



FAMILY MANAGEMENT CORPORATION

485 Madison Avenue 19th Floor New York, NY 10022 212/872-9600 Fax: 212/758-4020

CAPITAL IDEAS

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“Quadrillion”

Not too long ago, a billion dollars was a lot of money. Not too long ago, a trillion dollars was a lot of money. Well my friends, welcome to the new world, "The Quadrillion Dollar World". Before too long, we'll hear that term as our deficit and expenditures rise to unprecedented levels.

As the world becomes increasingly less confident in central banks, the price of gold has continued to rise. There is an inverse relationship between the two. The lack of confidence in paper money is showing up all around the globe. As capacity for resource producers becomes constrained (in the worldwide slowdown), commodity and material companies should perform well in the next upturn. Demand for resources will increase and scarcity due to constrained capacity will push prices higher.

The above are the reasons to own gold and resources, and it is in large measure our view of the future.

As the world economies look shaky, there is some compelling thought to look beyond the abyss to a brighter and more prosperous America. This is especially true when one can buy great American businesses on sale. When everyone believed that the trees were growing to the sky, few were willing to sell. Conversely, now too few are willing to buy at bargain prices: it is still dicey though, so do not over indulge yourself—always leave a margin of safety.

Will we recover? Will America prosper again?

As an investor, one must look to the past as a prologue to the future. Thus, my answer is a resounding YES!

President Obama has his work cut out for him. I would not want to be President now, but I would take the job in four years (as Mr. Clinton did). Bush Sr. fixed the economy in his first term, but never got a second try. This may happen to President Obama.

Healthcare is sick! The percent of GDP dedicated to healthcare in America must come down if we want to take care of everyone—and that is what President Obama wants, and I believe, will ultimately get. If so, healthcare costs will probably decrease per capita but increase as a percent of GDP.

I fear that quality and access to healthcare will decrease AND your taxes will increase to pay for the universal coverage. Right now the proposal is to limit the deduction for charitable giving to pay for universal health care. My friends, there is no free lunch—that is, if you actually make enough to pay taxes or you are not a proposed member of President Obama's cabinet. Speaking of which, picking his cabinet proved to be dicey.....doesn't anybody pay their taxes anymore?

A good attitude beats bad times. China has a good attitude—get it done and quickly. Believe it or not, China's purchasing managers reported stronger numbers in February, and despite "thinking" otherwise, China's exports to regions other than Europe and the U.S. account for 80% of their activity. Things are looking better for China and let's hope it stays that way.

Our federal budget deficit will be between 12% and 15% of this year's GDP. With savings rising, some of the shortfall will be covered by domestic buyers of treasury debt. However, we still depend as Warren Buffet would say, "on the kindness of strangers" to finance our deficit.

Bail out...that is what has happened to the country and the crooks that have stolen from innocent victims. We advocate that crooks who steal from the masses in white collar crimes should receive special punishment. Our society depends on honest and trustworthy capital markets. We also advocate that ANYONE investing on behalf of others be registered as an investment adviser and be held to the highest possible standards. Further, we also advocate that if the government polices activities, it should be held responsible for its failings.

Congressional criticism of excessive pay for failure sounds like the pot calling the kettle black!

I have enclosed an article from [The New York Times](#). The housing crisis is at least ten years in the making. Time will heal these wounds, but let's give credit to and when "credit" is due.

When the Dow Jones Industrial Average reached 6500 it looked cheap, and now at 7800ish, it looks ahead of itself. The yellow caution light is blinking.

Inflation is on everyone's mind. My guess is that it is a little early to worry about it. The consensus is rarely right.

Thomas Jefferson said, "I place economy among the first and most important virtues and public debt as the greatest danger to be feared. To preserve our independence we must not let our rulers load us with perpetual debt...We must make our choice between economy and liberty or profusion and servitude."

As we pile debt onto our economy and country, we must remember that OUR UNWILLINGNESS TO MAKE THE TOUGH CHOICES MORTGAGES OUR FUTURE.

Since 9/11 our society has adopted a "live it up" mentality. There is no question that the pain we felt led to the "roaring 2000's". As we come to accept the reality of the 21st century, we must come to the realization that we will never be the same.

Our hope is that the leadership of this great nation understands what has been sacrificed to get to this place of freedom and greatness, and that they are prepared to look beyond the populist political landscape.

Hope (and spring) springs eternal!!!

As always,

Seymour W. Zises

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