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## **“OINK OINK” – HOGS AT THE TROUGH**

Polling after last month’s elections showed that voters were highly concerned about reported corruption in the House and Senate, much of it involving what are called “earmarks”. Time after time, news articles recounted attempts of lobbyists to elbow their way to the pork trough by handing out money and favors.

An earmark is essentially a direction by the Congress that specific sums be expended for particular projects. They can have a legitimate purpose, reflecting the considered judgment of the Congress that certain projects have merit and should be undertaken. However, in its most blatant form, the earmark reflects nothing more than raw political power and greed. It works this way: Late in the negotiations between House and Senate conferees charged with reconciling differences in appropriation bills, earmarks are “air-dropped” into the final version of the legislation. These provisions have never been discussed at committee hearings, no one has testified on their utility or cost, no staff analysis has been performed and even the conferees may be ignorant of particular earmarks until the bill is presented for final adoption on the floor of the House and Senate. They are inserted at the behest of individual Members and Senators by powerful committee chairmen.

Earmarks have grown exponentially in the past few years. According to the Congressional Research Service, the number exceeded 16,000 for FY 2005, with a value in excess of \$51 billion (not including the Iraq supplemental appropriations). Some are notorious, like the almost quarter-billion dollar “bridge to nowhere” inserted by Senator Ted Stevens of Alaska. Others are simply silly, like the \$240,000 given to the National Wild Turkey Federation. Occasionally, they can be worthy, like the \$1 million earmarked to establish the Iraq Study Group.

Earmarks not only can represent a colossal waste of money, they have become a honey pot for those who would corrupt the legislative process. Lobbyists and lawyers in Washington openly advertise their expertise in securing earmarks. Think for a moment of what they are offering to the public – not the expertise to convince a congressional committee to recognize the merits of a funding proposal, but, instead, access to the back alley where merit is meaningless and cronyism is all. Congressmen may sponsor earmarks because they truly believe in the project or because they are friendly with or beholden to the lobbyist. But in virtually every case the project is funded without careful, if any, review.

Anyone with a nodding acquaintance with the scandals that have embarrassed Congress over the recent past knows how corrosive this atmosphere of buying and selling appropriations can become. Citizens who are perhaps overly cynical of their government have their opinions confirmed. Citizens anxious to right wrongs through the legislative process throw up their hands because they don't possess the money needed to play in that league. And, of course, the climate of a bazaar leads to corruption on an even broader scale, sometimes affecting the electoral process.

Nothing stated in this letter has not already been said by leaders of Congress. What do they plan to do about it? The new Democratic majorities say they will require earmarks to go through a more careful process in which the proponents will have to identify themselves publicly, and no dead of night insertions will be allowed. However, the records of Democrats who are about to take the chair of many of the appropriations committees makes one wonder whether there will be significant change – these people were happy to get their own earmarks when the Republicans were in power, and they have little incentive to abandon the earmark now that they can get even more.

We shall see if Congress is willing to change.

Turning to some numbers for this month:

- Scrap and Pig Iron. Number 1 dealer bundles and #1 busheling (Chicago) bounced up a bit last month, after five months of decline; both increased by \$15 to \$230 and \$235 per mt, respectively. Brazilian pig iron (spot price, cif New Orleans) was also up by \$5 to \$285 per mt.
- Natural Gas. The Nymex contract price for natural gas was off 29¢ last month to \$7.43 per mcf. So far, the winter has been somewhat mild across the U.S., and crude oil prices have been hovering around \$60 a barrel; both factors suggest that natural gas price movements will be moderate. Indeed, over most of 2006, prices were in more of a traditional range for the product, as opposed to the huge increases we saw in the last half of 2005.
- Exchange Rates. The dollar suffered last month against the European currencies. At this writing, the euro is up over last month by 3¢, to \$1.31; the pound rose by 5¢, to \$1.95. Those increases come at a time when the U.S. economy is doing well, the Fed has stopped raising rates, and the monthly foreign trade deficit has modestly declined. Thus, analysts are looking for other causes, and some have suggested that oil producing countries have been shifting some of their reserves out of the dollar. The Canadian dollar slipped another penny last month and is now at 86¢.

At this year-end, we at Corey wish you, your families, your companies and their employees a joyous holiday season and a prosperous New Year. Let us hope that our troubled world will soon begin to work more effectively towards the promise of Peace on Earth.