

**Quote of the week**

“Life shrinks or expands in proportion to one’s courage.”
Anais Nin

Most of us Sheaff Brockers were at Dean Witter back in the late 90s when Dean Witter was bought out by Morgan Stanley. At the time Barton Biggs was Morgan Stanley’s main strategist. Even though the stock market was hitting highs, tech stocks were all the rage and money was pouring into equity funds, Barton Biggs was very bearish on U.S. stocks.

A lot of us just thought he was an old curmudgeon, out of touch, and just didn’t understand the “new economy”. As it turned out, he was very right. A couple of weeks ago he spoke with Charlie Rose. He’s not a bear anymore on the U.S. Following are a couple of excerpts:

CHARLIE ROSE: Barton Biggs is here. He is an investing veteran who has worked on Wall Street for more than four decades. He was Morgan Stanley’s chief global strategist before he co-founded the hedge fund Traxis Partners in 2003.

CHARLIE ROSE: So, where do you think we really are now, and what gives you a degree of optimism and what gives you a degree of concern?

BARTON BIGGS: Well, I think we’re still all right. And I think that in the next major move in stocks it’s going to be the upside. But -- and it could be a 10 percent, 15 percent move. So it’s big enough that you really want to be there to catch it.

CHARLIE ROSE: But people seem to be worrying as to whether there’s real sufficient job creation for this economy.

BARTON BIGGS: Yes, well, again, when we’ve looked at the numbers, and compared to the economic recovery in the early ‘80s, 1981 to ‘82, the pace of improvement is significantly slower. But compared to the low job creation recoveries in 1992 and in 2002-2003, the pace is faster than that. So it’s not great, but it’s not as sluggish as it has been in the last two.

CHARLIE ROSE: Are you worried about the deficit?

BARTON BIGGS: I’m not worried about the deficit.

CHARLIE ROSE: Really? Is this because you think it’s necessary to have a deficit to engage in economic recovery and worry about the deficit after you get out of the recovery?

BARTON BIGGS: Absolutely. And our deficit has a percentage of gross domestic product isn’t really that overwhelming. It’s not anywhere near big as Japan’s, and it’s not as big as a country like Germany’s or the U.K. So I’m -- sure, we got a deficit and we don’t want to have it, and we want to begin to reduce it in the longer run. But it’s not a disaster yet.

CHARLIE ROSE: What do you think the lesson is (from the credit crisis? Is that human nature to want to take more and more risk? And what are your responsibilities in doing that?

BARTON BIGGS: You know, it is human nature, and it’s been going on -- this was really no different than the 15 or 20 banking crises that we’ve had in the last 200 years around the world. The only thing this time was it was much bigger and it was a global crisis. It wasn’t the -- it wasn’t the crisis in northern Pacific corner on the New York Stock Exchange. It is a global crisis. And it’s the old thing of fear and greed, and I think it’s going to be hard to legislate that out of the system

CHARLIE ROSE: So what kind of regulation reform should we have?

BARTON BIGGS: Well, I think that deposit-taking institutions should not be allowed to do proprietary trading or underwrite securities. In other words, we ought to go back to Glass-Steagall.

CHARLIE ROSE: So when you look at the future, what sectors of the economy are going to be the most exciting?

BARTON BIGGS: I think in the U.S. technology is going to be a very exciting sector, and America and the world have really under-spent on technology for the last ten years almost since going back to 2000, 1999. And so I think we’re going to see a lot of -- we’re going to see another wave of technological innovation.

Interesting that Barton Biggs is still bullish and NOT worried about the deficit. Below is a list of countries ranked by debt as a percentage of their GDP.

Country	Debt % of GDP
Zimbabwe	241.20
Japan	170.40
Lebanon	163.50
Jamaica	124.10
Singapore	113.70
Italy	103.70
Seychelles	92.60
Greece	90.10
Sudan	86.10
Egypt	84.70
Bhutan	81.40 ^[4]
Belgium	80.80
Barbados	80.00 (estimated)
Sri Lanka	78.00
Israel	75.70
Hungary	73.80
France	67.00
Ghana	66.50
Portugal	64.20
Germany	62.60
Canada	62.30
United States	60.80

In the next column is a list of countries sorted by the size of their economy (GDP). As you can see we are almost 3 times bigger than number 2, Japan. Interestingly 5 of the top 12 economies have more debt as a percentage of their GDP than we do. Maybe that is why Barton Biggs isn't so worried.

	Country	GDP
1	United States	14,260,000
2	Japan	4,924,000
3	China	4,402,000
4	Germany	3,668,000
5	France	2,866,000
6	United Kingdom	2,674,000
7	Italy	2,399,000
8	Russia	1,757,000
9	Spain	1,683,000
10	Brazil	1,665,000
11	Canada	1,564,000
12	India	1,237,000

Of course the one thing most important is jobs and the creation of them. GDP won't grow if folks aren't working. You can see below the private sector is not yet growing jobs, but it looks like the worst is behind us and that pretty soon, one of these months, the monthly jobs report will show new jobs being created. This is why Barton Biggs is bullish.



Performance year-to-date as of 12/4/09

Sheaff Brock Growth Model	+30%	Sheaff Brock Dividend Growth	+23%
S&P 500	+23%	Dow Jones Dividend Index	+ 9%
Dow Jones Industrials	+21%		
Auer Growth Fund	+31%		

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