

# alpha+ capital management

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Do you remember a seafaring film in which the sea captain played by Gregory Peck or Spencer Tracy, squints at the raging sea for a long while and finally says "Steady as she goes." He had detected a sea change that told of a calming to come.

That pithy line describes where we seem to be with respect to three aspects of our personal interests and our interest in the Nation's welfare. First is the increase in political and economic power in the hands of a government which does not shrink from accepting still more, and against which a tide of resistance is building up. The stage presence that raised Obama to the heights has been diluted by a series of revealing stumbles and the deficiencies of our legislative leaders also are better understood. The upshot is that policy making power may well be redirected in the election cycle now underway.

Second is the economy, which has stopped contracting, is now recovering and looks capable of slow to moderate expansion for the next few years. If consumption is disciplined by what can be financed after saving, say, six percent of disposable income, that would lead to restoration of economic health and greater predictability about the future. The vitality of the process would be enhanced by tax cuts more efficiently than by government disbursements. The latest *flim* is to issue \$250 to each of millions of Social Security recipients and the *flam* is to eliminate the next indexing of monthly payments which offsets inflation. (The arithmetic tells us that that sort of thing has to be done sometime as one way to break the unkeepable promise of Social Security and the potential new promise of Medical Security. But it is vulnerable to political opposition within a segment of the political public known to have intense self protective tendencies, the retired.

We are concerned that a return to a GDP growth rate of 3% with a gradually rising standard of living will be impeded by the economic policy instincts of this administration, guided by the underlying foundation of their cause: equality of outcome in the name of "fairness". That term is definable as that degree of disparity between, say, the wealthiest 20% of society and the least wealthy 20%, which is small enough to be tolerable to them. Congressional leaders and the office of the presidency have made clear that the current dispersal of US wealth is intolerable. They would rectify that by shifting cash flows from those who have it to those chosen to receive it.

Third is the dispersal of power in the world as the USA goes from the dominant player to the largest of an assembly of large players whose competing interests will be disciplined, one would hope, by the opportunity to cultivate mutual interests.

Powerful demographic forces are pulling immigrants from nearby high birth rate Africa and the Middle East, northward to the low birth rate Europe and Russia; otherwise their populations would shrink so fast as to collapse social structures like retirement plans, medical care, public services and defense.

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The US also neighbors with high birth rate regions from which we attract enough immigrants to sustain modest population growth (Ideally, we would deliberately attract educated immigrants with low tax rates and ample personal freedom). Fortunately, our neighboring populations have cultures comfortably similar to our own, unlike the situation in Europe which draws large numbers of Muslim immigrants, among whom are a sprinkling of fanatical murderers.

A fourth factor may emerge from our present government's hope to undo the disfavor of world opinion toward the US which was created by misdeeds perpetrated by the US, according to the history cherished by the American left. Mr. Obama dislikes the role of only grownup in the school yard and wants the burden to be shared. Good idea! Perhaps we will find out what is worse, being the only grownup or having the school yard overrun by bullies, the world list of which is growing.

Since bottoming last March the stock market has rebounded vigorously because of three factors: reduction of the fear of financial collapse; evidence that the economy is following behavior patterns comfortingly similar to past business cycles when overuse of new financial machinery was part of the mix; and finally, a turn in the political tide profound enough to thwart the damage potentially to be wrought by those who demand that their truths be visited upon all of us.