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### • One Man's Opinions - Fall 2008

#### ONE MAN'S OPINIONS – FALL 2008

September 11, 2008. I am writing this on the seventh anniversary of the greatest attacks ever on our nation. The destruction of the Twin Towers of the World Trade Center and the crash of a fully fueled airliner into the Pentagon are unparalleled in our history. They have not been repeated since, thanks to a strong response from our government, including both political parties in the beginning, which has been able to intervene in the affairs of Al Qaida and other terrorist groups and “defang them” to a large extent. Many terrorist leaders have been killed, others jailed, and still others isolated in remote hideouts where they face great difficulty communicating with their terrorist bands.

But the terrorists still are a very real threat to the United States and the other western democracies. These fanatical Muslims see nothing wrong with killing innocent women and children, even though they are fellow Muslims, in furtherance of their perverted religious beliefs. Thus, to ignore this evidence that we are at war is to put our nation at great peril. Unfortunately, many on our political left do not see this. They advocate “negotiation” with groups who swear to completely annihilate us if they can.

In my winter missive of this newsletter I outlined this threat and my belief that only one presidential candidate, John McCain, understood this and was willing and able to do whatever necessary to combat it. Our very survival is at stake. I mentioned also that, in my opinion, only one of the Democratic candidates, Hillary Clinton, if she were elected had the background to do a complete switch from her campaign rhetoric if needed and do whatever might be necessary. This is no longer possible, of course since Barrack Obama is the Democrats choice. In the spirit of full disclosure I am a lifelong Republican, but my father was Democrat City Chairman and the #2 city office holder, Clerk Treasurer, back home in Vincennes , IN. If still alive I doubt he would agree much with current national leaders of his party.

A quiz for you. “Who am I?? I am under 45 years old; I love the outdoors; I love to hunt; I am a Republican reformer; I have taken on the Republican party establishment in my state; I have many children; and I have a spot on the national ticket as vice president with less than two years as current governor of my state! Have you ever heard of me before now?” The answer is at the end.

The introduction of Sarah Palin, Alaska's governor, as McCain's running mate, has thrown the entire race up for grabs. I find her a breath of fresh air. Others, especially Hollywood and the mainstream media, do not. While obviously inexperienced in foreign affairs and defense, she actually has quite a bit more executive experience than both her opponents combined, as well as her own running mate. McCain, at least, is a proven senior naval officer in his younger years and comes from a long line of Navy admirals. So I still think McCain is the best choice for the crisis now facing our country, although Obama is obviously a brilliant and gifted orator and a well educated and intelligent man. But he sorely lacks executive experience and has never shown any ability to do many things he says he wants to do.

The political campaign is negatively affecting the U. S. economy, as the Democrats and the media continue to talk about how bad things are. They continue to insist we are in a recession, even though the Gross National Product is again growing at 3.3% in the second quarter, after a slowdown last winter. The outlook for the last half of the year is for more growth.

Our national unemployment rate is at 6.1% and rising. This is not good news, but in fact it is not at all high historically. Rather it is near the average since World War II. It also is a lagging indicator which hits its high some time after the economy starts growing again. The housing crisis is not over yet, but appears to be bottoming. The attendant mortgage crisis in Wall Street is serious, but one must keep in mind that many of these "losses" are paper ones, as 94% of all mortgage payments are current. Financial Accounting Standards Board rules mandate a "mark to the market" price for assets. The banks and other financial institutions must therefore treat 15 to 30 year mortgages, even though current on their payments, as if they all had to be sold today into a very soft market. It is not logical to assume that this would ever be the case. Foreclosures are up, but this was to be expected when lending standards, at the behest of liberal politicians, were so loose earlier in this decade. These loose standards drove up demand, which drove up prices, which encouraged more borrowing against home equity. Now, "the chickens have come home to roost!" Interestingly enough, four liberal U.S. Senators called this week for a moratorium on foreclosures by Fannie Mae and Freddie Mac, now that they are under federal control. This is exactly the wrong type of pressure from the politicians and is what partly got us into the current mess. Will they ever learn? Probably not!

I believe that coming good conditions will eventually overcome the negativity of the media and the politicians. Home prices have started to firm up in some cities, and nationally the rate of decline has slowed. Financial institutions appear to have bottomed. For example Bank of America stock is up over 50% in the last two months. This demonstrates the underlying resilience of the better U.S. financial institutions, in spite of Fannie and Freddie's problems.

The stock market has probably more than discounted the likelihood of capital gains and dividend taxes going up to 20% (from 15). And it probably does not much care who wins the presidency. The economy seems to be "muddling through" its slowdown of economic growth. The Federal Reserve Board finally sees inflation as an equal or bigger threat than recession, although it is not yet clear it is serious about fighting it. 2009 should be a good year, especially in the stock market. Nearly all indicators show it is oversold.

Two months ago I began a weekly web log (blog) and we have been sending it weekly to all our newsletter readers. I hope you are enjoying these tidbits and we would appreciate an email or phone call with any comments. The number is 800-663-3419. Indianapolis readers use 571-1112.

Have a great Fall!

Tom McAllister

Answer to the quiz: I am Theodore Roosevelt!