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The latest buzz from the Washington beehive suggests that the economy has developed “green shoots” and fields of economic activity soon will be sprouting up around us. That is not the way we see it. In fact, *DocOnomics* cautions you to pay little heed to the rosy forecasts contained in The Old Federal Farmer’s Almanac. It is apparent to us that more economic droughts and floods lay ahead. In turn, these events will perpetuate alternating cycles of deflation and inflation.

GREEN CHUTES

It is not surprising that economic growth and personal wealth are so easily misdiagnosed by the masses. The true meaning of these concepts generally is obscured by the great amounts of money sloshing around in the world’s financial pool. Few ever ask where this money came from and who it really belongs to.

At *DocOnomics*, our newest buzzword is “green chutes”. It alludes to the “greenback parachutes” that are descending from the Federal heavens, supposedly laden with seeds for the new economy. There is one major problem. All of the President’s horses and all of the President’s men are focused on preserving the status quo and returning us to the wonder years of 1985-2005. Practically all of the stimulus money raining from the sky is being directed to failed enterprises and we think many more bailouts are in our future. The way we see it, the increasingly scorched financial earth is in need of tilling before the seeds can be planted.

Not to worry. The major stock market averages have risen more than 20% off their recent lows. There must be something to those green shoots. We couldn’t disagree more.

Class, please repeat after us. The future of the economy and stock market hinges on job growth and personal income growth. According to available statistics, neither job growth nor personal income growth are anywhere in sight. At present, 16.8% of the US workforce is unemployed or only partially employed where full-time employment is desired. That is 1 out of every 6 people in the national workforce fast becoming a financial basket case. A year ago, this figure was 9.4%. The situation indeed is getting worse, not better.

It is our opinion that the real catalysts for the government’s “green shoots” will be the creation of new commercial platforms for energy, healthcare delivery and transportation. These represent the largest of the mass markets and will have an employment impact on the greatest number of people. Innovation will need to take precedence over preservation. Until the “innovation” seeds have been properly planted and nurtured, the economy and stock market will teeter on the edge and our wealth will be exposed to risks that continue to pollinate.

On the topic of pollination, we cannot help but notice that through the years many of the nation's retail stores have come to resemble bees. At first they gave off a buzz (i.e. spending euphoria.) Then they stung (i.e. credit card and installment debt overload.) Now they are dying off in droves (i.e. closures and bankruptcies.) Sadly, this predicament parallels the actual precipitous decline in our nation's bee population. The irony is not lost on us. The reality is that the US credit markets are being disciplined and downsized by our foreign lenders and domestic regulators and consumers no longer can spend what they don't have. They have to save.

So we ask, will life be any less meaningful without Eddie Bauer, Circuit City and Sharper Image? We don't think so. In case you haven't noticed, similar dynamics also are impacting the automobile and housing industries. The redundancies that built up in this country when overly-abundant credit was introduced as an artificial growth stimulant that ushered in a false sense of wealth were nothing short of astounding. At long last, the dreaded natural forces of financial physics have kicked in the nation's economic door. "Save" is now in the process of replacing "debt" as a ubiquitous four-letter word in our daily thought and dialogue.

In the months ahead, *DocOnomics* will be increasingly focused on a phenomenon known as the "black swan." To the uninitiated, "black swan" is a term popularized in the writings of financial author Nassim Taleb and describes an event that is extremely rare. Like the 200-year flood, it is an event not expected to occur in our lifetime. The problem is that more and more black swans have been cropping up and there is not much in the way of traditional science or economic theory to explain them.

We believe that the "black swan" is proliferating due in part to the laws of unintended consequences. It is not unreasonable to assume that the government "green chutes" of debt-induced financial stimulus will perpetuate black swan events and that our wealth will be exposed to risks that are practically impossible to pinpoint in advance. It is the general awareness of the black swan's very existence that increasingly will influence the wealth management process. At *DocOnomics*, we want to make sure that you don't take any unnecessary swan dives.

With more droughts and floods expected from government "green chutes", we reiterate the following simplified asset allocation model for managing your personal wealth:

Deflation

- Cash equivalents
- Indexed annuities (offering a guaranteed return with complete protection of principal, with an election to convert the principal and accrued earnings into a future lifetime income stream)

Inflation

- Diversified commodities and natural resources, including countries that export these items
- Foreign currencies (i.e., likely to benefit from a devalued US Dollar)
- Infrastructure and clean technology (i.e., sectors likely to benefit from government stimulus)
- Precious metals

We at *DocOnomics* never grow tired of reminding readers that the essence of wealth management is to methodically incorporate the principles of **accumulate**, **allocate**, **react** and **protect**. Those who stray from this path will be prone to becoming victims of desperate policies enacted by those that were instrumental in creating the original set of problems. It is best to remember that those green shoots you keep hearing about just might be the incipient roots of a kudzu vine.