



November 18, 2011

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GIVING THANKS

Thanksgiving was first celebrated by the Pilgrims at the Plymouth Plantation in 1621. This was primarily a celebration to acknowledge a successful growing season. In later years, it became more of a religious celebration giving thanks to God. Thanksgiving became a national holiday in 1863 during the Civil War when President Lincoln declared November 26 to be a national day of thanksgiving. It has since become one of the six major holidays of the year along with Christmas, New Year's Day, Memorial Day, Independence Day and Labor Day. Canada is the only other country to celebrate a thanksgiving day (the second Monday of October).

It has been a tumultuous decade starting with 9/11, the wars in Iraq and Afghanistan, natural disasters (hurricanes, earthquakes, floods, tornados and fires), the financial crisis starting in 2008, and upheavals in the Middle East and the continuing financial problems in Europe. All these events have combined to cause worldwide recession and slow economic growth particularly in Europe and the US. With the mortgage meltdown and the continuing high unemployment rate, you would think that there is little to be thankful for this holiday season, but you may not be seeing the forest for the trees.

Consider for example:

1. We are still the largest and most vibrant economy in the world. We have the most innovative entrepreneurial system in the world and a very experienced and skilled workforce.
2. Businesses abroad recognize the aforementioned facts and continue to invest in US businesses. In addition, with all the turmoil encircling the globe, foreigners continue to buy our debt and invest in our stock market.
3. In the past decade, we have led the world in new innovative industries from the Internet which has spawned Amazon, Google, Facebook, Twitter and others. Our technological innovations have also produced cell phones, digital cameras, flat screen TVs and iPods.
4. We have made incredible strides in medicine and medical technologies, from mapping the human genome system, to developing new medical equipment to diagnose diseases and provide better approaches to treating them. Along the way, advances in medical science have added about two years to our life expectancy.
5. We have done all of the above while using less energy. Advances in energy technology have enabled us to extract more energy more efficiently and with less harm to the environment.
6. Along the way, we have managed to stop terrorism at our shores and help Iraq establish a democratic government.

For most countries, this laundry list of accomplishments would be enough for a lifetime. So as you prepare to spend Thanksgiving with your loved ones, enjoying the fruits of our labors and watching the Packers beat the Lions,

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spend a few moments reflecting on all the things in this country for which we can be thankful .

Meanwhile, in the more mundane day-to-day economic world, we continue to make advances toward stronger economic growth:

1. New claims for unemployment benefits dropped last week to 396,000, and the twelve month moving average is now under 400,000. Productivity gains by corporations through technology advances and job layoffs are nearing an end and companies are starting to rehire.
2. The housing market is showing signs of recovery, or at least the hemorrhaging has stopped. Because of over expansion in the housing market through 2006, the recovery will take a little longer than a normal 7-9 year cycle, but home owners will start to come back into the market as they see a general economic recovery.
3. Inflation is remaining relatively subdued, which gives the Fed more room to maneuver, although we hope they do not opt for another stimulus plan. There is an abundance of cash ready to go when the time is ripe.
4. Congress appears to be easing up on new job destroying regulations, making it easier for new small businesses to get a start.
5. The Supreme Court has decided to hear the case against Obamacare next spring. Either way they decide, it will remove a big uncertainty for employers regarding future expansion plans.

It is said that the first step to solving a problem is to acknowledge that you have a problem. Well, thanks to some newly elected members of Congress (and some older ones too), the problems with Social Security, Medicare, Medicaid and maybe most importantly our tax code, are now being discussed. In sum, Congress is being forced to do something. Because these are such political issues, we don't expect solutions until after the 2012 election. The tax problem would seem the simplest – a flat tax with no loopholes or deductions. Our problems are all solvable.

Surely you didn't think we would finish this letter without hearing at least one jab at Congress. As you are contemplating the size of your turkey, just watch as the super committee serves up the biggest turkey of all on November 23.

It's a good day for America.

Happy Thanksgiving to all!

Random Thought for November 2011: “Democracy must be something more than two wolves and a sheep voting on what to have for dinner.”

James Bovard, Civil Libertarian (1994)

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