

Observations

- ❑ The current budget battles and the next 19 months will likely be a turning point for America as both fiscal and monetary policies are addressed. Will we pass the point of no return or return to financial sanity? If you evaluate information from reliable and objective sources, and if without bias, you "do the math", the answers are obvious. Anyone who believes billion and trillion dollar deficits are sustainable or acceptable long-term is off their nut.
- ❑ The first amendment to the Constitution is a beautiful thing. Protests must be used wisely, otherwise they become meaningless. Public unions are currently shooting both themselves and their membership in the foot. It's embarrassing. Bringing children to the protests and hiring protesters rings absurd. Should the teachers be paid for "sickout" days or fired for obtaining fake doctor notes? Should doctors who provided false notes be sanctioned? Just curious if the Wisconsin legislators who fled the state will be paid from taxpayer funds for their adventure?

Facts & Figures of Importance

Economic

Austrian School

Economics is an evolving science for which no one methodology can claim superiority. Conventional or mainstream economics often fails to forecast or solve economic problems like the ones that are currently griping much of the world. One economic theory that is receiving more attention lately is the Austrian School which includes a Noble laureate. In a nut shell, Austrian School economists believe that the unpredictability of human behavior makes mathematical modeling unreliable. Hence, a more *laissez faire* approach with limited coercive forces, including government intervention will allow markets to more quickly and efficiently adjust to changing conditions.

It is for these reasons many mainstream economists differ with the Austrian School. The absence of scientific rigors and mathematics make Austrian theories difficult to explain or predict future economic events. One should study different economic theories to better understand the science. All economic models have weaknesses, but name one that has worked better over a century than capitalism.

Economic Outlook

- The US economy is still an illusion with QE II not scheduled to end until June. Let's see the economy stand on its own legs without government assistance before declaring all is well. GDP revisions downward are most telling.
- Dig into the inflation figures and there is reason for concern. Core inflation ignores food and energy. Depressed housing prices continue to keep calculated inflation figures in check. How often do people consume food/energy vs change living arrangements? Rising taxes will also work into inflation figures. Read the Fed closely.

Financial

	Treasury Yields		Equity Markets	
	5 Year	10 Year	S&P 500	DJWilshire 5000
2006	4.70%	4.71%	1,336	14,257
2007	3.45%	4.04%	1,468	14,819
2008	1.94%	2.96%	896	9,087
2009	2.69%	3.85%	1,115	11,562
2010	2.06%	3.38%	1,258	13,360
2/28/11	2.14%	3.41%	1,327	14,072
YTD Return			5.88%	5.80%

What Will a College Education be Worth in the Future?

While a necessity, probably not as much as one that was earned prior to 2008 since it is becoming the equivalent of a high school degree of 1955. Science and Engineering majors will continue to be the most employable undergraduates. Advice to parents or grandparents who want to fund an education is to factor in graduate school for students whose career path will require an advanced degree. Advice for the coming high school graduates is entrepreneurship. Learn a trade or skill while attending college either full or part-time. State universities or for-profit colleges may offer better value than higher priced schools. Think about possibilities for an electrician or chef who takes business classes and can one day become an entrepreneur or purchase an existing business.

Investment Outlook

- Starting to feel like 1999 with the S&P doubling since the low of two years ago. Of course the market can go higher, however eventually a pullback will come about.
- Political instability in North Africa has lead speculators to bid up the price of oil; however is it in the regions oil producing nations to have higher prices with political chaos? It should settle down soon and energy prices will stabilize.
- The debt crisis in Europe resurfaces later this month as the ECB attempts to find a long-term solution. If no compromise is reached, expect volatility in all markets to increase.

Insightful Thoughts of Others

The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups.

- Henry Hazlitt *Economics in One Lesson*

Economics is, at root, the study of incentives: how people get what they want, or need, especially when other people want or need the same thing.

- Steven D. Levitt and Stephen J. Dubner, *Freakonomics*

It is no crime to be ignorant of economics, which is, after all, a specialized discipline and one that most people consider to be a dismal science. But it is totally irresponsible to have a loud and vociferous opinion on economic subjects while remaining in this state of ignorance.

- Murray Rothbard *Making Economic Sense*



A Few More Things (Actually One Major Thing This Month!)

- Imagine that alliance of government, Wall Street, and the media failing us again as America's financial future heads closer to the waterfall. Simple math reveals both the problem and solutions. However government has no need for math. Government is about an agenda that comes from power. Government controls the supply of money and as printing presses have been replaced with computers, money can be created that much faster. Bankers enjoy the power of profits and they understand the math with the knowledge that Washington has always been there to bail them out. Traditional journalists at one time enjoyed more influence; however the internet has greatly damaged their credibility. A new crop of journalists is emerging that is trying to regain that power by aligning with politicians and business instead of acting as an independent watch dog. While there are respectable journalists, let's be candid and admit many will not let facts get in the way of a good story. How often do you see an article where the math actually makes sense or is even verified. For that matter, how many journalism majors ever set foot in, much less passed a class in college calculus or statistics? It's easier for journalists to parrot what they are told. Our society's journalists for serious news reporting are being replaced by opinionated blogs and tweets. This is dangerously allowing government and business to blur facts and spin the truth.

Americans presently under age 60 will likely see a decline in their standard of living if the deficit simply continues to grow. The difference between the WWII generation and America today is their debt was used for a war to defeat evil enemies of mankind. The debt amassed today was used to consume and speculate. And what do we have to show for it?

For anyone who bothers to read government reports and who crunches the numbers, the path back to financial sanity involves cuttings entitlements. Dare one call the baby ugly, but cuts must be made to Social Security, Medicare, and Medicaid. Those over age 60 need not worry, but for the rest, do not bank on the golden years looking like those ads where the retired couple walks on the beach hand-in-hand without a care in the world. This will not just resolve itself.

Some more cold hard facts to consider. Americans are living longer thanks to advances in medical technologies and improved drug therapies. The one ailment for which there is no cure is those that impact the brain such as dementia or Alzheimer's. It is an uncomfortable topic for some to ponder, but what will happen to these people if there are neither financial resources nor family members to provide for their care? Imagine government run facilities that could become responsible for these folks. We must reconcile our beliefs, morals, and financial capacity to address this coming crisis.

Consider the demographics. Look at the aging baby boomers versus the number of people of working age. Tax rates will likely rise. The young people protesting in Egypt could be a preview to the US in ten years. However, the young ones may have physical limitations that could prevent them from protesting as childhood obesity rates in the US soar. This could be a generation that will have a lower life expectancy than their parents. And who will support those whose obesity and other ailments renders them unable to work? It may be a bleak future unless America gets serious with real solutions.

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