



OAKWORTH
CAPITAL BANK

COMMON CENTS

I don't like politics, and haven't for some time. So, I hadn't planned on watching any of the Republican convention, and wouldn't have if my mother-in-law weren't staying with us this week. This ambivalence on my part frustrates the stew out of my father-in-law, and I understand why; poor civic responsibility and all of that. Still, I know how I am going to vote in November, and nothing the Republicans said this week or whatever the Democrats say in next week would or will change it.

Still, I caught the majority of Mitt Romney's speech last night, largely because the South Carolina vs. Vanderbilt game failed to hold my interest. You know, perhaps I need to address my apathy.

Let me cut to the quick: Romney didn't say anything I didn't expect him to say. Conventions are just that conventions; a time to galvanize and energize the party base, and get cracking on the sales pitch for the Fall. So much of it is form over substance; just as it has always been. So what did I learn?

Well, here are the so-called five steps the Romney campaign is touting, straight from the speech:

- First, by 2020, North America will be energy independent by taking full advantage of our oil and coal and gas and nuclear and renewables.
- Second, we will give our fellow citizens the skills they need for the jobs of today and the careers of tomorrow. When it comes to the school your child will attend, every parent should have a choice, and every child should have a chance.
- Third, we will make trade work for America by forging new trade agreements. And when nations cheat in trade, there will be unmistakable consequences.
- Fourth, to assure every entrepreneur and every job creator that their investments in America will not vanish as have those in Greece, we will cut the deficit and put America on track to a balanced budget.
- And fifth, we will champion SMALL businesses, America's engine of job growth. That means reducing taxes on business, not raising them. It means simplifying and modernizing the regulations that hurt small business the most. And it means that we must rein in the skyrocketing cost of healthcare by repealing and replacing Obamacare.

Frankly, these are mostly sound bites. How will we take full advantage of our fossil fuels and become energy self-sufficient? What are the unmistakable consequences? How do you propose to reduce the deficit while keeping entitlements and the military in tact (from other parts of the speech)? What are the regulations that hurt small businesses the most?

Okay, okay, perhaps I am expecting too much, and did I mention I don't like politics? The reason? Because politicians usually don't tell you what you need to hear; only what you want to hear; and that goes for both parties.

If we want a permanent, stable, and growing economy, we need to hear the truth, and the truth is our society needs to change...to get its act together. However, forcing people to look into the mirror isn't a very good way of getting votes, is it?

Inside this issue:

Something to Think About	1-4
Tables & Whatnot	5-6
Disclaimer	6

For years my wedding ring has done its job. It has led me not into temptation. It has reminded my husband numerous times at parties that it's time to go home. It has been a source of relief to a dinner companion. It has been a status symbol in the maternity ward.
Erma Bombeck

Something to Think About, *cont.*

This past July 15th, The New York Times ran an awesome article entitled “Two Classes , Divided By I Do.” Frankly, it wasn’t something you would expect to see in the Times, as it was about how individual decisions can impact your future economic and personal well-being. Here is the link, although you are going to have to type it in yourself: <http://www.nytimes.com/2012/07/15/us/two-classes-in-america-divided-by-i-do.html?pagewanted=all>.

It got me to thinking: are the problems which ail the US economy really things like fiscal cliffs and a potential increase in marginal tax rates for a small segment of society? While I would argue one of the greatest impediments to economic growth is our complicated and convoluted tax code, this article, intentioned or not, really drove the truth, the bottom line truth, home: we, as a society, have been making some really bad decisions, which have awful long term consequences, for ourselves, our economy, and our society. We are going to have to tackle some of these issues before we can honestly say the 21st Century is going to be another ‘American Century.’

I developed a little tunnel vision on the subject, and submitted the following to an out of town newspaper for my usual Sunday column:

“My mother-in-law asked me if I was going to watch Paul Ryan’s speech on Wednesday night. Why would I? I already know how I am going to cast my ballot, and I had a pretty good idea what Ryan was going to say anyhow. So, reading baseball box scores seemed like a better usage of my time, although I did catch some of it.

If you want specifics and details, you aren’t likely to hear them from a politician, because they aren’t pretty, and they aren’t politically correct. They force us to take a good hard look in the mirror, and question what is really happening. While I would argue politicians often do more harm than good when it comes to living standards, the truth is we, as a society, make some bad decisions on our own.

Do you want to know the quickest way to poverty in the United States? Try being an unwed, uneducated mother. Period. Next up is being an unwed, uneducated father. It has nothing to do with marginal tax rates or the stimulus plan of the moment, which are things politicians can control.

According to the Census Bureau’s 2010 Current Population Survey, 26.3% of Americans who haven’t finished high school live under the poverty threshold. Only 4.7% of those with a bachelor’s degree or higher do. Even more alarming is 40.3% of Americans between the ages of 25 to 34 who haven’t finished high school live in poverty, while only 5.3% of college educated do.

What’s more, 40.7% of families with children headed by a female, with no husband present, live in poverty. That number falls to 24.2% when the father heads the household, with no wife present, and only 8.8% when the parents are married. Not surprisingly, the younger the householders, the greater the likelihood they will live in poverty, owing to a lack of education and work experience.

According to the CDC, in 2009, 41% of all births in the United States were to unmarried women. In 1980, that number was 18.4%, meaning illegitimacy has more than doubled over the last 30 years. Even more shocking is 62% of births to women between 20-24 were out of wedlock. Given the fact 63.3% of families with children headed by a female under 24 live in poverty, what chance do many of these children really have? After all, just by coming into the world, roughly 39% of children born to women under 24 will live in poverty!

Hey, I am not preaching here; these are the statistics. Do you want to struggle financially? Have kids earlier, and have them alone. Do you want our society to struggle? Make sure a lot of young, unwed people continue to have babies, and lots of them. That is what the math tells us, even if the politicians won’t.

If we really want to help out the poor and the middle class, we need to find out what is going on in our society and our institutions that encourages this type of behavior, and crush it. This isn’t a moral argument; it is an economic one, one that is in everyone’s best interests.

So, forget about what the political parties say about tax rates and the like, and get out there and tell young folks to stay in school and wait to get married to have kids.”

As an aside, it is the absolute height of arrogance to quote one’s self, and I apologize for that. I just didn’t want to have

Something to Think About, *cont.*

to write it again.

Perhaps not surprisingly, children from single parent and divorced households are more than twice, yes twice, as likely to dropout of high school. According to a study done by the US Department of Education, the 'dropout rate from the sophomore class of 2002, by family characteristics: Spring 2004' for students from a single parent household was 9%. For those with one biological parent and another 'guardian,' the rate was a shockingly high 9.8%. Finally, for families with both the mother and father present, the dropout rate was 4.3%.

Now, if you care to, please follow the logic: more unwed mothers lead to more single parent households which leads a higher percentage of high school dropouts which leads to a lower level of training and education in the workforce which leads to an overall lower level of national income and a widening disparity between income brackets and, ultimately, a sustained elevated level of poverty.

IF history repeats itself and IF the illegitimacy rate continues to climb, we should expect to see an increasing number of US children, in absolute and relative terms, who either dropout of high school or otherwise fail to complete their education. IF so, with this type of workforce, how can the US economy generate enough wealth to pay for the entitlements programs which are currently in place?

As a result, if we choose not to break this cycle, we will have an increased percentage of the population who doesn't place significant value on education, and it will feed on itself...essentially creating and promulgating a permanent underclass of people, one that doesn't have the training, education, and familial support structure to be as competitive as is necessary in a globalized economy. Many would argue we already have done this, and I would largely agree. The problem is the situation hasn't stabilized, and has the potential to get even worse.

If that isn't enough to throw you, consider this: according to the Census, in 2011, the Unemployment Rate for married men was 5.8%. For men who have never married, it was 15.1%, and for those who were/are widowed, divorced or separated, it was 11.1%. As for the fairer sex, married women had an Unemployment Rate of 5.6%. Women who were widowed, divorced, or separated were unemployed at a 9.7% clip, and never been married women had an Unemployment Rate of 12.5%. That is pretty shocking, if you ask me.

This assault of marriage, if you want to call it that, is a fundamental problem which has potentially significant ramifications for the US economy in the future, and, yet, we continue to debate marginal tax rates as well as promise 'we' won't cut entitlements programs or the military. Basically, we are whistling past the graveyard, and we refuse to say something about the 800 lb. gorilla in the room. No politician will dare to utter anything about this issue because it would be politically incorrect to do so.

Now, this is just one man shouting from a soap box, but these are the types of issues our elected leaders lead to address today. What can we do to reverse this trend? But it doesn't sell to the average voter, which puts it on the back burner of debate; after all, marginal tax rates and stimulus packages are in the here and now. It is a shame, because this impacts so many people, both directly and indirectly, and a country like ours shouldn't be going backwards in this battle.

In the meantime, we can look forward to a Fall of both parties promising to reduce the deficit without dismantling the military or chopping various entitlements. Of course, they will both be quick to tell you how the other side won't be able to accomplish it.

It should be fun....in a weird sort of way. I think I will watch it with my wife.

Important Economic Releases

Release	Survey	Actual	Prior	Comments
Consumer Confidence (Aug)	66.0	60.6	65.4	<p>The big news this week wasn't in the economic data. It was in the hope Ben Bernanke would say something about another round of quantitative easing at the Fed meeting in Jackson Hole. He finally did, and the markets had fun on Friday.</p> <p>Other than that, the markets struggled with some mediocre reports and the burning question: how much longer can this rally last with the economy growing at 2.0% or less.</p> <p>As I type here today, there is no reason to alter current allocations, but I have an increasingly sneaky suspicion we will take some risk off the table at the end of the year.</p>
GDP 2Q	1.7%	1.7%	1.5%	
Personal Income (July)	0.3%	0.3%	0.3%	
Personal Spending (July)	0.5%	0.4%	0.0%	
Initial Jobless Claims	370K	374K	374K	
Chicago Purchasing Managers (Aug)	53.2	53.0	53.7	
U of Michigan Confidence (Aug F)	73.6	74.3	73.6	
Factory Orders (July)	2.0%	2.8%	-0.5%	

Tables & Data Points

STOCKS	Dow Industrials	S&P 500	NASDAQ	Russell 2000	Nikkei 225 (¥)	DJ STOXX 50 (€) Price
12/31/10	11,577.51	1,257.64	2,652.87	783.65	10,228.92	2,792.82
12/31/11	12,217.56	1,257.60	2,605.15	740.92	8,455.35	2,216.55
8/9/12	13,165.19	1,402.80	3,018.64	802.90	8,978.60	2,437.04
8/16/12	13,250.11	1,415.51	3,062.39	813.08	9,092.76	2,456.53
8/23/12	13,057.46	1,402.08	3,053.40	806.00	9,178.12	2,429.17
8/30/12	13,000.71	1,399.48	3,048.71	808.64	8,983.78	2,403.80

BONDS	3-Mo UST	6-Mo UST	2-Yr. UST	5-Yr. UST	10-Yr. UST	30-Year UST
12/31/10	0.13	0.19	0.60	2.01	3.30	4.34
12/31/11	0.01	0.06	0.24	0.83	1.88	2.90
8/9/12	0.11	0.15	0.27	0.73	1.69	2.76
8/16/12	0.08	0.14	0.29	0.82	1.84	2.95
8/23/12	0.10	0.13	0.26	0.70	1.68	2.79
8/30/12	0.10	0.13	0.26	0.66	1.62	2.75

OTHER	Prime	Fed Funds	3-Month LIBOR	Gold/troy oz.	Oil— WIT/brl.	\$/Euro	JPY/\$	\$/GBP	CAD/\$
12/31/10	3.25	0.25	0.30	1,421.40	91.38	1.337	81.19	1.559	0.994
12/31/11	3.25	0.25	0.58	1,566.80	98.83	1.296	76.99	1.551	1.017
8/9/12	3.25	0.25	0.44	1,617.10	93.36	1.231	78.56	1.564	0.991
8/16/12	3.25	0.25	0.43	1,616.10	95.60	1.236	79.35	1.573	0.987
8/23/12	3.25	0.25	0.43	1,669.60	96.27	1.256	78.49	1.586	0.994
8/30/12	3.25	0.25	0.42	1,654.80	94.62	1.251	78.63	1.579	0.993

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