

Our Future?

Where are we headed? I hear this question regularly in various forms. My first answer is always, "I don't know," since I don't know the future, but I do have a few brief thoughts on the subject.



I don't think we'll follow in Greece's financial footsteps. We are a fundamentally different country from Greece in that we print and control our own currency. Greece has no national currency, and so it can't control price like we can with the dollar. Printing money doesn't solve our problems, but it can help prevent default on debt, even if at the expense of consumer purchasing power. Inflation is likely in the next few years; default of U.S. government obligations is not.

I expect that the recent volatility will continue, and even become somewhat of a new norm. Financial news and analysis is bombarding us in "internet time," the globalization of financial markets is increasing, and a significant amount of trading is automated by pre-set trigger points. This doesn't mean things will be worse, but likely more erratic. In fact, we've seen an 8% decline followed by a 6% rebound in the past 30 days!

I think a financial apocalypse is unlikely. While it's possible that we'll find ourselves in a barter system, it's not probable in my view. Betting otherwise is betting against a LOT of history, and against the entrepreneurial and innovative American spirit. Our economy has recovered from every recession, panic, and depression it has ever experienced. The four most dangerous words for an investor may be, "This time it's different."

So, keep a proper perspective. Invest with your head, not your stomach. There's a good deal of evidence that the outlook is not as bad as many would have you believe.

Sincerely,

A handwritten signature in black ink that reads "John".

John D. VanDyke

Perspective

