

First of all, I think it's pretty funny when celebs start talking politics and think people should listen to them because they are on TV or in the movies or whatever they are known for. That said, one of the beautiful things of having a blog, is just that, it's my blog. I can throw out there whatever it is that I think is important, worth discussing, or just worth throwing out there to get people are stirred up and see how they respond.

Consider this blog entry my entry on politics, the business of politics, and ideas I have.

**The goal is not to make you believe what I believe. Make your own choices and make up your own mind.** I'm sure some will disagree. Some will agree. Some won't care what I have to say, they will agree or disagree with me just because I wrote it. This is my opportunity to say it and read the feedback, which to me is fun. This is a unique forum to get feedback that I know will take all sides of the issues, which in turn will hopefully make me a more informed citizen. That's never a bad thing.

**I hate politics.** I have a strong dislike for politicians when they are doing the business of politics. My experiences in that world range from slimy to slimier. I could give a variety of stories, but my favorites always come back to Senator Hatch. It started the time he suggested I sell his music CD on Broadcast.com and culminated with the time he asked me to visit with him in Washington and the net of the discussion was a request for money for the Utah State Library. Just what a guy from Texas wants to fly to DC to discuss (I had hoped to discuss the Senator's massive confusion and ass kissing of the content industry). He politely avoided the subject and guided me towards his request for money...slimy. So for the rare and random times when I get asked to run for a political office, the answer is no.

I have zero political agenda. I don't care who you vote for. I do have an opinion on things, so here goes.

### **1. Outsourcing.**

This has become a flashpoint across all of America. I can understand both sides of the argument. On one side, replacing an American worker with one from overseas means one of our own loses a job. That is terrible for those who are displaced and their families. As an employer, I can also understand how the money saved from diverting that job overseas can be used to do quite a bit. It can be applied to Research and Development, it can be a pay increase to other workers, it can be used to hire workers who add new value to company.

If the money is redeployed and invested in the company, I don't have a problem with it. I can see that although some may feel the pain short term, that the capital redeployment will result in a net gain to the economy and the job count in our country.

Where I have an issue, and **where I think there needs to be controls put in place, is when corporate insiders in essence put the money saved from outsourcing in their own pockets. If you go through the list of companies that outsource and start looking at stock sales, bonuses and other incentives, you quickly see that a material portion of the money saved is going into the pockets of insiders. That's wrong. Or the outsourcing is being used to hit a Wall Street expectation for quarterly earnings, maintaining stock prices and enabling insider stock sales. That's wrong.**

If we want to make outsourcing the route of last resort and to make sure its only used when it makes absolute business sense, **Prevent insiders from selling stock or earning corporate bonuses in any year they outsource jobs.**

### **2. Expensing Stock Options**

This could easily be the stupidest argument in corporate America right now. The argument from the technology industry goes that they can't recruit new employees unless they can grant stock options, and they can't grant them if they have to expense them. Say what?

The underlying issue of course is that if you expense options as a labor cost, your earnings will decrease. If your reported earnings decrease, then your stock price will be lower. The greater issue in all of this is the recognition of how stupid the typical stock and fund buyer is. Technology companies realize that stock and mutual fund buyers are so inept and uninformed that although the actual business of the technology has not changed with the expensing of options, the "perceived" value will change. The company's operating cash flow won't change. The company's sales and gross margins won't change. The only thing that will change is the number at the bottom of the financial statement. A number, because of understated labor costs, didn't accurately reflect the cost of doing business in the first place!

Which leads to the question of how to value the options. It's simple. Require the companies to buy them from market makers in the open market. The company should be responsible for finding someone on an exchange to issue options for their public stock. They are required to find someone to issue insurance on their businesses. Finding someone to issue options should be no different.

The company can then buy them like the rest of us investors do, and expense the actual cost.

If the company can't find someone to issue the options, then the trading volume probably isn't sufficient enough, and the company shouldn't be issuing options in the first place.

### 3. *Protecting Drug Company Profits.*

One of the great lies of all time is that we have to protect drug company profits. That is, it's the job of the US Government to prevent us from going to Canada and other countries where drugs are far less expensive. That if it doesn't, then the drug companies won't invest money in new drugs, and as a result we won't have the miracle cures, particularly those miracle cures that don't ever offer a complete payback on the cost of developing them.

Bullshit. Bullshit. Bullshit.

Let's get real here. The day I believe that argument is the day that CEOs of public drug companies don't pay themselves, don't have bonuses and don't own stock in their companies.

They don't run their companies to make a profit. They run their companies to make Wall Street happy, to push their stock prices up, and if they are lucky, to hit the jackpot personally.

They know that in order for their stock prices to go up, they have to sell the future. If all they have to sell is the cash flow from their existing base of drug patents, they have a problem. Could you imagine the CEO of a major drug company saying, "Well, we can't come up with any new products, and our R&D isn't really working, so we will just play out the patents on our drugs and pay out the cash to shareholders." Yeah Right.

They will do just what they are doing now keep on investing in their own R&D hoping they can hit a home run with new drugs, and when that doesn't work, they will use their stock and cash to buy other companies that have better prospects. In all cases, they hope the results will propel their stock and their own net worth.

They aren't going to change how they do business at all. Won't happen. CEOs are a competitive bunch. You don't get to run a major corporation by not being motivated to succeed. A measure of that success is personal wealth.

As long as CEOs and those around them want to be rich, we can change the laws regarding drug pricing and nothing at all will change...Nothing.

If you believe that we are being overcharged for drugs in this country, the first thing you should do is sell any drug stocks that you own. Then sell or swap out of your mutual funds that own drug stocks. I can assure you that if the government isn't smart enough to force change, a falling stock price is.

The 2nd thing you should do is call your congressperson and senator and let them know that you believe that US citizens should be allowed to buy drugs from Canada.

### 4. *"Opt out" Social Security Option*

There are two certainties we as citizens face when it comes to Social Security. The first is that our elected officials will find ways to use the money that is supposed to be waiting for our future, and the second is that they will try to hide both the fact they are using the money and how they are using the money.

Social Security is at risk for those who will need it the most. We as a country are aging. The number of jobs that offer future security, through pensions and other savings programs are not keeping the pace. **The reality is, that no matter what politicians spew to us about how to fix Social Security, they have no idea how to fix it.**

Here is a simple way to understand the impossibility of believing what our politicians tell us regarding Social Security and our economy in general, and how incredible it is that some of them even believe what they say themselves.

Companies that have been in the same business for years and years have a difficult time forecasting what their sales are going to be in the next quarter. Most won't even begin to forecast for more than 12 months, and the smartest companies have stopped giving guidance to Wall Street about their future earnings. If a company, with a couple billion or so in sales, that focuses on the same businesses on a day in and day out basis can't forecast accurately beyond 12 months, and doesn't feel comfortable committing to numbers for the future, how in the world can our politicians make commitments and forecasts for our country that go out for years?

Our country's economy is so big, and impacted by so many variables that there is no one who can get their arms around it and accurately forecast its future.

So take it as fact, that there is complete uncertainty regarding the money you have contributed to Social Security.

With that in mind, I would like to suggest an action, that although it is the equivalent of a pimple on an elephant's behind, and nowhere near a complete solution, it is a least a step that allows each of us as individuals to at least feel like we are part of the solution and not part of the problem.

My suggestion is to allow individuals to "take early retirement" from Social Security. Offer a tax credit to each of us in exchange for opting out of Social Security. We can't offer a deal like this today, but enact the law so that the rule comes into effect the next time (if ever), we have a government surplus.

How much should the tax credit be? Probably the equivalent of 3 years of the average being paid annually in SS retirement benefits at the time of the surplus. Let's use the money to give something to the economy, and reduce our obligation for the future. It won't cure the problem of a Social Security shortfall, but it certainly will help.

So there you have it. Just my 2 cents.

Whatever you do, don't make any decisions on what I have written. Do your own homework. I don't think I know anymore than anyone else on these subjects, these are just MY opinions and I knew I would feel better if I wrote them out in the blog.

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