



Spin Doctors in Overdrive.

By Joe Average,

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The term “**spin doctor**” was invented in the mid-eighties and was conjured up to describe a public relations professional who can be employed to put a “positive spin” on almost any situation or problem.

Clients hire “spin doctors” proactively to show their corporate strategies in the most flattering or favourable light; or engage them in desperation to exercise “damage control” after being exposed to bad press or publicity that might harm corporate profitability, reputation or brand value.

Politicians use “spin doctors” to generate propaganda in a more subtle form during political campaigns; to sway public opinion; to put the most favourable slant on their intentions; or to deflect blame for bad policies and actions taken.

This culture of spin has exploded onto the scene thanks to the global telecommunications and media revolution that has seen people everywhere connected up as never before. Instant information now flows around the world, unrestricted by national boundaries, via the internet, global television networks and cell phones. In this new hi-tech world **media coverage is critical in moulding public opinion and even financial markets.**

The danger is that these experts of “spin” may at times mask transparency or fool the public with distorted information and half truths so that it is impossible to recognize the cross-over point between “spin” and outright lying.

Spin Doctors on the Economy.

“Spin”: “This is not a rescue. Given the dislocation, we saw a good investment opportunity for us and other investors.”

David Viniar, CFO Goldman Sachs, August 13, 2007.

This was the spin put on the announcement by Goldman Sachs that it (and some “other” high profile investors) would pump \$3 billion into their Global Equity Opportunities Hedge Fund after the fund plunged 30% the week before. Goldman also offered to waive entrance fees and cut in half its performance fee in order to attract new investors to the ailing fund. Observers were sceptical this move would prevent further withdrawals from occurring adding that some of the high profile “other” investors may desperately be investing more in an attempt to protect their current investment against massive redemptions or a fire-sale of assets.

“Spin”: “This economy is pretty good. There’s definitely some storm clouds and concerns, but the underpinning is good...I hope you can tell I’m an optimistic fellow.”

George Bush, December 17, 2007.

This from the mouth of the man who, when previously asked at a press conference;

QUESTION: Do you think there’s a risk of a recession? How do you rate that?

BUSH: “**You know, you need to talk to economists. I think I got a B in Econ 101. I got an A, however, in keeping taxes low and being fisky...fiscally responsible with other people’s money.**”

Spin Doctors on Real Estate.

“Spin”: **“Repudiating fears that it was overly exposed to the US consumer, Centro showpiece a Q&A with Peter Linneman, a professor at the University of Pennsylvania, in a recent quarterly report (in September 2007). The wave of home loan defaults, said Linneman, could actually provide a fillip to consumer spending. Having been liberated from the burden of their monthly mortgage payments, the consumer would have more cash to splash on shopping sprees. ‘Sub-prime defaults and delinquencies are leaving more money in consumer pockets, as they have stopped servicing their mortgage debt’.”**

Michael West (The Australian December 14, 2007).

Three months later Centro’s share price plummeted over 80% and had four billion dollars wiped from its value when its access to short term funds (to fund long property purchases) was cut off by the global liquidity crunch. Centro is the second largest shopping centre owner in Australia, and the fifth largest in the USA.

Michael West’s wry response to that quote was... **“Perhaps the homeless defaultees could store all their purchases in the neighbour’s garage. Perhaps garages could be hived off from (houses) and securitised with a AAA-rating ...just on the yield of course...from S&P and Moodys.”**

Perhaps Centro should now use another of Linneman’s quotes to try and talk up its prospects as it negotiates to sell off its shopping centre assets to circling predators:

“Spin”: **“The good news is the consumer is in great shape. By the way, people ask the question, a variation of Shawn’s, which is how long can the consumer carry the economy? The answer is forever. All there is is that people like you woke up this morning having more crap than you’ll ever need saying honey I am going to go to work and make some more money so I can buy even more crap.”**

Prof. Linneman, Realtors Commercial Alliance conference August 23 2007.

Do I detect a bit of cynicism in there somewhere?

But special mention must be made of the doyen of “spin doctors”, David Lereah who retired in March of 2007 as spokesman and chief economist for the National Association of Realtors. Wikipedia describes how **“Lereah’s penchant for putting out positive spin on dismal housing numbers led critics to dub him the Baghdad Bob of real estate.”** As well as publishing **“WHY THE REAL ESTATE BOOM WILL NOT BUST – And How You Can Profit From It”** in 2006, some of his gems include:

“Spin”: **“If you paid your mortgage off, it means you probably did not manage your funds efficiently over the years... (such action being) very unsophisticated.”**

Los Angeles Times, August 28, 2005.

“Spin”; **“In October 2005 Lereah was busy calling the bubble believers ‘Chicken Littles’.**

Chicago Tribune, September 2006.

“Spin”; **“We need a price decline, we were overbloated... In 2007, it will be a flat year, maybe 1 percent (sales) drop, and that’s it. After 2007, we’ll be back to expansion again.”**

Realtor convention New Orleans, November 2006.

As it turned out, house prices slumped 12% in Miami and Tampa and 11% in Detroit in 2007, with Lehman Brothers economist Michelle Meyer saying... **“I don’t think we’ve hit the bottom yet. The housing shock is only about halfway over and housing prices will continue to fall well into 2009.”**

Lereah also enlisted the support of then Federal Reserve chairman Alan Greenspan during his last few presentations by showing a large slide of a beaming Greenspan who was quoted as saying (October 2006);

“Spin”; **“Most of the negatives in housing are probably behind us. The fourth quarter should be reasonably good, certainly better than the third quarter.”**

But the **“I So Wish I Hadn’t Said That Award”** still goes to Anthony Hsieh, chief executive of Lending Tree Loans, an internet-based mortgage company (are they still in business?) who was more disparaging;

“Spin”; **“If you own your own home free and clear, people will often refer to you as a fool. All that money sitting there, doing nothing.”**

Los Angeles Times, August, 2005.

Good call Anthony!

The Master of Spin.

“Spin”; “American consumers might benefit if lenders provided greater mortgage product alternatives to the traditional fixed rate mortgage...the traditional fixed-rate mortgage may be an expensive method of financing a home.”

Alan Greenspan, February 23, 2004.

The quote above was still being featured prominently in 2006 at the top of a web site belonging to SAINT LAWRENCE MORTGAGE recommending ARMs (are they still in business?).

“Spin”; “...homeowners might have saved tens of thousands of dollars had they held adjustable-rate mortgages rather than fixed-rate mortgages during the past decade.”

Alan Greenspan, February 23, 2004.

“Spin”; “Innovation has brought about a multitude of new products, such as subprime loans...extending credit to a broader spectrum of consumers. Where once more-marginal applicants would have simply been denied credit, lenders are now able to quite efficiently judge the risk posed by individual applicants and to price that risk appropriately. These improvements have led to rapid growth in subprime mortgage lending...constructive innovation that is both responsive to market demand and beneficial to consumers.”

Alan Greenspan, Federal Reserve conference, April 8, 2005.

Two years later we find the Bush administration trying to launch emergency rescue measures to freeze interest rates for some 250,000 of the most vulnerable ARM borrowers in an attempt to stave off a deluge of foreclosures in a collapsing housing market. Now however, retired Greenspan is urging caution and warning that renegeing on lenders contracts may undermine confidence in the American way of doing business and encourage a flood of litigation.

Well, I've got news for him...according to Geoff Kitney (European correspondent The Australian December 15-16, 2007) Greenspan needn't worry because... **“British Prime Minister Gordon Brown, reflecting a growing view in Europe that the rest of the world is paying a price for the consequences of cowboy capitalism in the US said on Thursday that the action by the central banks (pumping out US\$500 billion) was ‘a wake-up call for the global economy...The existing institutions aren't good enough. I'm going to make it my business to reform those institutions.’”**

And even though Greenspan is now trying to deflect criticism and blame from himself by blaming all those around him...

“Spin”; He writes (in his recently published memoirs) that Bush's failure to curb spending was “a major mistake” and that Republican congressmen were “feeding at the trough”. “The Republicans in Congress lost their way,” he says. “They swapped principle for power. They ended up with neither. They deserved to lose [the 2006 congressional election].”

Graham Paterson, TIMESONLINE September 16, 2007.

Wow...talk about the dog biting the hand that feeds it.

It's good to see Secretary of Treasury Paulson, who is no mean hand at spin doctoring himself, isn't about to take it lying down when he says... **“I can't undo the excesses of the last six years...house prices rising at an unsustainable level, easy credit. When you have these kinds of excesses it takes a while to work your way through it.”** Fox Business Network, December 17, 2007.

Yep... **“the last six years”** was definitely on Greenspan's watch.

Spin Doctors on War.

“Spin”; “He ordered his team to dismount and then maneuvered the Rangers up a hill near the enemy's location...As they crested the hill, Tillman directed his team into firing positions and personally provided suppressive fire...Tillman's voice was heard issuing commands to take the fight to the enemy forces.”

U.S.Army Special Operations Command statement, April 30, 2004.

Pat Tillman was a US national hero who inspired Americans when he gave up a lucrative National Football League contract to fight terrorists in Afghanistan. He was killed in an ambush in an Afghan mountain pass. The military issued the above press release before awarding Tillman the Silver Star which the Pentagon said was awarded for sacrificing his life whilst heroically leading a counter attack. Army records told of how he even proposed taking off his heavy body armor so he could charge a distant enemy position.

The truth later emerged that Pat Tillman in fact died from "friendly fire". The Pentagon statement was a fabrication.

"But the propaganda was dismissed as 'utter fiction' at a Capitol Hill hearing to expose the false battlefield stories peddled by the Pentagon....His brother Kevin – who also joined up in the wake of the 9/11 attacks and was in a convoy behind his brother – rejected army claims that the confusion arose because of the fog of war."

David Gardner, Daily Mail April 24,2007.

Spin Doctors on the Environment.

"Spin"; "A group that promotes coal as an energy source wants to put a new spin on what it means to get a lump of the stuff in your stocking. Americans for Balanced Energy Choices (ABEC) is sending 30 Santas to Capitol Hill on Wednesday to deliver stockings filled with coal-shaped chocolate. The goal of the campaign is to shift coal's image as a key contributor to global warming to a relatively cheap and increasingly clean provider of electricity."

Jim Snyder, THE HILL, December 19, 2007.

Perhaps ABEC (a front group for the coal industry) should approach the Chinese who are also burning through coal at a furious rate...they'll probably be real happy to chip in a donation to help cover ABEC's running expenses.

*P.S. Whatever happened to telling the good old fashioned "truth"... or telling it like it is?

All the best, Joe.

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