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It rarely gets this dramatic, with so many major developments ripening at the same time.

Euroland is under pressure to either split north from south or fuse into a political union with a central power of authority. The process will end when German voters decide either to capitulate in fear of economic collapse or refuse to pay the debts of others. The current trend is toward deprivation, riot in the streets and confiscation of wealth: painful to observe and live through, and instructive as to what happens when the role of government is transformed from servant of the people to caretaker. If Greece alone defaults, the impact should be tolerable, but Italy, Spain and France would make troublesome waves. Incidentally, France's new political leader, Hollande, is raising the top income tax rate to 75% while further sweetening public pensions, thereby elevating the socialist goal of "equalness" over that of prosperity and the right of ownership.

A path to war is building between the US and Iran. One wonders whether the Obama advisory team will conclude that an attack by the US would help his electoral chances. Other violence in the region has a positive common thread in that it shifts power away from an individual tyrant to a segment of the society, but the emerging power wielders are more likely to be the Muslim Brotherhood than the more educated, modern sector. (Libya may be an exception.) That would be troublesome unless the traditionalist Brothers evolve in the direction of practical and secular. The best we dare to expect right now is a gradual erosion of ancient attitudes, less stoning and beheading, less suppression of females and something that enables Shiites and Sunnis to share a region without killing each other in the name of God. It would also be nice if we could stop worrying about some percentage of them wanting to kill us.

The domestic economy is growing slowly, prompting worry about another recession, and some authors of recent books are predicting world depression. It's easy to imagine a series of financial defaults in Europe, less demand for our exports, a wave of union inspired tariffs to protect jobs, and tax increases. Under such conditions, the outlook would be downright murky. And any cash rich corporation waiting for a business opportunity would just keep waiting. This atmosphere will worsen if our government remains unchanged. The crucial contest is three months away, between those who want the US government to be responsible for their welfare and those who don't.

On the other hand, the US is gaining competitively as labor cost disparity has been shrinking. The greatest disparity existed 60 years ago after foreign industrial capacity was destroyed in WWII, when American wages were driven by compulsory union-shops in mining, steel and auto making. In the 1960s and 1970s, newly built heavy industry in Europe and Asia outdid American companies and Detroit was on its way to becoming an industrial ghost town; imprisoned by union wage structures; it could no longer compete. Now the situation is coming full circle. Our wage rates have flattened while Europe's costs have been rising, as have Japan's and even China's.

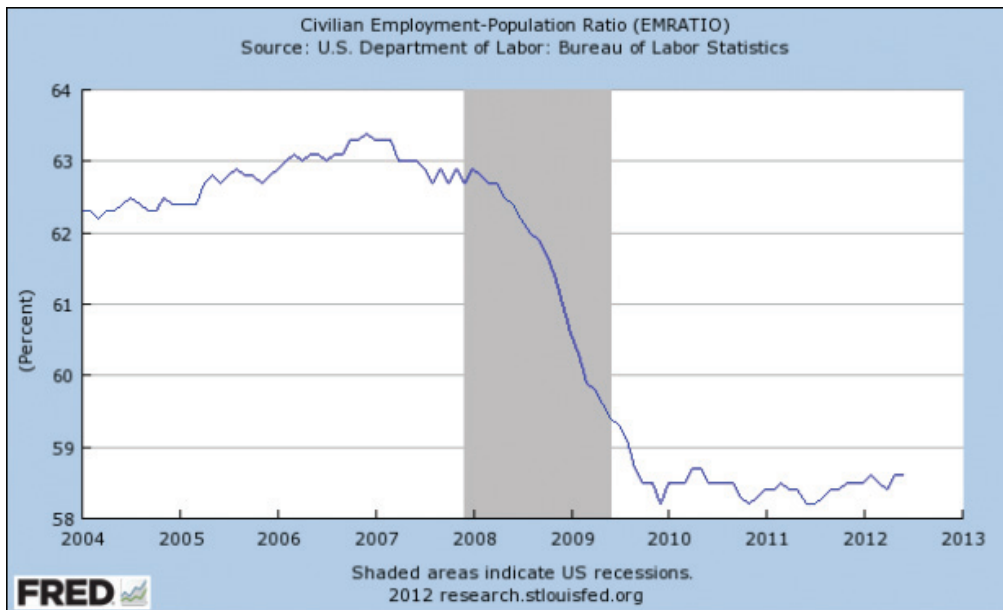
The economic future for the US and, really, the whole world is full of promise. Our country is good at inventing new industries and our companies are in prime condition, with strong finances, lean cost structures and eagerness for opportunity. Technology will be the base of new industries adapting digital information gathering and dispersal, using new communication systems to sell and distribute products,

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education, and entertainment. Yesterday, I read about Google's new "Project Glass," described as an "augmented reality, head mounted display device." Can cranial implants be far behind? Even more dramatic impact will come because economically suppressed people in India, Asia, Russia, South America and Africa need and want the basics: clothing, bicycles, cars and machinery.

Stock prices are moderate, dividend yields are attractive and investors are still wary of stocks, favoring bonds instead. The vast economic organism is ready, as fertile land is ready for Spring. But the wintry grip of a US government that misunderstands economics is a temporary impediment. It embraces the doctrines of the left, and is uncomfortable with the function of profit and free competitive markets, supposing instead that bureaucrats can and should mastermind our way to prosperity.

Our industrial-corporate essentials are complemented by our people, educated and eager for employment. The chart below depicts the wealth of available labor power in the population:



At this stage, the only missing element is the warmth and rainfall of Spring itself, which in this case would be embodied by a turn toward free market economics. Political change is of the utmost importance and the timing could not be more propitious.

- John May

PS: Disclosures in recent years of unethical behavior in lending, investment banking, brokerage and investment management is topped off by news of cheating through the medium of the Libor mechanism, an international interest rate setting arrangement. It tells us that human nature has overcome ethics in our most august companies and they should no longer be trusted the way we used to trust them.