



CAPITAL IDEAS

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“Die Now, Pay Later?”

What a bonanza!!! If you die this year, you can pass the blessings of your bounty on to your heirs tax free, maybe. . . If Congress decides to reinstate the estate tax retroactively, maybe you shouldn't get yourself sick about the economy—oh well, just another day in D.C.!

The Great De-leveraging continues—Americans are saving more and consuming less—the addiction to credit is waning steadily. What troubles us is that every legislator is focusing on the consumer and his spending. What about focusing on saving and investing, thus creating a productive society?

A devalued dollar obviously helps America's competitive edge in the world. Don't we want to invest more capital in productive areas which would help us compete successfully in world markets or do we just want the Chinese to buy our bonds?

The Great “Right” Hope, Scott Brown, took Ted Kennedy's Senate seat in Massachusetts in a repudiation of President Obama's policies. It is ironic that the death of Mr. Kennedy, the champion of healthcare reform, ultimately may have killed health reform.

In a quick response to salvage populist momentum, President Obama vowed to tear the banks apart, and Wall Street reacted negatively, as expected.

The downturn may just have been a response to the under-pricing of risk in the marketplace. Maybe our memories are so short that we forget that just a year ago we were stuffing dollar bills under our mattresses?

Approximately \$1,000,000,000,000 (that's right, a trillion) has to be refinanced over the next three years in the commercial real estate business. Wow. How is that going to happen?

The SPIG countries (Spain, Portugal, Italy and Greece) are showing the stresses of their deficits, as are so many of the developing nations.

Let's go back to the fall of 1998 when the chair of the Federal Reserve, Alan Greenspan, made a surprise move and cut interest rates in the face of a failing economy. The summer of 1998 was when the Russian debt crisis occurred and when the hedge fund Long Term Capital Management blew up. Mr. Greenspan forestalled a recession, which we believed at the time was necessary and about to begin. The stock market

took off, and the U.S. was off to the races with the beginning of the debt explosion fueled by easier money, especially in the housing market.

The hope of a new world technology (think AOL-Time Warner) began to burst in the spring of 2000. Y2K provoked thoughts of planes falling from the skies, computers crashing and the electric grid shutting down the nation. 9/11 occurred shortly thereafter, and the great American society began a “live for today era” which continued until Bear Stearns collapsed.

President Obama inherited a mess—pulled us back from the edge, but on his populist pulpit, put the healthcare agenda ahead of getting “the patient out of the hospital before he decided to do major surgery.”

Healthcare reform is necessary—pre-existing conditions must be eliminated. However, increasing the cost of health insurance to corporations while jobs continue to be lost cannot go hand in hand.

President Obama continues to press for total reform: he made promises that both parties and the nation now realized were means to justify a not so terrific end. Long Live the King....

Rough sledding will ensue if the people continue to lose faith in our nation’s leadership. As President Obama said, “The same frustration that led to his election, led to Scott Brown’s victory.”

We stress all to be methodical in planning and steady in purpose. Make sure the steps you take are slow and well defined.

Quality of assets is key! Do not reach for yield.

America will regain her footing, but very clearly we are not out of the woods yet!

The best is yet to be!

As always,

Seymour W. Zises

P.S. Our hearts go out to the Haitian people, and we encourage you to help our devastated neighbor.

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