



SOLUTIONS IN SEARCH OF PROBLEMS

It has been said that less is more. Too many times in the political process, as in life, we spend too much time looking for potential problems rather than simple solutions that seem to be hiding in plain sight. Take a look at some of the problems facing our slow economic growth today:

Taxes: Everyone should know by now that we have the highest corporate tax rate in the free world. Even with our superior labor force, it is hard to be competitive with other countries that have much lower tax rates and can attract new businesses. It has been proposed that we lower this tax rate from 35% (39% next year) to at least 25% and eliminate numerous deductions for all businesses. Not only would this encourage investors to start new businesses, but it would also encourage existing businesses to expand and even return existing manufacturing plants back from overseas. The problem according to Congress would be less revenue for the government. President Kennedy cut tax rates in 1962 as the economy was floundering. That started an economic recovery that led to the technology boom of that decade. This led to more tax revenue for the government. President Reagan cut personal and corporate tax rates that jump started a twenty-five year economic period of growth in this country (1982-2007).

Energy: Efficient renewable energy sources are not here yet. It is doubtful that wind or solar will be the answer. Yes, there will be an alternate source of energy in our future. However, it will not be discovered by Congress chasing windmills. It will likely be discovered by some young genius like a Hewlett, a Packard or a Steve Jobs toiling around in their garage. Until such time, oil and natural gas will continue to be our main source of energy. There is enough oil and natural gas underground in the US and off our shores to supply us with gas to fill our autos and trucks and heat and cool our houses to last another century according to experts in the field and the Energy Department. The solution to retrieving this oil and natural gas is by a new technology called fracturing (or fracking). This technology allows companies to drill a mile or more straight down and then drill horizontally to extract oil and natural gas from the shale. This technology has proven very successful in the Bakken oil fields in North Dakota. It is also being used in Pennsylvania and New York. So far this process is only being used on private lands, and this is but a fraction of what could be retrieved, if the government would open up some of their vast amounts of drillable lands. Those looking for the problem claim that our drinking water would be contaminated. First of all, well water is generally found about 200 feet below the surface and fracking is drilled a mile or more below the surface. Chemicals used in this process amount to less than 10% of the pressure applied to loosen up the oil and natural gas. Water accounts for over 90% of the force used.

Jobs: Freeing up land onshore and offshore for drilling would create tens of thousands of well-paying jobs and hundreds of thousands of ancillary jobs. Just allowing the XL Pipeline to be built would add twenty thousand

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“shovel ready” jobs and over one hundred thousand ancillary jobs down the road. The XL Pipeline has passed every test put before it by the EPA over the last three years. The problem, as the EPA sees it, would be seepage into our drinking water. There are over twenty thousand miles of pipeline underground in the US and there have been no reports of any major contamination. The unions would clearly love to see the construction of this pipeline as most of the jobs created would be union jobs.

US Postal Service: The Senate recently voted to give the US Postal Service another \$34 billion to stay afloat. The US Postal Service is losing \$25 million a day (you read that right), and the Postmaster General has said that the agency will not be able to pay its 500,000 employees sometime next year. By 2016 its debt will climb to \$92 billion. US Postal Service management has a solution to this problem, but Congress is standing in the way. They continually put one roadblock after another in the way of reform. Management wants to close about half of its mail processing centers and some 3,000 unnecessary post offices. They would let Wal-Mart or local stores take packages and sell stamps. Management also wants to stop Saturday deliveries. Republican Senator Susan Collins of Maine said that stopping Saturday mail delivery would put the mail service in a death spiral. Really? Another solution could be to privatize the US Postal Service. Several European countries have done that, but don't hold your breath. UPS, FedEx and the internet are pinching the US Postal Service into a death spiral while Congress wastes more taxpayer money. A wise man, who shall remain nameless, was heard to say, “I don't want to hear problems, I want to hear solutions.” All three parties in Congress can share responsibility for opposing these solutions and working together on other solutions. Too much politicking in an election year is holding back the sleeping giant (American economy).

The American Institute for Economic Research (AIER) has developed a new way of measuring inflation. They call it the Everyday Price Index (EPI). The EPI, which is a proprietary index, measures things people buy frequently such as food, gasoline, prescription drugs, TV and phone service, and child care. The Consumer Price Index (CPI) by contrast measures large ticket items such as cars, appliances, houses and everyday goods. The CPI increased 0.8% in March while the EPI was up 1.9% in March. On an annual basis, that would be 9.6% (CPI) vs. 22.8% (EPI). Do not make too much of these annualized numbers and more research needs to be done on EPI calculating, but most people would agree, that inflation is higher than what the CPI would indicate.

Random Thought for May 2012: “Basic research is what I am doing when I don't know what I am doing.”

Wernher von Braun

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