

# Financial Wanderings

September 2017

A masterful examination of the previous month's financial events, written by Brad Blackburn, CFP®  
(and made even awesomer by Andrea Dickerson)



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Although the commentary in this newsletter has been thoroughly researched, well-reasoned and contains many impressive multi-syllabled words, please enjoy it responsibly. There are many economic minds that are far smarter than mine—and even they can't agree on even the simplest economic questions. In other words, please enjoy this newsletter with the full understanding that it may be entirely wrong.



## The best plan for North Korea is still pretty bad

Even the best strategy for dealing with North Korea could be bad news for the stock market and economy. Of course, the worst strategy is even scarier. If we somehow end up in a fight with North Korea, millions of people in South Korea could be killed. According to the NY Times, North Korea could drop 300,000 bombs on South Korea in just the first hour of a counterattack, and that doesn't include nuclear weapons.



Even in the best-case scenario, where we perfectly cripple North Korea's military with only a small number of South Koreans killed, you still risk a devastating refugee crisis. We could see millions of hungry, uneducated people pouring into South Korea and China, which could destabilize the entire region and cripple the world economy.



This is not a rant against Trump. Our last four Presidents should all get blame for North Korea. In their defense, it's an incredibly tricky situation with ridiculously high stakes. That's why I'm so grateful our current President is so thoughtful and level-headed.



Trump is doing at least one thing right with North Korea: He's putting pressure on China. China is the lifeline that keeps the North Korean regime alive. If there's any non-military way to pressure North Korea, it's through China. So recently, Trump tweeted a threat that the US was considering stopping "all trade with any country doing business with North Korea." That was a direct threat to China – which is precisely when the stock market began to pay very close attention. If we hit China with an economic punch, it's very likely they will punch back. That could mean a trade war between China and America, which could really chill the markets and economy.

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However, if we are serious about stopping North Korea, that might be what's necessary. America may have to sacrifice a little bit to get China's attention. But that brings up a very interesting conundrum, because I'm not sure Trump understands the fine art of delayed gratification.

Don't eat the marshmallow



The last thing Trump wants to do is hurt the stock market or the economy. So, to the extent that he understands the risks of a trade war, he'll be hesitant to start one. However, he has also publicly vowed not to allow North Korea the ability to hit America with nuclear weapons. That's a very difficult spot to be in.

## Two sides of the same economic coin

Trump and the Republicans are once again trying to focus on pushing through a tax bill. If they can make it happen, the markets will be pleased.



At this point, there isn't anything close to a concrete bill for me to discuss. However, a few months ago, Trump outlined the basics of his tax plan, so I'll work from that. There's an idea inherent in his plan that if you cut taxes for corporations, it will "trickle down" to the middle and lower classes. However, Trump's plan also doubles the standard deduction, which will help the average consumer. That strategy could be called "trickle up" economics.

At this point, it's important to note that both "trickle-down" and "trickle-up" economics have catchy names, which is scientific proof that they are both valid.

**That's just logic**

Coincidentally, that's the argument I want to make. Trickle-down and trickle-up economics are two sides of the same economic coin. The only question is how to balance them.

### Trickle-down economics

The more of its own money a business can keep, the more it can reinvest back into the business. That means more employees, more equipment, more software, and more buildings... In that way, a thriving business can drive the economy forward for everyone— not just that specific business. The easier you make life on the business world, the more an entire society can thrive.

Trickle-down economics make a ton of sense. However, in the specific case of today's world, there's a question as to whether it's working well enough. Corporate profits are at all-time highs, but the income of the average worker is barely growing. I don't think anyone argues with those two facts.



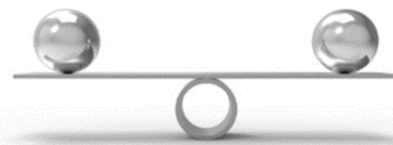
Perhaps the problem is globalization, or technology stealing jobs, or over-regulation. But, for whatever reason, not enough is trickling down in today's world.

### Trickle-up economics

If you put a dollar in the hands of a rich person or a businessman, they might spend it or save it. However, if you put a dollar in the hands of the average consumer, they'll put nearly all of it back into the economy very

quickly. If you believe in capitalism, that money will go to the most deserving, best run businesses. Then those businesses can respond by hiring more workers, and buying more equipment, and software etc... It's the exact same story as trickle-down economics.

Businesses need a relatively easy tax and regulatory environment, but they also need



strong, growing demand from consumers.

That's why we must beg our politicians to be flexible and seek compromise. Republicans, what are your best ideas to help the business world? Democrats, what are your best ideas to help consumers? Those things don't have to be mutually exclusive. It's entirely possible to make life easier on the business world while also helping consumers.



# That's a win-win

Although it would be fun, I'm not going to claim this is a conspiracy. But one of the key aspects of Donald Trump's tax plan could make a major Republican talking point even more hard-hitting. Do you remember Mitt Romney's "47%" comment during the 2012 election? He said 47% of Americans "are dependent on gov't," "believe they are victims," and won't take "personal responsibility, or care of their own lives."

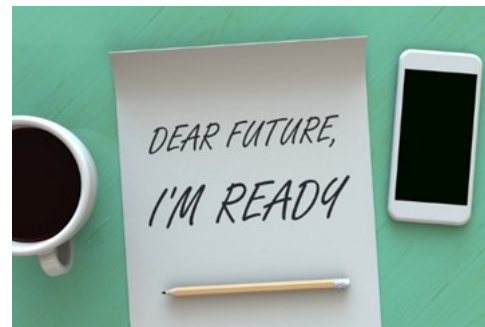
## The Deplorables

(see what I did there?)

In that comment, Romney was referring to the 47% of Americans who pay no Federal income taxes (yes, most of them do pay state, local, and payroll taxes... but that's a different point).

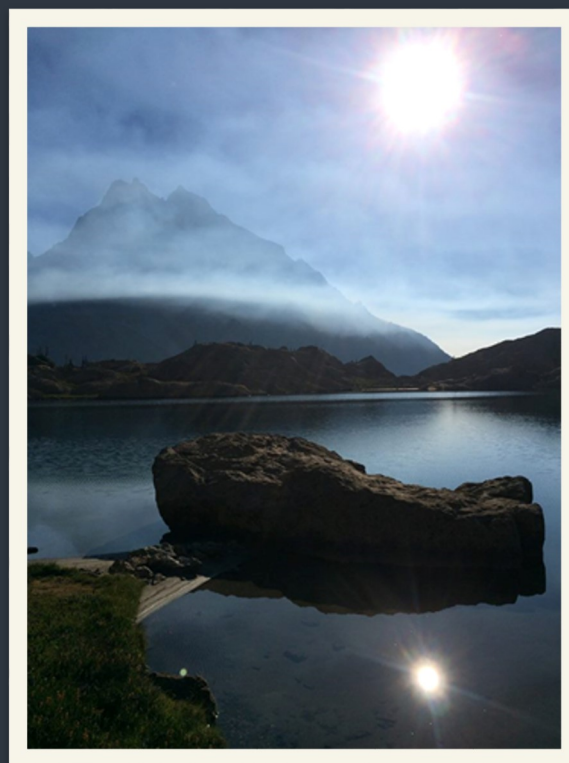
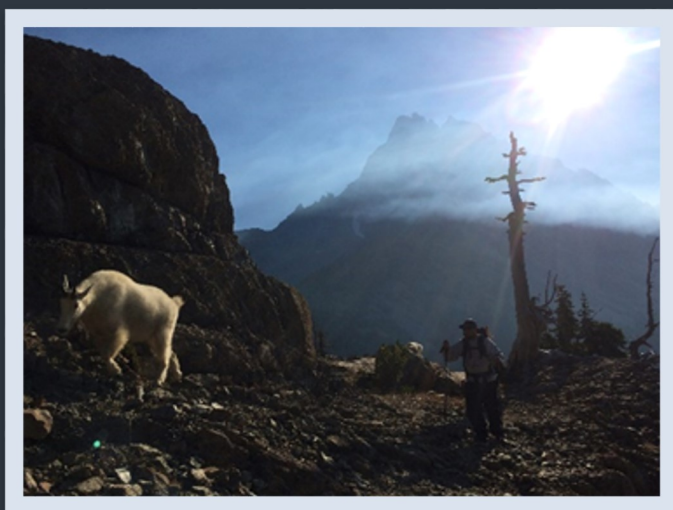
Under Trump's new plan, that percentage is bound to go up. That's because Trump's plan doubles the standard deduction (as you know, if you read the article above). That's where this gets fun. Imagine the sound bites, if, in 2020, Trump could complain about a far higher percentage than 47% of Americans who are pathetic losers because they don't

pay federal income tax. While, at the same time, taking credit for them not paying taxes. That will be fun.



# Probably a mountain or a lake

As we experience another September SmokePocalypse™, I thought I'd bring you a few recent photos that show how cool the smoke can be. These photos were taken a couple weeks ago at Lake Ingalls amid smoke from the Jolly Mtn. Fire.



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