

Mailbag

Letters to Barron's about hard times past and present, class warfare, Warren Buffett, the Greek mess and credit-default swaps

Class Warfare

To the Editor:

No one in my universe tells me he is better off now than he was in 1979 or 2007 ("**Hard Come, Easy Go,**" Editorial Commentary, Nov. 7). I was out of a job and looking in 1979. Finding another good job was not a problem. I would not want to be looking for a job today. For the 99%, thanks to the 1%, today's economy is surely the worst since the Great Depression of the 1930s. It has probably not bottomed yet. If we are to survive and prosper as a nation, we must scrap plutocracy and get back to democracy.

*Kenneth J. Blanchard
Gainesville, Fla.*

To the Editor:

Editorial page editor Thomas G. Donlan deftly noted the absurdities of the class-warfare battle that is gaining ground.

The last few weeks, we've heard the lament "Why does Warren Buffett's secretary pay a higher tax rate than Warren Buffett?" The real question should be "How many jobs does Warren Buffett's secretary create?"

*Robert R. Roto
Deer Park, Ill.*

To the Editor:

Warren Buffett's recent endorsement of increased taxes on the super-rich is on target in at least one respect: It underscores the need for creative, big-picture thinking in dealing with our nation's economic crisis. Unfortunately, the measures he proposes would discourage the very sort of economic activity and initiative that our country needs to pull out of its downward spiral.

According to Buffett, the super-rich, many of whom earn their income through capital gains or tax-free municipal-bond income, simply should pay more. He says his plan is aimed at a small minority—those with a ton of money who pay nowhere near the tax rate of average Americans. He estimates that such an initiative would affect only 50,000 of the 310 million American citizens.

The problem with Buffett's proposal is this: America was built on the concepts of freedom, innovation and the opportunity to be rewarded for creating something of value. Much of this innovation was spawned by investments in ideas—even though many of them fail. By taxing that investment excessively, we deny Americans the just fruits of their labor and capital, wounding or perhaps killing the goose that has laid the golden egg.

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Buffett should know this better than anyone. Berkshire Hathaway money has helped grow some of the greatest companies in the world. Moreover, Buffett's willingness to invest has recently helped save some of the largest financial institutions in the world, which benefits each and every American.

*Steven D. Lockshin
Potomac, Md.*

To the Editor:

Noblesse oblige is what Thomas G. Donlan proposes, is that it? I thought that was just for kings and queens. Class warfare is indeed being waged, but he has it backward. We should be grateful for what, exactly? People like the Koch brothers running roughshod over the people of Wisconsin through their surrogate, Gov. Scott Walker? I am a teacher and have been scapegoated quite enough by the likes of him. I think I'll defer to the wisdom of Warren Buffett over Thomas G. Donlan.

*Bob Stokes
West Islip, N.Y.*

Greek Folly

To the Editor:

Carl Weinberg's essay on Greece ("**As Cash Runs Out, Greece Teeters**," Nov. 7) suggesting that a hard and uncontrolled default is inevitable, missed the point. The exercise in Greece is all about the political control that creditor nations who control a currency exert over debtor nations that do not.

It is in the political cards that Greece is going to loudly proclaim its independence, much like an adolescent, and Germany and France are going to look away silently, knowing that Greece's political parties will not be able to withstand the pressure of an imminent catastrophic default. This is how euroland is going to increase the strength of its union and impose the necessary discipline that union requires. It is also how Merkel and Germany's succeeding prime ministers and bankers are going to send an effective warning to Italy and Spain. They will go to the brink, time after time, and the politicians of Europe will step an inch back and write the necessary check, at the 11th hour and 59th minute, for years if necessary.

The markets will gyrate, but that gyration is just what will give the politicians the necessary firepower to impose their will.

*Thomas Wolpert
Royersford, Pa.*

To the Editor:

The International Swaps and Derivatives Association does not make rulings regarding credit events involving credit-default swaps. That is the role of the determinations committees and their 10 sell-side and five buy-side members.

The ISDA serves as secretary to, but does not sit on, the committees. When and if a market participant requests a ruling, the determinations committees will [make one] using publicly available information and according to the terms of the 2003 ISDA credit-derivatives definitions.

Those definitions define the terms of the standard CDS contract. Paragraph 4.7(a) states: "Restructuring' means...[an event such as a reduction in principal, as proposed in the Greek situation] occurs in a form that binds all holders of such obligation..."

While the determinations committees have the final say, the language makes clear that a voluntary exchange by some holders that would not be binding on all holders does not trigger credit events. This underscores the need to read and understand the contracts.

*Robert Pickel
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