

Q4 Commentary

Toss the Dwarf

The incredulous Bloomberg article of October 6, 2011 read: "Dwarfs Are Better Off Tossed Than Jobless, Florida Republican Workman Says." The article described lawmaker Ritch Workman's proposed bill to ban "dwarf-tossing" as part of what he says is his mission to repeal overreaching and outdated laws from Florida's books. Though not a jobs bill per se, he said, it may put a few people to work in a state where unemployment is 1.6 points above the national average. Dwarf-tossing, a competition in which bar patrons see how far they can throw little people in protective gear was banned in Florida in 1989 after opponents complained that it was dangerous and dehumanizing.

This story is a perfect, albeit, strange snapshot of the state of our national, state and local political atmosphere in 2011. In past commentaries, we've highlighted some of the long term structural issues America must confront in order to generate sustainable economic growth such as education and the shrinking middle class. Politicians are willing to propose solutions to these issues so long as they 1) appeal to their base and 2) won't hurt their re-election prospects (not necessarily in that order). Subordinating long term success for short term political gain has become too common in politics. Idealism has trumped progress and collaboration. Our leaders have let perfect become the enemy of great. As The Economist said, "Republicans have favored obstructionism and misleading simplification while Mr. Obama has favored class warfare over fiscal leadership."

One might conclude that the recent New York Times/CBS News poll of Congress' approval rating of only 12% would be a wake-up call for our leaders, but as a good friend of ours and Washington insider recently told us: "Congress' approval rating may be at an all-time low, but everyone loves *their own* Congressman." Sure, campaign election reform could re-focus politicians' efforts on successful legislation instead of successful re-election bids, but last year's Supreme Court ruling (Citizens United v. Federal Election Commission) which overruled two precedents restricting corporate spending to support or oppose political candidates all but assured that future campaign cycles will be dominated by corporate and special interest cash. The recent Occupy Wall Street rallies seem to be symptomatic of the current economic environment but offer little in the way of solutions or a call-to-action for our leaders. It is also evident that the current political and regulatory environment does little to encourage capital formation and economic growth.

Economics historian Amity Shales points out that our leaders have failed to grasp the importance of big legislation's impact on charting a healthier, long-term economic course. She points to the introduction of ERISA in 1974 (allowing more risk in pension portfolios which ultimately helped fund venture-backed companies such as Apple and its peers), and the reduction of capital gains rate

as well as intellectual property rights reform to spur capital formation and innovation. Instead, Shales, argues, policy has focused on byzantine regulatory regimes such as Sarbanes-Oxley and Dodd-Frank that do little to spur the economy as did ERISA, for example.

We would surmise that one reason for pizza czar Herman Cain's ascendancy in the Republican pack is that his straightforward "9-9-9" plan is tangible and solutions-based. Of course, it's a politically contrived idea to animate his base, and given the complexity and vested interests with the current system, would be nearly impossible to implement. But, it's a plan nonetheless, and one that could start a national conversation about short-term solutions to our longer term problems. Cain's "9-9-9" stands in stark contrast to the filibustering Congressmen who signed the "no new taxes" pledge and were willing to let the US default on our debt obligations in the name of idealism.

According to a recent Gallup poll, 64% of Americans who were asked said they primarily blamed government for the economic slowdown, whereas only 30% said they blamed the financial institutions. Perhaps Standard and Poor's was right: we don't have a fiscal problem in America, we have a political problem. At a time of giant problems, it's the politicians who seem Lilliputian. Perhaps it's time for them to get tossed.