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HOW THE BUSH PLAN SHAPES UP—cowboys & Longhorns

By Edward Easton

Borrowed money is the life-blood of successful entrepreneurship. If you have a new product or service you know will succeed in the marketplace, but no funding, you'll have to borrow it. Interest rates will determine just how much capital you can find to get started.

The Bush plan for a 1.3 trillion dollar tax cut over ten years is either a stroke of genius or an unmitigated disaster depending on whether or not you own any oxen vulnerable to going.

Fed chairman Alan Greenspan is a man proven to know something about money and how it works in the economy. Bush recently met with the Fed Guru and laid out his plan. Now Greenspan doesn't personally own any oxen, but he does manage the output of a fairly large herd of them—the collective American economy. As the Fed Chairman he works only *indirectly* for his boss, the new president-Elect. Ultimately he works for the *American people*, and he knows there happens to be a lot of vulnerable oxen out there. According to press accounts of their recent breakfast confab, he told the in-coming president that this is no time to be releasing some short-tempered Texas longhorns into a placid herd of oxen.

Just one incident could spook the whole herd and send them stampeding over the cliffs to crash on recessionary rocks at the bottom.

Just because Bush is from Texas and wears the boots doesn't mean he's a *real* cowboy—or does it? The revered “great Communicator” of the Republican Party might vouch for him, but remember Reagan only *played* cowboys on TV.

In all fairness to the new president and his republican predecessor Reagan, who also favored tax-cuts as his mantra, trickle down Reaganomics has yet to be tried in its purest form. Bush, like Reagan was, is likely to be confronted in the not-too-distant future with a democratic congressional majority, traditional big spenders, who will treat Bush's proposed budgets like Reagan's—DOA. In the eighties they bought Reagan's military spending, which was prodigious, but not his cuts in social spending, which were designed to pay for it. We must remember that the president can only propose—not *dispose*. A veto-proof majority can always override a president's wishes on the latter.

It may be that enough Democrats and dissenting Republicans currently serving in Congress can stymie the new president's plan to mix Longhorns and oxen in hopes of starting a more successful hybrid species. But if not... Greenspan will have to raise interest rates to an alarming level to feed this new fantastical herd.

So... if you happen to be an entrepreneur looking for funding to get your product on the air, what does the above mean to you? The advice from this column is to do it *now*. The new president appears to be bent on fixing “what ain't broke.”

NEW YEAR'S FIRST “ONE-TWO PUNCH” TO FIGHT RECESSION

By Edward Easton

On the first Wednesday of the New Year, Dr. Greenspan made the first of what undoubtedly will be a number of house calls for the economy.

To counter the wave of psychological hiccups now moving rhythmically through the national market psyche, the Federal Reserve has put in place a new market Rx—not one—count'em—but *two* interest rate cuts. A half % in the Federal Funds rate, which is the one banks charge for overnight loans. (It now stands at an even 6%, the largest rate of decline in over five years.) The Fed also dropped its discount rate—what it charges banks for regular loans—to 5.75%. That's a quarter point off the previous. Federal interventions are normally enacted during the course of regularly scheduled meetings of the Federal Reserve Group, but since the prevailing market psychology seemed to be ignoring market fundamentals in some of the gloomier recent assessments, the Fed Chairman decided to head these off at the pass, so to speak. And he has succeeded. Both the Dow and NASDAQ shot up immediately to recover most of the lost gains.

Entrepreneurs! Listen up! This means that you can now get that loan to start production of your infomercial at a *substantially lower* rate than you thought. From here on in, market pressures are likely to be inflationary, especially if the cowboy in the white house decides to open the corral doors on that 1.5 trillion tax cut.

Whether Congress has enough wranglers to prevent that is anybody's guess at this point.

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