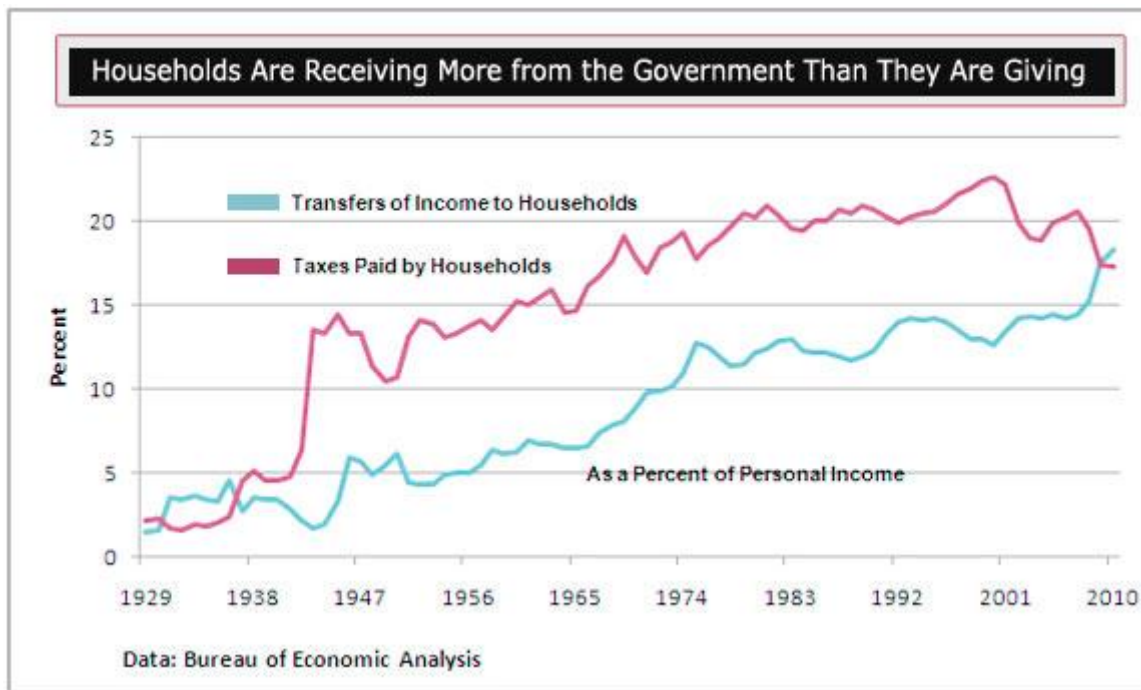


THE FRUITS OF MISMANAGEMENT WEB BUZZ 2011.05.02

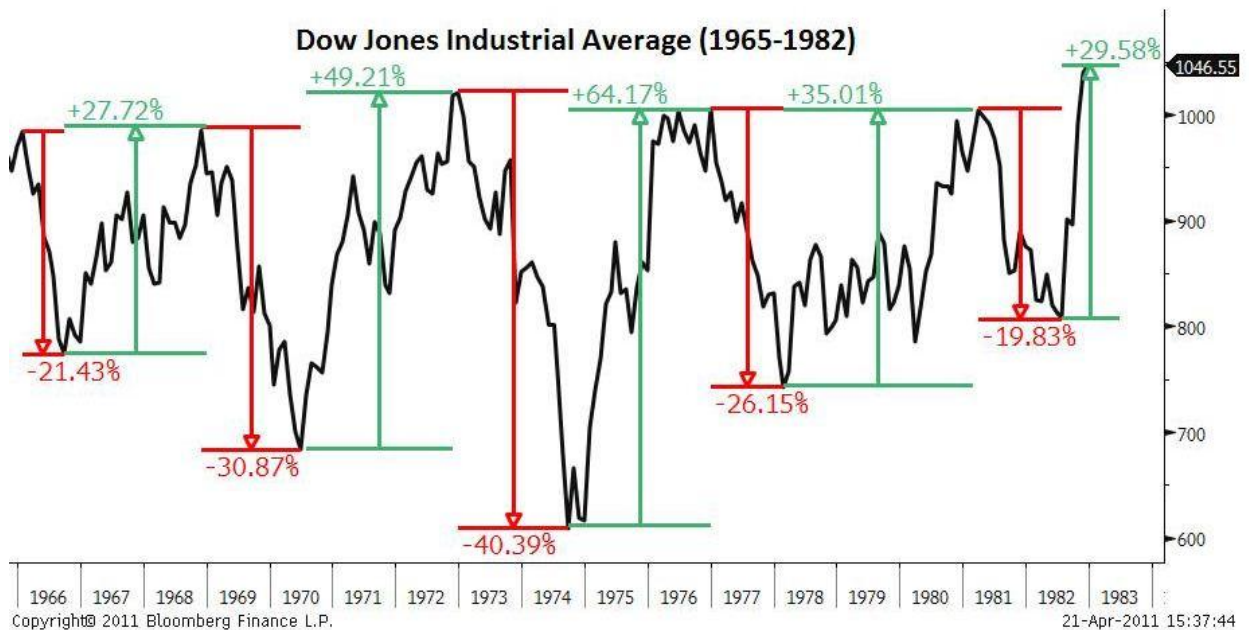
Please note the chart below. This is one of the more disturbing charts we have seen in some time. Only in the 1930s have we seen another time when households received more in transfer payments (government entitlements such as unemployment insurance, welfare, and social security) than they paid in taxes. We don't know if you have noticed or not, but the welfare state has finally hit the proverbial brick wall.



Adapted from FinancialSense.com

Let's face it; both parties are responsible for this sad state of affairs. The Democrats do it openly by playing the class warfare card and the Republicans do it surreptitiously. The political class in the U.S. has misled and misguided this country to such an extent we just wonder if it can be rectified. Surely someone or some group will come to the fore and put us on the path to sensible fiscal policy.

On another matter, please take a look at the chart depicting the Dow Jones Industrial Average for the years 1965-1982. This is the type of market we envision for the next ten years or so - a lot of noise but little headway as we struggle to get our economic house in order. The next major move we envision would be similar to the 40% decline that hit bottom in 1975.



Adapted from FinacialSense.com