

ICMA Spotlight

H. Kramer & Company, Chicago

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Howard Kramer Chapman, Jr.
President

Fifth generation company

As the vast physical and technological growth of American industry that began with the Industrial Revolution steamrolled into the 1880's, a young salesman observed a growing need and envisioned a solution. Henry Kramer knew that the basis for the Industrial Revolution was the manufacture of a quality product on a mass production basis. He saw the troubles that foundries were encountering due to use of scrap. He theorized that if he collected metal in sufficient quantities it would be economically feasible to reprocess it, using quality control methods. Henry Kramer felt that eventually the processing would surpass scrap and virgin metal, at a lower cost.

Our community

H. Kramer & Co. and the Brass & Bronze Ingot Industry were born. The company grew rapidly and is still a driving force in what is now

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Summer 2010

From Executive Director Stan Zielinski . . .

Economic Bubbles Impact Society

By Dr. Richard Judd

(We occasionally invite guest authors to offer an article that may be of interest to ICMA members.)

American society is evolving. What is taking place is not merely an adjustment or correction for the U.S. to return to "the good old days." The near-term future is likely to be significantly different than our recent past. America is experiencing a set of bubbles that will have dramatic effect on every household.

What happened?

In 2007, the Dow was over 14,000; home prices were close to an all-time high while commercial and consumer credit flowed like honey. Life was sweet. As if overnight, things weren't so sweet anymore. In the 1980s, the decision to run large government deficits initiated economic bubbles that have been growing bigger and bigger, all booming and supporting America's economy. Today, four of these bubbles are clearly observable to most Americans: The real estate bubble; the private debt bubble; the stock market bubble; and the discretionary spending bubble. These bubbles began to burst in late 2008 and 2009 to rock our economy and create a sense of ill-ease in America's households.

According to the Case-Shiller Home Price index, home prices grew almost

100 percent between 2000 and 2007. At the same time, inflation-adjusted wages and salaries of people buying homes grew an average of only 2 percent per year, according to the Bureau of Labor Statistics. The rise in home prices profoundly outpaced incomes so strongly that a housing bubble would eventually develop and burst. The subprime mortgage is not the major cause of the decline in the value of housing; it just led to the core problem. As housing prices have continued to decline, perfectly good prime mortgages are being hit. Falling equity value is the most important factor leading to mortgage default and foreclosure, which is impacting more and more homeowners — approximately 25 percent of all mortgages held in the U.S.

According to the Securities Industry and Financial Markets Association, the issuance of collateral debt obligations (CDO) exploded during the period from 2004 to 2007 then collapsed in 2008. CDOs are packaged commercial mortgages, home mortgages, consumer loans and other forms of collateralized credit. The basis for many bad loans

was the good times. Many people thought they could go on forever with real property prices rising no matter how fast they had already risen above people's incomes. CDOs are also referred to as toxic assets held by banks, other financial institutions, as well as at Fannie and Freddie Mac.

Household debt, as a percentage of disposable income, approached 130 percent in 2008 and is about at 122 percent today, according to the Federal Reserve and the Bureau of Economic Analysis. Let's face it, households carry more debt than income to cover the debts they've created. This private debt bubble has been a significant reason for another bubble — the discretionary spending bubble.

A large share of the U.S. economy is in "discretionary spending," which means that a good portion of what people buy is optional, not required spending. Easy money and credit made big-time discretionary spending possible and fun. Credit cards were abundant, hitting the average consumer's mailbox almost daily. Now the costs of the credit excesses are

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coming home to roost; jobs are disappearing, and credit is harder to get. Home equity withdrawals are no longer commonplace.

According to Greenspan and Kennedy, between 2001 and 2005, homeowners gained an average of \$1 trillion per year in extra spending money by withdrawing equity from their homes.

Nearly 70 percent of our economy is based on consumer discretionary spending. As our economic decline continues, it will become increasingly obvious that we are not in a typical recession or depression. There is no automatic recovery mechanism to correct a standard V-, W- or U-shaped recession. Art Laffer, writing in *The Wall Street Journal*, predicts a deepening of the recession in 2011, as major tax increases hit American households, and uncertainty about the impact of new legislation costs, tight credit and a soft economy have investors and consumers more cautious today than they were even six months ago.

Won't the government's stimulus packages be our salvation? The original stimulus package of late 2008 has had limited economic impact. The stimulus package of early 2009 is likely to be completely negated by further deterioration of our nation's economy in 2010.

Will there be more stimulus? Probably, but we can

only do so many big spending packages before scaring away the foreign investors lending us the money. The biggest, worst loan of all is the monstrous government debt, which is becoming a bubble itself. The U.S. deficit is the largest bad loan in world history. It will never be paid off, and a technical default on our huge government debt will have history-making consequences for us and the rest of the world.

In a scant three years, the stock market has declined 40 percent since its high in 2007. Subprime mortgages, declining value of homes, large losses in massive mortgage-backed securities, credit markets freezing up, a decline in private-sector jobs and large financial institutions losing the value of many of their assets have had negative impacts on the stock market. Major financial institutions' stock prices began to fall, which spread to the rest of the stock market as investors began to worry about a major market correction. What underlies the problems of the stock market is not a liquidity problem, it is a bad loan problem.

Is the stock market in a bubble? Probably, because the Dow rose 14-fold between 1982 and 2007, while company earnings rose three-fold in the same period. Nobel Prize economist Milton Friedman has

shown that under normal conditions earnings rise about as fast as GDP. GDP did not rise 300 percent during 1982 to 2007, which means stock prices have been too high compared to earnings, and earnings have been too high compared to real economic growth.

These four economic bubbles are linked together. When one bubble begins to burst, it impacts other bubbles. In addition, another major bubble is on the horizon: devaluation of the dollar. Inflationary pressure will hit the dollar in 2011 or 2012. The value of the dollar will probably decline. As its value declines, given our monstrous debt level, foreign purchasers of our debt may be less willing to continue funding our massive debt practices, which will further depress the value of the dollar.

Under any reasonable scenario, our near-term economic future will be more painful than joyful or fun. But, there is an ace in the hole. Americans are the most optimistic, creative and hard-working people in the world. Free enterprise has been the hallmark of America's success in the past. We need to evolve ourselves toward its principles once again.

Reprinted with permission from Dr. Richard Judd. He is Professor Emeritus of the School of Business & Management at the University of Illinois Springfield. He can be reached at judd.richard@uis.edu.

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Compiled by the Illinois Manufacturers' Association with assistance from RSM McGladrey, these Reports contain valuable compensation and benefits data specifically relevant to Illinois manufacturers.

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Questions? Call Janie Stanley at 800-875-4462, ext. 3020, email: jstanley@ima-net.org.

LogisticsToday: Atlas Van Lines warns against moving scams

Atlas Van Lines, a national household goods moving company, says consumers planning a move need to protect themselves against moving fraud. More than 40 million Americans move each year, and while most moves go smoothly, consumers need to be aware of a nationwide moving scam.

The scam occurs when criminals pose online as reputable movers and obtain customer contact information. They give extremely low price estimates, and use the name and credentials of trusted, reputable firms. After loading belongings into a truck, the criminals change the price estimate, tack on extra charges and hold the goods hostage until the consumer pays a higher price.

Some individuals have

been duped recently by companies claiming to be major moving companies or that use names that are very similar to the names of legitimate movers. These rogues may even send customers to the legitimate company's website. Atlas recently launched a new consumer website that allows visitors to verify a genuine Atlas mover. Atlas is working with state and federal law enforcement agencies to investigate recent cases of moving fraud.

Atlas suggests consumers should be cautious when using online moving resources other than the website of the carrier that will actually be transporting your goods. Other Atlas safety tips suggest being suspicious of an estimate that seems too good to be true, confirming that the carrier

transporting your goods is legitimate by reviewing its website or making a phone call and being leery of paying a large sum for moving services up front rather than upon delivery.

It is also smart to understand what services and fees you are paying for, by getting a written estimate of all charges. If the moving truck is not identified with the name of the contracted carrier, customers should contact the carrier directly and ask why. In the event that a scam does occur, contact the local police department and file a complaint with the Federal Motor Carrier Safety Administration (FMCSA).

Penton Media Inc.'s Logistic Today, 1300 E. Ninth Street, Cleveland, OH 44114-1503 LogisticsToday.com.

"That which we persist in doing becomes easier for us to do; not that the nature of the thing itself is changed, but that our power to do it is increased."

— Ralph Waldo Emerson

SPOTLIGHT

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a mature industry. Since its founding H. Kramer & Co. has been a proactive part of the Pilsen community in Chicago. We are committed to being a good neighbor and, to that end, we've established several outreach programs. For Thanksgiving we help local residents by working with two local churches to distribute complete turkey dinners to 100 families. Volunteers from Kramer work alongside young people from a teen mentoring program administered by the

Chicago Police Department. Together we insure that hundreds of our neighbors in Pilsen can enjoy this wonderful family holiday. At Christmas, H. Kramer & Co. financially supports local Police and Fire Departments, as they distribute toys to neighborhood children.

An internship program for local high school students offers after-school jobs. Working in an office environment teaches business and interpersonal skills. We offer scholarships to deserving high school seniors to aid them in furthering their education. Our staff actively partici-

pates in several community organizations offering both administrative expertise and financial support.

We are a fifth generation family owned business. We are, above all, a "people company." Our success is directly traceable to the care and consideration we give to our human resources. Management is dedicated to the health and safety of every Kramer employee. Our management style is hands-on and our executives are readily accessible and actively involved in all phases of the business. H. Kramer is a loyal ICMA member.



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If you have any questions about the Illinois Cast Metals Association, please contact Stan Zielinski at 217-528-8238, email: stanz@ilcastmetals.org

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Illinois Employer Support of Guard & Reserve (ESGR) “Bosslift”

On a recent trip to Seattle, WA, a group of Illinois business men and women along with military personnel, sponsored by the Illinois Employer Support of the Guard and Reserve (ESGR) “Bosslift” program, visited American troops at Joint-Base Fort Lewis-McChord AFB and Coast Guard Command Center in Seattle.

Touring Fort Lewis was an exciting experience for me. We fired M-16s and other simulated weapons, walked over terrain similar to combat zones (with replicated improvised personnel and vehicle mines),

ate MREs and visited a Stryker Armored Vehicle assembly plant to admire these 30-ton personnel and gun land-ships. At McChord Command (NW NORAD) Center we observed scenarios played out that confront intruders that enter U.S. restricted airspace, and visited the Coast Guard Center that monitors the surrounding waters of Puget Sound, where we toured the Maritime Museum and the 378-foot Coast Guard Cutter, “Midgett.”

During our trip home our KC-135, air-to-air refueling station fueled a C-17 (we lay

next to the “Boomer” who maneuvered the boom and fueling tube down to the fuel tank cup). All in all, it was a memorable experience and something I think I’ll always remember.

ESGR is the lead advocate within the Department of Defense for Reserve Component employers. The missions of the National Guard and Reserve are to increase public awareness of the role of the employer and works to develop a dialogue among employers, the ESGR Committees, and local National Guard and Reserve unit commanders

and service members.

The ESGR works through a nationwide network of volunteers and a small, full-time support staff to inform and educate hundreds of thousands of Reserve Component members and their employers regarding their rights and responsibilities, best practices, and to develop and maintain relationships with employers. We are grateful to our American Troops for their service to our country.

— Stan Zielinski

FEF College Industry Conference — November 18-19, 2010

The FEF College Industry Conference (CIC) will be held at our new location, the Westin, Michigan Avenue in Chicago, Illinois. The Industry Information Session will begin at 5:00 pm on Thursday, November 18. On Friday, November 19 at 8:30 a.m., the General Session will include the following speakers all addressing the subject “Reinventing Yourself for Sustainability in Metal Casting.”

- Corey Jarvis (Trumbull Metal Specialties)
- Kai Spande (GM Powertrain)
- Sid Tankersley (American Foam Cast)

The Awards Luncheon will feature the awarding of the FEF/AFS Distinguished Professor Award and student delegate scholarships, along with a short presentation by one of the student delegates.

The FEF Annual Reception on Friday evening will include a variety of food stations and a cash bar along with the presentation of FEF’s highest award, the E. J. Walsh Award. For more information, please check the FEF website — www.fefinc.org — or contact Pam Lechner or Bill Sorensen at the FEF office: 847-490-9200

OSHA announces Targeted Topic training grants—due Aug. 6

OSHA is soliciting applications for \$2.75 million in Susan Harwood Training Grants to provide targeted training and education programs on safety and health topics for workers and their employers. For fiscal 2010, the program offers 28 targeted topic areas including crane safety, combustible dust, maritime, oil and gas,

and eye safety. The Harwood Training Grant Program is part of OSHA’s ongoing goal of promoting the prevention of workplace injuries and fatalities through education. OSHA has been awarding training and education grants since 1978, and received a record 345 grant applications last year. Past training grant

winners have taught workers about work zone safety, amputation hazards, ergonomics, fall protection, roofing hazards, and workplace violence prevention. Applicants must register online before beginning the application process, which must be completed by the Aug. 6 deadline. The news release containing

further information about applying will be posted shortly on the OSHA Web site. See OSHA’s Susan Harwood Training Grants Web page to learn more about the program and download training material created by past recipients. www.osha.gov

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