

Politicians Should Stop Giving Investment Advice

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For the past six years, the conventional wisdom has predicted the end of the world. On the left, they say “Tea Party austerity” is a catastrophe and an “income divide” spells doom. On the right, the election of President Obama made collapse inevitable. Anything and everything that could be spun negatively, has been.

Lately, it’s China and Greece, but before that it was a never-ending string of horror stories. Most of these pessimistic forecasts rely on the trauma of 2008/09 to lay the foundation for fear and almost all of them end with a commercial to buy gold.

However, what most investors don’t realize is that since the weekend of the Lehman Brothers collapse in mid-September 2008 the total return on the S&P 500 of 93% has soundly outperformed gold, which is up 52%. On both the right and the left, they say stocks are up only because of the Fed and Quantitative Easing. The Right uses that as a scare tactic, while the Left says it’s helping the rich.

What’s fascinating is how lazy politicians have become. Rather than make a case for following their worldview, they use fear and spin economic data. The result is that those who listen to them have gotten really bad investment advice. And by generating fear, both sides of the political spectrum support the case for more government intervention. We expect that from the Left, but we can’t understand it from the Right.

Nowhere is there more evidence of the failure of big government than in the Greek economy. But, instead of

convincing people that more government is bad, Greece apparently makes those in government want more government. Greece has a GDP close to metro-area Detroit. And so what if Russia bails them out? Greece is a black hole of government deficits that would make Russians fear Socialism again.

And China is overblown as well. American exports of goods to China are only 0.7% of US GDP, versus about 1% to South & Central America. Can you imagine someone running a commercial saying, buy gold because of Argentina?

In 1989, Japan was the #2 economy in the world, and business schools used it as a model of how to run a country. Let government influence capital investment – that’s the ticket. But how’d that work out? Talk about economic malaise. And, yet, the US surged ahead in the 1990s.

The greatest theme of the last several years should not be the world coming to an end; it ought to be the failure of government efforts to make people better off by redistribution or directing capital investment. But where is the battle cry from the Right? It’s almost like supporters of free markets secretly want governments to keep implementing bailouts so they can complain about something.

If we want sustainable economic growth that truly lifts living standards, smaller government is the answer, not bigger government. The Right could win that argument if it tried. But with fear driving politics, it makes the debate harder to win.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
7-14 / 7:30 am	Retail Sales – Jun	+0.2%	+0.3%		+1.2%
7:30 am	Retail Sales Ex-Auto – Jun	+0.5%	+0.6%		+1.0%
7:30 am	Import Prices – Jun	+0.1%	+0.5%		+1.3%
7:30 am	Export Prices – Jun	+0.1%	+0.1%		+0.6%
9:00 am	Business Inventories – May	+0.3%	+0.3%		+0.4%
7-15 / 7:30 am	PPI – Jun	+0.2%	+0.1%		+0.5%
7:30 am	“Core” PPI – Jun	+0.1%	+0.1%		+0.1%
7:30 am	Empire State Mfg Survey – Jul	3.5	1.5		-2.0
8:15 am	Industrial Production – Jun	+0.2%	+0.2%		-0.2%
8:15 am	Capacity Utilization – Jun	78.1%	78.1%		78.1%
7-16 / 7:30 am	Initial Claims – July 11	285K	285K		297K
9:00 am	Philly Fed Survey – Jul	12.0	13.0		15.2
7-17 / 7:30 am	CPI – Jun	+0.3%	+0.3%		+0.4%
7:30 am	“Core” CPI – Jun	+0.2%	+0.2%		+0.1%
7:30 am	Housing Starts – Jun	1.109 Mil	1.094 Mil		1.036 Mil