebuilding that has swept over Southwest Florida will soon find this place and sweep it away with all the sentiment of a hurricane.

The place does well, however, at setting a mood of relaxed indolence. You can imagine remembering that beer is not America's number one breakfast drink. In less than a day I am wearing shorts, have eliminated socks, and reluctantly slip on my Topsiders, having forgotten shower clogs. I feel overdressed in a Tommy Bahama shirt but T-shirts seem just right. The garden below, dense with palms and plantings, reminds me of what poet Wallace Stevens called Florida's "venereal soil"-- - leave anything alone and something will be growing.

Exploring Fort Myers you quickly get a sense of quiet housing fecundity. This is more than just a fertile area for plants. Here, *the concept of shelter* is mutating. Shelter is developing new forms. Not far from the traditional single-family homes on dry lots, you can find houses with docks on canals, marinas with a multitude of boats, condominium developments and "dockominiums." Then there are the mobile home parks. In one, Bayside Estates, I drive through block after block of neatly landscaped small manufactured homes. Immediately behind each home there is a dock--- the entire development is a network of canals.

And did I mention RV parks?

Scattered here and there, in the peculiar randomness of Florida, are the recreation vehicle parks that offer informal communities, informal living, and the least expensive way to have a house "at the beach."

Indeed, if you go to [www.redcoconut.com](http://www.redcoconut.com) and click on "Sales and Rentals" you'll find an offer of a 35' fifth wheel (a type of RV) with a screened in lanai, etc. seeking offers at \$19,500. Other properties, "just steps from the beach" are offered at \$10,000 to \$55,000.

You'll find Red Coconut R.V. Resort by crossing the bridge to Fort Myers Beach on Estero Island and bearing left. A long narrow barrier island, it is filled with the casual beach house construction of the 50's and 60's, tourist shops, and motels. The Red Coconut R.V. Resort bridges the single main road down the island. A narrow piece of beachfront land provides spaces for 50 RVs. It is literally steps to white Gulf sand. More spaces are across the street--- none more than a block from the water.

What does it cost to stay here?

By RV standards the amount is hysterical. Primo waterside winter spaces--- the ones where your windows would look directly out to the water--- cost \$372 a week. But you can rent park side spaces for \$765 a month in winter (December through March) and \$590 monthly for summer. Utilities are additional. Own an RV free and clear and you can live, year round, within a block of the beach for less than many wealthy retirees pay in real estate taxes or golf club dues--- and they're still miles from the beach.

"Oh, we stayed there when we first came down," Karen Roberts told me. "But the traffic on and off the island was too much for us so we moved here. Now, if we want to go to the beach we ride our bikes."

Ms. Roberts is one of the managers at Fort Myers Beach RV Resort. Located about two miles down the road and 'off island' it is a large park with lines of RV's, models with names like "Mallard" and "Cardinal." Sprinkled liberally among the trailers, fifth wheels, and occasional buses, there are "Park Models," small cabin-like structures that are self-contained one-bedroom apartments. Brought to an RV park, they seldom move.

"Most people start as campers, with an RV. Then they purchase Park Models," Ms. Roberts explained. She went on to tell me that people get attached to a particular park and return every year to visit with friends they have made on previous trips. After a while, the friendships are more important than RV travel and some of the campers buy a Park Model and settle in with an annual contract.

The cost, at most parks, is about \$200 a month.

What we're talking about here might be called 'Extreme Downsizing'--- if you're not an RV-er--- because whether you live in a trailer, 5<sup>th</sup> wheel, Class A vehicle, or a Park Model, you'll be living in an area of about 400 square feet, or less. The space is usually arranged to provide the equivalent of a bedroom, a bath, kitchen, dining area, and living area.

Like everything else in America, "prices vary." You can buy a small used trailer for less than \$5,000. And you can buy a plush motor home for \$150,000, \$200,000, or more. Whatever you spend on your unit, adopting the RV lifestyle is a direct ticket to an easy way to live inexpensively.

On a visit to Sunburst RV Park, winter resident Dave Banker, told me he and his wife seemed to have more money retired than they had while they were working. Former teachers in New Jersey, Dave and his wife Theora, divide their time between a Park Model in Connecticut and a Park Model at Sunburst.

"We feel like we're playing hooky when we're down here," Theora said. "We're outside and we see people all the time... This is extended family here."

Listening, it doesn't take long to figure out that no money is wasted on status competition or brand upgrading here. If it isn't easy and fun to do, it probably won't happen. Theora is looking forward to the next meeting of "the Red Hat Society," a group of women who have lunch regularly to compare silly hats.

Is there some bottom line figure on what an RV lifestyle might cost?

Yes, no, and maybe. Looking at the range of RVs in this park and others, you have to know that RV living is a lifestyle choice first. How the finances are managed is a secondary issue, unique to each person or couple. But putting the lifestyle first

gives RV-ers a fantastic advantage: without effort, they abandon the trash of status competition.

The result is a simpler life in a mobile village.

Sunday, March 28, 2004

## John and Lorraine Hays, "full-timers"

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**NEW BRAUNFELS, Texas.** Interstate 35, the highway that stretches from Denton to Laredo, serves as the spinal cord for the urban complex I call "Dalantonio." Exit at Ruekle Road here and you're only a few hundred yards from the Hill Country RV Resort. The park has 350 spaces for trailers, fifth wheels, motor homes, and park model RVs. It also has two pools, two large bath and shower rooms, a recreation room, an exercise room, and a crafts and wood shop. Like a number of the RV parks I visited in Florida, it also has wireless Internet access. Residents can easily stay in touch with friends and family.

I've come here to visit with John and Lorraine Hay, a retired couple that has spent most of the last ten years as "full-timers"---living the RV lifestyle year-round. Their Pace Arrow Class A RV, their third motor home since John retired in 1989, contains a bedroom, a bathroom, a kitchen, a dinette, and a sofa just behind the two big driving chairs. As Lorraine pointed out later, housekeeping isn't a big deal.

John, now 72, retired from a 32-year career with the Santa Fe railroad. Bypass surgery notwithstanding, he looks younger than his years. So does Lorraine.

"We've met more new people here than you can shake a stick at. What you did before has no bearing," John said. "You can stay in your RV or you can get out and mingle. Often there will be four to six couples outside and we'll cook dinner, play games, and play poker. We also play golf."

Lorraine said she was the one who first wanted an RV, which is not the usual pattern.

"My theory was that you shouldn't own because they depreciate," John said, explaining his initial reluctance. "But we can live in an RV much, much cheaper than we can live in a home. This park costs \$225 (a month) plus electricity which averages around \$30."

In fact, Winter Texans can live here for six months for a total of \$1,235 plus electricity. A 12-month contract is \$2,415 plus electricity. The basic rate also includes cable TV. How much you pay for your RV is up to you.

The location is midway between Austin and San Antonio, close to shopping, medical care, a number of lakes, and the relaxed living of Texas Hill Country.

Mr. Hay explained that he took early retirement because he had come to dread Monday. "When I started it was a family oriented company. A man who had worked his way up ran it. He had done every job. But as people retired attorneys who knew nothing replaced them. The environment changed." He said this matter-of-factly, without a trace of rancor.

He took an early retirement buyout.

“You can live on less money than what you were making. Figure the cost of clothes, lunch, payroll taxes, and whatnot. We found we were probably better off *after* retirement.”

I asked if he ever missed work.

“I often wondered what it would be like but (when it happened) it was no problem. I never looked back. You know, a lot of people die before they retire. I didn’t want to be one of them.”

One very clear message from their 15 years of retirement and nearly 10 years of full-time RV-ing: life continues to have dilemmas and decisions. Mr. Hay explained that in their early years they had kept a house as a kind of base camp. But it became too difficult to manage. In recent years they had been spending winters in Texas and then dividing the hot months between long visits to their aging mothers. Both needed care and attention.

But they were facing a transition. Both mothers, the anchors of their travels, had died. They would continue to visit children, but they weren’t sure exactly where they would go or how much time they would spend on the road.

“We always come back to this spot because all our friends are here,” Ms. Hay said.

Asked if he had any concerns about the future, Mr. Hay smiled. “If we stop recognizing each other, then we’ll know it’s time to stop.”

Tuesday, Marcy 30, 2004

## Charlie Blackwell’s Vision

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**BURNET, Texas.** It was a chance meeting. My wife and I were taking the back roads from Austin to Dallas, trying to avoid the traffic of Interstate 35. Then, in tiny Burnet, we saw “Lone Star”, a small RV lot jam packed with nearly a dozen Park Models.

If you don’t know what a Park Model is, don’t feel badly. My wife hadn’t seen one before. She had been giving me strange looks for years, wondering what I could find attractive about *any* RV and why I thought they were so interesting.

So I stopped. And Charlie Blackwell showed her.

When we left she was a convert, imagining all the different places they could be put and ways they could be used.

Mr. Blackwell is the owner of Lone Star, a small dealership for Park Models. He’s also a man with a vision, but we’ll talk about that later. Right now what you need to know is that a Park Model is a very different kind of RV.

It isn’t a trailer, so it doesn’t look like a large refrigerator on wheels or (if it’s an Air Stream) an aluminum egg. It isn’t a “fifth wheel,” an RV with a large forward section and a front pivot point that sits in the middle of a truck bed. Some of those

have a strong resemblance to Shamu. And it isn't a motor home, a vehicle that combines the drive power of a bus and provides the same living space. Many people prefer motor homes because one person can be making lunch or dinner while the other drives.

No, a Park Model is a small manufactured home. They are delivered on wheels, like mobile homes, and when they are put on a site the wheels are removed and they seldom move. What makes them RVs is that none have more than 399 square feet of floor space.

I think they're really cute, perfect little standalone one-bedroom apartments. In Florida you'll find them sided with the pale pastels of that state--- rose, yellow, and green. In Texas and New Mexico many are sided in cedar, with green and blue metal roofs, like mountain hideaways. In Arizona most are white because the sun would turn them white anyway. (To see what they look like and interior layouts check the URLs at the end of this column.)

Mr. Blackwell sells and delivers Park Models to RV parks all around Hill Country. He also sells them to people who want to add a guesthouse to a ranch or country property. Now 62 and a former computer and electronics worker, Mr. Blackwell's "recreational residences" sell for as little as \$16,000 for a bare-bones hunting cabin to as much as \$53,000 for a lodge with loft. The typical price is somewhere in the thirties.

Travel to RV parks anywhere in the country and you will see an interesting phenomenon. The closer you get to a "destination park"--- a park that isn't a way station for traveling RVs--- the greater the proportion of Park Models in the park. Indeed, many park owners encourage Park Models because it provides a steady, non-seasonal revenue stream.

Anyone who wants a weekend getaway house but lacks, say, the funds to buy one of Ken Lay's million dollar houses in Aspen, can have a second home for \$200 a month rent in an RV park and the price of a near luxury car. Buy one used for \$10,000 or \$15,000 and you have the least expensive primary housing in the United States.

Which brings me to Charlie Blackwell's vision and how he shared it with me.

When I went back to visit with him, I learned that he owns a 13-acre parcel very close to Lake Buchanan. It is a lovely piece of land, strewn with large boulders, centering on a man-made pond, covered with live oaks.

He wants to develop it into a unique RV park. A born-again Christian, Mr. Blackwell knows that many ministers suffer burnout from the demands of ministering. Others have personal upheavals. Whatever the cause, he would like to build a park and provide short-term sanctuary and renewal, as well as vacation residences for others. "We've wanted to do a retreat ministry and I've had a vision of a park-like setting on my mind for 11 years. It suddenly clicked after seeing Park Models," Mr. Blackwell said.

"My vision is a gated Park Model village with a club house. I'm particularly interested in having irregular (sized) lots so we can cluster them around the boulders and live oaks."

Will it happen?

I don't know. Neither does Mr. Blackwell, but he's working toward it.

What's most important is that Charlie Blackwell isn't alone. I haven't had a chance to go yet but readers tell me to visit Livingston, Texas where I will find a hotbed of RV living and an association called "The Escapees." Check their website and you'll immediately see a lot of variations on how to live in RVs, with many people seeking permanent locations and a more intimate community than they have found in traditional housing.

Sunday, April 4, 2004

## I Have Seen The Future And It's Got Wrinkles

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**SAN ANTONIO, Texas.** Looking over his shoulder, I can't help thinking this must be Johnny Mnemonic: The Early Days. The man alternately smiling and grimacing, speaking quietly to the big luminous Mac screen, is dipping his hands into the Great Data Pool--- *ocean* is more like it--- that is the U.S. Census report. He cuts and pastes, adds and sorts with a happy, practiced confidence.

His name is Ben Bradshaw. He is a professor at the University of Texas School of Public Health. His specialty is demography, the science of population study. I've come to receive an idiosyncratic guided tour of who we are and how we change.

Why am I doing this?

We are an aging nation. I know it's going to change our future, including the financing of Social Security and Medicare, but I want to see how our aging is distributed geographically. More important, demography is one of the few aspects of the future that we can actually *know*. If you want to know how many 55 year olds there will be in 2050, the number isn't science fiction. It's history. Just check the number of babies born in 1995. Make some good guesses about deaths. Adds some estimates for immigration. The result is the number of 55 year olds in 2050.

Professor Bradshaw's forte' is Texas counties. He likes studying them, he explains, because changes at the county level can be really dramatic. Much, he observes, gets smoothed out at the state level. Even more at the national level. To illustrate, he reminds me of an earlier visit where he showed me the age distribution, by race, in a Texas border county. The Anglo population was older, with few children. Not many young people. The Hispanic population was younger, with many children. Lots of young people. The age vs. population curves literally went in opposite directions.

"Is there a simple indicator of aging?" I asked.

"Oh, yes. It's the percentage of people 65 and over to those under 18. It's a lot more useful than the median age. The median just splits the population in half. You can have a lot going on and not know it from the median," he answered. He printed out a file showing the states, rank ordered by their "Aging Index."

"An index of 100 means the groups are about equal in size," he said. "If the index is 200 that means the odds are two to one that when you go outside you'll see an old person rather than a kid."

Florida, West Virginia, Pennsylvania, Rhode Island, and Maine are the oldest states, with aging indices running from 77.0 (FL) to 60.9 (ME). Alaska, Utah, Texas, Georgia, and Colorado are the youngest states, with aging indices ranging from only 18.7 (AK) to 37.8 (CO). In most of America, you're still more likely to see a kid than an oldster.

That will change. While some states will remain younger than others, the entire country is supposed to be as old as Florida by 2030. Later in the century, oldsters will outnumber kids. Indeed, if you look at young kids--- those under age 5--- America is already well into its Foggy Period. In 1900, kids under 5 were 12 percent of the population. They outnumbered oldsters three to one. By 2000, kids under 5 were only 6.8 percent of the population. There were nearly twice as many oldsters.

Those, however, are national figures. There are areas in virtually every state in America where you will see no children, but many retirees.

"How rapidly can a smaller area age?" I asked.

"It can take place very quickly. In Williamson County (Texas), for instance, a large retirement community opened. It showed up in the Census data," Professor Bradshaw said.

In fact, Williamson County is where Del Webb located Sun City-Georgetown. It also happens to be near the corporate headquarters for Dell Computer, which may explain why few think of the area as a "retirement destination."

The migration of seniors to Williamson County, however, was so great between 1995 and 2000 that it was one of only five counties in the entire country cited in a Census Bureau paper on elderly migration. The others were Maricopa County Arizona (Phoenix), Palm Beach County Florida, James City County Virginia and Nye County Nevada (Most of Nye county is public land now used as a dumping ground for nuclear waste but it abuts the exurbs of Las Vegas in Clark county.).

The same study showed that Florida ranked only third as a Geezer Magnet. Arizona had a greater net migration rate. But the top Geezer Magnet in America was Nevada--- its net oldster immigration rate was *twice* Florida's.

Professor Bradshaw observed that while the counties along "the spine" of Texas--- Interstate 35--- tended to be growing and young, many of the adjacent agrarian counties were aging and shrinking.

"How do you measure that?" I asked.

"With the Vital Index. It's the ratio of births to deaths. When the index is less than 100 there are more deaths than births," he said.

Combine a high death rate, a low birth rate, and net out-migration, he observed, and an area can shrink and age rapidly. Dipping into the data, Professor Bradshaw showed me that 70 of the 253 counties in Texas had a vital index under 100. Many were older than Florida. In those areas, the future depends entirely on whether people are coming or going.

Is there some neat bottom line to all this?

Sorry, no. All we know for certain is that while most people are looking at the growth and change in major cities around the country, pitting one city against another for jobs, the best way to anticipate how aging will impact the country may be to look elsewhere---to study the exurban agricultural areas.



Some are, today, far older than Florida.

Tuesday, April 6, 2004

## Death, Taxes and Snow

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**PHOENIX, Arizona.** Driving here on Interstate 10, the highway that crosses south Texas from San Antonio to El Paso, I see a steady stream of RVs running east. My bet is that they are leaving Arizona earlier than usual because it's unseasonably hot. The radio is reporting temperatures nearing 100 and it's still March. I won't get a chance to visit the big RV parks in Harlingen on this trip--- known for its birders--- but I know the RVers in Kerrville and all the towns running West of San Antonio are still comfortable.

I'm driving into the heat because of a word. *Sunburst*.

If you visit RV resorts in Florida you'll see it. There is a chain of them: 25 in Florida, 6 in Texas, 3 in California, and 1 in Arizona. They are listed on the web at [www.rvonthego.com](http://www.rvonthego.com), complete with a reservation system and special offers, a network put together by David Napp and his partners.

Mr. Napp lives and works in Phoenix.

He is 43, relaxed, and a recovering attorney. He's been investing in RV parks for nearly 10 years. I asked how he got started.

"We purchased our first properties in 1996, three RV parks and three mobile home properties. One of the RV parks was in Port Charlotte, Florida; two were in the Rio Grande Valley, Texas.

"We knew that these properties could generate good cash flow. The fundamental thing about an RV resort is that you're accommodating *affordable vacations*, NOT affordable housing," he said. The distinction was important, he said, because there were fewer problems and more credit worthy customers.

"It's discretionary." That, he pointed out, made the RV park a choice, not a necessity. "And the core fundamental is the Park Model. (A park model is a small manufactured home that is classified as an RV but seldom, if ever, moves.) Did you know that 60 percent of the owners pay cash? Many also own an RV, or they may trade an RV in to buy the Park Model. Often the value of the RV they trade in will exceed the cost of the Park Model.

"So, now you've got a debt free Park Model on leased land," he explained, "and the question is what makes them keep coming back?"

"Well, there are three things in life that are certain: death, taxes, and snow. They'll come down in the winter, to avoid the snow."

"The first investor question we usually hear is, 'What's the effect of rising gasoline prices?'"

"Answer: on a Park Model, nothing." Someone who owns a Park Model, he points out, isn't driving a truck that gets 5 miles to the gallon. "So there is great

stability to the Park Model person. They will always be wanting to get away from winter.”

I asked if he had developed any new parks.

“We’ve bought all existing parks and we’ve added sites within those parks. We’ve found that’s the way you have to go. We couldn’t buy a piece of land and develop it,” he said. He explained that it was often difficult to get zoning for new parks. He also noted that it was getting more difficult because some parks were being bought out for “higher use.”

What did he see as the future?

“Our core business will always be the Park Model. The customer always starts as an RV owner because freedom to travel is a compelling idea. That’s what gets people into it.

“As they travel they find places they like more than any others. Then they want to spend two months in Arizona, or Florida, or Texas. They often find another couple they like and they stay.”

I asked how he found RVers for his parks.

“We make a lot of effort to serve the customer because 70 percent of our business is based on repeat customers and referrals. We try to provide the experience the customer is looking for. Of course, there are always sources like Woodall’s and Trailer Life, as well.

“We have booths at RV shows, our website, and we do e-mail blasts. We spend a lot of our marketing dollars to capture that 30 percent.”

I asked how he saw the future.

“You can buy a Park Model for less than \$50,000 and your land rent will be about \$3,000 (a year). I think that’s one of the better choices a person can make. It’s a trend that’s going to keep on going. We’ve seen multiple Park Model owners,” he said.

Indeed, while a long term ownership/rental commitment doesn’t make sense for a person with two weeks of vacation, it may be the affordable way to spend three or four months a year vacationing as a retiree or semi-retiree. Do the math and you learn that a total investment of \$80,000--- less than half the resale price of a conventional house--- will buy you two new high quality Park Models with total annual out-of-pocket expenses of about \$6,000 a year for two land rents, one North and one South.

Recently, Mr. Napp pointed out, he had partnered with Mobile Home Communities (ticker MHC), a manufactured housing REIT run by Sam Zell. Together, they had gone from 28 properties to 68, with northern and southern locations. “We’re putting something together that will be representative of what people want as they get older.

“Today’s baby boomers want more flexibility, more activities. What we’ve done in partnering with MHC is allow ourselves to create products that meet needs. We’ll be able to create flex plans--- trading models from one park to another. And that means we’ll be able to add new customers.

Sunday, April 11, 2004

## A Vision Fulfilled in Mesa

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**MESA, Arizona.** If there is an intergalactic RV capital, it is here. Miles of surgically straight boulevards circumscribe giant walled complexes. Each is an RV resort containing hundreds or--- in a few instances--- *thousands* of RVs and park models, interspersed with equally large mobile home communities.

I have arrived here on the first breath of spring, a few moments when the desert is luminous with a delicate yellow-green glow. Unlike the broad effulgence of spring elsewhere, the dry desert air leads you from one beautifully discrete scent to another.

Few RV parks live up to this heady background music of the senses. Most, I have to admit, strike me as collections of very large appliances. If they have merit, it is in their community, not their beauty.

Except for Monte Vista.

Inside the gated entry you drive by streets of Park Models with well-tended plantings. One has an artful spiral staircase leading to a margarita patio. Beyond that, a large fountain--- one of three in the complex--- and a grouping of Santa Fe style community buildings. Up and down the streets there is a village feeling to the side-by-side houses, with everything softened by tall palms, flowering plantings, and decorative banners fluttering in the breeze. This is a lovely place.

In the sales office I learn that all contracts are annual and the cost is about \$400 a month or slightly more. There are no transients. You can buy existing units from \$4,700 to \$64,900. Of the 61 units currently for sale, 25 are available for \$20,000 or less. You can also go in the direction Monte Vista is moving and buy a new Cavco home--- two bedrooms, two baths, around 1000 square feet--- for about \$60,000. Buy one completely furnished for \$75,000, let Monte Vista rent it, and they'll assume all costs and pay you 6 percent interest on your investment.

Exploring Monte Vista like a potential buyer, I scour the site map and match units for sale with lot positions that are likely to have good light, nice corners, or open space. Number 2004, vintage 1992, is listed at \$30,000. Behind it there is a large open space filled with a meandering garden.

Mrs. Mickey Bennett, at 2008, tells me her husband is a retired nursery owner. She takes me on a guided tour of their garden, a trellis here, a covered table there, and wandering paths. Nearby neighbors have made similar, but smaller, gardens. She loves living here.

The person who made all this possible is Craig Bollman, the owner and developer of the park. Now 66, the former Marine and Harvard Business School graduate had no idea 40 years ago that he would create a resort that would become the model against which others would measure themselves or a model for the future.

In a telephone interview he said he learned about mobile home parks at age 27. That's when an investment firm sent him to salvage a mobile home park investment in Phoenix.

The assignment went from weeks to a year and a half and to taking the park through receivership. "During that time I lived in the same mobile home park. I liked this part of the country. And I learned this was *real*--- some 5 million people lived in mobile homes."

After that, he worked on other troubled properties. But he saw something bigger. "I realized that people were of an age where their house meant less. And their friends meant more. Making a statement about who they were with their house just wasn't very important," he said.

"I began to see the power of creating community for people of that age."

In the seventies he co-founded one of the first real estate investment trusts to invest in mobile home communities, Mobile Home Communities of America. After that, he put in more years of working with distressed properties. Then he started Monte Vista.

"It's a pretty egalitarian kind of community," he said. "There is no way to express your status. Living here is a lifestyle decision, not a cost decision. Most people pay cash. I can't remember a delinquency. So the motivations are completely different (from many parks).

I asked if he intended to retire.

"I can't imagine doing that."

Instead, he's working on a plan to develop Monte Vista further, with an even more village-like design and houses with larger porches. Already in the works: a nearby shopping center with direct access by bike or golf cart from the resort. Also looming: a deal with a larger organization to spread his vision of community.

Tuesday, April 13, 2004

## Unlocking the Secret of RV Living

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**ALGODONES, Mexico.** Passage of the Medicare Prescription Drug Act hasn't slowed traffic to this little border town. Only a few miles from the RV parks of Yuma, Arizona thousands of people come here every day. They make a quick pedestrian passage through the border checkpoint and into this dusty wonderland of discount drugs, low cost dental work, and bargain eyeglasses.

Did I forget tequila?

Well, trust me, I'm the only one who did.

Entering a cantina to grab some lunch, all the tables are taken. A woman with bright red hair is seated, with two margarita glasses, at a table for six. I ask if she minds if I sit at the table.

"Go ahead," she answers.

Her name is Rita. She and her boyfriend are here to buy prescription drugs, have lunch, listen to music, and drink a bunch of free margaritas. I order a diet Coke, wondering why God didn't make me more like Hunter S. Thompson.

Brian soon joins us. He's a big guy, somewhere between outgoing and in-your-face. He wears a sleeveless T-shirt and sports a gold earring and a tan. He's 63, but with a bit more attention to costuming, he'd be at home on the set for *Road Warrior*, the canonical post-apocalypse movie. All three of us, it turns out, are Scorpios. Brian was born only two days after I was, in 1940.

"My prescriptions would cost me \$400 at home," Rita says. "But here it's only about \$40. They (the pharmacies) discount the Mexican prices by 33 percent."

"And you don't need a prescription," Brian adds. "You can get anything." (Although it is better, he adds, not to declare the heavy-duty painkillers. Instead, you should take them out of their packages.) Just outside the cantina a pharmacy has prices for everything from Prozac to Vioxx posted on little cards.

Over lunch I learn that Brian is just starting his second year as a 'fulltimer.' Before he retired he was a self-employed locksmith in Maui. Then he decided to sell his home. He got \$340,000 for it. He paid off all his debts, returned to the mainland and paid cash for his RV and his truck. Now he wanders between Arizona and Oregon. He met Rita in Oregon.

"Gee, Brian," I ask, "you're not eligible for Medicare yet, what do you do for medical insurance?"

"I don't have any." He says he's glad to collect Social Security--- it really made his retirement possible--- but he figures he'll just have to stay healthy because medical insurance costs too much money.

"Something's got to happen", Rita notes. "It can't go on like this." Rita is 57, on an undisclosed disability.

I ask Brian how much his retirement costs.

"Not much. I lease a space in Yuma year round for only \$900. It's not the most upscale park in the world but it's pretty nice and it's a place to stay. Electricity is practically nothing. Water is included. So is cable.

"In Oregon you can work at the national parks and stay for free. And me, being a locksmith, even if I stay in a park where you pay rent, they'll want me to fix things or do lock work and I end up living free."

He tells me about the many benefits of being a skilled locksmith. How quickly he can help people get into their cars. Listening, I begin to see his world as a vast parking lot in which every automobile is a potential ATM, dispensing cash from grateful owners.

The waiter brings another round of margaritas. Brian, who knows the waiter well, takes out a wad of margarita coupons and peels two off. Then he tells the waiter he wants to show him a magic trick, takes three coins out of his pocket, puts one atop the other, and slowly circles the coins.

The middle coin, a Mexican peso, disappears.

"Bring another round and I'll show you how it's done," Brian says.

"So how much does it really cost you to live," I ask?

Brian starts making a list of different expenses. Diesel fuel is a big one. Clothes are next to nothing.

"What's the total? Is it \$2,000 a month? \$2,500?"

"Oh! Maybe a thousand. Some months are more. Some less. You know, one of the great things about an RV is that it gives you an excuse not to buy anything."

He smiles. "I mean, where are you going to put it?"

As I walk toward the long line waiting to clear customs on the U.S. side, I see an elderly man walking, carrying a few plastic bags.

*"Will Not Work For Anything,"* the back of his T-shirt declares.

Sunday, April 18, 2004

## A New Home Economics

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**LOS ANGELES.** Leaving Yuma, Ariz., I realized there are polar opposites in what we'll call "the alternative housing community." You can go upscale and organize your life around the new resort communities, like Monte Vista near Mesa, Ariz. Or you can go tribal--- like Brian, the locksmith I met in Algodones, Mexico--- and join the semi retiree nomads. You can get in your RV wander from North to South and back again.

Either way, it's a different life, with new possibilities.

Either way, you've made a dramatic change in your cost of living by pulling two of the biggest levers, housing and transportation.

You can understand this by taking a close look at the Consumer Price Index. The famous Bureau of Labor Statistics index that purports to track the broad cost of living for urban consumers lists housing as 40.9 percent of our living expenses. Transportation takes another 17.3 percent. That's a total of 58.2 percent.

We can disagree with those figures, of course. Many do.

But whatever the carping, housing and transportation remain large expenses for most Americans. Reduce the amount of our net worth or income committed to support our shelter and we've found a way to 'live lite.' We can enjoy a new wealth with less money.

This isn't new. The traditional way to do it is to downsize your conventional home, preferably by moving to an area with a lower cost of living. With the national median home resale price now nudging \$180,000, the easy way is to move from an area where housing is expensive to an area where housing is cheap. Sell a phone booth (with or without plumbing) in California and you can do right well by moving to Utah, Colorado, or Arizona--- as many retiring Californians do.

The math is simple. I've demonstrated it in other columns. If you own your \$180,000 house free and clear, you can sell it. Then you buy a house for half as much elsewhere. This leaves you with \$90,000 to invest.

The operating expenses for a typical home run about 5 percent of its value. In low real estate tax states--- such as Florida, New Mexico, Arizona, and Nevada--- home operating costs can be 4 percent or less. (In New Mexico, for example, housing prices are high and expenses are low. As a consequence, some houses cost less than 2 percent of value to operate.)

If your \$90,000 replacement house costs 5 percent a year to operate, your new \$90,000 investment fund could earn almost enough money to pay the bills! Presto, your largest single living expense is covered. The easy way to do this is by selling a median priced home in Los Angeles (\$382,200) and buying a home for \$191,100 anywhere you can find it.

That's a lot of places.

But suppose you don't live in an area of high home values?

No problem. Think RV.

Here's the upscale way to do it. Sell a national median priced home and you'll immediately escape about \$9,000 a year of annual expenses. You'll also have nearly \$180,000 in cash. That's enough to buy a manufactured home in Monte Vista for \$60,000. The taxes will be low. The insurance will be low. The utilities will be low. And your land rent buys you a defacto country club membership. Your net expense savings will probably run \$2,000 a year.

You'll also have nearly \$120,000 left over. As with traditional downsizing, it will help cover the bills.

But won't you miss the price appreciation of a conventional home?

Probably not. If you invest the leftover cash in a balanced account and let it grow--- just as the money invested in land underneath a house is invested--- a comparison model I've built indicates that you'll come out ahead after about 10 years. This will happen *in spite of the depreciation of the manufactured home*.

There's also the tribal way, Brian's way. Sell your national median home and lose the \$9,000 in annual operating expenses. Roam with your new RV. Or settle in with a park model. Either way, your new annual operating expenses will be well under \$5,000. That's a \$4,000 annual savings. And you can commit as little as \$30,000 of your home sale proceeds. That leaves nearly \$150,000 to invest for income.

Sidebar:

## Whatever Happened To Ensenada?

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*Whatever happened to living on the beach in Mexico for nearly nada and margaritas for breakfast? I have been thinking about this for two years, having saved a reader e-mail praising Ensenada. Lance, who lives in a trailer park in Puyallup, Washington, wrote that he could live well in a trailer park south of Tacoma for about \$1,000 a month.*

*But the real story was his dad, who divided his time between a beach South of Ensenada and trips back to the U.S. for occasional medical care. His dad had leased land on a six-mile beach south of Ensenada for \$600 a year. Lance thought he could still do it, today, for \$1,200.*



*“Most Americans expect a primo life style,” Lance, a master of understatement, wrote.*

*“And this can be a set back if you are trying to live on \$12,000 to \$15,000 a year. Mexico is great because it is not primo! I would get compliments on my 5-year old Ford Tempo when I drove it down to Mexico. Even when it was brand new, I never got googly eyes over my Tempo in the U.S.”*

*So I buy my Mexican car insurance at the border. A reproduction of Picasso’s Guernica hangs ominously behind the agent’s desk. I head down the beach highway toward Ensenada. The first thing I notice is that the ubiquitous RV communities of Southern California, Arizona, New Mexico, and Texas disappear the moment I cross the border. I find a few north and south of Rosarita, but most are nearly vacant. It may be high season in Arizona and Texas but this clearly isn’t prime time in Mexico. Beachside temperatures are cool, down in the low to mid sixties.*

*But I press on, running south of Ensenada. There, going down a series of dirt roads, I find a few RV parks on the beach. They could be good sets for a David Lynch film. Windswept, worn, and empty, the location conjures images of desperate moves. Even Hotel Joker, a place savvy enough to have a mention and picture on an RV website, is forlorn.*

*I decide to cut my losses. I know there is RV life in Mexico. I have seen RVs lined up along the beach north of Puerto Vallarta. There are RV parks on the Mayan Riviera. I have even seen caravans of RVs heading into San Miguel Allende. But this isn’t the season.*

*Driving back to the border, determined to make fast run to LA, it dawns on me once again. This isn’t about RVs, Park models, or manufactured homes. This is about community.*

*To have community, you must first gather people.*

**Tuesday, April 20, 2004**

## **Blackjack Technology**

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**LAS VEGAS.** Sunday. Quiet in the City of Lost Wages. This is reflected in the \$80 a night rate for one of the 5,000 rooms at the MGM Grand. It will rise to \$129 in the three nights I am here but it’s still a bargain given the size and quality of the room.

My mission? See whether America’s fastest growing major city might also become the capital of American Geezer-hood. A recent study of migration patterns showed that Nevada is being flooded with geezers---it led all states for in-migration of people 65 and older.

My first lesson is that Las Vegas can twist your head. It is the only city where the little metal curbside boxes that dispense free advertising publications don’t push real estate. In Vegas, the product is sex.



Should I make a collection of these advertising flyers? Hey, it's research. Then I imagine myself, burdened with the nine lurid offerings at one box collection, explaining to passersby, *"It's not what you think. I work for a newspaper. They pay me to do this."*

Sure.

I retreat to my hotel room. I need to prepare myself for the gaming tables. This is not easy because there is a dangerous connection between MIT, its students, and gaming. One of my early roommates there was on dean's list one semester. A semester later poor B.G. had flunked out. He went back to Alabama. The cause: full immersion in fantasy baseball. The South American contingent at MIT was known for its high stakes poker games. Others lost days to complicated games of Diplomacy.

In fact, the definitive book on blackjack has its foundation at MIT. Edward O. Thorp's *"Beat the Dealer"* (Vintage, \$11), first published in 1962, is based on a computer analysis of the game. If you've ever read a book on *"Basic Strategy"* for Blackjack--- and they are sold at bookstands in every casino--- Thorp's work is central. The same book also originated many of the card counting systems in use today.

Ed Thorp was *way* ahead of the curve. There was only one mainframe computer at MIT in 1962. It was virtually new. The entire MIT course catalog for 1961-62 contained only six courses with the word "computer" or "computation" in the title. Slide rules were big. Thorp recognized that Blackjack is a matter of cosmic importance. Significantly, he now runs a hedge fund in Newport Beach, Calif.

Why the deep academic concern for Blackjack? Simple. Blackjack is different from most games on the casino floor. While the results in craps or roulette are true random chance, Blackjack is a game of "continuous probability"--- every card played has an effect on future play. Knowledge of the cards that have been played, regardless of how many decks are being used, can shift the odds of play from the dealer to the player. Play a perfect game, increase your bets when the cards are running right, and you'll beat the house.

The best recent book on the subject--- great summer reading--- is Ben Mezrich's *"Bringing Down The House"* (Free Press, \$14). It's the story of six MIT students who conspired to use a card counting system and won millions in Las Vegas. It will make a great movie. Think Matt Damon in *"Good Will Hunting"*, *"Rounders,"* and *"Ocean's Eleven."* Another great read is *"24/7"* (Diane Publishing, \$24), Andres Martinez' entertaining account of *"Living It Up and Doubling Down in the New Las Vegas."*

A newbie at Blackjack, I decide I'll see if I can hold my own using basic strategy. At Bellagio, arguably the grandest resort on the Strip, I start at a \$10 table. It takes a few hands for me to realize the dealer is about 7 months pregnant.

I start feeling guilty. She's standing. I'm sitting.

Up \$20, I leave.

I'll punish my rudeness by playing at a \$25 minimum table.

Something amazing happens. I play Basic Strategy reasonably well. The dealer busts when it is likely. I get a run of high cards against her run of low cards,

giving me some winning double downs. Two Blackjacks come my way. A mound of \$25 chips grows.

She deals at blinding speed. Her play is beyond automatic. I have trouble keeping track of my hand, let alone hers. Counting, by any system, is out of the question.

Even so, a run of good cards is a run of good cards. In less than half an hour I'm tired. Worse, the dealer's shift is over. I become superstitious, thinking she will take my luck with her.

I stare at the mound of chips. I don't know how much I've won. The first hint it's a nice sum comes when I "color up." There's a \$500 chip. I'm up that much from a \$200 stake.

Returning to the MGM Grand, I wonder about playing a \$100 table. Might be better than caffeine. But Prudent Man goes to a \$25 table and starts over. Play becomes a long tug of war until a run of low odds cards takes me down.

I quit while I'm ahead. I want to enjoy the odd buzz of winning \$400 at cards.

And what has this got to do with our economic future? Lots: Las Vegas is to LA as LA was to Detroit.

Sunday, January 30, 2005

## My (Innocent) Mexican Drug Run

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EL PASO. Like an odd shaped piece that completes a jigsaw puzzle, the city of El Paso joins the western edge of Texas with the state of New Mexico and the country of Mexico. Turn down Sunland Park Drive on the west side of the city and you'll cross the border to New Mexico--- and the nearest haven of casino gambling. Follow Paisano, a bit further east, and you're running the borderline with Mexico.

Few places show the stark contrast between the two countries so sharply. Look one way and you see the remnants of the Rio Grande through tall fences topped with barbed wire. Border Patrol cars are parked at eyeball intervals, forming an unbroken visual surveillance. People pace the culverted and mostly dry riverbed below. Beyond the fences, you see the odd chaos of Juarez--- miles of undulating hills covered with small concrete and cinder block buildings. Most are grey, but there is an occasional daub of bright yellow, plum, orange, azure, or aqua.

Less than a mile away, Interstate 10 has become the spine of El Paso as the city expands, mall after mall, to the east. "Pretty" is not one of the words that comes to mind. "Thriving," however, does. Some would complain of the pollution but only if they have arrived recently. As one thirty-year resident told me, "It's a lot better now that they have utilities in Juarez. Before, everything was covered in smoke from the cooking fires."

My wife and I have come here to walk the busy Santa Fe Street Bridge into Juarez and check the pharmacies on the other side. This is the lifeline bridge that

connects downtown El Paso with downtown Juarez. It has some vehicle traffic but its main use is the movement of thousands of people from one city to the other.

We know, from earlier trips, that pharmacies are in abundance at the Mercado further in the city but we're curious about how easy or difficult it will be, post 9/11, to walk across the border, find a pharmacy, buy prescription drugs, and return.

Quick answer: it's easy.

It's not as much fun or colorful as doing the same thing in a village like Algodones near Yuma, Ariz., which I visited last year. But it's certainly easy.

There are pharmacies on both sides of the street within a block of the bridge. We stop at one about three blocks from the bridge, not far from the oddly named "Kentucky Club" bar. The pharmacist asks if she can help. Her English is excellent.

"Do you have Lipitor and Zetia?"

Lipitor is the well-known cholesterol-reducing drug produced by Pfizer. Zetia, which works on a different principal, is less well known. Produced by Merck, research has shown that Zetia, when combined with a statin drug (such as Lipitor), can reduce total cholesterol by more than 40 percent. When Dr. John Harper, a heart specialist at the North Texas Heart Center, prescribed the combination for me it reduced my total cholesterol from 250 to 150 while increasing my HDL--- all on minimal 10-milligram doses. Purchased through my employers' health insurance plan, the combination costs less than \$30 a month.

"Yes, we have Lipitor," the pharmacist answers. "But I haven't heard of the other. It may be sold under another name here." She steps to a large directory nearby and starts going through the pages.

"Oh, yes. Merck makes it. It's called Ezetrol."

A package of twenty 10-milligram pills is \$31.85 for Lipitor. It's \$30.17 for Ezetrol. This means a one-month supply of both would cost \$93.03. At Walgreen's, a one month supply of Lipitor is \$90.99 and a one month supply of Zetia is \$89.99, a total of \$180.98. So the cost in Mexico is nearly half the cost in the United States.

Such savings are common knowledge, of course. But it still gets my attention because this isn't a one-shot deal. It's a lifetime commitment. I can pay \$30 a month, forever, if I have health insurance; \$93 a month, forever, if I live near Mexico; or \$181 a month, forever, if I have to pay full freight.

A 64-year old man in Texas can buy a life annuity of \$30 a month with a single payment of \$4,682 according to [www.immediateannuities.com](http://www.immediateannuities.com). Raise the ante to \$93 a month and it costs \$14,513. Buy an annuity to pay the full \$181 a month bill and it will cost \$28,246. Viewed that way, a modest set of prescriptions becomes one of the largest financial commitments most people make.

In fact, the life annuity calculation understates the size of the commitment because it assumes that drug prices don't rise. Pfizer raised the price of Lipitor by 5 percent earlier this month.

We take our two little packages and walk back to the bridge. We pay 30 Pesos to return. On the other side, an immigration officer eyes my packages. He asks if I am a U.S. citizen. He waves me on, leaving me to wonder: How much could I have brought back?

Sunday, February 1, 2005

## Return to Big Bend

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BIG BEND NATIONAL PARK, TEXAS. Wherever you are, come here. That's my prescription for recovery from urban living, dense traffic, scarce parking, too many billboards, and the monetization of absolutely everything. Spend some time here and the overpowering vastness, the change of scale, will put life in a new perspective. It certainly did that for me.

For the last week my wife and I have been traveling with Bill Wright, photographer and Positive American. Wright, a friend and native of Abilene, has been visiting the Big Bend area since his high school graduation more than 50 years ago. That's a long time: I think he knows almost everyone in the area by name.

What do you do in Big Bend? Here's a sample.

We've rushed out before dawn so a semi-retired private investigator/amateur astronomer from Houston could show us a rare event. Saturn, Jupiter, Mars, Venus, and Mercury were lined up in order across the sky, visible to the naked eye.

We've seen a small cemetery nearly lost against a panorama that stretched for a hundred miles, half an hour's drive from the nearest house.

Coming down the dirt road from Chinati Hot Springs into Ruidosa, we've listened to a woman explain that you can't sell much beer in a village of twenty people when only eight people drink beer and three are trying to sell it. Living in a town where the main source of income is likely to be Social Security checks and drug trafficking, this can be a problem.

We've visited a hand built adobe house, isolated, "off the grid," and powered by solar panels and a small wind generator. We've also learned that "off the grid" is a state of mind. We've visited with a local anthropologist, Enrique Rede Madrid, who is building a case that his village, Redford, is the home of an unrecognized Indian tribe.

At the Chisos Mountain Lodge we've watched curious deer chew their way to the parking area. And down the road we've stopped for crossing Javelina.

We've also met people whose stories would make good fiction: a retired Mennonite pastor who flies an ultra light airplane, walking the Ernst Tinaja trail as we were leaving. A Minnesota woman who downsized from a big house to a small house, started traveling in an RV, and is now in her first weeks of "full-timing" as an RVer. Not far from the Santa Elena campground we listened to a Wisconsin woman explain that she and her husband had just left their careers and were traveling by RV--- until they figured out what they would do next. She had no idea when, or what, that would be.

The oddest juxtaposition, however, was at the town of Lajitas. When I passed through in 1998, while riding my motorcycle along the US/Mexico border, Lajitas had just been sold at auction. Back then, it wasn't much different from nearby

Terlingua, the tiny town best known for its annual Chili Cook-Off and a population that had listened to Timothy Leary when he advised everyone to turn on, tune in, and drop out.

Today, aside from having a goat that drinks beer as mayor, Lajitas has gone corporate. Billing itself as “the ultimate hide-away,” millions have been spent building a golf course, lighted tennis courts, a luxury resort hotel with restaurants to match, and furnished two-bedroom condominiums that you can call your own for only \$500,000. This, I was told while visiting, could someday rival Palm Springs or Aspen.

Perhaps it will. The hotel rooms, which rent for \$205 to \$325 at peak season, are well worth the price. And perhaps the condos will appreciate, as a salesperson intimates. No one, certainly, should be unhappy about the number of jobs being created.

Still, it provokes a sense of loss.  
Glitz and status? In Big Bend?  
It ain't right.

Sunday, May 1, 2005

Letter from California:

## Working Stiff Houses, Fat Cat Prices

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SANTA ROSA, CALIFORNIA. Just beyond the Safeway parking lot, my early morning walk takes me into an older housing development. The homes are on small lots, about 60 feet wide. They are well tended, with lovely plantings. Enormous irises are already in full bloom.

The size and design of the houses says they were built in the early 50's--- they are ranch homes, 1,100 to 1,400 square feet. Most have single car garages. In the background, a tall grassy hill looms.

A house painter dressed in coveralls walks toward me. We start to talk. I learn the house behind me is his, that he bought it nearly 30 years ago for \$17,500, and that he has improved it by adding a family room. Like its landscaping and small lawn, the house is in perfect condition. In much of America it would sell for about \$150,000.

“How much do you think your house is worth,” I ask?

“Prices are crazy here,” he says. “About \$900,000.”

Somehow, I am not shocked. This is California, the Tulip State. A compulsive reader of area home guides, I know that \$300 a square foot is basic, \$400 is routine, and figures way over that are common. People are selling in Marin County, to the south, to take advantage of the “bargains” here. Indeed, a day later I describe the

house and neighborhood to a realtor. She immediately informs me \$900,000 is a bit high.

“It’s more likely worth about \$800,000,” she says.

An advertisement from a Russian River realtor offers, “*RURAL SEBASTOPOL. Beautiful sunny view lot with older mobile home. Approximately ½ acre lot. Mobile is in good condition (for its age) and has large spacious rooms and covered patio. \$350,000.*”

It may not sell for that, of course. But I can’t help thinking about a house in Steiner Ranch that has been for sale since last summer. The suburban Austin development offers bike paths, community pools and tennis courts, and an occasional view of Lake Travis. Like Lake Woebegone, all of the children here are above average, probably because at least one of their parents works for Dell Computer. This house has one of those distant Lake Travis views from the master bedroom, 3,500 square feet of living space, a large lot, 2 ½ baths, etc.--- but it has no takers at \$300,000.

The real issue, however, isn’t the stunning differences in price from one location to another. It’s the paycheck gap. California is full of working stiff houses with fat cat price tags.

Visit a website like [www.bankrate.com](http://www.bankrate.com) and you can play with one of the many “How much house can you afford?” calculators. Their calculator tells me that if you have a 20 percent down payment (that’s an impressive \$160,000 on an \$800,000 home) and can get a 30 year mortgage at 5 percent, you’ll need an income of about \$13,000 a month to qualify for the necessary mortgage. (This assumes that real estate taxes are only one half of one percent of value, that insurance is relatively cheap, and that you’ve managed to avoid any consumer debt that might reduce the amount you can borrow.)

So you’d need an income of \$156,000 a year to buy that house for \$800,000.

How much would you bet the owner doesn’t earn that much? While some painting contractors do very well, I’ve never met a painter who earns \$156,000 a year. Indeed, fewer than 5 percent of all income tax returns report that much. Most get there by having two earners.

Basically, California is a state where few of the homeowners would qualify to buy the houses they already own. This is good for them--- if they have plans to sell their homes and move out of the state.

But it makes you wonder who (and where) the next buyer is.

Sunday, December 11, 2005

## All that glitters is aluminum

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The advertisement was irresistible.

So were the directions. Drive south on the Turquoise Trail from Santa Fe, N.M. Turn onto a dirt road after the ghost town of Cerrillos, but well before the Mine Shaft Tavern in Madrid. Follow the dirt road 3.5 miles. Turn into the sellers' driveway.

"This should only take a few minutes," I said to my wife. "Just look at it very carefully. Think about what we can do with it. But most important, tell me whether you can imagine sleeping in it. If you can't, we'll turn around and go home."

A few hours later we were the befuddled owners of a 1971 Airstream Land Yacht, the 23 foot Safari model. It was in good basic condition. That means its endearing shape had survived 34 years with few dents. It was also fairly functional. The interior lights worked. It had tires and brakes. The windows opened and closed. It didn't smell bad.

A single check for \$5,900 allowed us to reach a long suppressed dream. We might be trailer trash, but we were *vintage* trailer trash. We'll keep the refrigerator stocked with Thunderbird and MD 20/20 for our jelly glasses.

How this happened is another story. Life requires adaptation. My wife, whose survival instinct is superior to mine, has never ridden on my motorcycle. She knows a klutz when she lives with him.

So my precious 1978 BMW R100S, Motorsport edition, is being sold. No more "accidental" rushes to 100 miles an hour. No more wondering if it would actually do 125.

Similarly, while I may read *Sailing* magazine as furtively as some men read *Penthouse*, I'm smart enough to know that living in the Southwest and owning a live-aboard sailboat don't mix well. There is no Island Packet or Beneteau in my future.

So this sailor will cruise the highways, spending nights on the dusty sea of Big Bend National Park, the high crests at Red River and other spectacular landlocked places. Millions of other Americans do it--- count the RVs on any Interstate highway.

And that's what will make this an adventure.

Two years ago I visited RV parks from Florida to California, talking with people and learning about the "full-timer" lifestyle. I wrote about it but didn't do it justice. Nor did I fully explore how RV living can be a good substitute for worrying about CD rates and stock market returns.

I think it can be. That's why you are reading about an RV in a personal finance column.

Millions of Americans are, or will, be facing tough choices. Some will be there because of forced premature retirement. Others will retire on schedule but won't have nearly enough money. Either way, they face the same problem.

They can try to raise the bridge of investment returns on their nest egg. Or they can lower the flood tide of living expenses. Whether they live in an RV full-time or use it as a low-cost vacation alternative, the RV may be the best tool available for re-examining (and perhaps resizing) the American Dream.

So here's the plan.

Our first task: Get the Airstream to the Burns property in Santa Fe. There it will be known as our mobile bunkhouse. We figure it will make a good overflow guest house and an occasional napping place when it isn't traveling.



Once there, we'll work out the remaining kinks to make it ours and truly roadworthy. With any luck we'll venture off the property by late winter or early spring. We hope it won't cost too much to get it on the road.

What I can tell you now is that a new Airstream of this size would cost over \$40,000. We also know, from [www.vintageairstream.com](http://www.vintageairstream.com), that the most common mistakes people make when they buy an old Airstream is to (1) think refurbishing will be cheap and (2) fail to consider added weight while refurbishing. The first will result in a disappointing resale. The second will result in an RV that doesn't go anywhere. We'll try to avoid those mistakes. We hope to have it in primo shape for a total cost of \$10,000 to \$12,000. Significantly, larger used Airstreams are also inexpensive because they are heavier and more difficult to tow. If you were thinking of living in one--- as suggested decades ago in an early *Whole Earth Catalog*--- the cost is likely to be under \$12,000.

This is an experiment. For us it's a guest house and alternative vacation house. For others it can be a tool for snowbird living. For still others, it can be the vehicle for "voluntary simplicity"--- the movement first identified by Duane Elgin in the early '70s but best known through "Your Money or Your Life," the simple living primer written by Joe Dominguez and Vicki Robin.

Then again, they might be the trendy status symbol Bruce Littlefield describes in *Airstream Living*. Actor Val Kilmer has one on his nearby ranch.

Take your pick. Check-in on my website to follow the story, mistakes and all.

## 'Mad Max: The Later Years'

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QUARTZSITE, AZ. It's an unlikely gathering spot. Drive west from Phoenix on straight-as-an-arrow Interstate 10. Do this for 130 miles and you'll start to see dots, a vast collection of white dots. They are RVs. They are spread for miles north and south of the three exits that constitute downtown Quartzsite.

The normal population of Quartzsite? About 3,354.

The current population? Well over 50,000.

Turn off at any one of those exits and you are instantly in a monster traffic jam. Think Wilshire Boulevard at 5PM.

This is what happens, every year, when thousands of snow birds descend on Quartzsite to "boondock"--- park in the desert, free, without benefit of water, power, or sewer connections. Some are here for the desert air. Some are here for the annual rock and mineral show. Some are here for the annual RV show. Some are here to live cheap.

And there are moments when it seems everyone is here simply to wait in line at McDonald's. It, Circle K, and Exxon have the largest buildings in this town. Surrounded by tents and temporary structures with signs and flags snapping in the desert wind, they acquire an institutional quality, as though they were the Versailles, Smithsonian, and Metropolitan Museum of Quartzsite.



Which they are.

This--- barreling toward us faster than you can say "Boomer"--- is the future. Think "Mad Max: The Later Years." Think about life in a community where there are two primary hair colors: gray and white.

This is leisure time as an extreme sport, thousands of early and late retirees milling around. Some of them are, literally, buying rocks.

Few notice an innocent sign on the wall at the Pow-Wow Gem and Mineral Show building. It says: "*Dance at your own risk.*"

On the south side of town an enormous tent houses the RV show. The tent itself is surrounded by concentric rings of equipment, food, and clothing vendors, then hundreds of RVs. I spend a day walking this show, looking at hitches, transmission gear, multiple brands of holding tank cleaner that assure permanent elimination of holding tank odor, the current generation of the venerable Veg-O-Matic, magnetic bracelets to vanquish pain, foot massage equipment, portable generators, power inverters, solar panels, and accessories of all kinds.

I defer my opportunity to join the American Association for Nude Recreation but collect brochures on RV parks in Canada, on the Sea of Cortez in Mexico, and RV resorts in California and Arizona.

All kinds of music are represented here: I mean, Country AND Western. One trailer offers visits from "Almost Willie," otherwise known as Tom Lawford, America's No. 1 Willie Nelson impersonator.

A day later I weave through the boondockers. I stop where an older couple is tinkering with the battery and windmill on their Coachman fifth wheel. His name is Harold E. Williams and he is from Gladstone, Illinois. He is asking his wife, Evelyn, to hold a rope that will allow him to put the windmill back in place.

"Usually it will deliver enough to keep the battery charged--- about 25 amps in a 25 mile per hour wind," he tells me.

"But I think our battery isn't taking the charge."

Evelyn nods.

I ask how long they can stay out in the desert.

"We've been here about two weeks," she tells me. "We can stay about that long, sometimes a little longer."

I ask where they usually live.

"I've been retired for 10 years," Evelyn tells me, "But I'm an RN, so I still go in and do some work when I'm needed. We have to get back to the farm by spring, but we spend about three months a year between California and Arizona." They've stayed in nearby Blythe and Casa Grande but they've also been as far afield as Baja.

Harold, who was born in 1929, still works the farm, which is about 200 acres.

I ask how they chose their RV.

"Well, we have to have a truck for the farm, so the fifth wheel choice was the logical thing," Harold explained.

Will they ever spend more time on the road?

"Probably not. We like the farm and don't want to leave it. But we've met a lot of people who are going full time because the taxes (on their homes) are so high," he said.

Does this mean the RV lifestyle is a way to reduce expenses?

It's certainly possible. Not far from Harold and Evelyn I come across an Airstream flying an American and a Texas flag. The owners aren't there, so I can't ask if they homestead in Texas, with no state income tax, and wander at will from their post office box. Add a cell phone, a Yahoo e-mail address, and you can be at large in America with an investment of \$40,000, possibly less, for a used tow vehicle and trailer.

Then again, this is America, Land of the Infinite Upgrade. We now produce RV buses so luxurious I can only think of the famous J.P.Morgan quote about the cost of yachts: "If you have to ask, you can't afford it."

Tuesday, February 28, 2006

## **Rick Ruff, Airstream Guardian Angel**

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Drive past Madrid, home of the Mineshaft Tavern and a tribe of people who are still wearing tie-dyed T-shirts and you won't find much. Pass the last of the roadside miners' cabins and what you'll find is miles of beautiful scenery in all directions.

The road, best known as "the Turquoise Trail," is popular with bikers. The cruisers ride to the Mineshaft on Sundays and add some class to the weekday crew. The sport bikers--- some with well scuffed knee pads on their leather riding outfits-- - don't stop. They just burn road and run the twisties from Santa Fe to Albuquerque.

But if you went a few miles past Madrid, turned off on a dirt road known to some as "Mail Box Road," and followed the ruts a few miles you would eventually come to the home of Rick Ruff, Airstream Guardian Angel.

Mr. Ruff, now in his late fifties, lives there with his collection of six Airstreams, all venerable, all collectible. He has no electricity. He trucks in his water. He trucks in his propane. Solar panels recharge the battery in his residence and two aging generators are run from time to time for the sole purpose of running power tools. He stays in touch with the world with his cell phone.

His Christmas card pictures a lone Bambi---the coveted 16 foot trailer from the sixties--- covered with snow, the Sandia Mountains far in the distance.

Talk about austere beauty.

Another photo shows a rainbow landing in the midst of the six glistening Airstreams.

Rick lives lite. A former leather crafts worker, he became familiar with trailer living in the years he went from one craft show to the next and learned that the best way to make the economics of hand craft work was to live in a trailer. Like me, he was charmed by the odd perfection of the Airstream's ovoid shape.

In time, he gave up making leather bags and other craft work. He started fixing people's Airstreams. He will also go and pick up a trailer for you and bring it

back to your house, having recently towed a '40s trailer from Southern California to Santa Fe.

That's how I met him.

Last November when I bought my 1971 Safari, a 23 footer, the seller told me about Rick. I called him immediately because, well, I was scared to death about what I had done. I was even more scared about what I might have to do. While the 35 year old trailer appeared to be in good shape, I was no judge and I'm not very good at fixing things.

The fastest way to build a collection of spare parts is to ask Scott Burns to assemble something. Let's leave it at that.

So I hired Rick to re-rivet a window, install new tires, and assorted other tasks before having him transport the Airstream to the BdoubleD, otherwise known as the Burns Family All Hat and No Cattle Ranch. This is where it now lives, with a view of the Sangre de Christo Mountains from the front window and a view of the Jemez Mountains from the back window, waiting for its first trip in early summer.

Then, the "mobile bunkhouse" will spend a month in Red River, north of Taos.

Before then, I will be counting on Rick to help with a multitude of small but vital repairs. You would be amazed at what happens to 35 year old plastic parts, how difficult it is to find small replacement fans, etc. Even so, our mobile bunkhouse is already earning its keep as a place to start the evening with a glass of wine.

Rick isn't the only person devoted to Airstreams. Use the web to explore the cult of Airstream and you'll find dozens, perhaps hundreds, of people who have either restored their own Airstream or offer to help others do it.

This simple purchase has already had an impact on how we live. We may never live as austere as Rick Ruff, but its space has already redefined our ideas of what we want or need. Plans for building a walk-in closet have been abandoned. Plans for doing a major bathroom remodel have been canceled. I figure the Airstream has already saved us about \$40,000 in remodeling expenses. That makes it a pretty good \$5,900 investment, don't you think?

And my wife has a new vocabulary for living in the material world. She wants, she says, "to hold things lightly."

Rick Ruff knows how to do that. Most of us would do well to be learning.

**Sunday, June 4, 2006**

## **Ride to Live, Live to Ride**

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RED RIVER, NM. In the dead of winter, when we last visited, fewer than 500 people lived in Red River. The Road Runner RV Resort was closed for the winter. We walked the property. We chose a primo site, right on the creek. The "curbside" view from our Airstream would be a lovely stand of tall trees.

Our month of sylvan peace, Airstream style, would start on Memorial Day weekend.

Well, not quite.

This is also the weekend that thousands of bikers gather here for one of the biggest Harley rallies anywhere. The entire half-mile of Main Street is lined, both sides and in the middle, with bikes---thousands of them. They are parked, softtail to wide-glide to road-king to fat-boy, as far as the eye can see. Then there are the choppers, the custom bikes, the Roman chariot trikes with rows of seating, monster V-8 engines, and amazing airbrush art.

And that's not the end of it. A large horse corral at the end of town has become a tent city. Every campsite, motel, and condo all the way back to Taos is parked solid with these big, rumbling bikes. The street undulates with thousands in bandanas, clad in black leather, all sporting vests and jackets covered with rally pins and badges.

And that's before you get to the tattoos.

Most of the license plates are from New Mexico and Colorado. But Texas is well represented: I spot riders from El Paso, San Antonio, and Hill Country. Oklahoma riders are here and I spot others from Arizona, Kansas, Iowa, and Illinois.

Now an equal opportunity sport, there are nearly as many women as men. Many are riding their own bikes. One, a vision of Wagnerian proportions, is decked out neck to toe in white leather garlanded with flowing strands of Indian beads--- Our Lady of Santa Fe Style, motorcycle division. She, like hundreds of others, parades up and down the street on a bike that seems to have all the chrome in the world.

Is this a great country, or what?

There are many reasons to come to Red River. For starters, there is the ride. Wherever you start from, you'll traverse some of the best biker roads in the country, culminating in "The Enchanted Circle"--- an 84-mile ring of twisties and vistas that links Taos, Red River and Angel Fire.

The enduring reason on Memorial Day, however, is the Vietnam Veterans National Memorial in Angel Fire. For many of these bikers a visit to the Memorial, built in 1971 as a family's gesture to commemorate a son killed in Vietnam, is an annual pilgrimage--- a day to remember the 58,000 brothers in arms who died in Vietnam.

It also explains why so many of the men in Red River are in their mid-50s to early 60s--- they are Vietnam veterans. Indeed, the two most common phrases on all the badges are "Vietnam Veteran" and "Semper Fidelis." In Vietnam the average infantryman was 22 years old. The average age of those who died was 23. If you start from 1965 (the year that began with our 23,000 advisors in Vietnam being committed to combat and ended with 184,000 troops in place) and end with 1973 (the year the last U.S. troops were withdrawn), all those young men, if they lived, are now somewhere between 55 and 62 years old.

May they always keep the shiny side up. May all the roads they travel be open and free.

Our sylvan peace can wait.

Sunday, June 11, 2006

The Airstream Chronicles

## Small /s Beautiful

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**Red River, New Mexico.** Think of it as the ultimate downsizing. My wife and I have now spent two long weekends in our 1971 Airstream trailer. In a cabin that measures 20 feet by 7 feet, our aluminum cocoon contains everything needed for daily living. It also opens a radically different perspective on daily living.

We'll get to that, the immaterial perspective, in due course. But let's start with the details of our miniature world.

A couch traverses the front end of the trailer. The kitchen is ever so slightly further back. The stove and sink are on to port, or street side. The refrigerator and storage are to starboard, or curbside.

An aircraft-like bulkhead separates the kitchen/dining/living area just described from the bedroom. It contains a twin bed that extends to  $\frac{3}{4}$ , on the curbside. Open boxes below the bed contain our wine cellar, tools, and extra linens. A wardrobe closet and chest are street side.

Just beyond that, separated by another bulkhead, you will find the, ahem, master bath. It contains a toilet and tiny sink. The tiny floor area doubles as a shower, much like the bathrooms on small sailing yachts.

The Airstream is like the classic description of small hotel rooms: So small you have to leave the room to change your mind. But it doesn't *feel* small, even though both its two occupants are admitted house addicts.

That's not hyperbole. My wife and I love houses. We can't live without them. We can't visit a strange city or place without reading real estate ads. We are so crazy; we could visit Chicago in winter and contemplate buying a condo. Ditto, vacations in Mexico: Gee, wouldn't it be nice to have a place here in (pick one)

- (a) San Miguel,
- (b) Puerto Vallarta,
- (c) Playa Del Carmen.

In fact, we don't spend much money on vacations because we're always in the middle of a remodeling project and it always costs more than we thought it would. Basically, we need help. We need a 12 step program, a Homeowners Anonymous.

I say this freely, without embarrassment, because we're not alone. As Americans, most of us are addicted to our homes. We covet them when we are young. We buy the largest we can possibly afford through our working lives. And we are afraid to leave them when we are old---even when the maintenance is difficult, the expense is a burden, and much of the coveted space is unused.

What amazes us is the pleasure of our small space. We have light on four sides, excluding the skylights. Few rooms in conventional dwellings have that. A laptop with Bose speakers serves as our music and entertainment center. A 1 gig

flash-drive brings up hours of additional music each week. A small stack of DVDs will help us catch up on movies. Wireless internet keeps us in touch with the world, without waste paper. A small rack in the living area holds current books.

There is little to take care of and everything we need is at hand. Daily life has suddenly become simple. It's easy to wonder: Why do we let our normal lives become so complicated?

For the first (and probably only) time in our lives we are living in a gated community--- Roadrunner RV Resort provides residents with a temporary gate card. And we are surrounded by beauty that is somewhere between priceless and very pricey.

We are also surrounded by easy community. Without ceremony or much attention to detail, we arrange to cook outdoors and share two dinners with neighbors across the creek. Nearby, three couples from Fort Worth have arrived with eight children and all their assorted equipment--- bicycles, ATVs, and fishing rods. The kids, only yards from their parents, skip stones in the creek. We can't remember how long ago it was possible to arrange impromptu dinners with friends. Definitely years: Maybe decades.

Perhaps, we wonder, it isn't the speed of our lives that makes community so difficult. Maybe it is just the incredible bulk of our possessions and shelter.

On our morning walk, stunned by the beauty of the mountains and the clear blue sky, my wife and I nod experience a simultaneous revelation, a fundamental concept buried under decades of contrary advertising.

*It is not necessary to own something to experience it.*

*Some things are better experienced without thought to ownership.*

Sunday, July 2, 2006

## Two Lives: Re-Imagined and Better

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**Red River, New Mexico.** While much of the country is suffering from overwhelming heat, Jim and Chris Rett are living here, enjoying the coolness that comes from being at 8,900 feet. In summer, days here average 75 degrees. Nights average 38 degrees.

Yes, you read that right: 38 degrees.

"When it gets hot," Jim says, "you can move north--- *or you can move up.* Up is closer."

Rich people have done this kind of move for centuries. Well-to-do Bostonians summered Down East, dotting primo spots on the Maine coast with palatial "cottages." Wealthy Texans have fled the heat and humidity of Dallas, Houston and San Antonio for decades, escaping to Santa Fe during its summer monsoon season. Others went on to Red River, which some have called "Little Texas."

But Jim and Chris Rett aren't rich people. At least they aren't rich by the usual definition--- having lots of money. I call them Reimagined People.

Officially, they are domiciled in South Dakota, but they have never lived there for any period of time. Instead, they are "full-timers"--- people who live in an RV and travel the country. Earlier this year they were living in Big Bend National Park. Come October, they will be moving on. Now 58 and 55, they have been full-timing for three years.

I met Jim while admiring the hummingbird feeder planted outside his 30 foot New Horizons 5<sup>th</sup> Wheel, having just bent the stout metal rod of our hummingbird feeder stand trying to get it into the incredibly solid soil at the Road Runner RV Resort. He and Chris are camp hosts--- meaning they exchange some time helping operate the resort for an RV spot, free electricity, propane, cable TV, and laundry access. This allows them to avoid over \$900 a month in cash expenses.

"This is a surprisingly inexpensive way to live," Jim told me. "We're Escapees and we spend a couple months a year in Benson, Arizona." (Escapees is the name of the Livingston, Texas organization that provides services and campsites to full-timers and aspirant full-timers.)

How inexpensive?

Try \$2,000 a month for expenses, including medical insurance, and an additional \$200-a-month reserve for federal income taxes. That, he told me, is what they've averaged per month so far this year. Earlier, when they traveled more and did not serve as camp hosts, their expenses ran to \$3,000 a month, he said.

Then again, their expenses in Big Bend were about \$1,350 a month, nearly half of which went for medical insurance. "You don't spend much money when you have to drive 80 miles to a grocery store," Chris smiled. It also helps to live in an RV-- when something new is purchased, something old has to leave.

While it is common to view "early retirees" as a euphemism for corporate cast-offs, as the victims of an increasingly desolate corporate culture that views people as expenses rather than assets, you don't have to spend much time with Jim and Chris to understand that they are true free agents, unencumbered.

They aren't rich. They aren't poor. They aren't victims. They are people who examined their lives and decided to leave the 9-to-5 world behind. They went on to build the healthy, active, outdoor life that most people on the planet would envy.

I asked Jim what he had done in their previous life. Jim said he was a mechanical engineer, explaining that he and Chris had always lived below their income and had spent years living on a sailboat in the Pacific Northwest. Just before their shift to full-time RVing, Jim had been teaching at a community college. Then two of his colleagues quit, and he had to teach five courses a semester.

"And we had 77 consecutive days of rain," he added. After those 77 days they decided it was time to invent a new life.

They sold their paid off house. They sold most of their possessions. Jim converted a major part of his savings into a life annuity. They ordered a custom-made 5<sup>th</sup> wheel, adding solar power, extra batteries, more windows, XM radio, and other goodies. It cost about \$75,000.

Jim, always an engineer, customized a relatively small GM truck to increase its torque and horsepower so it could pull the 15,000 pounds of trailer and contents. The truck brought their total investment, paid in cash, to nearly \$115,000.

Is that a lot?

For many, yes. With a careful purchase of used tow vehicle and trailer, I figure you can be on the road for less than \$50,000. But here in America, the Land of the Infinite Upgrade, it's also possible to spend much, much more.

Avoiding the ersatz glitz of many RVs--- the bizarre carved velvet couches, the ludicrous beveled glass cabinet fronts, the plethora of flat panel televisions, and other touches that make \$500,000 motor homes feel like mobile bordellos--- the Retts custom designed their 5<sup>th</sup> wheel with birch cabinets, simple flooring, and crisp brushed stainless-steel fittings. The result is a bright, airy and very efficient one-bedroom apartment on wheels.

Then they hit the road, gravitating toward the Southwest. They spend time in Arizona and California. But they've also windsurfed Laguna Madre by Padre Island-- - and they ride their bicycles everywhere. Both are lean and fit. Both love to cook and are quick to admit that they spend over \$600 a month on food.

Is there a fly somewhere in all this ointment?

I don't think so.

For one thing, their modest living expenses are entirely voluntary. They could spend more, but don't feel a need. They live on less than their current income. They are living on what they will eventually receive in Social Security benefits, alone. And when Jim shared their investments with me, I entered it all in ESPlanner, the dynamic programming software that was the subject of a recent column series.

What did it tell me? At an assumed return of 7 percent, just 4 percent over inflation, they could safely live to 95--- *even if they doubled their spending*.

So there it is. Free time, airport-free travel, a healthy life and more income than you need. It's available today, not tomorrow. It requires some savings--- more than most people have. But it doesn't require a fortune.

The real price of entry: The courage of re-imagination.

Sunday, July 1, 2007

## **Surprise! A Moveable Feast of Waterfront**

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**Bayside, Maine.** The midday sky darkens as the Surprise slides toward its mooring. We drop the sails. We have everything tied down just as the rain shifts from drops to downpour. The radio announces thunderstorms along the entire midcoast of Maine, an area that may be the most beautiful sailing ground in the world.

Unlike previous sailing trips, the Surprise is not a rented vessel. She is a J30 sloop, vintage 1981. She was named in honor of the legendary Capt. Jack Aubrey's



vessel after my brother Doug and I bought her with a winning bid at the Maine Maritime Academy charity boat auction last year.

She is fast. A mere puff of wind will move her at 5 knots. A good breeze will take her to 7 knots and more. Below decks she nominally sleeps six in the space one might find in a 25 foot Airstream. Light the cabin heater and she offers a comfortable nest of well-varnished wood. More important, she is a moveable feast of stunning waterfront.

Whether they are sail or power, boats are often described as money pits--- “like taking an ice-cold shower while burning \$100 bills,” or as “holes in the water into which one pours large quantities of money.”

I beg to differ.

Today, boats are one of the few ways people who aren't rich may get to enjoy magnificent water views. Along this part of the Maine coast a very rustic waterfront cottage is likely to sell for \$500,000 or more. In the more posh areas, like Castine and Blue Hill, the cost of entry is well over \$1 million.

The math here is oppressive. A \$1 million mortgage (at 6 percent) costs \$6,000 a month for all 12 months. But prime season is less than 3 months, so the real cost is \$24,000 a month, or about \$800 a day. And that's before you consider taxes, insurance, maintenance, and utilities.

This is not unique to Maine. Check the prices of waterfront houses on Cape Cod, Long Island, and Annapolis, or anywhere along the Florida coast, and waterfront is priced in multiples of \$1 million. The same is true, in spades, on the West Coast. Anything on the water, anywhere, is the stuff of trophies--- and priced accordingly.

The prices, I think, are further evidence of the growing gap between the Paycheck Economy and the Portfolio Economy. In the Paycheck Economy--- the one most of us live in--- houses are bought (and rent is paid) with monthly payments. Those monthly payments are tied very closely to monthly income. The monthly income, in turn, is sustained by the indignity and inconvenience of work.

In the Portfolio Economy--- the one Forbes Life, the Robb Report, and Architectural Digest chronicle--- everything is done with small shifts in large piles of pre-existing assets. Nothing is tied to a paycheck or something as ephemeral as monthly income. Everything is a portfolio transaction, a movement of assets from one form (hedge fund, IPO, inherited stock, etc.) to another (trophy waterfront house, mega-yacht, etc.).

When it comes to waterfront and water-view property, the Portfolio Economy is crowding out the Paycheck Economy.

What can those of us who live in the Paycheck Economy do about it?

One answer: Buy a boat. It is possible to get on the water in a habitable boat for less than \$30,000.

Another answer: Rent a waterfront house. While it may cost \$500,000 or more to buy one of these properties, a great many cottages are available by the week for about \$1,000. That's less than \$150 a day, well under the actual or imputed costs of the owner. The gap between the cost of owning waterfront vacation property and the cost of renting it has been enormous for decades.

All we need to do is remind ourselves: It is possible to experience something without owning it.

Sunday, November 25, 2007

## A Radical Retirement Solution

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Several years ago a Dallas couple approaching retirement disappeared. Well-known on the charitable event circuit, the couple was in Dallas one day and gone the next. Phone disconnected. No forwarding address. No working cell phone number.

Eventually, word spread that they were somewhere in Mexico. They had sold whatever they owned, packed their car and headed for the border. They were, conflicting reports said, living in small towns, the kind of places seldom featured in travel magazines.

We can only speculate on what happened. I think they were broke, had little or nothing in savings, and knew they had to make a major change to survive on their Social Security income and minimal savings. Like millions of other Americans, their ship never came in. They got older. Work became harder to find. Suddenly they realized their life was entirely unsustainable. They were heading toward a cliff.

They had to do something radical. Like live in an RV. Or leave the country.

The question is: Can a move to another country offer a cost of living so much lower than the cost of living here that moving is a positive solution?

I believe the answer is yes. I also believe that thousands of older Americans will be crossing the border in the years to come.

To test the economic idea, I decided to use ESPlanner, the powerful financial planning software I've used in other columns. I wanted to compare, in steps, what a couple could do by moving to Mexico. I wanted to see how much lower the cost of living abroad must be for a desperate idea to become a workable strategy.

So imagine this. You're 57. You're married. You make a reasonable but not glorious income, \$75,000 a year. It isn't rising very fast. It may not rise much at all in the future. Indeed, you're wondering if management won't find a way to eliminate your job well before you turn 66. Worse, your entire nest egg is about \$100,000 from the sale of your home several years earlier. It earns a safe 5.5 percent. Your wife doesn't work. The kids are grown.

Day after day you have a dreadful feeling you are running toward a cliff.

In fact, you are--- an income cliff.

Today, you are spending your entire \$60,000 a year of after-tax income. You aren't saving. But if you are forced to retire at 62, your income will plummet. It won't be much more than your Social Security benefits--- about \$18,000 for you and about \$8,400 for your wife, a total of \$26,400. (All figures are in dollars of constant purchasing power.)

That's a 56 percent reduction in your standard of living--- more than you can bear or imagine.

Can you reduce the shock if you spend less today and save as much as possible, shooting for a level standard of living?

ESPlanner tells us: Yes. But with only 5 years to go, it won't help much. By saving about \$30,000 a year and creating a bigger nest egg, you can increase your lifetime consumption from \$26,400 a year to about \$33,700 a year.

That's a hefty increase--- but it would still feel like a crash.

So, it's time to think about Mexico, Belize, Costa Rica, or Panama.

Suppose you can find a place where the cost of living is about 75 percent of the cost in the United States--- some beach town north of Puerto Vallarta or south of Manzanillo. What happens to your standard of living when you move to Mexico? It rises to the equivalent of about \$42,400 in the U.S.

Not bad.

Then you notice a problem. You'll be living in Mexico, where you can't get Medicare services, but you'll still be paying for Medicare. If your premiums rise at the historical rate--- 4.6 percent a year faster than inflation--- the \$3,200 a year you'll be paying out at 65 will rise to a stunning \$9,400 a year by the time you are 90. It will be a big hit on your standard of living.

Maybe it's time to blow off Medicare.

What happens to your standard of living if you don't sign up for Medicare at 65?

It goes up to the equivalent of \$47,200 a year. Of course, you'll still have medical expenses but perhaps you can make a better, less expensive arrangement.

Can you do still better? Yes. Just continue searching for a low-cost area. If you can find a place where the cost of living is 60 percent of the U.S. cost, your lifetime standard of living, without Medicare expenses, will be the equivalent of \$55,500--- very close to the \$60,000 you got to spend while working in America.

Sunday, December 23, 2007

## The Coming National Yard Sale

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Every cloud has a silver lining. So it may be time to see who gets the cloud and who gets the lining.

We know who gets the cloud. It's anyone who has been making a living from building, selling or financing residential real estate. It's anyone who has depended on being able to use their house as an ATM with serial cash-out refinancing. And it's lots of people in the financial services industry.

Jobs are disappearing.

Some of that cloud will also cover the rest of us because there is a growing probability that 2008 will be a recession year. If you listen to the Chicken Little crowd, it will be a monster recession. If you listen to the Happy Talk crowd, it will be just a growth slowdown.

What's missing in most discussion is the fact that our financial markets are shadows on the wall, erratic representations of the day-to-day world that geeks call "meat space."

The question is what all of us meat space residents are going to be doing to adapt and cope.

Enter, the Yard Sale Economy. That's the economy where once-new goods go back on the market to be sold as either used (as in clothing at a consignment store) or "pre-owned" (as in the purchase of an aging Ferrari or vintage Patek). Lots of people are going to take stuff out of their closets and garages and try to sell it.

You can understand why this will happen by thinking about two things. The first is the sea change in thinking we're undergoing. The second is what regular people can do to stay afloat once they figure out that a new supply of credit cards won't be in the morning mail.

- **The sea change in value thinking.** It's really comfy to live in a world of rising object values. We've been enjoying it for a long time. But if home values continue declining, we'll start looking at houses as related to cars and other consumer objects. Cars depreciate every year. They typically lose about 20 percent of their value a year. Other stuff is even worse. Basically, most consumer stuff loses 50 percent to 100 percent of its market value the moment you take it out of the store.
- **Staying afloat.** If your mortgage is about to reset to a higher interest rate and you try to figure out where you'll find the payment money, it probably won't be a higher salary or a second job. But the cash might be found by selling something. For example, you could sell a car and pay off its loan.

Here's a very rough example. Suppose you own a \$240,000 house with a \$200,000 adjustable-rate mortgage. The mortgage currently has a 5 percent rate and requires a monthly payment of \$1,074. Suppose you also have two \$25,000 car loans at 7 percent. Then you've got two car payments, \$495 a month each. And suppose you've also got a credit card balance of \$10,000 and make a minimum payment of 2 percent or \$200 a month.

Query: Where do you find the money to cover your mortgage when it resets to, say, 7 percent and a new monthly payment of \$1,331? That's another \$257 a month.

Answer: You cover the increased payment by selling a car. You replace it with a less expensive car. Hopefully, a no-payment car. That can reduce monthly debt service by as much as \$495.

Will *everyone* do this? No way. But enough will do it to shift the supply/demand balance and make it a buyer's market.

The basic relationship here is simple. It costs \$6.65 a month to support \$1,000 of home mortgage at 7 percent. But it costs \$19.80 a month to support

\$1,000 of 7 percent car loan. *If you owe money on a depreciating house, you can improve your position by getting rid of faster-depreciating things like cars.* Then you apply the liberated income to the house payment.

Cars, boats and other “stuff” eventually depreciate to zip. But houses usually appreciate. Millions of financially strained households will empty their closets and garages before they give up their houses.

That’s why I think a substantial portion of the ongoing real estate story will play out in other markets. That’s where the solutions are.

Those with cash get the silver lining: 2008 will be a good year for bargain-hunting.

Sunday, January 27, 2008

Letter from Florida:

## Slider-Land

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FORT MEYERS, Fla.--- Here, people don’t ask whether we are headed for a recession. They know a recession is here. For those who live here, the questions narrow down to two.

*How much worse will it get?*

*How long will it last?*

For residents, virtually everything hangs in the balance. And I mean *everything*.

A doctor friend once told me of an eerie feeling that came along with medical practice. Tending a dying patient, he would look out the hospital room window for a moment. Outside, life went on without a pause. The automobile traffic never stopped. People were still in a hurry.

I feel the same way as I drive down Route 41, the highway that connects Cape Coral, Fort Myers, Bonita Springs, and Naples. The roads are still busy. The cars are still shiny. Massive new shopping centers greet the snow birds, the early retirees setting up house, and the usual vacationers escaping the cold of Minnesota, Michigan, Massachusetts and Maine.

At the sales and information office for the Colony Golf and Bay Club in Bonita Springs I meet Robert Burdett. I ask the former photo-journalist if he’ll bring me up to date on what has happened since I visited in 2004. He tells me all the condos at La Scala, a very upscale tower I had visited and admired then, were sold.

But everything seemed to stop last summer, he adds. At the Florencia, the newest luxury tower, few purchases were completed when the project was finished last fall. Only a handful of units were sold in the last quarter.

But on Jan. 8, WCI Communities, the embattled developer, lowered prices dramatically. A spectacular penthouse unit that was priced at \$1.7 million on Jan. 1 can now be had for \$1.3 million, a 24 percent drop. Discounts on other units range up to 40 percent as WCI struggles to survive.

Now, buyers have appeared and units are under contract.

That this can happen to WCI is striking. WCI is a primo developer, a company that understands how to create the experience that upscale buyers seek. The company takes its slogan, "Every element for the perfect life," very seriously. If this can happen to WCI, it's terrifying to imagine what can happen to the average developer--- or anyone who needs to sell his house.

According to Fort Myers MLS Board figures, it would take 44.5 months--- nearly four years--- to work off the current inventory of homes for sale. That doesn't count the discouraged sellers who have taken their houses off the market but still want to sell. Foreclosures numbered 1,441 in December and 7,324 for the year--- about 4 percent of the single-family homes in Lee County. And most of those foreclosures were after August. The situation is not getting better. Hank Fishkind, an Orlando-based economist, estimates that it may take 4 years for the housing market to recover.

The local News-Press regularly advertises auctions of homes built to sell for \$250,000. The minimum bid: \$50,000. Small condos are offered with opening bids of \$25,000.

Over lunch, another Realtor says those \$250,000 houses are now selling for \$100,000--- when they sell at all. She also explains that most of the properties that are selling are "short" sales, where the debt and closing costs exceed the sale value of the house.

The Realtor herself fears becoming a victim. She is spirited, hardworking, and resilient. But the blunt reality is that she is "upside-down." She owes more on her house than it would sell for. Worse, she depends on scarce real estate sales for the income to service the mortgage.

Sadly, she is in the same position as the Texas "condo slaves" of the late 1980s. When new buyers take over distressed houses and condos on the Florida Gulf Coast, they will be able to do what buyers did in the Texas bust---rent the property for less than the Realtor pays on her mortgage. Her long-term financial health may be better if she declares personal bankruptcy than if she toughs it out.

Some of the bust effects are more subtle. The couple I am visiting, friends in their early 80s who refer to themselves as MOOs (Married Only Once) after 57 years of marriage, take me to a dinner party at Eagles Nest, a large and luxurious continuing-care community with a golf course, tennis courts and marina at Shell Point. At 67, I am nearly 20 years younger than the other guests.

After years of long waiting lists, the resident guests tell me, Eagles Nest now has a small number of vacant units. People who want to move there can't because they need to sell their house or condo first. As a consequence, some elderly people who need the support of a continuing-care community are now at risk, trapped in homes they can't sell.

However universal the decline, this isn't bad news for everyone. It means a half-empty glass for sellers. But it may also mean a half-full glass for buyers. For

about \$800,000, for instance, it is possible to buy a large and essentially new house with a pool in a gated community with deeded boat dockage and direct access to the Caloosahatchee River and the Gulf of Mexico. That's about \$275 a square foot. In another gated development, a three-bedroom home with a courtyard pool, boat dockage, and lovely canal views is available for less than \$400,000---about \$185 a square foot.

According to [www.realtor.com](http://www.realtor.com) there are more than 12,000 listings in Fort Myers alone, with nearly 2,000 available at \$125,000 to \$175,000. Many cost less than \$100 a square foot.

Will prices go yet lower?

No one knows. What's clear, however, is that a sellers' disaster may be a buyers' opportunity. A Florida retirement may now represent an opportunity to exchange a high-priced home elsewhere for a bargain-priced home in sunny Florida.

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#### Sidebar: An Opportunity Check-list

Here is a precautionary list for bargain hunters, culled from conversations with my host, a former executive for a major international company and former commodore of an area yacht club. He has been retired in Florida for more than 20 years.

- A bargain is about more than price. If the property is an ugly dog, it doesn't matter how low the price is, don't buy it. Remember, many of these houses and condos were built by brainless builders funded by nitwit lenders.
- Avoid developments that are not yet complete. You don't know how, when, or if the project will be finished. Equally important, you don't know what the long-term homeowner association costs will be because they may be subsidized by the developer.
- Read the homeowners' association bylaws carefully. Make sure you understand the restrictions and how they will impact your property. Some will protect you. Others may make it difficult to sell the property in the future. Pay particular attention to the association reserves. If the financial reserves are small, you could be walking into a major future assessment.
- Remember, Florida is hurricane territory. If your development has canals, docks and other water features, there can be significant assessments for repairs. Don't buy if you don't have the money to cope with special assessments.
- Check the water sources for your community. The long-term drought has reduced the water level in many canals by as much as 3 feet. It has also led to strict rationing of irrigation. Some communities have deep wells for irrigation. Others have shallow individual wells that may run dry.
- If boating is your aim, check the depth of the canal or other access to open water. Similarly, if living on a golf course is your goal, don't assume it will be there forever. Check the finances and membership of the club.

- Check the health care services in the area, particularly if you have special needs or a rare malady.
- If you won't be living there full time, make certain the homeowners' association is responsible for all exterior yard work. That determines, in large measure, the appearance of your development and how you experience it.
- Don't buy a property planning on future rental income. With thousands of rental properties competing for the same renters, you'll likely be playing a game of rental musical chairs.
- Do buy a house or condo if you have a solid personal use for it such as retirement, partial retirement, or family vacation home.
- If you won't be living there full time, make certain you explore the ease and cost of air transportation and car rentals. Include a budget for same in your planning.
- Don't fool yourself that this market will turn around in a hurry. Whatever the crush of boomer retirees, it will take years to work off the accumulated inventory.

Sunday, April 13, 2008

Letter from Mexico:

## In Puerto Vallarta, Condos-are-US

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PUERTO VALLARTA, MEXICO. Standing on our 10<sup>th</sup>-floor balcony at the Westin, my wife hands me her binoculars. "I think they added the verticals for another three floors while we were having lunch." She points to the framework for yet another skyscraper along the Banderas Bay shoreline.

This is not the usual use of her binoculars. For much of the last week they have been focused on the pelicans and frigate birds that cruise the shoreline or have checked out the regular parade of sail and power yachts that emerge from nearby Marina Vallarta. But today she wants me to watch the high steel workers maneuver a girder into place as they stand precariously over about 13 stories of air. Beyond this building, three recently completed 20-story buildings stand, awaiting occupants. And up the beach a few steps in another direction there are still more condos with magical names--- Shangri-La, Grand Venetian, Portofino, and Bay Grand.

In fact, new construction goes far beyond the confines of Puerto Vallarta. It is everywhere along this beautiful coast. In the places where it is not yet completed, billboards (in English) announce the imminent arrival of another opportunity to live in unsurpassed luxury and elegance where you can view the world from a plethora of infinity pools. Even distant Sayulito, the charming, funky surfing town celebrated



by Barry Golson in “Gringos in Paradise,” is booming with new construction. Here, in this part of Mexico, real estate is big business.

It’s good to know, of course, that if a shortage of condos develops in Miami, there is a backup supply in Puerto Vallarta.

What that means for anyone who has contemplated a second home in Mexico or retirement in Mexico is very simple: A buyer’s market is either here or on its way. The supply of condos and homes for sale exceeds demand.

But let’s put it another way. While the number of millionaire households in America has shown stunning growth in the last few years, millionaires are still in short supply relative to the number of luxury opportunities that have been created.

Does this mean a crash is coming to Puerto Vallarta? I wouldn’t bet on it. The market here isn’t likely to suffer the steep declines we’re seeing in places like San Diego, Las Vegas, and Miami. Here’s why.

According to Vallarta Lifestyles, whose current 265-page issue is bursting with real estate ads, the average condo resale price rose 79 percent from \$196,000 to \$351,000 between 2003 and 2007. That’s a hefty premium over the 32 percent increase in the OFHEO (Office of Housing Enterprise Oversight) index for the United States over the same period or even the 50 percent increase for the Pacific states. Sounds ripe for a fall, doesn’t it?

Not so fast.

The appreciation isn’t so stiff if you pay in euros. Remember, the euro has appreciated about 25 percent against the dollar over the same period. As a consequence, our real estate (and Mexican oceanfront real estate priced in dollars) looks a lot less expensive to Europeans than it does to us. Europeans, Asians, and Canadians could buy a lot of the inventory. Lots of Brits and Germans are here.

Another thing to remember is that Mexico isn’t blessed with our creative financing. Indeed, home mortgages barely exist. Most homes are purchased for cash. So if speculators have bought houses and condos in Mexico, they’re probably well financed speculators compared to the folks who used Liar Loans to borrow their way to bankruptcy in America. Here, property owners are likely to hang tough, waiting for a better market. There will be fewer distress sales.

Maybe.

But there is a reason all those billboards are in English. Americans are the primary buyers in Puerto Vallarta. And the majority of them are from California. I would not be surprised if many of the condos sold in the last few years were purchased with cash from refinancing a house in California. As a result, the supply of houses for sale in PV may increase significantly in the next year or so as Californians look for a source of cash and find it in Mexico.

Bottom line? It won’t have the stark drama of places like Fort Myers, Fla., or Stockton, Calif. But Puerto Vallarta looks like a long term opportunity for buyers and renters alike.

Sidebar: Yes, Real People Can Live in Mexico

Dreaming about living in a place like Puerto Vallarta but don’t have \$3.5 million for a condo penthouse? Not to worry. Your dreams can still come true, even

though you'll need more than the \$1,500 of monthly income required for the long-term visa. Within half a block of Marina Vallarta you can buy older two-bedroom, two-bath condos for \$125,000 in a complex with gardens and a pool. You can also buy new homes for less than \$200,000, some with golf course views. Yes, there are abundant opportunities to pay more. But it isn't required.

The marina has ample restaurants and bars, laundries, dry cleaners, salons, and a café for exchanging books. Internet access is common and easy. There are also two supermarkets a few blocks away, not to mention a nearby Wal-Mart and a Costco. My wife and I figured the marina area offered enough that it would not be necessary to own a car if we were to live here or take a long winter rental. Cab rides into the downtown boardwalk area are only \$5. Bus rides are only 50 cents. The airport is only a mile away, with plenty of nonstop flights to Phoenix, Denver and Dallas.

The biggest worry most retirees have about living in Mexico is the loss of Medicare coverage. Well, that isn't entirely true. Medical services are available at the marina. On a visit to the AmeriMed clinic there, manager Antonio Arce told me that Americans with Medigap insurance from Blue Cross Blue Shield had no problem getting medical treatment, and AmeriMed had no problem getting paid. Treatment is not just for bruises and turista either--- those with clinical needs, such as Coumadin/warfarin patients in need of regular blood tests, can get them here.

Don't want to live in sunny Mexico unless you have a water view? Then live on a boat. At a nearby boatyard, I inspected a well-equipped, 34-foot sloop. Maine-built in 1982, it was in primo condition, had a lovely all-teak interior, modern electronics, solar panels, etc. It had berths for 5, but two could use it as a full-time live-aboard boat. Offered at \$50,000, the boat has been listed for sale since last summer, so it can probably be purchased for less. Then you can rent a slip at the Marina for about \$500 a month.

Tire of sunshine? Then sail to Seattle.

No car. Water view every day. Magnificent water views every time you sail. And all the shopping you can stand within a half mile. Long happy hours. Two-for-one margaritas at the end of every dock. Sounds like a plan.

Sunday, July 6, 2008

Letter from Maine:

## Reinvention Trumps Loss

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**Belfast, Maine.** It's hard to believe, sitting here at a cottage window, that the world is having its daily crisis, that billions are being lost, that oil prices are yet higher, and it is all the subject of important--- no, *pressing*--- chatter on the Internet.

Here, life just goes on, paced by blooming lupines, the scent of freshly mowed grass and the distant sound of seagulls. From our windows I see the quaint little cottages of Bayside in one direction and a brisk sweep down Penobscot Bay in another. It occurs to me, however, that Maine weather is a bit like the stock market-- moments of crystalline exuberance followed by days, weeks, or maybe forever, of unrelenting fog.

It would be really easy for me to trot out yet another story of real estate misery. From Boothbay Harbor to Stockton Springs the landscape seems to have sprouted an overflow crop of "For Sale" signs. Asking prices have come down, but they are still well over what people who actually work for a living can afford. One resident observes that we might see more signs, if many sellers hadn't taken their houses off the market.

But I will spare you that story. There is also a more positive, if subtle, message here. It is this. Some people would have us focus on loss. We in media-land excel at that.

But if we focus on loss, we'll miss seeing the things that are not lost, but restored. We'll also miss the things that are reinvented, rather than restored. Here are two examples, both from this little stretch of Mid-Coast Maine.

**Reinvention.** On Thursday, June 19<sup>th</sup> the Republican Journal, the weekly paper of Belfast, announced that it and five other weekly newspapers in the Mid-Coast area were being purchased by Village Net Media, Inc, an affiliate of [www.villagesoup.com](http://www.villagesoup.com). The goal will be to weave together the Internet platform of village soup with the print circulation of small newspapers that can trace their history back well over a century. The Belfast Republican Journal, for instance, began publication in 1829.

This is the technology version of your basic man-bites-dog story.

Small newspapers have been threatened with extinction before. In the late '60s small newspapers were dying because of costs, primarily the incredible burden of setting hot type. Then Boston inventor William Garth invented a small and inexpensive photo-typesetting machine. A small newspaper could switch to photo-typesetting for an investment of about \$5,000 in one of the machines Mr. Garth's company, Compugraphic, manufactured. Later, linking computers to photo-typesetters eliminated redundant key-boarding and improved the economics of small papers still more.

Through the 70's and 80's there was much media hand-wringing over the decline of newspaper circulations. The decline, however, was limited to major metropolitan papers because small weeklies and dailies were enjoying healthy circulation increases.

Will Village Soup-like changes slow or stop the current decline of traditional newspapers? I don't know. Recently, major newspaper stocks like the Washington Post, New York Times, and Gannett were off 26 percent, 38 percent and 59 percent, respectively, over the last 12 months. The stock market is predicting a quick death.

This may be a lousy time to own the shares of legacy newspaper companies, but it's a great time for communication between human beings. Never has so much been possible, so easily. Reinvention trumps loss.

**Restoration.** Three days later, a Belfast boat builder, French and Webb, launched three magnificently restored Buzzards Bay 30s from the town boat ramp, amidst the cheers of nearly a thousand people. These lovely N.G. Herreshoff designs were first built in 1910. They represent artful skills that are rapidly being lost. But master boat builders like French and Webb are keeping those skills alive.

Few can afford these works of art--- my brother and I joked that our shared 1980 J30 sloop probably cost less than the last round of *varnish work* done on any one of these boats--- but it is still a thrill to see the best of an era, to see both exquisite workmanship and appreciation for what has gone before.

As for the stock market, I don't mean to sound cavalier but, well, it's only money. It only dimly represents what we can do.



Thursday, October 23, 2008

Watching California:

## The National Yard Sale Begins

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SAN DIEGO. “License to Chill” glides by a wonderful sight in San Diego harbor. Hundreds of sea lions, basking at leisure, occupy their own private resort, a long dock that is anchored out in the harbor. Respectful pelicans, cormorants and gulls mingle carefully, searching for inconspicuous resting spots.

Not far away, the “sausage defense” protects a portion of the naval base. It’s called the sausage defense because it is a long chain of large inflated objects with a strong resemblance to... sausage links. Think of it as the Jimmy Dean anti-terrorist ring. Looking toward the city we can see the skyscrapers of modern San Diego, the constant arrivals and departures from the airport, and the amazing bulk of the aircraft carrier Nimitz, now being restored. This is a beautiful bustling harbor.

Less than a month ago, my wife and I were sailing that boat, a Hunter 33 from the [Harbor Island Yacht Club](#). It’s a club for sailors who don’t own boats. Instead, you can rent anything from a 22-foot Catalina to a 39-foot Beneteau by the afternoon, day, or week.

The weekend we arrived, Merrill Lynch had been sold to Bank of America. Lehman had filed for bankruptcy. And AIG had become an \$80 billion government investment. But stock markets around the planet had yet to tank.

Life seemed almost suspiciously normal. That Sunday afternoon, we still had to wait to get a table on the ocean terrace at [George’s at the Cove](#) in La Jolla. The valet parkers outside were still shuffling Bentleys, Porsches, Mercedes and Beemers. The bar at [La Valencia](#) was packed. And lots of people were carrying shopping bags.

So you have to wonder. How will all this unwind? How will this glossy society adjust?

It won’t be easy. Here’s a quick tour of coming “adjustments.”

**The Pursuit of Bodily Perfection.** Like many city-based publications, the [San Diego Weekly Reader](#) has lots of ads for plastic surgery and whitened teeth. Unlike its peers, however, ads in the Reader let you know *exactly* how much it costs for every imaginable procedure. A “5-Minute Nose Job” costs only \$499; immediate load dental implants, only \$1,900; beautiful lips, only \$249; and one-hour teeth whitening, only \$199.

Beneath many of the ads the small print says “*Major credit cards accepted.*”

Today, the limits on those cards are going down, and the interest rates are going up. The age of cosmetic surgery is heading for heavy-duty reconstruction.

**Status cars.** Often leased, offers of leases are disappearing. Loans to buy cars are requiring actual down payments and higher interest rates. Whether it’s fancy or



muscle that moves you, the out-of-pocket cash and monthly payments are going up. As I suggested last year in "[The Coming National Yard Sale](#)," cash buyers are going to find great bargains.

**The customers' yachts.** In the marina, I encounter a gathering of abandoned boats. Clustered together and ranging from 24 to 60 feet in length, nine boats have been impounded for non-payment of slip fees. Boats are abandoned in any kind of economy, of course, but walking the docks reveals that about one boat in five has been left to molder like a forgotten relative in a nursing home. No visitors. No care. With monthly slip fees running about \$500 a month, you have to wonder how many more boats will be impounded when owners start to look for ways to cut spending.

Impounding, it turns out, is just the beginning of the problem. Cars and houses, even those in bad shape, can be auctioned off. But derelict boats are a different story. It takes an age for a marina to get title. Then, they often have to pay thousands of dollars to have the boat hauled away for destruction.

**Shelter.** The Real Estate Book, a home listings publication, now shows "bank owned" and "short sale" properties as well as houses with major price reductions. So far the reductions only take prices down from insane to ridiculous. San Diego homes, like houses in virtually all of California, are still [priced way over paychecks](#).

**Help from government?** Finally, there is the problem of government insolvency at the state and municipal level. The state of California is seeking a federal loan because the municipal bond market has frozen. Meanwhile, sales and income tax collections are sinking as real estate assessments are falling. The city of San Diego, much like the entire country, is facing future pension expenses that aren't covered by its pension fund and exceed its ability to tax.

Bottom line: If you're thinking about catching falling knives, start with really small ones.

Sunday, February 8, 2009

## Message from Las Malvinas

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**Barranquilla, Colombia.** The patient, a man in his mid-50s, lies down on the bright blue webbing of a folding cot. A small table is next to the cot. A cardboard box is perched on it. A clip-on lamp clings to the side of the box, focused on his face.

Welcome to the operating room. It is one of the many acts of care set up all around the world by [Medical Ministries International](#).

John Graham, a Canadian eye doctor, checks his sterile supply table. He carefully holds out his hands with new sterile rubber gloves. A chair is slid under him. He begins to use a scalpel, removing the opaque, milky growth that covers much of the patient's left eye. The procedure, he says, is called an "excision of [pterygium](#)."

After two days of near-vision testing, I've seen how common the malady is. It can lead to blindness or near blindness. It happens to people in harsh tropical climates, often to women who cook over open fires.

I have the opportunity to watch Graham for an odd reason: The governor has declared today to be a "no motorcycles" day. This brings a measure of peace to a city in which three lanes of traffic routinely occupy two lanes of road. But it also brings much of daily life to a standstill: The ubiquitous small motorcycles are the taxis of the poor. Passengers ride behind the driver, protected with scruffy one-size-fits-all helmets. They wear yet scruffier reflective vests. So we have fewer patients than expected--- though the count is still over 400 for the day.

Four days earlier, on a Saturday, more than 50 volunteers gathered at Miami International Airport for the final logistic step. Our mission is to set up a two-week clinic in Las Malvinas, a poor barrio just inside the circumferential highway that surrounds Barranquilla. Barranquilla is an industrial city of 1.5 million. It is the fourth largest city in [Colombia](#), due east from photogenic Cartagena.

Each of us is given a hockey bag containing 50 pounds of medical equipment, medical supplies, or eyeglasses that have been collected for this trip. About a third of the volunteers are Americans; two-thirds are Canadians.

We have several ophthalmologists, an anesthesiologist, a general practitioner, nurses and optometrists. But it is also possible to go as a "general helper." That's what my wife and I are, having been recruited by Dr. Joe Fammartino, a veteran of many trips. He is the medical director for this mission.

Sunday afternoon we visit the school. We start turning it into an instant clinic, creating 13 stations that range from registration, distant- and near-vision testing, auto-refraction, three levels of consulting and further testing, scheduling for cataract surgeries in a remote operating room, the on-site procedure room and the fitting rooms.

Monday morning we arrive at 8. We see 363 patients during the day. By the end of the week we are rocking. We see 600 people in one day. The procedure count climbs. Most days have nearly a dozen cataract operations and even more pterygiums.

The accumulating stories are wonderful. Here's one: Two elderly women, nearly blind, live together. Somehow, they get to the clinic. One is scheduled for cataract surgery. The other will wait until next year. They have no money and live in a house without running water. I see her at post-op the next day. When the bandages are removed, she sees for the first time in years. There literally isn't a dry eye in the room.

Barbara Skinner, executive director of the mission, says we've seen nothing yet. We are in a new location. People from other areas may be afraid to come to Las Malvinas.

"But word gets out," she says. The second Monday of a mission usually brings a major crowd.

She is spot on.

That morning, more than 1,400 people are lined up around the school. We go into high gear, but still send hundreds home early. We can't possibly see that many people in a day.

On our last day we see only 200 people. We need to stop early to pack. I see Maria Albor, a woman I had tested earlier in the morning. She has a serious terigio. She is scheduled to see Dr. Graham. I walk her to his operating cot and give myself a new job, hand-holder, as he does the procedure.

In our ten days we see 4,683 patients, provide 3,972 with eyeglasses, operate on 116 cataracts, excise 139 pterygiums, and do 40 laser treatments.

I don't think two governments could do such acts of coordination as the sponsoring Columbian church and MMI. Nor could two corporations.

This is not done with money or for money. It is done through faith, trust, and hope. It tells me to share the cup, because it will always be full.

Sunday, February 22, 2009

## A Meditation on McDonald's

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**McDonald's, 9 a.m.** My coffee, as usual, is tasty and lawsuit hot. I look around and note that virtually everyone here at mid-morning is at least 60 years old. The kids and moms may come in the afternoon. They will certainly be here over the weekend.

But they are not here now.

This moment is for the geezer crowd. And I am now a full, dues-paid member of this group. There is no turning back. This morning I passed the last official age milestone most of us will experience.

*My online bank balance showed a new deposit.* It was the first automatic deposit of Social Security retirement benefits. I am now one of the 31,528,000 workers collecting retirement benefits. The deposit, \$2,620, was net of the \$96.40 premium for Medicare Part B. So the full benefit is \$2,716 a month.

If that \$2,716 a month strikes you as a hefty amount, it is. The average Social Security benefit check is about \$1,153 a month. [The most you can pull](#) if you've earned the wage-base maximum for your entire work life is \$2,172 a month. This year the wage-base maximum is \$106,400. Only 1 worker in 20 earns that much.

So how did I get the extra \$544 a month?

It was easy. *I delayed taking benefits.* Instead of taking them at 62, 65 or my [full retirement age](#) (65 years and 6 months), I waited until a few months after my 68<sup>th</sup> birthday.

This may be the only form of denial that pays dividends.

Simply ignore that you've become a geezer and, month by month, the government will raise your retirement benefits. The delay means that my wife will receive higher survivor benefits in the event that I am not immortal.

If this sounds familiar, I've written a lot about it. Delaying benefits is good personal finance. [The optimal age to take benefits](#) for a typical married couple is when the husband is age 68 or 69.



My wife, who was also a strong earner, started taking her benefits at 62. She now gets \$1,394 a month. So we've got \$4,110 a month coming in from Uncle Sam.

Why, with that much money I could be drinking coffee at Starbucks!

I find this worrisome.

It isn't that we haven't earned it. We have. We've worked and paid lots in employment taxes. And we've done it for many years. In addition, the benefits that high-income workers receive are proportionately smaller than the benefits lower-income workers receive. Workers who earn less than \$711 a month are credited at a 90 percent rate. Earnings over \$4,288 a month are credited at only a 15 percent rate. So we've paid proportionately more for the benefits we receive than most workers.

So why am I worried? Simple. It takes a lot of workers to support us.

Here's the math. To deliver our monthly benefit, someone has to have a taxable payroll of \$33,145 a month. Here at McDonald's that translates into lots of hourly workers. And lots of hours. According to [payscale.com](http://payscale.com), for instance, the median hourly wage for workers with one to four years of experience at McDonald's is \$7.87 an hour. Let's call it \$8. Typical workers will have to clock about 4,143 hours a month to cover our retirement benefits.

A typical McDonald's has a crew of 50 workers. Most are hourly workers. Few work more than 30 hours a week because, well, things like health benefits are expensive. So a typical worker would have to work 138 weeks, with no benefits, to provide the money my wife and I get, and spend, in a month.

We're an extreme case, of course. But if you do the math for a more [typical retired couple with benefits of \\$1,876](#) a month this year, it will still take the typical McDonald's worker 63 weeks to provide the money an average retired couple receives and spends in a single month.

Fortunately, McDonald's isn't the only employer in America. There are lots of companies out there. Some pay the big bucks. The difference is that many of those companies are shedding workers, not adding them. McDonald's shares, unlike most, are down only 5 percent since the October 2007 market peak. The S&P 500 index is down 46 percent.

There is a message here: Houston, we've got a problem.

Sunday, October 4, 2009

Return to Texas, part 1:

## A Moving Experience

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No, it wasn't as difficult as the journey to Texas that Woodrow Call took with the body of his friend Augustus McCrae in the famous novel and television series "[Lonesome Dove](#)."

For one thing, neither of us was dead.

And an air-conditioned Chevy Suburban, even one loaded with plants, computers, and clothes, is a lot more comfortable than a horse. But Highway 285, which runs south like a lost arrow, is a very lonesome road. It is lonesome in Clines Corners and Vaughn long before it crosses from New Mexico into Texas and ends in Fort Stockton. It takes you through places with fading memories, a hungry present, and little or no future.

When you cross from New Mexico into Texas you know you are in a different place. How? Signs that might have identified an "arroyo" now call the same thing a "draw." Many have colorful name signs next to the road, like "Six Shooter Draw" along Highway 385 between Fort Stockton and Marathon.

Yes, there are roads less traveled, but you'd have to work to find them. After a night at the wonderful [Gage Hotel](#), for instance, we could have followed the border route provided by Highway 90. We could have gone through Sanderson and Del Rio, as I once did on [a motorcycle trip](#). This particular stretch of blacktop was made famously noir in the movie version of "[No Country for Old Men](#)." Highway 67 from Presidio to Marfa, with views some will remember from the movie "[Giant](#)," is a good alternative. So is Highway 170 from Presidio to Terlingua, with vistas into Mexico across the Rio Grande seen in "[The Three Burials of Melquiades Estrada](#)."

This is the pure, deep Texas. This is Lone Star Texas, the Texas of stories, true and mythical.

The Texas to which my wife and I are returning is another kind of Texas, a new Texas, but it still has the good grit. Our new home in Dripping Springs, about 25 miles outside of Austin, may be the "Gateway to Hill Country"--- to the stunningly beautiful rolling countryside that extends from Austin down to Kerrville, Junction and beyond--- but it's also in the heart of what I've called "Dal-Antonio."

That's the developing megopolis of Dallas, Austin and San Antonio. This area is to Texas as "Bos-Wash" is to the Northeast or "Chi-Pitts" is to the Midwest. It may have all kinds of music--- country *and* western--- but it lives and works urban.

It also accounts for three of the six major metropolitan areas with the fastest growing personal income in the United States. Add Houston, which is first on the list, and Texas is the heartland of growth in America in a year of shock, misery and loss.

Energy contributed, but it isn't the whole story.

In case you haven't seen the [Bureau of Economic Analysis list of Personal Income for Metropolitan Areas](#), here's how major cities compare. While Houston, Austin, San Antonio, and Dallas experienced personal income growth of 6.3 percent, 5.4 percent, 5.4 percent, and 4.6 percent, respectively, in 2008 the average U.S. metropolitan area was growing personal income at only 3.3 percent. (Figures are not inflation-adjusted.)

And while some areas were expected disasters--- Las Vegas and Phoenix (1.3 percent), Miami (1.8 percent) and Los Angeles (2.2 percent) --- others did passably. Boston clocked in at 3.7 percent, Seattle at 3.6 percent and San Diego at 3.8 percent. Chicago and New York came in at 3 percent (see table below).

Compare the income change figures with the [home price change figures](#) and you find what you'd expect. Healthy income growth means stable prices. Less income growth means declining prices. While metropolitan Texas home values have been relatively stable, home values elsewhere have plummeted.

Comparing Hits: Personal Income and Home Prices		
This table compares changes in personal income in major metropolitan areas around the country with changes in median home sale prices.		
Metropolitan Area	Personal Income, 2008 Change in Percent	Median Home Sales Price Change in Percent
Houston	6.3	+2.6
Austin	5.4	-0.1
Dallas	4.6	-0.2
San Antonio	5.4	-3.3
San Diego	3.8	-20.2
Boston	3.7	-8.3
Seattle	3.6	-13.7
U.S. Average	3.3	-15.6
Chicago	3.0	-20.7
San Francisco	2.7	-31.0
Los Angeles	2.2	-25.7
Miami	1.8	-33.1
Las Vegas	1.3	-39.7
Phoenix	1.3	-36.1
Sources: Bureau of Economic Analysis, 2008 data; National Association of Realtors, Q2 data		

Whether shrinking gains in personal income caused home prices to decline or declining home prices caused personal income to decline is a long chicken/egg discussion. But while Texas has foreclosures from liar loans and uncertainty due to excess home inventory, one thing is clear. In Texas, homeownership hasn't devastated homeowner net worth as it has in much of the country.

That makes Texas the state to watch.

Sunday, October 25, 2009

Return to Texas, part 3:

## The "Texas Premium" and the Foot and Wheel Vote

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It has been said that people vote with their feet. They pick up and go to where the jobs and opportunities are.

The hard part is that it costs more--- a lot more--- to move to where the jobs and opportunities are than to move to where jobs and opportunities are limited. My favorite measure for this doesn't come from the Bureau of Labor Statistics. Nor does it come from any other agency of the federal government.

It comes from U-Haul, the truck and trailer rental company. It has "on the ground" evidence and prices its rentals accordingly. Go to its website, [www.uhaul.com](http://www.uhaul.com), then click on "rates and reservations," and you can learn very quickly where people are going. You can also learn where they are leaving.

How will you know this?

Simple.

If lots of people are trying to go where you want to go, it will cost a lot more than renting equipment to go to the place everyone is trying to leave. Just as there is a law of supply and demand, there is a law of arrivals and departures. Finding a moving truck will be expensive where departures outnumber arrivals. It will be cheap in places where arrivals outnumber departures.

If nature abhors a vacuum, business is disgusted by unused inventory.

Suppose, for instance, that you are living in Las Vegas. With a recent unemployment rate of 13.4 percent, things are tough there. In fact, [it's a tough time](#) in what is traditionally a rough time of year for Las Vegas. Skeptics should check a travel website like [Expedia](#). When I did, a three-night stay at the 4-star Rio was \$60 a night, barely more than a roadside motel. You can stay at the 5-star Bellagio for \$199 a night.

Admittedly, this was a Sunday to Wednesday stay, not a weekend, but it gives you an idea of why the unemployment rate is so high--- people aren't traveling, vacationing, or gambling as much these days.

So what does it cost to leave Las Vegas?

Try \$1,808 if you want to rent a 26-foot U-Haul truck, fill it with your worldly goods, and drive it to San Antonio. But if you wanted to leave San Antonio (unemployment rate: 7 percent) and move to Las Vegas, it would cost you only \$421 for the same equipment.

That's quite a difference.

The difference is substantial even for cities that aren't hurting nearly as much. To move from Seattle, with an unemployment rate of 8.8 percent (well below the national average of 9.6 percent), to San Antonio would cost \$2,071, but only \$858 to move from San Antonio to Seattle.

I found similar price differences for other cities. Want to move from Chicago (9.7 percent unemployment) to Houston (8.4 percent unemployment)? It will cost you \$1,970. But it will cost only \$449 to make the trip from Houston to Chicago. Los Angeles (11.8 percent unemployment) to Houston was \$2,051, while Houston to LA was only \$555.

San Francisco (10.7 percent unemployment) to Dallas (8.3 percent unemployment) will cost you \$1,988. But the opposite will cost only \$689. Boston to Dallas was \$2,134, while Dallas to Boston was only \$634.

Miami (10.8 percent unemployment) to Austin (7.2 percent unemployment) will cost \$1,685. But the reverse will cost only \$463. Similarly, Phoenix to Austin will cost \$1,563, while Austin to Phoenix will cost only \$471.

We might call these differences “the Texas Premium” because regardless of location--- East Coast, West Coast or somewhere in between--- the migration appears to be to Texas. U-Haul is lowering the price drastically for anyone who is willing to move the equipment back.

To be sure, all the differences aren’t as extreme. If you want to move from hip but hurting Nashville (9.8 percent unemployment) to hip and growing Austin, for instance, it will cost \$1,018--- but it won’t cost much less to move from Austin to Nashville, \$826.

In a time when lots of people are feeling powerless, there is a big message here: There is still a lot we can do for ourselves. We can make decisions. We can, and do, move to places where life looks better.

Sunday, April 11, 2010

## iPad is to iPhone as Window is to Keyhole

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Pacing quickly through Austin’s Barton Creek Mall last Saturday morning, a friend and I arrived just in time. We heard loud cheers as we approached the Apple store. It was 9 am. The doors had just opened.

The early crowd had been divided into two lines. One was for people who had reserved a [new iPad](#). The other was for those who hadn’t reserved one, but hoped to buy if enough were in stock.

When my turn came, an Apple store staffer ushered me to the accessories wall, then to the pick-up table and then to a table where another staffer was ready to help with the basics. I left minutes later with my 32 gig (\$599) iPad safely wrapped in its new case (\$39), through a gauntlet of cheers and high-fives.

Since then, some media reporting has had a slightly disappointed tone, noting the lack of riots, tragic shortages or bizarre trampling deaths. Some are not surprised, noting the “high” price of the iPad. Others sniff, “Why bother, when I can do it all with my iPhone?”

Even so, Apple reports the sale of some 300,000 units that first day. Apple’s share price has hit new records. Reading opinions of the iPad on forums I am struck by how many are watching the hood of the car, picking nits. A glance in the rear view mirror and a few hours of use gives me a very different view--- the future belongs to Apple. The iPad is the next step in communicating, learning, and computing. Having given us a peek at the universe through the keyhole offered by the iPhone, Apple now offers a lovely window.

**From the rear view mirror.** Fifty years ago the basic portable communications device was an [Olivetti Lettera 22](#) portable typewriter. I had one for writing college papers. It weighed over 8 pounds and put ink on paper for distribution by foot or snail mail. It was replaced by the [Lettera 32](#) now in my

garage. I wrote my first two books on that machine. I dreamed of someday having a better way. The Lettera cost about a week of salary for a new college graduate.

My first computer, purchased in 1980, was a [Zenith Z89](#) with 64 kilobytes of memory. Lifting it could give you a hernia. The internet was for academics. Communication speed was turtle slow.

A few years later Radio Shack introduced the [TRS-80 Model 100](#). It was light weight and portable. Reporters could write in a tiny window and modem their copy to waiting editors. It was priced at \$1,099. For most reporters that was way over a week of salary. [Adjusted for inflation](#), it would be about \$2,392 today.

The modern age of computers and communication didn't begin until the widespread use of hypertext markup language ([HTML](#)) after 1995. But today, a new college graduate can buy the basic iPad for about *half a week* of starting salary. Even the most expensive iPad will be less than a week of salary. That investment offers access to the entire world. The knowledge power wrapped up in this 24 ounce package is absolutely stunning.

**From a few days of use.** Minutes after returning home I had the iPad signed on to golemail and had sent the first email. After that I transferred photos, contacts, calendar and music. I checked out the first free iBook (a nicely illustrated copy of Winnie the Pooh) and downloaded the Kindle app for Amazon eBooks. Then I downloaded the Netflix app, registered, and watched part of a movie. (Expect this to grow, big time.) Still hoping to achieve omniscience, I also downloaded the Wolfram Alpha app. Then I downloaded the Skype app and called one of my brothers.

**Looking at the future.** Will the iPad kill the Kindle and the Nook? No, but that's the wrong question. Some people will be able to enjoy reading on the iPad. Others will find long periods of back-lit reading uncomfortable. But the digital future is here and, as always, it is just beginning.

(Full disclosure: Nearly 90 percent of my financial assets are in index funds, but I own shares in about a dozen stocks. One of them is AAPL. No individual stock accounts for more than 1 percent of household financial assets.)

Sunday, May 9, 2010

## The Hard Search: Paradise on a Budget

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**BELIZE.** Comfortable on our mooring just off uninhabited Cary Caye, I scan the horizon from the ample deck of the King Caye Lady, [our chartered Lagoon 46 sailing catamaran](#). With a visual horizon of 7 miles and nothing in sight but open water and a few Cayes, I figure the six of us are the only people in about 150 square miles.

Sweet.



I start to hum "[Just Another Gringo in Belize](#)" and wonder if I could possibly live long enough to be as laid back as Jerry Jeff Walker. I could try, but it would likely damage my liver.

We've run with dolphins, watched the rays cruise shallow bottoms, snorkeled the barrier reef, and enjoyed Big Pat's conch fritters on Ranguana Caye.

Back in Placencia we enjoy other treats. Like the breeze and grilled snapper at Yoli's overlooking the water. Like the veritable zoo that manager Donnie at the Quarterdeck creates by folding table napkins. Like the tiny village markets, redefining "basic." Like the three pieces of clothing lifestyle, if you count the flip-flops.

More people will be coming, and soon.

Not far away they are hard at work on the Placencia International Airport. It will bring people straight in from Europe, Canada and the U.S. When it opens, the trip on a single engine plane from Belize City to the elongated postage stamp of Placencia's current airstrip will be history. And so will the \$360 cost, round trip, for a couple.

When that happens, you'll have an interesting new choice. Take a straight shot from anywhere in the U.S. and arrive in Placencia for about the same cost in dollars and time as it takes to fly to more developed spots in Mexico, like Puerto Vallarta, Cancun or Cabo. If just the people concerned about drug war shootouts in Mexico divert to Belize, this tiny, rural, poor, nature-driven country ([population 300,000](#)) is about to become a tourist boomtown. The Placencia peninsula will be its epicenter.

A day spent with realtor/developer Bradley Rinehart fills out the picture. The official language here is English. The currency is pegged to the dollar, \$2 Belize per \$1 American. Contracts are in English, there are no restrictions on foreign ownership and, yes, you can have joint American/Belizian citizenship.

For some, it will provoke dreams of an Old-Man-And-The-Sea Hemingway retirement. For others, it will incite hopes of that promised foreign land where Americans with Social Security checks can live like kings and queens with a cook, housekeeper and gardener.

If you have such fantasies--- and many struggling Americans near retirement do--- let me share a lesson I learned while living on Mallorca long ago. You can live a luxurious lifestyle in a poorer country for far less than the same lifestyle would cost in America. But you'll be hard pressed to live a low-cost lifestyle in a poor country without adopting the poor living standard of the poor country.

This odd distinction is important. Take what most Americans would consider a bundle of money to Belize, Costa Rica, Panama or Mexico and you can have the cook and gardener that only the very rich have domestically. You can also have an oceanfront or ocean view home for less than \$1 million.

But try to get along on a Social Security check and your standard of living is likely to fall. This happens because we have a magnificent and highly competitive distribution system in this country. So you can live for a lot less in a small town in America than you can live for almost anywhere *outside* the country. The only requirement is that you're not so removed that you can't get to a Wal-Mart or Super Target on a gallon of gas.

Here's an example. We saw a lovely two-bedroom, two-bath condo with great views. It also had access to a dock close to deep water and a second dock on the lagoon. The asking price, fully furnished, was just under \$400,000.

You won't find that in California. Still.

Some deep hunting may produce something like it on the Florida gulf coast.

That, however, is beside the point unless you are affluent. Last time I checked, low-cost living didn't start with a \$400,000 condo.

Sunday, April 3, 2011

## Angel of Inflation No Longer Lives in Northern California

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SANTA ROSA, CA In the evening, as light fades, shadowy figures appear along downtown side streets. They are men carrying bulky plastic garbage bags, reminding you that life in California isn't all about people who spend their weekends sipping wine at their vineyard. It's also about people who are homeless.

More recently, it's about people who are about to become renters because the bubble has burst and home values have plummeted. No, it's not as bad here as it is in, say, Las Vegas or Fort Myers. But you can't look at the fallen prices and not wonder if anything resembling a middle class still exists in California.

You can get some idea from the gross data. Visit [Zillow.com](http://Zillow.com). Look up Santa Rosa and you'll find a perfect tsunami of a graph. It's a huge, steep wave showing the rise of the median home price from \$324,000 in April of 2001, peaking at \$557,000 in September of 2005, and descending to \$300,800 in January of this year. In other words, in spite of a decade of trips to Home Depot and Lowe's, in spite of acres of new granite countertops and millions of faucet improvements, in spite of all that attention and devotion, the median price of an existing home has *declined* by 8.2 percent over the last 10 years. Worse, [the purchasing power](#) of the dollars in a sale has declined about 25 percent during the same period.

It isn't supposed to happen like that. Since the end of World War II buying a home was the best way for a middle income person to turn consumption into wealth. You bought a house with a low down payment. Then the Angel of Inflation magically transformed mortgage payments into net worth. I've received letters from readers who never saved a dime but who retired to Florida or Arizona with plenty of money. How? [They sold a modest home for an immodest price.](#)

If you are wealthy, this may not matter. According to the [Survey of Consumer Finance](#), a Federal Reserve exercise in tracking household wealth, assets and debt, in 2007 the households in the top 10 percent of wealth had only 19.8 percent of their assets in the value of their home. For the other 90 percent of households, home values loomed large. They accounted for nearly 50 percent of assets. Worse, while those in the top 10 percent may also own their homes debt-free, a home mortgage is a fact of life for most people.



So it isn't difficult to imagine that just about anyone who bought a house here over the last 10 years is now ["upside-down."](#) Their mortgage debt is greater than the market value of the house. This means they can't move. And they probably can't refinance. It also means that the blessing from the Angel of Inflation--- rising home prices--- isn't there for them. They are on their own.

What amazes me on this visit is how complete the bubble burst is. Nothing escaped. Because conventional housing has been out of reach for many people in California, manufactured housing has been popular around Santa Rosa. There are the tough trailer parks lining Santa Rosa Avenue. But there are also well-manicured 55-and-over parks where neighbors look out for each other. Several years ago, in one along Highway 12, I saw a 1973 double-wide, in need of work, for \$60,000. (The value here isn't in the structure. You buy the structure to be able to lease the land under it because most parks have no vacancies.) This time I saw a virtually identical unit only two doors away offered at \$33,500. Prices are down even here.

The damage shows up in the abstract, too. At the end of 2005, the Federal Reserve flow of funds figures showed that we collectively owned some \$11.2 trillion in home equity. It accounted for 58.2 percent of the value of our homes. [The report](#) for the end of 2010 shows home equity is down (again) to \$6.3 trillion. It now accounts for only 38.5 percent of home value.

As heavily reported as the housing bust has been, we haven't begun to fathom the impact it will have on how we live. Or on the decisions we make. All we know for certain is that change is here.

Sunday, April 17, 2011

## **Meditation on McDonald's, Part 2**

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**McDonald's, April 4<sup>th</sup>, 10 a.m.** It's the morning lull here. The moms delivered the kids to school hours ago. The people who use the drive-up window on their way to work are long gone. In fact, I'm almost alone, except for the crew that works here.

Earlier this morning [McDonald's announced](#) that it was going to add 50,000 jobs. That's a 7 percent increase in the number of people already working at its 14,000 U.S. restaurants. The hiring event, online and at its restaurants, is scheduled for April 19<sup>th</sup>.

Two years ago I celebrated the deposit of [my first Social Security benefit at a McDonald's](#) in Santa Fe. Today, it's a McDonald's in Dripping Springs, Texas. Back then I noted that McDonald's shares had only fallen 5 percent since the market peak in 2007. During the same period, the S&P 500 had plunged 46 percent. Today MCD shares go for about \$76, a healthy increase of 37 percent. More important, while the S&P 500 has gone nowhere over the last 5 years, McDonald's is up about 120

percent. That's an appreciation of about 14 percent a year, compounded--- enough to make you remember the 'good-old-days' before 401(k) plans became 201(k) plans.

So I'm happy for McDonald's and all its shareholders.

It's the *country* I'm worried about. Let me explain why.

The job increase press release says that McDonald's and its franchisees will spend an additional \$518 million on wages and salaries for the new employees. That's a nice number until you divide it by 50,000 workers and come up with an [average paycheck](#) of \$10,360. The same figures also imply that the new workers will be paying \$68.9 million in employment taxes when the 5.65 percent employee tax is added to the 7.65 percent employer tax this year, a bit more when the tax goes back to its full rate in 2012. Of the amount paid in, about \$15 million will go to Medicare. That leaves \$53.9 million for Social Security benefits.

The Social Security website tells us that [the average benefit check for retirees](#) is \$1,174 a month, or \$14,088 a year. Do the math and you find that it will take 50,000 new jobs at McDonald's to support 3,826 average retirees. That works out to 13 workers to support one retiree. Since a typical McDonald's has a crew of about 50 workers, it also means that one new McDonald's will generate employment taxes to support nearly 4 retirees. It also means the entire expansion, as heroically large as that 7 percent is, will pay the benefits for fewer than 4,000 new retirees.

According to the most recent Social Security Trustees report, the number of Americans who are 65 and older is expected to increase by about 1,280,000 in each of the next 5 years. That's about 3,500 a day. So the McDonald's expansion will cover a tad over a single day of retiree growth. And the average retiree benefit, at \$14,088 a year, will be 36 percent more than the \$10,360 average paycheck of those 50,000 new hires, very few of whom will have any form of medical insurance.

According to the Congressional Budget Office, [Social Security payments this year will exceed program revenue by \\$130 billion](#). It would be \$45 billion without the 2 percent employment tax "holiday." Yes, that's billion with a "b." The shortfall is about equal to the benefits that would be received by 9.2 million retirees.

Of course, McDonald's isn't the only source of jobs and employment taxes in America. It's just one of the fastest growing. With [an average wage](#) of about \$39,000 a year, a typical new job in the U.S. would contribute about \$4,836 to Social Security-- if the full tax were being collected. That, in turn, means that we need nearly 27 million new jobs to cover the \$130 billion shortfall this year.

That's twice as many people as the 13.6 million people who are currently unemployed.

These figures are napkin doodlings fueled by McDonald's coffee. Actual results may, as they say, differ. And the official figures will, no doubt, be subject to revision and political spin. But if you have followed the numbers this long, you're probably getting nervous. You don't need precise arithmetic to see the big picture.

Some would call it a Can't-Get-There-From-Here problem.

Sunday, May 29, 2011

## A Voyage to Where the Dollar and the Euro are Equal

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**St. Maarten, Leeward Islands.** Getting to the Dinghy Dock bar and restaurant at [Captain Oliver's Marina](#) is an international experience. Walk down the dock from one side and you'll cross from the Dutch part of the island to the French part of the island. No passport required.

Officially, the island uses euros for money but before long you realize that the island is a good example of the global currency situation, writ small. (It would be a good idea, however, to have your deepest thoughts about this before drinking your first Painkiller.)

Look around and you'll see lots of dollars supporting activity that would otherwise not exist. While the official exchange rate between the dollar and the euro is \$1.41 to one euro, the posted exchange rate at the Dinghy Dock is \$1=1 euro, if you pay in cash. Pay by credit card, which no one in their right mind would do, and you'll get the official exchange rate and lose a lot of purchasing power.

The exchange rate at the Dinghy Dock isn't unusual. Anchoring a day later in Grand Case, the [gastronomical heart](#) of the island's French side, we had the same experience at [Il Nettuno](#). The menu was priced in euros but the exchange rate was 1 to 1--- if we paid in cash. Later, while anchoring in Road Bay and Crocus Bay on the British island of Anguilla, we found that everything was priced in, yes, dollars. Still later we found that most everything in the once French island of St. Kitts was priced in dollars.

According to the [CIA World Fact Book](#), about one percent of the economy in these islands is agriculture. Acres of untended sugar cane go unharvested on St. Kitts, for instance, because it is no longer economical to farm it. Another 14 percent or so is "industry."

The rest of the economy in these islands is tourism. As is true for many larger nations, the economy of these tiny Caribbean islands has been "dollarized"--- the U.S. dollar, carried by cruising sailors and vacationers, is the de-facto currency. Our European counterparts bring a veneer of euros, but when push comes to shove it is all about the dollars.

One hint comes from the transoms of the big sailing catamarans in the nearby slips for [the Moorings](#). This global sailboat charter company is providing our group of four couples with a brand new [46 foot sailing catamaran](#) for a week of basking and brisk sailing. Our boat, the "Paw Paw," lists St. Thomas, BVI as its homeport. But a walk down the dock to check the other home ports shows such famous seafaring cities as Boulder, Colorado, Minneapolis, Minnesota, and Phoenix, Arizona... Only a handful of Canadian or European home ports are listed. Again, it's all about the dollars.

These lovely boats have a delivered cost north of half a million dollars after the twin hulls have been stuffed with four staterooms, four complete en-suite bathrooms, complete electronics including GPS chart plotter and auto-helm, zoned air-conditioning, and twin diesel engines--- not to mention a diesel generator strong enough to run the AC when you're anchored without shore power. Someone in America gets to depreciate these floating mini luxury hotels.

The sharpest metaphor for the global currency situation is in Basseterre, the capital of St. Kitts. There, the [Serenade of the Seas](#), a Royal Caribbean cruise ship, is tied to a long dock as we sail in. The dock leads directly to the domed customs house. From there, cruise passengers are unleashed to face the streets of a shopping mall. It is lined with shops offering luxury jewelry, diamonds and watches, all at bargain, duty-free prices. These are the kind of things that fill the glossy pages of upscale magazines during the Christmas season.

But step beyond that spiffy mall and you're immediately struck by how poor the island is. And whether you are on St. Kitts or circuiting the much more developed island of St. Maarten, you can't avoid the abandoned building projects that represent bad loans made by bankers around the world. Will the tide of global lending rise again? Will these projects ever be revived?

Maybe. Maybe not.

Only one thing is clear. We can fret about the future of the dollar or the euro, but without them--- without the spending of the industrialized western world--- the rest of the world is a truly desperate place.

#### Sidebar: The Economics of Bareboat Sailing

Sail or motor, boating is expensive. There is a reason that boats have been called "a hole in the water into which you throw large quantities of money." Much the same has been said of the comforts of boating--- that it is like "standing in a cold shower, burning \$100 bills."

I know this from experience, having owned, at different times over the last 50 years, a 25 foot Dutch Treat sloop, a 32 foot Herreshoff ketch, and a J-30 racing sloop. Unless you live in a very boat-friendly place--- like San Diego, Seattle, or much of Florida--- the odds are it will cost you a bunch to own and operate anything that floats and you won't have that much time to use it. Marinas across America are filled with boats that sit, unused, week after week after week because the owner is working to pay the boat's bills and has no time to actually use the boat.

That's why I've become a bareboat charterer. I can have the experience of sailing, do it in different places, and escape the hassles of ownership by chartering from a growing number of charter firms. In the last few years before this trip to St. Maarten, for instance, I've chartered in Florida, California and Belize. The Moorings, which has a sister company Sunsail, has bases in the best sailing grounds around the world, from the Leeward and Windward Islands in the Caribbean, to the islands of Greece, and to even more remote locations like Tahiti and the Seychelles.

Is it expensive to charter? Not when you measure it against the alternatives. You could, for instance, spend about two weeks on a 30 to 34 foot sailboat charter

for what it would cost to simply keep the same boat in a marina slip for a year. And two weeks is as much, or more, than most people have for sailing.

Our charter of the “Paw-Paw” offers another comparison. The total cost of our charter, which included 8 nights and 7 days because we arranged to board early, was \$10,553. To be sure, that’s an off-season rate, but when you divide it between 4 couples the all-in cost comes to about \$330 a night per couple. This is about what you could expect to pay for an ocean view room in a 4 star Marriott or Westin resort hotel but a lot less than a 5 star luxury resort hotel like a Four Seasons or Ritz Carlton.

Will you be as pampered as you would be at a good resort hotel? No way. Indeed, if your idea of a vacation starts with room service and visits to a spa, bareboat chartering is not for you. But if you’ll happily accept some unusual bruises, rope burns and other odd wounds in pursuit of speed, good winds, the companionship of good friends and night skies as bright with stars as any night in Texas’ Big Bend National Park, then there is only one thing to say.

Go for it!

Sunday, July 3, 2011

## **America: Running With Scissors, and Good at It**

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BOSTON. If reader mail is any indication, we have grave doubts about the future of our country. Worse, the menu of angst is as big as the food menu at Denny’s. Pick a topic, and we’re worrying about it.

Here, for instance, are a few of 64 worrisome factoids from just one of many sources, [a National Academy of Sciences report](#) on our declining ability to compete in the global economy:

- Bell Laboratories, once the crown jewel of American technological innovation, is now a French company.
- California now spends more on prisons than it spends on higher education.
- The number of people employed in corrections nationwide is approaching the number of people employed in the automobile industry.
- We spend more on potato chips than we spend on R&D.
- A third of U.S. manufacturing companies say they are hampered by some level of skill shortages.
- Hon Hai Precision Industry in China employs more people than the worldwide employment of Apple, Dell, Microsoft, Intel and Sony combined.

All of that is true. So our glass could be half empty. A closer look, however, can lead to a different interpretation. Hon Hai Precision Industry would not employ so many people if it did not do the grunt work for Apple and other American technology companies. And Apple, [unlike Hon Hai, doesn't have a problem with worker suicides](#).

So I'd like to offer a less worried view, one that recognizes a few of the things we forget about when we make our problem lists. Look around and you will likely be able to add some positives of your own. If you look at what we actually *do*, the America is a much brighter place.

Witness this. MIT is now celebrating its 150<sup>th</sup> anniversary. It has just graduated [the class of 2011](#). A brief look at both those events tells us that the American glass isn't half empty. More likely, it's about to gush like a warm can of beer at a Fourth of July cookout. Skeptics should view the You-Tube video of [the MIT 150 flash mob](#) dance.

When the class of 2011 was admitted in 2007 there were 12,443 applications. Only 1,533 were accepted. Either number represents a lot of talent. The admitted class came from 50 states and represented 66 countries. Nor is MIT alone: Harvard, Stanford, Duke, Cal Tech and Chicago (just to name a few) have similar figures. Science and engineering, the engines of global growth, are alive and well. While the number of degrees being granted in China, India and elsewhere will inevitably increase and dilute the American scientific presence in the world, we might consider that it will make a better world, not a dismal America.

You can understand why by examining the [exhibit of 150 innovations](#) that is part of the MIT anniversary celebration. You can almost feel the acceleration of knowledge, the surge of human possibility.

Here's a personal example. In 1958 I was a senior a high school senior in Princeton, N.J.. I worked as a lab assistant for professor Gerhard Fankhauser. He was chairman of the biology department and probably the last natural biologist at Princeton University. Nearby labs in Guyot Hall were filled with petri-dishes and e-coli. The double helix structure of DNA had been discovered just a few years earlier by Watson and Crick.

*But by 2000 the entire human genome had been mapped.* We now have a whole new field, bioinformatics, for research in molecular biology. As Pat Cox, editor of the Breakthrough Technology Alert newsletter recently pointed out, none of this would be possible without another innovation--- the transistor--- and Moore's Law (the number of transistors on a chip will double every two years). Only vastly increased computation power can deal with the amount of raw data genomic research is producing. No one predicted the interaction of these two discoveries.

We are not slowing down. We are speeding up. Change is all around us. Our problem is not a shortage of creative scientists and engineers. It isn't even a shortage of educated people. Our problem is our limited capacity to adapt.

So we run with scissors. We've been doing it since 1776. We've taken some falls. We've lost some blood. But when push comes to shove, we wouldn't have it any other way.



## Rediscovering Florida

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**Siesta Key, Florida.** Our rental cottage here is part of an experiment. Found on [Home Away](#), the global vacation home rental site, it is a lovely one-bedroom cottage with tall ceilings. It is entirely white, including the floors and furnishings, with oversize slider-doors that look out to a sun dappled jungle of greenery, heated pool and gazebo beyond, all wrapped in enormous palm trees, dense bamboo and a multitude of flowering plants.

There is a distant sound of traffic on the road that delivers people to and from the island--- but we can also sit quietly and listen to the sound of leaves dropping from the jungle growth around us. A crushed shell path takes us by the owners' house to a bit of beach and a big view of the Gulf of Mexico. Sweet.

The goal of this indulgent experiment is to answer a few questions: Can Florida replace our easy and much loved Mexico, the one lost to the drug cartel wars? Does the Florida real estate market tell us anything about the national market? Can Florida tell us anything about what the rest of the country will feel like in a few decades?

The answer to all three questions, I think, is yes.

Let's start with the practical question first: Can Florida replace Mexico?

Here are some of the basics. It's easy to get to Florida. In the post 9/11 travel world this is a big plus. Our flight from Austin to Tampa was 2 hours and 10 minutes, non-stop. It's nearly as easy from many other cities. A bit over an hour later we were parking on First Street in old Sarasota for a casual lunch at the Mattison's City Grill. An arrival margarita would have put us in the Puerto Vallarta spirit, but we substituted a quick visit to the hysteria of Whole Foods on the afternoon of New Year's Eve. It was like a Mardi Gras for food.

Are there many places like the one we have rented? Probably not. But Home Away has 22,443 listings in Florida with "more to follow." Some 4,311 of those listings are in the South Central Gulf coast area. That's the vast area of beaches, canals and bays that stretches from Anna Maria Island, past Sarasota and down to Venice. Of those listings, 389 are on Siesta Key, 295 are on Longboat Key and 328 are on Anna Maria Island. So there's a good chance you can find something you like and, equally important, can afford. And if Home Away doesn't work for you, it's possible to be brave and just cruise the area looking for "vacancy" signs at any of the complexes that offer apartments and villas by the week or month. It is way easier than trying the same thing in Mexico, trust me.

The other questions will take some time. But already there are hints. One of them can be found in the phone numbers for some rentals listed on Home Away--- they are not in the United States. It seems Brits, Canadians and Germans like Florida enough to buy houses, with eye catching concentrations of non-US phone numbers in places like Naples, Sarasota, and Longboat Key. If Florida looks good to non-

Americans, maybe we should think about what they are seeing that we locals are missing. Barring the intergalactic collapse some anticipate, it's just possible that [the time for selling is long over. \(Here's a link to what things looked like in 2004.\)](#)

Another answer can be more felt than found. Across the entire U.S. the current portion of our population that is 65 or older is [13 percent](#). Enter the state of Florida and the figure rises to nearly 20 percent. That's about where the rest of the country will be by 2020. That's also when the baby boomer retirement surge will be peaking and the aging of America will slacken a bit. There are smaller areas in Florida, however, where we can examine what might be called Extreme Aging. On Siesta Key, for instance, 44.5 percent of the population is 65 or older. On Longboat Key the figure is 67.3 percent. The rest of the country will never get this old, but we may be able to learn about our national future from such extremes.

Sunday, January 15, 2012

## Finding the Boom in the Bust

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**Sarasota, Florida.** As I listened to Kristen Hertel and Deby Mascolino tell their story I kept thinking of Dr. George Vaillant. I had gone to see Ms. Hertel about her real estate business, but the underlying story is about resilience and adaptation, two human qualities that are a lot more important than money, investing or real estate. [Dr. Vaillant](#) is the curator of the only long-term studies of human development, studies that have followed several groups of people for more than 70 years. If those studies have a conclusion it is that resilience and adaptation, rather than anything else you can name, are the difference between being among the "happy-well" or the "sad,-sick."

Here's the story. Before the real estate crash Ms. Hertel says she was "a-well paid employee of a large real estate brokerage firm" with 24 years of experience. She did the work related to titles and closings at the firm. So when closings disappeared, so did her job.

She responded by getting a variety of licenses and going out on her own, but with an odd twist. Rather than try to swim against the tide of declining sales, she started four small companies that offer different services in real estate. One offers the title and closing services she did before. Another, Real Estate Assistants, LLC, is a kind of outsourcing service that provides support for busy realtors. Those businesses show her resilience.

But the other two businesses are all about adaptation. In a terrible market, she would participate in the boom that arose from the bust: short sales. She would be part of making things happen. She would provide sellers and their realtors with all the services needed to move a short sale to completion and another company would do the actual negotiations with the bank, relieving both the seller and realtor



of the task. One is called Short Sale Referrals, LLC that links short sale buyers with short sales. The other is called [Advanced Short Sale Negotiators, LLC](#). (A short sale in real estate occurs when the sale price of the property is insufficient to pay off the mortgage. When that happens, the seller must bring a check to the closing or the lender must accept a lower amount as payoff. Getting that agreement isn't easy.)

Ms. Hertel says their success rate in short sale negotiations is close to 95 percent.

The importance of short sales is demonstrated by some of [the figures provided by the Sarasota Association of Realtors](#). In addition to tracking monthly figures of sales volume and median sale price for single family homes and condominiums, the Association divides each category into conventional "Arm's length" transactions, short sales and REOs, the foreclosed properties known as "real estate owned."

In November, distressed property sales accounted for 41.3 percent of all sales, down from a peak of 51 percent in the second quarter of 2010. In the same month the inventory-to-sales ratio was about 8 months. That's more inventory than sellers and realtors want, but way better than forever.

When I ask if there is a profile for short sellers Deby Mascolino shakes her head. "We get people who are only \$10,000 short. They can be people who don't have \$10,000 but they have to move for a new job." She also says that prices vary and go as high as \$5 million.

When I ask what the hardest part of the job is, the immediate answer is "the paperwork."

"People are often depressed. They want to throw in the towel. And it's a lot of paperwork." Ms. Mascolino says.

In fact, a short sale takes about as much paperwork for the seller as applying for a mortgage: 2 years of tax returns, 2 months of pay stubs, 2 months of bank statements, a listing of all other financial assets, a hardship letter explaining the reason for the short sale, all the property disclosures, a real estate listing and all the photos for an MLS listing.

Although she has handled short sales in 30 states, Ms. Hertel is aware that she isn't alone and that banks' ability to deal with short sales has improved significantly over the last few years. She is particularly positive about [equator.com](#), an online system that Bank of America adopted to facilitate short sales. (If reader mail is any indication, it is a great improvement over the chaos that early would-be short sellers experienced.)

Will she be out of business when the real estate market finally recovers? Somehow, I doubt it. She'll adapt and find a new way to help make things happen.

Sunday, January 22, 2011

## Cape Coral and the Recovery of Dreams

**Cape Coral, Florida.** There was a time when Henry Ford and Thomas Edison looked across the Caloosahatchee River from their estates in Fort Meyers and saw Cape Coral as thousands of acres of mangrove swamp. Today, after an improbable development that was chronicled in [“The Lies that Turned to Truth”](#), Cape Coral is everyman’s dream of Florida, retirement and the good life--- sunshine, water, fishing, 400 miles of canals, and more sunshine. Not to mention golf.

And much of it is at a price people who actually work for a living can afford. In November the median price of a home in Lee County, which includes Cape Coral, was \$106,300, up 20 percent from \$88,500 the previous year. More important, the price is far less than the national median of \$170,000. Indeed, with the notable exception of cities like Detroit, you could sell your home almost anywhere in the country, move to Cape Coral, and pocket some money.

The change may require a few sacrifices. You won’t have the upscale shopping of old Naples or St. Armand’s Circle on Lido Key. You’ll miss the long rows manicured estates of Bonita Springs with a Mercedes CLK convertible in the driveway. You’ll suffer for want of rare unpasteurized cheeses from Whole Foods. And you’ll miss the nifty white anchovy sandwiches you can get in historic [Sarasota](#).

But you’ll still have plenty of sunshine and access to fishing. You’ll still have Target, Wal-Mart, Walgreen’s and CVS. And you’ll still have Publix, the ubiquitous supermarket of Florida. For a few bucks more, you’ll have center console fishing boat with a Bimini--- and an insulated well filled with cold beer.

And that’s why I’ve come here. Nancy Dunning, the CEO of the Cape Coral Association of Realtors, deals with what happened straight on. “You can consider Cape Coral to be ground zero for short sales,” she says, referring to the implosion of real estate values that followed the growth explosion of the now infamous housing bubble. In 2005, she points out, Cape Coral was the fastest growing area in the country.

“The staff at city hall couldn’t keep up with the (building) applications,” she says.

Then it ended. Today, lots that sold for \$100,000 in 2000 and \$300,000 or more in 2004 and 2005 can once again be had for \$100,000. Much the same can be said for completed properties. On a recent visit to Realtor.org, for instance, I found 2,502 listings in Cape Coral. Of those, 648 were under \$100,000. Many small condos were offered for less than \$50,000.

Michele Deal, a realtor newly elected as President of the Association, is cautiously positive. “Cash buyers are buying now,” she says. “But those who need to finance are still waiting for a signal.” The other problem, of course, is actually borrowing money from a bank.

Henry Albrecht, a broker who has been ignoring pings from his phone during our meeting, finally answers a call. He is a self-described military brat, has a German mother, and spent much of his childhood in Germany while his father was stationed there. A good part of his client base is from Germany.

He answers his phone in German. Afterward, he says that a waterfront lot is going under contract and a German family will be building a vacation home on it.

Why build when so many houses are available?

“It’s all about the site and sunlight,” he says. “They want maximum sunlight. It’s what they come here for. They want sunlight on the pool. They will only be here 4--- maybe 6--- weeks a year so they want it to be right.”

And that leads me back to [what I mentioned two weeks ago](#), the discovery of lots of German phone numbers on [Home Away](#) rental listings. According to the Lee County Visitor Bureau nearly half a million international visitors came to the area in 2010, with more expected when the count is done for 2011. Many come from places like Canada, the United Kingdom, Germany, Austria and Switzerland.

They come to vacation. And they come to buy with ready cash. According to the Florida Association of Realtors, over 80 percent of foreign investors paid cash for their Cape Coral property. It isn’t difficult to understand. If you’ve ever been to Hamburg or Berlin during the winter you know why the grass is so much greener in Florida that they will come here and pay cash. It doesn’t hurt, either, that Europe is having a banking, currency and credit crisis.

The crash may have proved that reliable sunshine isn’t priceless, but it also made us forget how treasured it is.

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Sunday, June 10, 2012

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## What Las Vegas Can Teach Us About Mutual Fund Investing

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When you go to Las Vegas one of the important things to know is what the “vig” is for whatever game you choose to play. The vig, or “vigorish,” is the amount the house takes out of the pot. Play where the vig is high and it is likely you will lose your money quickly. Play where the vig is low and you’ve got a shot at staying in the game longer. Whether the vig is high or low, someone may leave with more money but most will leave with less.

Play the slot machines and, according to professional gambler John Patrick, the vig is about 13 percent. This means the house takes about 13 cents from each dollar played and redistributes 87 cents to the players. In essence, each dollar played is immediately worth only 87 cents.

Tempted to complain about being ripped off? Don't. If you've ever bought a state lottery ticket, you've played a game where the house vig is 50 percent and the intrinsic value of a \$1 lottery ticket is, you guessed it, 50 cents.

Want a low-vig casino game? Try blackjack. Pay close attention to what's called basic strategy and the vig can be as low as 1.5 percent. You may not win at slots or blackjack, but the low vig in blackjack means you can stay in the game longer. Get a good run of cards and you might even go home with some money in your pocket.

Why am I telling you this?

Because there is a vig in mutual fund investing, too. It's called the expense ratio. If you bought shares in a low vig fund such as the Vanguard 500 Index Fund 15 years ago, you earned an annualized 5.57 percent over the period after annual expenses of 0.17 percent. It was not a wonderful period for the Index because it only provided a better performance than 60 percent of its surviving higher vig managed competitors. (Over the 3, 5, 10 and 15 year periods it did better, on average, than 70 percent of its competitors.)

Just 40 percent of funds in what Morningstar calls the "large blend" domestic equity category provided higher returns than the index fund. They averaged an annualized return of 6.82 percent and averaged expense ratios of 1.17 percent. In other words, if you took a chance and paid a higher vig, you had a chance of increasing your return.

But was it worth it?

If you committed to paying a full 1 percentage point more in expenses, you had a chance of increasing your annualized return by an average of 1.25 percent. Unfortunately, you only had a 40 percent chance of gaining that 1.25 percent, taking its real value down to 0.5 percent. So you were certain to pay 1 percentage point more each year to get a return that would likely be only 0.5 percentage point higher.

A bet on a managed fund was about as bad as buying a state lottery ticket--the intrinsic value of the managed fund "ticket" was worth only half the gain. (It isn't quite that bad because stocks tend to have positive returns, so they are a positive-sum game. Gambling is always a sum-zero game in which a fixed pot of money is redistributed.)

This is not a stacked-deck example. Focus on fixed income investing and, as I suggested in [a recent column](#), the house vig is just crazy. In one of the largest fixed income categories, intermediate bonds, there was virtually no chance of beating the Vanguard Intermediate Term Bond index fund over 15 years. The index fund was in the top 5 percent, earned 7.08 percent a year and cost 0.22 percent while the average managed fund cost 0.89 percent but earned only 5.79 percent. Funds that did better than the index averaged a 7.58 percent return, only 0.5 percent more than the index fund. In effect, managed fixed-income fund investors were paying 0.67 percent a year more for the privilege of having a 5 percent chance of gaining an average increase in return of 0.5 percent. What a deal!

Is all this new to you? Well, don't feel badly. It's new to most people, whether they are playing on Wall Street or in Las Vegas. But in both places, you've got better odds if you play where the vig is low.

## Vote Brisketarian!

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“Vote Brisketarian,” the T-shirt proclaims, flanked by images of two American flags. The T-shirt appeared last spring during the annual Dripping Springs (Texas) Cook Off. More than 100 brisket teams took the heat to see who made the best brisket.

As with all true competitions, there may have been some disappointed producers among the Brisketarians, but there were no unhappy consumers. Trust me, no one muttered about the lack of two chickens for every pot. I just wish the Brisketarians could be a little more serious about their politics.

Why? Brisketarians may be our only hope. As I see it, if the Brisketarians in the red states could form a coalition with the blue Pastramian states in the Northeast, we’d never hear from the Democrats or Republicans again.

It’s pretty clear today that neither party would be missed if there were an alternative. Skeptics should consider the current 12 percent approval rating of Congress, a tie for the lowest rate in history. If that isn’t enough, consider the choices the parties are providing in November: an Apostle of Apology and a Wizard of Success.

Whatever their differences, the Brisketarians and Pastramians share the same cut of beef, so I think they have a future. What they need is a platform one that could save the country. So here it is. And fear not: Potato salad, coleslaw and pickles come with the plate.

- **Chuck the Entire Tax Code. Do It Now.** Commit any incumbent who defends it, or wants to continue tinkering with it, to life occupancy in the nearest mental institution secure enough to handle the criminally insane. Replace the employment tax, personal income tax, and corporate income tax with a national sales tax. [Make it genuinely progressive](#) with a hefty pre-bate based on household size unlike the largely fictional and highly uncertain progressivity of the current system. Stop the insanity. This single action will do more for our country than any other. It will increase tax revenue. It will reduce prices to consumers. And it will tax our ever-growing shadow economy.
- **Make Bankers Take Risks With Their Money, Not Ours.** This can be done through something called [“Limited Purpose Banking”](#) which, as the name suggests, limits the amount of risk banks can take. Banks that want to take risks can, but the bankers, not taxpayers, will bear full liability for losses. No more bailouts from taxpayers. Watch how the presence of actual risk will improve attention to loan quality.
- **Create a Unified Savings Plan for What Workers Don’t Spend.** Since money saved is money not taxed under a national sales tax, the current

hodge-podge of tax deferred savings plans can be simplified and contributions would be unlimited. It would be handy, however, to have an automatic, low-cost and easily managed plan. With automatic deposit of paychecks this can be done through our new limited-purpose banks offering a wide variety of dirt-cheap exchange-traded-funds.

- **Restore Social Security To A Pay-As-You-Go Basis.** And pay for it with national sales tax revenue. Return fraudulently taken overpayments of employment taxes collected since 1983 to workers as I suggested [some time ago](#).
- **Cap Medicare As a Percentage of GDP.** Remind current and future retirees that 80 percent of all advances in life expectancy were from improvements in public health, not heroic doctors and warm-hearted hospital administrators. Stop allowing the medical/pharma complex to use government to increase its revenue faster than anyone can pay or the economy can grow. Trust me, the result will be innovation, improvement and reasonable use of healthcare, not shorter lives or poorer health. Provide federal funding for medical education of doctors, physician assistants and nurses, increasing the supply of all three and reducing the pressure medical education debt creates to focus on specialties rather than primary care.
- **Make Friends and Feed the World.** Do it by ending subsidies for ethanol and redirecting crops from fuel to food, reducing prices by increasing the available supply of food crops. Couple it with aggressive expansion of all domestic energy sources.
- **Be Energy Efficient, Produce Domestic Energy and Starve a Terrorist.** Set our drillers free; unleash Amory Lovins ideas in "[Reinventing Fire](#)." Every dime we don't spend importing oil is a dime very well not spent. Anything close to energy independence would allow major reductions in military spending.

Sunday, September 29, 2013

## The Moving Experience of a Lifetime

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Pamela Villarreal looks up from her laptop. She checks that the correct webpage is projected on a large screen at the end of a conference table. She nods OK. I'm visiting with Ms. Villarreal, a Senior Fellow at the [National Center for Policy Analysis](#) in Dallas, to check out a new tool on their website--- a free calculator that will estimate the lifetime value of moving from one state to another.



Yes, you read that right: The *lifetime value*. Not just whether you can afford a move today, but the long-term impact on how much more (or less) you'll be able to spend each year or leave to heirs.

For starters, I ask Ms. Villarreal to test the move many are making every day, from California to Texas. We do this by using as our example a 40-year-old worker who is single and earns \$70,000. We'll call her Charming Angela (CA). She has \$70,000 in retirement accounts and \$70,000 in taxable savings. Angela rents in California at \$1,500 a month and intends to rent in Texas at the same amount. Ms. Villarreal presses the "calculate" button.

The screen blinks. The results appear in a flash. Charming Angela will gain \$1,615 a year in spendable income by moving to Texas. If she saves it rather than spends it, she'll have an additional \$133,593 in her estate.

That's nice, but not exactly earth shaking. (Then again, the long-term gain is nearly two *years* of her salary.)

"What if she moves so she can become a home owner," I ask. Ms. Villarreal has Charming Angela take \$40,000 from her taxable savings for the down payment on a \$200,000 condo. It has a \$160,000 mortgage, with an \$810 monthly payment. She presses the "calculate" button again.

We gasp. "Maybe we should call her Lady Gaga!" Ms. Villarreal exclaims.

Moving to Texas to become a homeowner will add \$12,692 a year in spendable cash. It will do this every year for the rest of Charming Angela's life. If she saves the additional spending power and maintains her current spending level, the move will increase her estate by a whopping \$1,049,571. All in dollars of today's purchasing power.

The big benefit here doesn't come from escaping the California income tax. Virtually all of the benefit comes from moving from a state where many middle-income people can't afford a home, to a state where they can.

But forget the estate value. Just how long do you think it would take a \$70,000 a year worker to gain after-tax spending power of \$12,692 a year in this economy? Maybe never, right?

How can this be? I'd like to say it's simple, but it isn't. The engine behind this calculator isn't driven by the relative price of avocados and movie tickets. Its primary driver is tax differences. A single worker earning \$70,000 a year gets hit with a tough income tax in California. The Federal income tax rate is pretty tough, too.

When she moves to Texas she sheds the California income tax. More important, she gets a pile of itemized deductions for home ownership. These reduce her Federal income tax. She also gets to own an asset and build equity by paying off mortgage debt.

I ask Ms. Villarreal if she has found other moves as dramatic. "Well," she says, "you can get figures in the millions pretty easily when you use high income people as examples. It probably says a lot about why LeBron James went to low-tax Florida to join the Miami Heat instead of NBA teams in high-tax states like New York, Illinois or California."

More conventional online moving tools, such as the calculators on [bankrate.com](http://bankrate.com) or [CNMoney.com](http://CNMoney.com), are based on data from the Council for Community

and Economic Research. The Councils' data allows you to compare the cost of housing, food, insurance, clothing, fuel, medical care and other common consumption items in different cities. The same data is used to provide the city-to-city cost comparison chart in each issue of "Where To Retire" magazine.

The calculator behind the NCPA's tool is different. It's based on [ESPlanner software](#), the same software that Professor Laurence J. Kotlikoff and I used as the basis for our book on financial planning, "Spend 'Til the End." Using a very sophisticated calculating engine, it calculates the lifetime discretionary income ramifications of decisions about location, shelter, savings, and taxes. The main difference between the NCPA tool and the full financial planning software is that the NCPA calculator makes a variety of assumptions to reduce the items you have to enter to get a result. The NCPA calculator is at [www.whynotmove.org](http://www.whynotmove.org)

Sunday, November 3, 2013

## Meditation on McDonald's, Once More

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What a disappointment! I went to McDonald's prepared to see a *happy* place. I was ready for smiley faces, faces so joyous that old Ronnie McDonald would look like he had gone a month without his Zoloft in comparison. I thought the Affordable Care Act would provide everyone on the other side of the counter with a look of sublime, health-insured confidence. But there was [no visible sign](#).

Maybe later. Maybe never.

So now that the healthcare finger-pointing season has gone into overtime, I'd like to point out a fundamental fact that has been overlooked by everyone: *the real problem with healthcare is that it costs too much*. No matter how much the Washington mandarins finagle the costs with mandates, faux controls and subsidies, it's still more than the country can afford. Healthcare doesn't cost so much in other countries because it isn't practiced or administered in the same way as ours.

You can understand the cost problem by considering some very basic facts. Let's start with how much income you can have and still be eligible for a subsidy from the federal government under the Affordable Care Act. The subsidy extends to incomes as high as four times the poverty level for the size of your household. In 2013, that would be an income as high as \$45,960 for an individual to \$94,200 for a family of four.

If you visit the [Internal Revenue Service](#) website and checkout their chart on the distribution of income (most recent data is for 2010) you'll find that you were in the top 50 percent of all earners, regardless of marital status, if your income was over \$34,338. According to [a calculator](#) on the Kaiser Family Foundation website, a family of four at this income level, with a 50-year old earner, a spouse and two children, would pay \$1,290 of the \$12,275 premium--- a subsidy of \$10,986. For the same family with a 30-year old earner, the premium would be \$8,975 and the



subsidy would be \$7,685. In both cases, the family payment is limited to paying 3.76 percent of income. (All of these figures assume a silver plan and a non-tobacco using family. Premiums can be increased as much as 50 percent for tobacco users.)

The truly important fact, however, is that the cost of the *unsubsidized* premium--- the amount of money required to distribute the risk of actual healthcare costs--- would be a staggering 26.1 percent of income for the younger family and a mind-numbing 35.7 percent for the older family. To put it in some perspective, the IRS data tells us that the average income tax rate for the top 50 percent of all households is 13.06 percent.

Even when we go upscale---to the \$69,126 annual income level that marks entry to the top 25 percent of households--- healthcare costs are absurd. At that income level the same four-person family with a 30-year-old earner has an unsubsidized premium of \$8,975. That's 13 percent of income. The same family with the 50-year-old worker has an unsubsidized premium of \$12,275. That's 17.8 percent of income. Here, the IRS data tells us that the average tax rate paid by all households in the top 25 percent is 15.22 percent.

There are two important facts here. The first is that the cost of healthcare is larger than the reach of our entire income tax system. The second is that however the dollars are sliced, the cost of healthcare is more than all but the most affluent people can afford. It's also more than the country can afford. The notion that we can solve this problem with a subsidy from a government that is already broke is simply ludicrous. Can't be done. Won't happen.

Is there a solution? Yes, I believe there is. It's radical. It will destroy many institutions that won't be able to adapt. It's something we haven't seen in healthcare for decades--- it's called *price*. If we had to pay the price of our care, we might negotiate it. We might not buy it. We would consider alternative treatments. If possible, we'd shop the cost. Do that and the price of care would, however imperfectly, decline until it met what we are able to pay.

This isn't a crazy idea from a deranged newspaper columnist. You can read how and why restoring price to healthcare will work by reading John C. Goodman's ["Priceless: Curing the Healthcare Crisis"](#) (The Independent Institute).

Sunday, December 15, 2013

## All at Sea

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**Somewhere in the Pacific.** The Star Princess, one of the many ships in Carnival's armada of cruise lines, is on its way to Hawaii. A walk to the aft end of the ship on deck 14 allows you to survey miles of rolling Pacific.

And, yes, you read that right, deck 14. It's nearly 14 stories above water and there are still more to go. I exercise in the ocean view gym on deck 15. And we may visit the Skywalker lounge on deck 18.

My wife and I are on a long overdue 15-day vacation--- time for us to read, talk, sip champagne or wine and listen to music. And we don't miss the cellphones, computers or news. With only four brief stops in the actual Hawaiian Islands it's almost a misnomer to call this a Hawaiian Cruise.

And, no, I'm not morphing into a travel writer. I just want to report that cruising, if you have never tried it, is a good thing. More people ought to do it. While the industry statistics tell us that more than 14 million people took cruises in 2010, with most originating from North America, the figure gains perspective when compared to the 39.7 million people who visited Las Vegas. The world is big and wonderful. So there are places to go and things to do on the ever growing fleet of cruise ships.

That same 14-million passenger figure also throws some light on the abundantly reported cruise ship disasters. My bet is that an actuary would prefer cruising to flying.

Cruising works because the economics can be almost anything you want them to be. Skeptical?

I was too. For decades my wife and I have preferred independent, unscheduled trips to relaxed places like Belize, Florida and Mexico. Cruising on a big ship, locked up with thousands of strangers, didn't hold much appeal. Sounded kind of icky, in fact.

But we became converts when we took our grandchildren on cruises to Alaska and the Western Caribbean. Kids love'm: Lots of personal freedom, the odd thrill of a ship's cabin, special places for kids, pools, miniature golf, outdoor movies and what appears to be unlimited supplies of pizza, hamburger, soft drinks and other youth fuels. To our amazement, they even enjoyed the more formal meals in the tablecloth dining rooms and the girls loved the experience of afternoon tea.

We liked it too. We never felt crowded: There are lots of places with few other passengers. The dining is good. Breakfast in your cabin is sublime. And it's fun to walk the esplanade, enjoy the spa, or just hang out.

It also turns out to be entirely cost competitive with typical land vacations. Suppose, for instance, that you want to take a week of vacation in Florida, Southern California or the Caribbean. A nice, but not luxurious, hotel will set you back about \$300 a night when taxes are included. (Some will spend less but it's easy to spend more.) Add the rental car, another \$40 to \$80 a day. Then start thinking about breakfast, lunch and dinner. With no effort, the basic daily costs for two will run nearly \$500 a day---\$250 a day per person.

To compare the cost of cruising, visit [www.vacationstogo.com](http://www.vacationstogo.com). This website has a worldwide database for all the major cruise lines and a set of filters that allow you to choose your destination, stateroom type, ship rating, cruise length, cruise line and other factors. When you have the kind of trip you want, click a few more buttons and the cost per day will be shown. Click on "Price Per Night" and the list will be rank ordered. Here are some recent search results:

- **7-day Alaska cruises**, originating and returning to Seattle next summer, had many ocean view staterooms available from \$108 to \$150 a night per person. Many balcony staterooms were available for less than \$200 a night per person.

- **7-day Western Caribbean cruises** originating from Houston this winter produced a long list of balcony staterooms from less than \$100 to \$200 a night per person.
- **7-day Eastern Caribbean cruises** originating from Florida this winter produced a long list of balcony staterooms, with some under \$100 a night. Most were under \$150 a night per person.

Since cruise rates include all meals, cruising vacations can easily go head-to-head against more typical hotel-based vacations. Just thinking...

Sunday, November 2, 2014

## From Bubble to Boom

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PALM SPRINGS, CALIFORNIA. The mid-morning drive-time trip from LA takes about two hours. The surprising thing: it's developed and industrial all the way. No quiet drive in the dessert. Even so, when Mount San Jacinto is just behind you, there is a kind of magic. At some moment, the air becomes sweet and clear. Once in Palm Springs there's a sense of protection, as though things that happen in other places don't happen here.

It's an illusion, of course. But it feels good. You can bask in the odd sense of ease that comes with visits to well-manicured places with abundant valet parking. According to [Trulia](#), homes in Palm Springs enjoyed average appreciation of 43 percent last year. It now has a \$317,000 median sales price and an average per square foot selling price of \$227. But there's no immediate sense of a real estate [bubble](#) here.

If anything, you get a sense of scarcity. Listings are few; houses sell fast. This makes Palm Springs like much of the country: a sellers market, but more so. Before everything was a bubble, we called this supply and demand.

Maybe it's just a confluence of age and fashion. What we have here is a boomer flood. All are looking for the home of their dreams, their literal place in the sun.

Welcome to the New Old Money. Where once it meant inherited money, today it's the money some retirees have. The [National Association of Realtors data](#) tells us that some of the fastest appreciating areas are places we associate with old folks. Homes in the Naples-Marco Island area of Florida appreciated 16.8 percent over the year ending in June. Las Vegas and Paradise, Nevada rose 14.2 percent over the same period. And the Cape Coral-Fort Myers area of Florida rose 12.3 percent. Meanwhile, the median existing home price appreciation for the country was a mere 4.4 percent. Call it Senior Power. It moves markets, even if it may not keep "Longmire" on TV.

To learn more I visit the [Paul Kaplan Group](#), a boutique Palm Springs real estate firm with a nice website. The firm focuses on the growing popularity of "mid-

century modern” homes. It helps that Palm Springs boomed in the 1950s and has great examples of the genre.

I ask Matthew Reader, a real estate agent with the group, for his take on what’s happening in the Palm Springs market.

“Our recovery has been so much quicker (than other areas),” he said. “Palm Springs is basically a vacation community for wealthy people. Our prices dropped about 50 percent (in the bust) and then we had a big rush. We’ve been getting a lot of press internationally and the Euro was high. We’ve had a big three-year ride. But now we’re really close to the 2006-2007 high--- and in some neighborhoods we’re past it,”

How does mid-century modern fit in?

“When I moved here 14 years ago no one understood the term. But I chalk up a lot of the interest in this architecture to Mad Men, the TV series. A lot of people saw the style for 7 seasons.

Celebrity cachet here is another thing,” he says, referencing the Movie Colony homes. Hollywood contract stars required to stay close to the studios in LA built them.

“And we also have better seasonal airline service, including from New York on Virgin and from Toronto on Air Canada.

“This--- and the website--- is incredibly important. Buyers now have picked out the houses they want to see when they arrive. They have two or three days and they want to buy a house.

“Another thing that’s changing is the buyers. Ten years ago most buyers were retirees,” he notes. [Census Bureau figures](#) tell the broad story. With 26.5 percent of population age 65 or more, Palm Springs has almost twice the proportion of older people as the country as a whole. Even so, it’s young compared to Naples (45.5 percent) or Sarasota (33.3 percent).

The difference, Mr. Reader offers, is buying from another group. “Now, it’s young couples, many from LA. Older people go to the other end of the valley. But the people who are 10 or 20 years younger want to be in Palm Springs.”

Whatever the ultimate reasons, maybe we should start saying “boom” more, and “bubble” less.

Sunday, December 21, 2014

## A Giving Lesson from Charlie Mahoney

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Charlie Mahoney was not a handsome man. At 60, he was short, bald, stooped and grizzled. The stoop came from back injuries as a jockey. A U-shaped scar on his scalp was further evidence of that career. His appearance wasn’t improved by another career as a flyweight boxer. His ears wiggled from smashed cartilage. The crushed bridge of his nose made his nostrils unnaturally wide.

He was my grandfather, maternal side.

I didn't see much of him when I was a kid. He only showed up when he was sober. That had gone on for years. Long enough that nuns raised my mother. When I did see him, he was scary. He began most conversations with, "Put your dukes up!"

He was not your sweet, role model granddad kind of guy.

But I did learn from him. One day, when he was around and it was my birthday, he took me to Quakenbush's, the big department store in downtown Paterson, New Jersey. It had elevators that swooshed from floor to floor, deftly guided by an elevator attendant. It also had huge doors with big shiny brass levers. The whole place smelled new. Charlie bought me a package of Fruit of the Loom briefs because I needed new underwear. I think I was 11.

We didn't leave by the revolving doors at the front of the store. Instead, we started to leave by a side door. But a grimy, tattered man stopped us. With his arm holding the door open, he stood in our way.

"Can you spare a dime for a cup of coffee," he asked. (Yes, this was a long time ago. As a kid, my measuring standard was Cokes. They were still a nickel each.)

Charlie fished in his vest pocket and gave the man two quarters.

"Thank you!" The man beamed, then shuffled off. It was more than he had hoped.

"Why did you do that?" I asked.

"Because he didn't want a cup of coffee."

"Then what did he want?"

"He wanted a drink."

"So why did you do it?" I asked again.

"*Because it will get him through the day,*" Charlie said.

After that, he explained that there were different kinds of drunks in the world. Some were like him. He drank whiskey, most of the time. Sometimes boilermakers, a shot of whiskey dropped in a beer. He'd still get day work, he said, thanks to the Erie Lackawanna railroad or some other place that needed men who could shovel.

But there were other drunks. They were down on their luck. They were pretty far-gone. They couldn't work anymore. Fifty cents, he said, was enough to buy a small bottle of sneaky Pete. That's what he called sweet port wine. It's cheap. It comes in a variety of sizes convenient for the pocket. It has sugar for nourishment. And it has enough alcohol to get by.

You could hope that the guy would go to White Castle and get some burgers, he said, but you could be confident that he would buy sneaky Pete. It would do the trick. It would get the guy through the day.

I understood the lesson he was teaching. Today, some might consider me a "soft touch." If someone asks for money, I tend to give it. I know the money won't promote world peace or eradicate poverty. It won't help more people read and go to college. And it won't improve inner city education, cure cancer, or bring the lost closer to God.

*But it will get them through the day.* That has to count for something.

When I talk about this some people look at me funny.

"It's wasted," they say.

"It won't do any good," they say.

“You’re not solving the problem,” they say.

I want to do a lot of different things when I hear that. Like telling them exactly where they can put their righteousness. Or maybe just punch them in the face, just like Charlie would have done.

Why don’t they know getting things fixed is all about tomorrow?

Until then, lots of people just need to get through today.

Sunday, March 1, 2015

Home Ownership Re-Imagined, Part 1:

## The Secret of Crystal Bay

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**Dunedin, Florida.** Gene Snyder is a boat guy. He loves boats, has loved them all his life. You don’t need to read his resume to know; just talk with him for a few minutes. But when I tell him I’m in Florida to research manufactured-home-communities, a three-generation story unfolds, with even greater enthusiasm than he has for boats. Here’s the story.

“I needed to find a home for my grandfather. He was living in the Keys, south of Key Largo, on the other side of Florida, and he was 91 years old.” Gene explained that neighbors were worried about his widowed grandfather. So was his son, who lived inland. Gene worried, too. But his grandfather was reluctant to move.

“So I asked if he would move to a place that was on the water,” Gene said. That option changed everything. His grandfather sold his place in the Keys for \$400,000. He bought a \$60,000 manufactured home with three bedrooms and two baths in Crystal Bay on the Gulf coast.

“It wasn’t fancy. But it was clean and the park was spotless,” Gene added. “When he moved in he was the oldest resident and they just adopted him.”

“They have a kind of family there. They have Christmas dinner, dances and other events. We kidded him that he had more friends in the park in a month than he had in a lifetime of living in the Keys. It has a sense of community. The only drawback is that the park is very seasonal. It almost shuts down during the summer.”

Gene’s grandfather died at 103.

“Now my mom has moved in. She says she would have laughed if you had told her she would live in a trailer park, but she’s delighted.” He explains that many of the residents take walks at night but not a lot of walking gets done because everyone visits.

“This is awesome! If you have a canal lot you can have davits and lift your fishing boat out of the water.” Today, he notes, the manufactured homes on canal lots look across the water at a place where lots alone sell for \$400,000. Now in his early 50s, with a son in college, Gene and his wife are looking ahead. They hope to sell their conventional home, find a place in Crystal Bay, and live in a place on the water.

That would make three generations, all with many choices, deciding to live in what many still call a “trailer park.” It makes me wonder if we’re at the beginning of a change in how we think about the biggest lifetime expense most people have--- shelter.

The next morning I went to Crystal Bay. It is a relatively small park. In the clubhouse I meet Jonie Green, a retiree from Indiana who spends every winter in Crystal Bay with her husband. She showed me the new docks, the pool and other park amenities.

Crystal Bay was an early “resident-owned community.” These are communities where the residents vote to create a cooperative and buy the land in their park, rather than rent it. Today, the manufactured homes and shares sell together and most units are resident owned. (To become resident-owned at least 70 percent of the residents must take part and buy their shares.) On the Crystal Bay website I find only four units for sale. One is \$60,000, two are offered at \$65,000, and a new and larger unit has a \$129,000 price tag.

“The monthly maintenance is \$145 a month,” she explains. “And we now have 14 boat docks that rent for \$60 a year as well as storage for boat trailers at \$40 a year.” There are other costs such as taxes, insurance and utilities, but they are low relative to owning a conventional house.

“Forty of 107 places here are year-round,” she explains. The year round folks are increasing, she adds. We both laugh. After this winter up north, the whole place may be year-rounder’s in 2016.

Florida isn’t the only place for snowbirds. But it has a varied stock of housing including a multitude of both resident-owned and land-rental manufactured home parks. When you look at the investment and expenses it’s pretty clear that this is a great way to have a low-cost second home.

But there is a bigger picture. For some, it could be an entire retirement strategy. It could be a good reason to rethink our shelter decisions.

June 6, 2015

## Tricorder v1.0

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The future is here. I’m wearing it on my wrist. It’s a minimalist rubbery black band with a narrow black window. It tells me things when I press its button, and it records 24/7.

No, I am not wearing an iWatch, in spite of being a devoted [Apple fan boy](#). Yes, I thought about an iWatch. I waited for an iWatch. And now that they are in, I’ve admired an iWatch.

But the future is more likely about the [Tricorder](#), v1.0 that I’m wearing. And at \$150 it’s a lot cheaper than an iWatch.

Too young to be a Star Trek fan to know about the Tricorder? It was a fictional device used by Bones, the fussy doctor who tended the crew of the starship



Enterprise. Held in one hand, it diagnosed medical problems with a simple wave over the patient's body. It was a one-tool-does-all thing.

Well, Tricorder v1.0 doesn't do it all. But it does a lot. And we can be confident that 2.0 is in the works, witness the [Tricorder X prize](#), a \$10 million contest sponsored by Qualcomm to "bring healthcare to the palm of your hand."

The black band on my wrist isn't fictional. It is a [Fitbit](#) Surge HR, now widely available in stores. It is part of a new wave of health and fitness tools that can record your heart rate from your wrist rather than from a chest band.

Press a button on the band once, and it lights up to tell the time. Press again and it tells you the total steps you've taken today. Press it once more and your heart rate appears. (Mine is a restful 55 while sitting at my computer.)

Since the band detects motion, regular reports on the Fitbit app tell me how long I've slept and how often I was restless or awake. It also calculates resting heart rate, total calories burned for the day and time spent in "fat burn" heart rate.

What it won't do is lose weight for me.

For that to happen I'll have change from a passive observer of data to an active participant. I'll need to enter what I eat and watch the balance between calories ingested and calories burned. I hate that part, but I've already learned that keeping calories below about 2,300 a day will produce weight loss. It's also clear that what I do for a living doesn't consume many calories.

What I need to do more often is party. Attending a party and dancing for two hours has been the highest calorie burner to date. So, Dr. Fitbit, I'm going to work on that. More parties. Just for my health.

What we have here is a new paradigm for health care--- patient-participating-health-care. Another company, [Alivecor](#), makes a tiny \$75 device that will do a 30 second electrocardiogram, any time you want. As you hold it, you can watch the ECG move across the screen of your smartphone. At the end of 30 seconds an algorithm reviews the reading and identifies atrial fibrillation if you have it. If its AFib, you can make notes on the conditions that might have induced it. This little tool comes with an adhesive back so you can attach it to your smartphone. Then you can email your ECG, from the app, to your cardiologist, opening a new and easy channel of observation at a distance.

My readings, so far, have all been normal. That means my favorite medical word describes my heart: "unremarkable." This, in spite being diagnosed with AFib 8 years ago.

Download the new "[Stroke Riskometer](#)" app and answer some questions. It will tell you your stroke risk over the next 5 years and 10 years, all based on data from the famous Framingham Heart Study. It will also give you an opportunity to enroll in a global stroke study. It may help reduce death from stroke even more than the [50 percent reduction](#) of the last 30 years.

All this will create a whole new mode of health research: medical data crowdsourcing. It will also build a world of participant patients rather than passive patients.

What should we say about that? How about: "Warp speed, Mr. Sulu"?



August 23, 2015

## Prius Goes to College

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**College Station, TX.** The Prius my wife and I bought in [2003](#) is going to college. Its residency on the Texas A&M campus begins today. This is not the iconic Prius. It is what some might call 'prius-toric' because it predated the now classic body style. Granddaughter Shelby, now 18, is one of the thousands of new students arriving at the enormous campus today in cars stuffed with dormitory furnishings, personal computers, clothing and parents. We'll be there, too.

The car, given as a birthday present, has survived her first two years of driving without incident. It arrives on campus with 123,000 miles and is ready to take her back and forth between the campus and her home in Lewisville, Texas. A rarity in 2003, today hybrids have proliferated to what may be 100 models when you include plug-ins and full electrics. And as I write this more people are worrying about a [precipitous fall in oil prices](#) than a rise.

Things change.

The last time I wrote about Shelby was in 2005. Hers was the final segment of "[American Generations](#)," a column series that examined four generations of family history against the backdrop of technological, economic and social change. Shelby was 8 then, a graceful blond gymnast.

Today she is tall and lovely, a graduate of Marcus High School in burgeoning Lewisville. One of a class of about 750, she graduated as Captain of the varsity cheerleader's squad--- and with a collection of honor society memberships and credits for 9 Advanced Placement classes.

"I'm super excited and nervous," she told me a few days ago, "but I can't wait to be there." If her high school class was large, it will seem tiny compared to A&M. Last year the College Station campus had 55,810 students, easily one of the 5 largest university campuses in the country. Of that number, over 10,000 will be arriving on campus for the first time. A bit more than one in four will be the first in their family to attend college.

To me, that's almost incomprehensible. I thought M.I.T--- known to some as "the grey pile on the Charles"--- was enormous, but it was one-tenth the enrollment at the College Station campus.

Will she and the other new students be overwhelmed? Maybe, but probably not. Shelby's roommate will be her best friend from church. Both young women want to be teachers. Shelby is quite specific, saying she hopes to be a middle school math teacher.

Size notwithstanding, my sense is that [A&M](#) isn't a "look to your left, look to your right, one of you isn't going to be here next year" kind of school. "[Fish Camp](#)" helps the kids get their bearings. There is a [new Aggie website](#). And social media is alive and well with a [class of 2019 Twitter account](#).

This class will be an all-digital, 24/7 crew. Since birth their lives have been digitally recorded in photos and videos by parents and friends. Their

communication, by texting, is virtually unlimited. Many ignore their voicemail and emails, pressed by the immediacy of texting. They are so comfortable with electronic communication that some didn't feel an immediate need to drive, making one of the big rites of passage merely optional.

Ten years ago it was just starting to be noticed that the enrollment of women undergraduates was exceeding the number of men undergraduates at many schools. Women were also taking a larger percentage of places for higher degrees and professional degrees, but were still a minority in those areas. There was much hand wringing about why more women weren't enrolling in STEM courses--- science, technology, engineering and mathematics.

Today, 47 percent of all medical students and 46 percent of all medical residents are women. Ten years ago a woman was president of MIT. Today, two women, one from each party, are active candidates for President of the United States. And if you visit the Twitter hashtag "I look like an engineer" you'll see thousands of photos of young women, all engineers, all cheerfully working to overcome the stereotype that only men are engineers.

Things change. They change more slowly than we would like. Then, suddenly, the change is done. Shelby and middle school math are part of that change.

October 4, 2015

Letter from France:

## How About Retiring Here?

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**Saint Julien de Lampon, France.** It isn't easy to find this place on a [map](#). It's a village in the Dordogne area, roughly northwest of Provence and east of Bordeaux. It's a land of manicured landscapes, picturesque ruins, chateaux, castles and ancient churches. It's also spectacularly green, filled with dramatic escarpments, and a river runs through it. It's a place with centuries of history, widely estimated to have reached its peak of culture and influence somewhere between the 13th and 15th centuries.

I'm here to celebrate the retirement of a younger brother from maritime service in Maine and an earlier career as a tugboat captain. We're staying in the village home of another younger brother. He bought it for the proverbial song 24 years ago. A mathematician and university professor, he's had a schedule that allowed him to work on the house in many of those years. Today you can look from a lovely stone patio to view a small vegetable garden, then trees that bear figs, pears and walnuts, and on to open farmland.

A stroll takes you to the local boulangerie for morning croissants, a fresh baguette or country bread. A butcher shop is next door. A small grocery store is next to that. A bar/café is cross the square, by an ancient church. At the weekly farmers market you can buy fresh sausages and vegetables. A truck displays interesting

cheeses. And that's before the Foie gras vender. This area is the global epicenter of [foie gras](#). It is everywhere.

One could live an idyllic life here. Many do. So how about retiring?

I'm serious. Many people dream of retiring to an out-of-the-way beach in Mexico, Belize or Costa Rica. One reason is that they think it will be incredibly cheap. They will be able to live well on a limited income. That dream can be fulfilled--- but only in proportion to the expensive habits of urban living that you are willing to leave behind.

What if you want easy country living *and* good wine and great food?

The right mix may be here in rural France.

**Shelter.** This is the greatest expense for retirees, no matter where they live. Here you can buy a ruin and do a replay of Peter Mayle's "[A Year in Provence](#)." The range of shelter available runs from fifteenth century chateaus that can be had for a cool million to energy efficient new houses for \$200,000, to condos in medieval cities for about \$150,000, sometimes less. Taxes are miniscule, particularly on lower priced homes, and offset the higher utility costs.

One proof that it works is simple: you'll find a fair number of British and Dutch pensioners retired here, after years of coming to a second home.

Will your home be a good investment? Probably not. The birth rate in France has been below replacement rate for decades. The young continue to leave the countryside. They move to the large cities for work. The result may be an even trade between incoming retirees and outgoing young.

The population of France is nearly as old as Florida. The countryside is probably older. While visiting [Gourdon](#), one of the medieval cities in the area, the number of empty shops struck me. Perhaps being a tourist attraction isn't enough to sustain the village life that's here. The arrival of a huge E.Leclerc super-size market in the area brings worries about a European version of the Wal-Mart effect.

**Food and drink.** Really good food costs the same or less, sometimes dramatically less, than it does in the US. And it's all of a quality that no self-respecting foodie could complain about. If you like wine, good regional wines can be had for less than \$10 a bottle and vin ordinaire can be had for \$1.50 a liter--- way cheaper than the "Two-Buck-Chuck" in Trader Joe's.

At the upper end, the differences are stunning. Dinner for four including aperitif, sparkling water, wine, appetizer, main course and desert was less than \$100 a person at [Le Pont de l'Ouyse](#), a restaurant with a prized Michelin star.

**Transportation.** Cars are expensive here; so is the fuel to run them. Fortunately, they are smaller and fuel efficiency can be impressive. The Renault Kangoo that we have used has a small diesel engine. It gets over 50 miles per gallon.

**Banking and Entertainment.** They may seem unrelated, but they are united by their electronic universality. In St. Julien cash from my domestic bank account came from an ATM. No problem. And a good exchange rate for the Euros delivered.

Similarly, once you have Internet access, the entire universe of global streaming opens to you--- Netflix and Amazon Prime for movies, TV, Kindle books, etc. You'll always have a deep link to home.

February 14, 2016

## A Sea Change from Gloucester

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**Gloucester, MA.** Leonard Campanello leans forward. “There’s no incentive or coercion that will stop an addict,” he says. “This is the only long-term illness on the planet where if the disease presents itself, they kick you out (of treatment).”

Moments earlier he had entered the Sugar Magnolias breakfast place on Main Street in downtown Gloucester. Then he told me about his amazing offer to drug addicts. It’s an offer that will change drug treatment in America, reduce crime, decrease drug-related deaths, drop incarceration and de-stigmatize substance abuse, while restoring the community role of the police. It will save lives and money at the same time.

This is a sea change.

Before you get the wrong idea, let me assure you that Mr. Campanello, who is the Chief of Police in this city of 28,000, isn’t a reformer. He doesn’t look like a reformer. He’s a cop, a fact-and-evidence guy. He speaks without hyperbole in a boots-on-the-ground Boston accent. You can’t listen to him without having a sense that he is absolutely right.

So what was that amazing offer?

Last year, on March 5, after a string of fatal overdoses in Gloucester, Campanello made this declaration on the departments [Facebook page](#):

“As a police department, let me again make our policy clear:

- If you are not involved in opiates or heroin, help us. Inform yourself, call us when you see activity, volunteer. You can make a difference.

- *If you are a user of opiates or heroin, let us help you. We know you do not want this addiction. We have resources here in the City that can and will make a difference in your life. Do not become a statistic. (Italics added)*

- If you are a dealer of heroin, opiates or any other poison...We are coming for you. We will find you. We will prosecute you to the fullest extent possible. You will pay the price for making money off the misery of others. It's not a matter of 'if' we find you; it's a matter of 'when.' You've gotten your warning. Get out of our City.”

Later, [the offer of help](#) (in italics above) was clarified: an addict could come to police headquarters, give up his supply of drugs, and he would not be arrested. Instead, he would be offered detox and a recovery program, overseen by a crew of “Angels” who would provide long-term daily support.

In addition, the department would make certain that Narcan, a drug that counteracts opiates, would be readily available. As a result, Campanella could write this on the [department Facebook](#) page on January 18<sup>th</sup> of this year.

“...today I write directly to the person suffering from addiction. Gloucester had 4 overdoses in the last 24 hours. That’s the bad news. The good news is all were

brought back to us by the increased availability and proliferation of Narcan. A city outside Boston had 30 overdoses in the last 48 hours.

"Some will say, "Oh it's a bad batch." Bullshit...there is no good Heroin. You are important and worth it. There is no incentive or punishment that this disease responds to. We cannot say "Do this for your family or your child" or "If you don't stop we're going to arrest you." We know that doesn't work. But we know what can...we accept you. We know that you don't want this. We are open 24 hours a day, 7 days a week to help you when you want it. There is recovery and a new life that can and should be yours. You deserve it. Your life is more meaningful than your death. Don't be ashamed of your illness. We are not ashamed of you, It's time...come and get the help...and if you're discouraged because you've tried before, know that relapse is part of the disease and we will be there again and again and again until you make it. And you can make it. Even if you're not ready, call us. We will put you in touch with someone from our program who is in recovery and has been in the same place as you. Someone who understands.

"We've dedicated the last 8 months to helping YOU. Why? Because we don't want to lose you. When you're ready, we will be here.

"The Gloucester Police Department, myself included, will accept no further award (sorry Michael Moore, but thank you) or recognition until every person in this country that suffers from addiction has immediate access to sustainable care. And we've wiped the ground with every scumbag, POS dealer that only sells for profit. We see you, you leeches of human life, and you'll pay. In this life or the next.

Treatment providers...thank you for helping."

Note that this is not a top-down change from thinkers-on-high. It is, like virtually all real change, from the grass roots. Campanello, a former undercover cop, simply got tired of "arresting the same people over and over." And seeing the death and devastation of drug addiction made his frustration worse. In 2014 there were [47,055 deaths](#) nationwide from lethal drug overdoses. In that number, nearly twice as many died from prescription painkillers as from heroin.

Campanello is not alone.

When the original Facebook posting went viral, he called John Rosenthal, a Boston real estate developer who had earlier volunteered help if he ever needed it. The response to the Gloucester Initiative, Campanello told me, "was like trying to drink from a fire hose."

So they started the [Police Assisted Addiction and Recovery Initiative](#), or PAARI, a non-profit that is organizing to spread and support the idea. Already, 57 police departments have joined.

Will it end drug addiction in America? Sadly, no. But it may reduce it. And that's more than our endless, top-down "[war on drugs](#)" has done.

Sunday, November 6, 2016

## The Last Cheap Waterfront

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**Longboat Key, Florida.** A couple walks into the store at the Longboat Key Marina. Both have deep, permanent dark tans--- the kind you can imagine going down to their bones. I'm here getting my free early morning coffee and muffin, feeling a little guilty about the amount of Half and Half I am using.

The couple greets another man. He asks about their boat.

"Has it sold yet?"

"No," they grimace.

What then unfolds can only be classified as a high-order First World problem: *We're having trouble selling our yacht.*

Having lived on their boat for several years, the couple is done with boating. It's too hard to find people willing to show up and work on boats, they say. It's also too expensive. So they bought a house and put the boat on the market. That was more than a year ago. They waited for offers.

They're still waiting. Eleven people have looked at the boat, but no offers. Not even a low-ball.

Some context here is important. Longboat Key Marina isn't just any Marina, and Longboat Key isn't just any place. There are a lot of scruffy marinas in the world, but this isn't one of them. It's posh, filled with boats that are 60, 70 and 90 feet long-- the kind that have a salaried captain. Some might have a second crew member, someone good with hors d'oeuvres.

I was here in March, on a chartered 37-foot Jeanneau sloop, and worried that some would question right to be there. Even today, on my friend Walt's 42-foot Nordic Tug, we joke that we only got in because it's the off-season.

Longboat Key is no tiki-bar beach community, either. It's a very quiet place, discreetly occupied by the Seldom Seen. It's a place filled with "old money," even if little of it is inherited.

The couple has an older boat, priced around \$150,000. I gathered it was a classic trawler with two staterooms, two heads with showers, a salon, a galley and a fly bridge with a commanding view of everything around it. Buy it's equivalent new, today, and you'll be writing a check for \$700,000, maybe \$900,000.

"You know," the talkative half of the couple says, "we may just sell it as a cheap condo. We own the slip. It would make a good package."

She's right. Boats are the last cheap waterfront in America. That's the message I get from this visit to what might be called The-New and Fully Recovered Florida. Whatever the devastation of the real estate crash nearly a decade ago, it's over.

Today the Sarasota skyline is a wall of new condo buildings. And good luck finding inexpensive waterfront/water view. A small two-bedroom, two-bath condo



with water view will set you back about \$500,000. And up, as they say. It will price out at \$500 a square foot, often more.

But what about all the foreclosures?

Gone. Here and there you can find a short sale, something purchased by someone who had the misfortune of buying at the absolute market top. But most people have been made whole by rising prices and enough new residents that you can experience major traffic jams in the off season. It's good to remember that the boomers start turning 70 this year and, for some, Required Minimum Distributions just mean cash burning to be spent.

Think about it. That \$150,000 is on the high side for older yachts in the 40 to 50 foot range. Visit the Yachtworld website and you can find boats of that description for as little as \$50,000. Yes, they will need work. But if you don't require an engine that runs, a generator that works, or instruments that function, the work could be pretty cosmetic. Get a bottom that floats, add a few Tommy Bahama pillows, and you're done.

So you could be \$350,000 to \$450,000 ahead of the person who buys an actual condo. Better still, the condo buyers have to worry about global warming. You don't. When the time comes, the condo sinks into the sea but you just float on--- to a new marina along the new coastline, further inland.

Sunday, May 31, 1998

## Will You Ever Have Enough Money?

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A recent visit to New York opened a forgotten wound.

I realized, once again, that I did not earn enough money to live in New York, that I have never earned enough money to live in New York and, at 57, that I will *never* earn enough money to live in New York. Perhaps it was the minimalist hotel room that cost over \$300 a night when all the taxes were added. Perhaps it was the fact that a New York Houston's hamburger was \$10 instead of the \$7.50 it costs in a Dallas Houston's. Perhaps it was the observation that the cost of parking a car in mid-town Manhattan (if you were crazy enough to have one) was a handsome multiple of the minimum wage. Or perhaps it was a few hours spent with an old friend as she explained the absolute necessity of having \$200,000 a year, after taxes, to sustain herself.

Whatever it was this time, the result was the same as I experienced when visiting New York in my twenties, thirties, and forties: A sense of Failure. Each time I left, I vowed that when I returned I would be earning enough money to feel at ease in the Big Apple.

It has never happened.

Now I learn that this is a rather common angst and that it doesn't require plane fare to New York to experience it. It can be experienced in Peoria and it can be experienced by anyone.

It turns out that most of us believe our lives will be comfortable when we earn just a bit more money than we already earn. Indeed, a regular survey by the Roper Center at the University of Connecticut has shown this over a period of twenty years. In 1978 the median income was \$17,640 but the median estimate of a "comfortable" income was \$19,600. By 1994 the median income had more than doubled to \$38,782 but a "comfortable" income had increased \$40,000.

#### The Median Income versus What People Believe is a Comfortable Income

Year	Median Response Comfortable Income	Actual Median Income
1978	\$19,600	\$17,640
1981	\$24,800	\$22,388
1983	\$28,400	\$24,673
1985	\$30,600	\$27,734
1987	\$32,500	\$30,970
1990	\$36,800	\$35,353
1992	\$38,000	\$35,939
1994	\$40,000	\$38,782

Source: Juliet Schor, *The Overspent American*, pg. 99

Still more vexing, another survey shows that the amount of income people believed they needed to "fulfill all their dreams" has been rising much faster than inflation. Pegged at \$50,000 in 1987, the survey had a median response of \$90,000 in 1996. That's an increase of 80 percent, a hefty premium over the rate of inflation.

I learned this reading Juliet Schor's *The Overspent American* (Basic Books, \$25 hardbound, 251 pages) in which she explains that more people earn more money than ever before but feel it isn't enough. A 1995 Merck Family Fund poll, for instance, shows that 27 percent of people earning over \$100,000 a year agreed with the statement, "I cannot afford to buy everything I really need." (42 percent of those earning \$50,000 to \$74,999 said the same, as did 39 percent of those earning \$75,000 to \$100,000).

The problem, Ms. Schor says, is that our "reference group" has changed. Where our spending was once influenced by our immediate neighbors, it is now influenced by visible groups with much higher incomes such as executives or TV families. In one surprising study result, Ms. Schor found that watching TV cost about \$208 an hour because of how it influenced spending behavior. That's the exact opposite of the common belief that watching television is an inexpensive time absorber.

Why does watching TV cost so much?

It creates specific brand identifications. It promotes premium pricing. If you don't own \$100 Nikes, wear designer jeans, drive a Lexus, and take vacations in



Tuscany (last year), well, you're out of it. What can I say? To be an acceptable human being, our new reference group tells us, you must spend on this sort of thing.

The result is a lot of overspending, credit card debt, heavy interest charges, and family stress as families try to juggle two jobs, kids, big mortgages, and tuition payments that would support a village of 200 in any reasonably pre-emerging nation.

The remedy?

Downshifting, making a deliberate decision to work less and spend less. In another survey Ms. Schor found that between 1990 and 1996 about 19 percent of all adult Americans had made changes that involved earning less money. More important, they did it voluntarily. Another 3 percent did it involuntarily but were pleased with the result.

Seeking a less material lifestyle isn't a new idea. It's an old idea. We could talk about Henry David Thoreau. In the post war period we could talk about Vance Packard, George Goodman, Philip Slater, and others.

What is striking today is that "downshifting" isn't an ideology. We now live in a society that is rich enough that downshifting is both possible and a trend--- a trend that appears to involve about 20 percent of all Americans.

Me, I'm starting easy. I'm eliminating New York as my reference group.

Tuesday, November 10, 1998

## **Gimme Shelter!**

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Start-Up City, part 2:

**San Francisco.** People dream about three things in this city: sex, computer equipment, and housing. Most can fulfill their wildest dreams in the first two categories.

Housing remains something to dream about.

For those who manage to fulfill their housing dream, life changes. A major mortgage stretch becomes an island of fixed expense in a sea of shelter inflation. Better still, spending on shelter is magically transmuted into rising net worth as home appreciation equals or exceeds ownership costs.

Add a few stock options, preferably in a first round start-up company, and life can get very, very sweet.

The hard part is getting started, becoming part of the dream.

Listen to Jay Costello, General Manager for Hill and Company, a Union Street real estate management firm, describe how buyers look for a house in the current market:

"San Francisco has historically been the most expensive city in the country. There are a lot of reasons: location, life style, urban pace, etc. But in the last 7 or 8

years there has been the growth of the Internet companies, Silicon Valley, and biotech.

“Over the last thirty years appreciation has been averaging one percent a month. For the last three years it has been one and a half to two percent a month. Sixty-five percent of the properties listed for sale in San Francisco now sell above the asking price.

“If you are a buyer you get started with an agent. The agent will tell you there are only four or five things to see. When you want to make an offer, the agent says the owner will look at offers on, say, Tuesday. So you submit an offer. Of six offers, one will be below the asking price, one will be at the asking price, and four will be above.

“The higher offers will be over the asking price by as much as 10 percent. After that, the seller and the agent figure out what to do.”

“The rental market is really hot. There is a one percent vacancy rate. San Francisco has rent control that hasn’t worked for tenants. It has taken property off the market.”

I asked Mr. Costello about deciding to rent or buy.

“If people can put together a down payment, they buy a house. Now, with the capital gains exclusion on residential real estate you’re nuts not to buy if you can do it.”

Mr. Costello isn’t alone in his assessment. In the course of a very brief visit, I met three couples, all in their twenties or early thirties, who had bought houses because it was easier to buy a house than to find a place to rent. They balked at paying premiums and bidding against others to pay rent. They couldn’t find apartments that would let them have a cat or a dog. They didn’t like having every bit of their financial lives scrutinized before they would be allowed to sign a lease.

Staring at rents that were rising from \$1,200 to \$1,600 a month or more for a two bedroom apartment, these couples all did the same thing: they bought what qualifies as good “starter homes” in San Francisco--- houses that cost \$350,000 to \$500,000.

It isn’t difficult to see the source of the demand. South of Market, otherwise known as SOMA, was a dingy warehouse area as recently as ten years ago. Now it is awash in new apartment and condo complexes, converted warehouses, and trendy restaurants. A real estate oriented website, [www.somaliving.com](http://www.somaliving.com), offers tours and recent sale prices on area property. It tells me that a one bedroom, one bath live/work loft space with 1,194 square feet of living area sold in October for \$300,000 while a two bedroom, two bath condo with 1,306 square feet of living space sold for \$552,059.

Yes, you read that right: Upwards of \$400 a square foot.

Like the gold rush that brought so many people to California a century ago, there is a high cost to being here--- the price of a ticket in the great Internet, Multimedia, telecommunications, and technology fortune hunt.

It’s a high stakes game.

## About the Author

Scott Burns started writing while he was an undergraduate at MIT. Before becoming a newspaper columnist at the Boston Herald American in 1977 he worked as a teacher and management consultant while writing articles or columns for magazines like Boston, New England Business, Vogue and Playboy. During the same period he wrote two books:

---“Squeeze It ‘Til the Eagle Grins: How To Spend, Save and Enjoy Your Money” (Doubleday, 1972).

---“Home, Inc.: The Hidden Wealth and Power of the American Household” (Doubleday, 1975).

A year after beginning as a columnist, he also became editor of the financial section, initiating new graphics and instituting a method for using wasted space in the financial tables. In 1981 the Register and Tribune Syndicate began national syndication of his personal finance column.

In 1985 he joined the business staff of the Dallas Morning News, the first large circulation urban daily to subscribe to his column. He remained there until retiring in late 2006 and regards the DMN as his newspaper home.

In 2004 MIT Press published “The Coming Generational Storm: What You Need to Know about America’s Economic Future,” coauthored with Professor Laurence J. Kotlikoff.

Retired from the DMN, he continued in syndication and co-founded AssetBuilder, Inc., perhaps the first Internet-based Registered Investment Advisory firm. He also co-authored two more books with Kotlikoff:

---“Spend ‘til the End” (Simon and Shuster, 2008)

---“The Clash of Generations: Saving Ourselves, Our Kids, and Our Economy” (MIT Press, 2012)

He and his wife now live in Dripping Springs, Texas with a son and daughter nearby as well as two of their five grandchildren. He retired from syndication and active duties at AssetBuilder, Inc. in early 2017, after marking 40 years of writing a column.

## About AssetBuilder

Co-founded with former Microsoft executive Kennon Grose, AssetBuilder now has over 1,200 clients in 44 states and \$700 million under management. In founding AssetBuilder Burns and Grose wanted to challenge pricing in the financial services industry while offering risk-measured index fund based portfolios. While Burns created and advocated his do-it-yourself “couch potato” approach to investing, they realized that many people didn’t want the responsibility for managing their investments.

The website is: [AssetBuilder.com](http://AssetBuilder.com)

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