THE DANA VIEWPOINT

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A CHICKEN IN EVERY POT…

… and a drone in every garage. Sounds like a good campaign slogan for 2016. It worked for Herbert Hoover in 1928 (using car in place of drone, of course). Drones were developed for military intelligence and law enforcement, but private enterprise wants to use them for everything from package delivery to film making. Many foreign companies are using drone technology already, but the US government has so far blocked its use for private enterprise. Recently Raphael Pirker flew a drone over and around the Statue of Liberty. That video went viral, and Mr. Pirker used a drone to make a promotional video of the University of Virginia campus. The government followed with a lawsuit and a fine of $10,000 for not having a license and endangering people and property. His drone is a five pound Styrofoam model airplane. A judge threw out the government's case and any ban on commercial drones; however the government is not likely to give up. Trade groups say that $80 billion in business and 100,000 jobs could be created over the next decade. This fledgling industry will need some sort of regulatory guidance as to weight and flight patterns. Mr. Pirker decided to go into the drone manufacturing business and after two false starts ended up starting this company (TBS Avionics) in Hong Kong. He orders parts from Russia (software for controlling the motors) to the USA (HD cameras from American GoPro). There are new uses for drones being discovered every day. Recently a drone company, Texas EquuSearch, assisted law enforcement officers in their search for a two year old boy. Within hours, the drone spotted a red jersey, which turned out to be the body of the two year old boy. There are many applications for this technology, and also many hurdles to overcome, but once again it shows the genius of the American entrepreneur and the fact that there will continue to be new job creating ideas. Add drone technology to robotics and 3D manufacturing.

Slack attack. New Federal Reserve head Janet Yellen is already taking back her comments at her first Fed meeting. The Fed indicated they would continue the taper program to its conclusion, which would be November/December of this year. Interest rates would then rise about six months later. The unemployment rate by then would be at or below the magic 6.5% number. The stock market did not react very positively to those comments as it meant the markets favorite elixir was being removed. Yellen's more recent comments were an attempt to reassure investors that the Fed would continue their policy of

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accommodation. She stated that "there remains considerable slack in the economy and the labor market." She further stressed that there are many additional economic indicators on her "dashboard" that are used to determine economic policy. In so many words, the unemployment rate has been removed as a primary indicator of economic health. Economists have known for some time that this number is misleading, as people that are unemployed and not looking for work are not considered unemployed. If those people were added into the calculation, the unemployment number would be higher. Lately economists have been focusing more on the employment participation rate, which is a more accurate indication as to how much of the workforce is actually employed. That number as of the end of March was 63.2%. That number is near the lowest level since the mid-1970s and reflects the slow growth in the economy since the end of the recession. In the long run, finishing the taper process is good. The Fed needs to stop micro-managing the economy. At times a certain amount of accommodation can be beneficial, but basically the markets can stand on their own and make necessary adjustments to excesses that occur from time to time.

Is the market rigged? Recently a whistle blower exposed high speed traders as rigging the market. Advances in technology have allowed some nimble traders to get a quick look at trades before they are actually placed and jump in ahead of those trades. That's called front running. Front running generally applies to investors receiving "inside information" about a company and buying and selling that stock before the news is announced. This is clearly illegal, and over the years many people have served time in prison for using inside information (remember Martha Stewart). High frequency traders are trading for fractions of a cent as they buy or sell huge amounts of stock for quick profits. High frequency traders claim their trade volume provides market liquidity. While the SEC has not deemed this type of trading to be illegal (yet), the practice does not appear very ethical. The Department of Justice is now investigating, and any actual advantage will not survive scrutiny.

Random Thought for April 2014:

"Don't worry about avoiding temptation. As you grow older it will avoid you".

Winston Churchill

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