



FAMILY MANAGEMENT CORPORATION

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CAPITAL IDEAS

November – December 2009

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“A Turkey”

If one believes The Bureau of Labor and Statistics, the unemployment rate climbed above 10% for the first time since 1982. Do you believe this number to be truthful? Do you trust our government to give us honest and correct information?

Whether it be protecting our shores, our environment, our financial soundness, our soldiers (internally or abroad), our consumers at P.C Richards or J.P. Morgan, the question is this: Is our government still competent? As I speak with clients and friends, there is a growing frustration in the American psyche that our government is no longer able to perform its “job functions”.

As the recent dollar trading suggest, a strong dollar would imply a strong country, just as the current weak dollar implies a weak one.

The U.S. has spent and wasted so much money, and now it is on the verge of passing a Health Care Bill that could very well put us in the way of a Mohammad Ali knock out punch.

Rather than focus on cost containment, tort reform, preventative care and directing tax policy to create jobs (in order to increase the private sector’s ability to provide health care), the Democratic Congress and President want to deepen the financial hole and create larger government. I’m sorry, but count me out. Yes, I do believe that everyone should be entitled to healthcare, but I also believe that it should be provided by the private sector. (i.e., the government run U.S. Postal Service reported a loss for the year of \$3.8 billion.)

Rumblings have been heard about making the Federal Reserve a less independent institution and more accountable to the politicians in D.C.; Goll.....y Gee!!! It is indeed in this country’s best interest to politicize everything?

So, as we continue to print money and the gold bugs continue to have their day, does anyone know where this is all headed?

The prognosticators predict anything from deflation, stagflation and inflation to the total collapse of the dollar and the purchasing of food with gold coins.

The greatest investor perhaps of all time, Mr. Warren Buffet, has just purchased Burlington Northern Railroad in the belief that: 1) more population growth in the U.S. means more goods will need to be

transported, 2) trains are fuel efficient, 3) the U.S. will export more goods as time goes by and 4) that America is here to stay.

We feel great about this, as well as Berkshire Hathaway (Mr. Buffet's investment vehicle – no not a train “vehicle”) for the long term. The stock pays no dividend, but has great management, great businesses and a great balance sheet.

So, if you are feeling bad about this country's budget deficits because “federal tax receipts shrank by 16.6% in the 12-months to the end of September, with a decline of 54.6% in corporate-income tax receipts”¹, please remember that to predict the end of an economic slump is not easy to do. As we have learned, the darkest hour is just before the dawn!!!

There are some positive signs that we are slowly climbing out of this funk. Corporate profitability has begun to turn. There has been an increase in demand for housing, and the consumer is not rolling over, just saving more.

The Christmas selling season, which officially begins the Friday after Thanksgiving, will be abound with sales, sales, sales and hopefully, there will be buyers (on not too much credit, we hope).

Finally, we end this year and the newsletter with some advice for the current administration. JOBS, JOBS, JOBS!!!

Nothing can lift the economy and the spirit of this nation as much as more jobs can. Every small business in America should be given a \$25,000 tax credit towards new hires; and the cost of healthcare for that employee should be 100% deductible – just an idea.

Peggy Noonan wrote the following in an article in the Wall Street Journal, “[a] friend who emigrated from Nicaragua 21 years ago and lives now in New York knew right away what she was thankful for: her still-new country, ‘I’m mainly grateful that I could raise my son in freedom. I could vote for the first time in my life. I could express my opinions without being shot on the spot, jailed, or exiled like my grandfather. I could sleep through the night without fearing for my life. I could work and buy food without rationing.’”²

Remember, we live in a great country.

As 2009 draws to a close, there will be very few sad to let it go. We feel the same way.

We are grateful for your support—customers, friends, advisors and vendors.

As we approach the end of the decade, all of us face challenges of one kind or another. Meeting these challenges builds character and makes us appreciate everything much more.

Thanks again for everything.

Happy and Healthy New Year.

¹ *The Economist*, October 2, 2009, The World this week, Business, page 10

² *The Wall Street Journal*, Saturday/Sunday, November 21-22, 2009, Still Here After a Rough Year, page A15

As always,

Seymour W. Zises

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