

Please join us for complimentary luncheon and discussion about current economic problems and solutions by

Mr. Terry Rand

Call us at 239-261-0335 and sign up as a guest for our next luncheon.

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In the private sector, workers earn wages and increases based on merit, based on renewable skills, success and competition. Unions earn wages based on extortion and coercion, which are then paid for by the private sector. In my opinion, government employees should not have the right to strike for pay increases. I think their pay can be negotiated and they should be paid a fair wage, but based on merit. Imagine the military striking during a battle, or traffic controllers striking and shutting down all air traffic in order to get a wage increase? Of course you know what happened when that ploy was tried, President Reagan fired all traffic controllers inserting the military controllers until an agreement could be met. President Carter and the Democrats passed a bill disallowing federal employees from being unionized for that same reason. That is too much power that can be abused. That was good!

At one time unions were necessary to protect labor from early abusive unregulated corporations,(i.e. SEC, full disclosures and audits) but the pendulum has swung too far to the other extreme. Union demands have destroyed the Automobile industry, freight hauling, the railroads and many other industries to name a few. I feel for my GM shareholders that might have been better off after bankruptcy instead of losing all assets subsequently given freely to the United Auto Workers. Today, employees should participate in corporate profits as many non union corporations have done. Virtually all information biased against US corporations is exaggerated for political gain. The public will never recognize the truth. State employee Unions should never be allowed to hijack government payrolls holding the public hostage for more benefits than the rest of us have to earn the hard way. Only 15% of public corporations are unionized. They are, of course, given special favored treatment bidding on Federal work contracts. Virtually all union dues collected go to Democrats as political donations. **Union members have no political choices.**

Government spending is way out of control, yet Democrats keep complaining about that small minority that may suffer from cutbacks that are often exaggerated for political reasons. I can give you some examples and I have to repeat myself. The first big lie is that corporations are evil and earn too much money. Democrats need to show percentages of corruption rather than generalize. I repeat, check out the S&P 500 of our best successful corporations and tell me how many abuse workers or are corrupt. How many? Zero, nada; check it out, learn the facts. **This propaganda machine creating class warfare in the USA has got to stop.**

President Obama sent his budget to Congress for the fiscal year ending September, 2012. His plan calls for \$2.63 trillion of tax revenues with \$3.73 trillion of spending. That is a budget deficit of \$1.1 trillion. We will spend \$.30 for every dollar collected and I think Federal revenues will decline. US corporations are holding after tax profits and not investing in their own future because they fear Obama's spending and they will eventually be taxed to fund healthcare and many more things. Many corporations buy their own stocks back. That statistic may reflect some investment potential.

The rates on ten year treasuries is 3.69% and growing. If the rate ever exceeds 4% we won't be able to pay the interest on the national debt. It requires 1/6th of the Federal budget to pay interest on the national debt. If interest rates increase to the 7% range, the US will have to use 1/3rd of the budget to pay interest. We could not afford a military or eliminate social security. This is serious.

Check out these statistics:



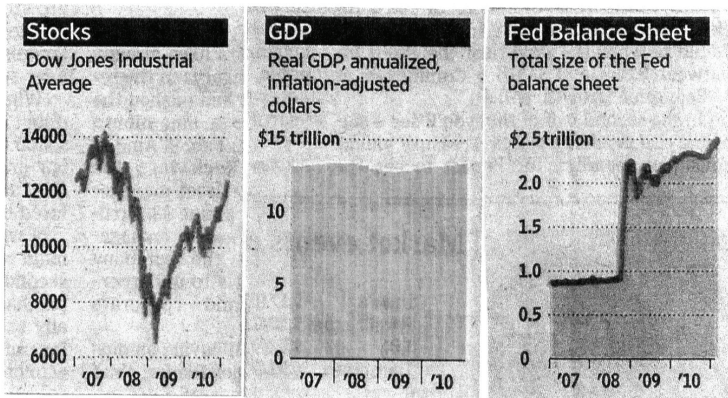
"What about business—which branch is that?"

| | January 2009 | January 2010 | %Chg |
|--|--------------|--------------|--------|
| Avg. retail price/gallon gas in U.S. | \$1.83 | \$3.104 | 69.6% |
| Crude oil, European Brent (barrel) | \$43.48 | \$99.02 | 127.7% |
| Crude oil, West TX Inter. (barrel) | \$38.74 | \$91.38 | 135.9% |
| Gold: London (per troy oz.) | \$853.25 | \$1369.50 | 60.5% |
| Corn, No.2 yellow, Central IL | \$3.56 | \$6.33 | 78.1% |
| Soybeans, No.1 yellow, IL | \$9.66 | \$13.75 | 42.3% |
| Sugar, cane, raw, world, lb. fob | \$13.37 | \$35.39 | 164.7% |
| Unemployment rate, non-farm, overall | 7.6% | 9.4% | 23.7% |
| Unemployment rate, blacks | 12.6% | 15.8% | 25.4% |
| Number of unemployed | 11,616,000 | 14,485,000 | 24.7% |
| Number of fed. Employees, ex. Military | 2,779,000 | 2,840,000 | 2.2% |
| Real median household income (2008 v 2009) | \$50,112 | \$49,777 | -0.7% |
| Number of food stamp recipients | 31,983,716 | 43,200,878 | 35.1% |
| Number of unemployment benefit recipients | 7,526,598 | 9,193,838 | 22.2% |
| Number of long-term unemployed | 2,600,000 | 6,400,000 | 146.2% |
| Poverty rate, individuals (2008 v 2009) | 13.2% | 14.3% | 8.3% |
| People in poverty in U.S. (2008 v 2009) | 39,800,000 | 43,600,000 | 9.5% |
| U.S. money supply, M1, in billions | 1,575.1 | 1,865.7 | 18.4% |
| U.S. money supply, M2, in billions | 8,310.9 | 8,852.3 | 6.5% |
| National debt, in trillions | \$10.627 | \$14.052 | 32.2% |

(1) These figures are credited to President Obama and his failed policies. Do you see how much more these numbers have advanced since January? I don't know which is growing faster, these numbers or the national debt. **Democrats are still using guilt to demean Republicans for attempting to cut spending.** My God, where is their common sense? Here is a quote that summarizes Obama's policies.

"Let's not mince words. Barack Obama is a socialist! He wants to expand the role of government until it mirrors the bloated size of modern Europe. He wants universal healthcare, government controlled healthcare. He wants banks under direct Federal control, subservient to the government's economic directives. He wants indirect control over manufacturing. By controlling what comes out of the smokestacks, he realizes he can control what gets made in the factory. He wants to ban the use of coal no matter how much it makes us dependent on foreign oil. He seeks to change our tax laws into a massive scheme for income redistribution. And he wants the poor to have upward mobility, not through hard work and education, but through increasing government handouts, aid paid for by rich successful people." (2)

Last month I called Obama obsessive. You tell me! The above quote never mentioned the obsessive debt spending, or the immigration problem, or Gitmo, or our foreign policy against Islam or the wars. Please note in the following three charts that the GDP, which should reflect a recession, does not. The real problem is unemployment and those statistics are manipulated to hide increasing unemployment. Those unemployed for longer periods and those who have stopped looking for work are not counted. The stock market shows strength and growth in spite of Obama's policies. Why? Because the economy is so powerful that it cannot be accurately measured, but easily spun to fit propaganda needs.



Do you think the above GDP chart reflects a recession? Maybe the slight drop in GDP supports a stimulus, or just a reason for Democrats to alarm us? Why do we care because the whole world is affected by our economy and your investments. We need facts!

"The United States annually produces 25% of the world's wealth. What the United States consumes and produces shapes the economic realities of the world." (3)

The battle between Ideology and reality fundamentally distorts the problems. You and I cannot debate economics with ideologues. They ignore economic facts and defend their ideology as if it were some religion. The Obama administration rules with left wing ideology and contradicts the real world. Liberalism is naïve, yet when challenged, the challengers become victims of accusations of racism or not caring for the underprivileged. I heard Senator Durbin (D, IL) shame Republicans that cutting spending would hurt the homeless and underprivileged. My goodness, he can be so generous putting you and I in further debt we dare not challenge his good intentions even if it bankrupts the country. Durbin never mentions that we are going bankrupt. It is as if he only cares about saving a few underdogs so he looks altruistic, but he also looks stupid. We don't have the money. Durbin, please tell us where to cut spending; don't tell what not to cut. **The Democrats believe that eventually they will tax the rich and corporations to recapture the deficit.** So far the policies have had the reverse effect. Historically speaking such liberal policies bordering on socialism have never worked. Oops, I'm not supposed to accuse Obama of being a socialist because he said he wasn't. (I said that last month, didn't I?) **Isn't idealism another word for self righteousness?**

"The reason for such economic booms and busts (cycles) is fairly simple. As our economy grows it generates more capital, more than the economy can readily consume. When there is a surplus of money chasing assets such as homes, stocks or bonds, prices rise and interest rates fall. Eventually prices reach irrational levels and then they begin to collapse. Money becomes scarce, and inefficient businesses are forced to shut down. Efficient businesses survive and the cycle starts again. This has been repeated over and over again since modern capitalism began." (3)

"Economic cycles, boom and bust, can also be driven by speculation and financial manipulation, as was the decade just ending. But at a deeper level, economic expansion and contraction are driven by demographic forces and by technological innovation." (3)

That opinion by George Friedman about manipulation refers to the sub-prime mortgage debacle, which was manipulation by Democrats to fund those who could not afford homes. The blame placed on Wall Street was that Wall Street bankers (not stock brokers) were forced to leverage such small yields to earn a profit. The problem was; as desperate as the Bush administration was to regulate mortgage lending rates, the Democrats and the biased news media lambasted Bush for not caring for the poor. By that time there was a major campaign underway to denigrate Bush to get Democrats elected, which did happen in 2008. The Democrats took over Congress after 2006 when the deficit spending then began to skyrocket. The deficit spending did not originate under Bush; that is a fact, but not to be recognized in this current battle of economics. **We poor investors are the real victims.** We lost our GM stock and lost fortunes on declining bank stocks, to mention a few. I think capitalism has been maligned too much, but I see a comeback. See the above chart on stock market performance.

It is most interesting that Mid-cap stocks set 12 all time record highs this year already. The S&P 400 Midcap is an unmanaged index consisting of 400 domestic stocks based on market size. All large cap stocks have grown from smaller companies. Investing in Mid Cap stocks is riskier than stocks with proven histories and Midcaps tend to be more volatile. But they have been the best performers in the past few years. The recent performance is no reflection on their future potential. Most technology stocks and medical technology stocks are small cap and mid caps defined by the capitalization of the newer companies. Think Microsoft and you can see the potential. Most of our Rand Financial Trust accounts have about 10% invested in mid cap stocks. I have also put about 30% into international stocks. I don't recommend individual stocks anymore. There are too many situations to monitor and I do better as a sector analyst. **At Rand Financial Advisors we focus on estate planning and insuring retirement plans against loss of income.**

The most popular investment today is variable annuities. **A variable annuity is a simple Trust with creditor protection benefits, a professionally managed portfolio of stocks and bonds that, for a small premium you can insure performance, death benefits, or guaranteed income that cannot fluctuate with stock market performance.** You keep the upside performance (gains) and are then protected against subsequent declines. There are two types of variable annuities, one that emphasizes protecting the death benefit and the other guaranteeing income for life. The income programs also offer some death benefits. Investors need to examine these products because they are relatively new.

I strongly recommend George Friedman's new book, "The Next Decade" now published this past month. Friedman has an excellent grasp of recent economic history and some relevant ideas about the current world circumstances.

"I genuinely believe that the United States is far more powerful than most people think. Its problems are real, but trivial compared to the extent of its power." (3)

I have been saying for years that the US is so powerful that it cannot be accurately measured. That might explain why we can be in such danger with massive growing government spending, yet our GDP is growing. **That does not mean that we are not in trouble. Investing was never meant to be so complicated, but the huge government affecting every investment we make and Obama's attempt to redistribute wealth by borrowing from the taxpayers is a serious problem.**

"In Retrospect, FRD's frantic 100 days of legislation had little effect on the depression, which was ended by World War II Rather than by his economic policies." (3)

Islam is the most costly factor in modern economics. It costs us \$trillions to protect ourselves from this cult.

"The world is awash with Jihadism. The US border is nine thousand miles long and we are a trading country, and ships and planes and trucks arrive daily. Any vehicle could carry a dirty bomb. It is also true that among 308 million Americans there could be any number of home grown terrorists. Homeland security has an impossible job." (3)

I think American Muslims should be investigated. They should not worry if they have nothing to hide. Hooray for Congressman King, (R, NY)

Footnotes: (1) US Energy Information Administration, WSJ, Bureau of Labor Statistics, Census Bureau, Federal Reserve and the US Treasury. (2) Revolt, Dick Morris, 2011. (3) "The Next Decade," by George Friedman, 2011.