



OAKWORTH
CAPITAL BANK

COMMON CENTS

Frustrating; that was the word a client used this morning to describe the United States and its economy today. Things aren't lousy, and things aren't great. Things are frustrating, largely because so many people in our society don't understand how the world actually works.

One of the best things about starting Oakworth, and working for a small, but growing firm, has been the light bulb that went off and continues to burn. I get it; whereas I am now not so sure if I did previously. You see, when I was an employee, I spoke as an employee, I understood as an employee, I thought as an employee; but when I became a business owner, I put away employee things.

In short, I woke up.

The other night, I watched more of the Presidential debate than I thought I would. In truth, I hadn't planned on watching a second of it, but I did nonetheless. While I am in agreement with the general consensus the challenger "won" the thing, I couldn't help but wonder, time and time again, just who are these two men addressing? Who is the target audience?

Oh, I suppose it would be easy enough to say things like "they were talking to their political bases," and that sort of thing. That might be true. However, throughout it all, I found both candidates talking about what government can, should, and will do. You might be thinking "well, duh, Norris," but the whole time I was struck by one simple fact: these guys were talking to employees, and not to other business owners.

Maybe this is the reason I don't like political debate: it brings to light the average American would rather be an employee and think like an employee than be the owner. I am not certain if this has always been the case; however, I would be shocked if were as widespread as it is today. Why do I say that? Well, if it weren't endemic, our politicians wouldn't pander to this it.

In fact, I would go so far as to say IF the majority of the population thought like business owners, the political debate the other night would have gone something like this:

Red: "We are going to fix the tax code, we are going to flatten it, and we are going to forget [thanks to Caroline Baum for that]. Then we are going to get out of your way and let you make as much money as is possible.

Blue: "We are going to do all that stuff to the tax code, but then we are going to put it in a waterproof chest and dump it in the middle of Lake Superior. We are going to get out of your way faster than our opponents, and, unlike them, we are going to strictly enforce existing contract and fraud common law."

Red: "Well, we are going to do that too, but better."

Blue: "Says you."

Red: "Yeah, says me."

Now, ownership is often nothing more than a mindset. What would you do if YOU owned this? IF this were YOUR company? How would you respond?

Inside this issue:

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

We may not imagine how our lives could be more frustrating and complex - but Congress can.

Cullen Hightower

Something to Think About, *cont.*

The truth is the business owner mindset can be less selfish than the employee, if that makes sense. The reason for that is the employee will almost always put themselves first, and the organization second. Good business owners will do the exact opposite, because they know what is good for the company is ultimately better for them. They will make more money over the long-term if they consistently do what is right, and what generates the most wealth.

Recently, John Stoessel, love him or hate him, ran a great article on the subject. Here it is, and here is the URL: <http://www.foxbusiness.com/on-air/stoessel/blog/2012/10/03/jobs-and-welfare-state>.

Government funnels billions of dollars into welfare programs that it calls "Job Centers" and "Career Services." Politicians say these programs are good - that they help people. But government programs are never good. What do these centers really do?

I sent my intern, a college student, to a Jobs Center to find out.

Here are her notes on what happened:

First I went to a Jobs Center on 16th Street. I asked, "where can I get help finding a job." They told me they didn't do that, "we sign people up for food stamps."

I went to another Jobs Center on 14th Street. I asked how they could help me find a job, and they told me to go to another floor of the building, enroll for unemployment benefits, and then come back.

Now we know that some centers do help people... help people get on welfare, that is. But what about helping people get jobs?

I explained that I didn't want handouts, I wanted a job. She told me to go to 'WorkForce1,' a New York City job services program.

I walked to the WorkForce1 office on Madison Ave, the office she told me to visit. The receptionist there told me that she couldn't help me since I didn't have a college degree. She directed me to a Workforce1 Center in Harlem.

At the center in Harlem, I learned I'd have to attend a "Training Session" at 8:30am before I could get help finding a job.

Only in a Welfare State like this one will the government help me apply for food-stamps on the spot, but force me through a maze of offices and training programs all over the city to help me find a job...

The WorkForce1 website says to arrive 30 minutes early for the session, so I did. When I arrived, security told me the building was closed, and to wait outside for 30 minutes. One woman told me, 'I've been coming here 17 months, it's useless, this place is a waste of time.'

By 9:15, Workforce1 directed a group of 30-or-so into a room. A presenter told us that WorkForce1 directs candidates to jobs and provides a resource room with 'free' phone, fax, job listings.

I know that whenever government says anything is free, it means you and I really pay for it. Just what kind of free "services" are we paying for this time?

The presenter explained, WorkForce1 helps enroll people in unemployment insurance and apply for disability handouts. This seemed like the only part of the presentation during which people took notes. People at WorkForce1 wanted handouts. One lady told me that she comes to WorkForce1 because it helps her collect unemployment. As two women filled out 'job services' forms, one asked the other, 'what do you want to do?' The second laughed, 'I want to collect! Can I just write 'waiting to be called back' under the employment history section?'

Next, I met with an advisor. She glanced at my resume and told me I lacked experience. I asked for any job she thought I was qualified for, and she scheduled an interview at Pret, a food chain that trains employees, for 10 a.m. the next Saturday.

Something to Think About, *cont.*

It turned out that this "interview" was just a weekly open house, publicized on the company's website. Anyone could walk in for a shot at a job. In fact, the guy behind me in line did just that. Despite my 'scheduled interview' I waited in line for over 90 minutes before meeting with a manager.

Surprise! WorkForce1 is just another bureaucracy that uses tax-payer money to spoon-feed handouts and re-packaged information to lazy people. In fact, you'd be better off if you sought out this info on your own:

After my interview, I identified myself to the store manager as an intern with Fox, and told him about my experience with WorkForce1. He told me he doesn't communicate with WorkForce1 at all, 'they never call, never ask questions.'

He explained, he doesn't hire people sent by WorkForce1 - those people are 'too lazy to look for a job.' He hires people who seek out jobs on their own, like those who see Pret ads on craigslist.

I thanked the manager for his time, and left.

Based on her experience, here is what my intern concluded:

- The government would rather sign me up for welfare than help me get a job.
- The government makes it easier to sign up for welfare than to find work.
- The NYC government creates a tax-payer funded bureaucracy to send people to the same websites people could find on their own.
- The private market for jobs works better.

I agree. The private market always works better, and these "jobs" programs do not work. Yet, the government funds them and wants to expand them. Politicians want to continue institutionalizing welfare offices, and incentivizing people to take 'free stuff' instead of to take initiative. They want to perpetuate the Welfare State.

This is bad for jobs, bad for business, and bad for America.

The costs of a Welfare State are high, and it's clear who bears them: you

Okay, I admit the source is decidedly one side of the political spectrum, but is political ideology really the issue, or is it an institutionalized effort to turn a nation of business owners into a nation of employees? It is easy enough to do IF you get the business owner to rely too heavily on the government for anything. So, the bigger the government becomes, the more the population will act like employees, and not business owners. Since, employees will place themselves before the company, there are not as interested in generating wealth as much as self-preservation.

Therefore, the only way for government to get bigger is to have people rely on it. When people rely on the government, they become de facto employees of it. When they do that, they cease thinking like a business owner. When that happens, overall economic activity in the country slows. When that happens, people rely on the government.

In the end, I don't think it a strange coincidence the government has become less efficient the larger and more invasive it has gotten. I also don't think a freak accident people rely on it the larger it has gotten. At the same time, if the last decade is any indication of the future, our economic expansions are weaker, less widespread, and the disparity in income between the haves and have nots has widened.

Or should I say the disparity in income between the employees and the owners has widened?

Do you want to know the surest way to reverse that trend? Turn everyone into business owners AND get them to quite depending on the government for the well-being!

However, that doesn't win elections, does it? The debate this week bore that out, and it was frustrating.

Important Economic Releases

Release	Survey	Actual	Prior	Comments
ISM Manufacturing ROB (Sep)	49.7	51.5	49.6	<p>All told, one of the better week for economic data in a long period of time. Yeah, the Factory Orders number wasn't that good, but it was/is old data.</p> <p>Basically, this week suggests moderate economic growth and no real need for Herculean efforts by various entities to stimulate economic growth. However, we will have them just the same.</p>
ISM Services ROB (Sep)	53.0	55.1	53.7	
Initial Jobless Claims	370K	367K	363K	
Factory Orders (Aug)	-5.5%	-5.2%	2.6%	
Nonfarm Payrolls 9Sep)	120K	114K	142K	
Unemployment Rate (Sep)	8.2%	7.8%	8.1%	
Auto Sales (Sep)	14.50MM	14.88MM	14.46MM	

Tables & Data Points

<u>STOCKS</u>	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
9/13/12	13,539.86	1,459.99	3,155.83	856.12	8,995.15	2,543.22
9/20/12	13,596.93	1,460.26	3,175.96	851.51	9,086.98	2,553.03
9/27/12	13,485.97	1,447.15	3,136.60	843.54	8,949.87	2,506.06
10/3/12	13,575.36	1,461.40	3,149.46	844.65	8,824.59	2,485.75

<u>BONDS</u>	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
9/13/12	0.10	0.12	0.24	0.64	1.72	2.93
9/20/12	0.11	0.14	0.26	0.69	1.77	2.95
9/27/12	0.09	0.13	0.25	0.65	1.66	2.84
10/3/12	0.10	0.14	0.24	0.63	1.67	2.89

<u>OTHER</u>	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
9/13/12	3.25	0.25	0.39	1,769.50	98.31	1.299	77.48	1.616	0.968
9/20/12	3.25	0.25	0.37	1,767.80	91.87	1.297	78.24	1.622	0.977
9/27/12	3.25	0.25	0.36	1,777.60	91.85	1.291	77.60	1.624	0.981
10/3/12	3.25	0.25	0.35	1,794.10	91.71	1.302	78.48	1.619	0.980

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