



## THE FOXHALL GLOBAL OUTLOOK



DECEMBER 30, 2008

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### THINKING OF AMERICA SEVEN GENERATIONS INTO THE FUTURE

Next week, I will be sending out a report in our FOXHALL GLOBAL OUTLOOK on my views and prognosis for the global economy and the U.S. stock market in 2009 and 2010.

But as we approach NEW YEAR'S EVE, I thought this is a wonderful time of the year to reflect on the past and try to look at the really important issues that are likely to shape the future.

As I sit here at my Virginia horse farm and reflect on 2008 I am overwhelmed with the thought that, in the end, one is truly rich, not because of how much money one has, but by the number of people one can call a friend.

I am so grateful for all my friends, including my family, my wonderful business partners at FOXHALL CAPITAL, our dedicated staff, all my friends in the financial services industry and all of our FOXHALL clients.

### 2008 WAS NOT A GREAT YEAR

Few tears will be shed at 2008's passing—at least from an investment perspective. 2008 began with a business slowdown and is ending with the world caught in the grip of the most severe economic recession since the Great Depression.

All this is happening in the context of a world in the throes of extraordinary change, and a planet that is morphing into one economy.

Because of our FOXHALL INVESTMENT STRATEGY AND DISCIPLINE, I am grateful that we were able to spare our

FOXHALL clients the vast majority of this year's stock market meltdown by largely staying invested in short-term U.S. Government Bond Funds and money market funds.

### THERE WAS AN EVEN UGLIER TREND IN 2008...

I think what depressed most Americans in 2008, even more than the stock market collapse, was the spectacle of unfettered greed and corruption at the highest levels of American business and government.

How could major banks GAMBLE with their client's money on mortgage-backed and credit swap derivatives? How could executives making \$20 million a year fly down to Washington in their private jets and ask U.S. taxpayers to bail out their company for all the mistakes they made over the years? How could the SEC NOT have caught the Bernard Madoff Ponzi scheme that stole over \$50 billion from his investors and is the largest swindle in financial history? How could the government not notice the prevalence of bad debts that would bring down America's great investment banks? How could the Governor of Illinois try to sell a U.S. Senate seat? What were they all thinking?!?

What bothers Americans most is that there seems to be a general air of collapse in America right now. There seems to be a sense that our institutions are not, and can no longer be, TRUSTED.

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### THE AGE OF THE "EMPTY SUIT"

As WALL STREET JOURNAL columnist, Peggy Noonan said in her December 19, 2008 article titled "Who We (Still) Are", "It's the age of the empty suit. Those who were supposed to be watching things, making the whole edifice run, keeping it up and operating, just somehow weren't there. That's the big thing



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at the heart of the great collapse, a strong sense of absence. Who was in charge? Who was in authority?"

Noonan went on to say, "All this has hastened and added to the real decline in faith—the collapse in faith—the past few years in our institutions. Not only in Wall Street, but in our entire economy, and in government.

The reigning ethos seems to be every man for himself.

And this as much as anything has contributed to the sense you pick up that people feel all trends lead downward from here, that the great days of America Rising are over, that the best is not yet to come, but has already been.

It is so non-American, so unlike us, to think this, and yet one picks it up everywhere."

### **WHERE ARE THE WISE MEN?—A SENSE OF ABSENCE**

Living near Washington DC, I constantly hear some of my friends who have very senior positions in the White House and State Department lament the "short-term thinking" that permeates Washington policy making. One of them asked me, "Where are the really thoughtful people in government and business today? Where are the Wise Men? Who are the people with the really long view who are going forth each day with a sense of deep time, and a sense of responsibility for the future?"

He senses the absence too.

One of the reasons I love Asian philosophy and thinking is that it always takes "the long view" of life.

Back in 1997, I met a Chinese government official in Beijing, who told me his entire job was to determine how every policy in his department would affect people two generations from now—our children and grandchildren.

There is no one in the entire U.S. Government who has a job like that!

I believe it was the native-American, Chief Seattle, who said that the elders of his tribe only passed laws after taking into consideration how they would affect the lives of their people seven generations into the future.

One wonders how our government's laws and tax policies would look now if we fully thought through how it would affect the next future seven generations. What would our foreign policy look like? How would investment management change?





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### YES—WHERE ARE THE WISE MEN?

Sometimes just thinking about the current state of the world makes me a little depressed. However, throughout our history, America has faced larger challenges than all those we face today.

### A FEW THOUGHTS OF HOPE...

In her WALL STREET JOURNAL article, Noonan offers a few thoughts of hope. "This is a good time to remember who we are, or rather just a few small facts of who we are. We are the largest and most technologically powerful economy in the world, the leading industrial power of the world, and the wealthiest nation in the world. We are the oldest continuing democracy in the world, operating, since March 4, 1789, under a vibrant and enduring constitution that was formed by geniuses and is revered, still, coast to coast. We don't make refugees, we admit them. When the rich of the world get sick, they come here to be treated, and when their children come of age, they send them here to our universities. We have a supple political system open to reform, and a wildly diverse culture that has moments of stress but plenty of give.

Noonan said she called former Secretary of State George Shultz for some of his thoughts on the current crisis, because, as she said, he is a wise and experienced man and takes the long view. "I asked if he thought we should be optimistic about our country's fortunes and future. "Absolutely," he said, there is "every reason to have confidence." He told me the story of Sumner Slichter, an economics professor at Harvard 50 years ago. "He was not the most admired man in his department, but he'd make pronouncements about the economy that turned out to be right more often than his colleagues'." After Slichter died, a friend was asked to clean out his desk, and he found the start of an autobiography. "It said, I'm paraphrasing, 'I have had a good record in my comments on and expectations of the American economy, and the reason is I've always been an optimist. How did I get that way? I was brought up in the West, where the future is more important than the past, in a family of scientists and engineers forever developing new things. I could never buy into the idea that we had crossed our last frontier, because I was brought up with people crossing new frontiers.'"

Mr. Shultz laid out some particulars of his own optimism. There is "the ingenuity, the flexibility, the strengths of the national economy." The labor force: "We are so blessed with human talent and resources." And the American people themselves. "They have intelligence, integrity and honor."

Schultz went on to say, "We should experience "the current crisis" as "a gigantic wake-up call." We've been living beyond our means, both governmentally and personally. "We have to be willing to face up to our problems. But we have a capacity to roll up our sleeves and get down to work together."





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### 2009 A.D.

I pray that 2009 will bring us the return of some confidence in our government and business institutions. The end of absence. The return of the “SUIT INHABITED BY A PERSON.” The return of the person who will take responsibility, and lead.

A FEW THOUGHTS AND A PRAYER FOR THE NEW YEAR...

To all my friends—HAPPY NEW YEAR!

UNTIL NEXT TIME...

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