



BLOGS / MOMENTUM

16:20 - 13.03.14

# «USA äusserst unfähig, Probleme zu lösen»

DIETEGEN MÜLLER, FRANKFURT

**Die politische Blockade geht weiter, glaubt Andy Friedman, intimer Kenner des Politzirkels in Washington. Trotzdem dürfte sich der Dollar aufwerten, meint ein Vermögensverwalter.**

Andy Friedman, politischer Kommentator aus Washington D.C., misst der **Ukrainekrise geringe wirtschaftliche Bedeutung zu**. «Sie kommt und wird gehen», glaubt der Steuerrechtsexperte, der zu Besuch in Frankfurt weilte, im Gespräch. Über ihre politische Bedeutung sei damit aber noch nichts gesagt: Die USA würden sich «stärker beteiligen», glaubt Friedman.

Doch wesentlich mehr Sorgen bereitet dem Kommentator, der durch den Newsletter «Washington Update» vor allem einem US-Publikum bekannt ist, die Lage in seinem Heimatland. **Amerika sei trotz besserer Wachstumsraten haushaltspolitisch auf schlechtem Weg**. «Die Politik ist äusserst unfähig, die Probleme zu lösen», sagt Friedman mit Blick auf die verfahrenene Lage im Streit über die Haushaltskonsolidierung.

Die Erhöhung der Schuldenobergrenze für ein Jahr sei nur das Minimum gewesen, was gemacht werden müsse.

## **Kein Anreiz für Kompromiss**

Die Polarisierung der amerikanischen Politik werde anhalten. Verantwortlich dafür macht Friedman auch die Änderung der Wahlkreise (Redistricting) nach dem Zensus 2010. Viele Wahlkreise seien so festgelegt worden, dass kein echter Wahlkampf mehr stattfindet, sondern die Mehrheiten der Republikaner oder der Demokraten zementiert seien.

Diese subtile, datengestützte Form der Wahlmanipulation (Gerrymandering) bringe **keinen Anreiz, Kompromisse zu suchen**, so Friedman. Das Repräsentantenhaus werde in den Mid-Term-Wahlen weiter republikanisch dominiert bleiben. Die USA seien politisch blockiert, obwohl die Verschuldung wegen der in Rente kommenden Babyboomer-Jahrgänge weiter steigen werde – wieder über 80% des Bruttosozialprodukts. Und gespart werde derzeit nur an flexiblen Ausgaben wie Rüstung oder Investitionen.

«Was, wenn China keine neuen Staatsanleihen mehr von uns kauft?», fragt Friedman da rhetorisch.

## US-Aktienmarkt so teuer wie nie

Für Jean-Rene Adam von der Investmentboutique Hexavest aus Montreal, die zu 49% dem Vermögensverwalter Eaton Vance gehört, ist dies **kein Grund, nicht trotzdem auf einen erstarkenden US-Dollar zu setzen**. Im Gespräch sagt Adam, der von Friedman auf seinem Deutschlandbesuch begleitet wird, der Dollar werde wegen der **rückläufigen Privatverschuldung, der starken Position der US-Industrie und des Fed-Tapering an Stärke gewinnen**.

Demgegenüber sei der US-Aktienmarkt so hoch bewertet wie noch nie. **«Rechnet man die Technologieblase um die Jahrtausendwende aus den Daten heraus, war der US-Markt noch nie so teuer wie heute.»** Dabei lägen die Margen der US-Unternehmen auch auf historischem Höchst – es drohe also eine Enttäuschung, und Rückenwind werde fehlen: «Das Fed wird den Tapering-Kurs auch trotz Krisen in Schwellenländern fortsetzen», so Adam.

Auch für Kanada ist der Top-down-Spezialist pessimistisch: Hier drohe gar eine schmerzhaft Korrektur, da viele Unternehmen ihre Hausaufgaben nicht gemacht hätten.

## Europa günstig, aber saftlos

Etwas besser sehe es für europäische Aktien aus, aber: Das Wachstum bleibe schwach. 2014 rechnet Hexavest in der Eurozone mit Nullwachstum. **Euroaktien seien günstiger bewertet, aber historisch sei immer ein Discount ausgewiesen worden**, sodass dies für Adam kein Kaufgrund ist. Rückenwind käme hier nur, sollte die Europäische Zentralbank ihre Form des Quantitative Easing umsetzen.

**Reizvoller sind für Adam nach den Kriterien Bewertung, Sentiment und makroökonomische Lage nur die Schwellenländermärkte**, obwohl auch dort Risiken lauern – vor allem im chinesischen Kreditmarkt sieht der Investmentberater Gefahren. Also am Ende doch – trotz politischer Blockade – nur ein Investment in US-Dollar, über Geldmarktfonds oder Währungszertifikate abgedeckt, oder vielleicht auch in die indische Rupie, die gemessen an der Kaufkraftparität zu günstig sei.

### NEUE BLOG-EINTRÄGE

---

18.03.14 MOMENTUM  
[Der Chart des Tages](#)

---

18.03.14 MOMENTUM  
[Roche-Partner](#)

---

17.03.14 BLOGS  
[Opposition gegen Nobel Biocare](#)

---

17.03.14 MOMENTUM  
[Der Chart des Tages](#)

---

*Translated from the German*

## **FINANZ & WIRTSCHAFT**

### **USA extremely incapable of solving problems**

*Dietegen MÜLLER, LONDON*

***The political stalemate will continue, believes Andy Friedman, expert on political workings in Washington. According to an asset manager, the dollar is likely to appreciate nonetheless.***

Andy Friedman, a political commentator from Washington DC, believes that the Ukraine crisis will be of low economic significance. "The crisis will come and go" believes the tax law expert who was talking on a visit in Frankfurt. This does not account for the political significance: The U.S. will be "more involved", believes Friedman.

The commentator, known to a US audience in particular through his "Washington Update" newsletter, is much more concerned about the situation in his home country. Even though good efforts have been made and growth rates are on the rise the US is still on shaky ground fiscally speaking. "Politics are extremely incapable of solving the problems" says Friedman overlooking the muddled situation in the dispute over the fiscal consolidation.

Increasing the debt ceiling for a year had been only the minimum of what had to be done.

### **No incentive for compromise**

The polarization of American politics will continue. Friedman also blames the change of electoral districts (redistricting) after the census of 2010 for this. Many constituencies were set so that no real election campaign is taking place anymore and the majorities of Republicans or the Democrats are essentially fixed per district.

This subtle, data-driven form of vote-rigging (gerrymandering) brings no incentive to seek compromises, explains Friedman. The House of Representatives will remain Republican dominated in the mid-term elections. The U.S. is politically blocked, even though the debt will continue to rise above 80% of the gross national product due to the upcoming retirement wave of baby boomer cohorts. Budget cuts are currently only made in flexible expenses such as defence expenditure or investments.

"What if China stops buying new government bonds?" Friedman asks rhetorically.

### **U.S. stock market more expensive than ever**

For Jean -Rene Adam of the Investment Boutique Hexavest from Montreal, 49% owned by Eaton Vance, this is no reason not to speculate on a resurgent U.S. dollar. In an interview Adam, who is accompanied by Friedman on his visit to Germany said that the dollar will gain strength because of reduced private debt levels, the strong position of U.S. industry and the Fed tapering.

In contrast, the U.S. stock market was rated as high as never before. "If we exclude the technology bubble at the turn of the millennium from the data, the U.S. market has never been as expensive as it is

today . » The profit margins of U.S. companies are also at historic heights - so it was facing a disappointment, and tailwind will miss : " the Fed will continue the tapering despite emerging market crises," says Adam.

The top-down specialist is also pessimistic about Canada: There is a threat here of a painful correction, as many companies have not done their homework.

### **Europe cheap, but sapless**

The situation looks slightly better for European equities, but the growth remains weak. Hexavest expects zero growth in the euro zone in 2014. Euro shares are rated more favourably, but historically there has always been a discount, so for Adam this is no reason to buy. Tailwind here would only come if the European Central Bank were to implement its own form of quantitative easing.

Adam considers the sentiment and macroeconomic situation much more attractive in the merging markets, although there are lurking risks - especially in the Chinese credit market where he sees major hazards. So in the end he would - despite a political blockade - only recommend an investment in U.S. dollars on money market funds or covered currency certificates, or perhaps in the Indian rupee, which is too low when measured by purchasing power parity.

[Aanmelden](#)[Contact](#)[Over Fonds.nl](#)[Extra](#)[HOME](#)[PRINTUITGAVEN](#)[FONDS.NL/TV](#)[3 VRAGEN](#)[FONDS.NL EXPERIENCE](#)


**'Zo'n Google glass is toch enorm irritant.'**

**Bekijk nu de nieuwe aflevering van Beleggen International! Wilfred Genee en Valentijn van Nieuwenhuijzen ontvangen de jonge trendwatchers Andrea Wiegman en Sander Duivestein.**

### 3 Serieuze vragen

'Over drie of vier jaar beginnen de fiscale problemen in de Verenigde Staten pas echt' – Andrew Friedman, The Washington Update.

[Lees verder >>](#)

## Uw doelgroep bereiken

Fonds.nl: hét tijdschrift in Nederland met het grootste bereik onder financiële professionals en hun meest interessante en rendabele klantengroep: vermogende particulieren die op een actieve wijze met dat vermogen omgaan.

### ADVERTEREN IN HET TIJDSCHRIFT FONDS.NL?

[KLIK HIER VOOR DE TARIEVEN.](#)

#### Huidige nummer

Welke rol speelt geld in het leven van 30 willekeurige Nederlanders? Lees en bekijk het in het nieuwe tijdschrift Fonds....

[LEES MEER](#)

#### Fonds.nl EXTRA

Twee adviseurs bespreken de veranderingen in het adviesvak en gaan op onderzoek uit in Twee Adviseurs Maken Een Ritje.

[LEES MEER](#)

#### Volgend nummer

Ook het voorbije jaar is het aanzien van de financiële sector weer gedaald. Wat verwachten klanten nog van hun bank en hoe ziet hu...

[LEES MEER](#)

#### Beleggen International trailer

Beleggen International is de maandelijkse talkshow over beleggen, geld, economie en nog veel meer op [www.fonds.nl](http://www.fonds.nl). Oordeel ze...

[LEES MEER](#)

Copyright © Graham CCC BV. Alle rechten voorbehouden.

*Translated from Dutch*

**Fonds.NL**  
**March 2014**

*In 2013 the politics in the United States focused on the wrangling over raising the debt ceiling and there even was a partial shutdown of the government. Has there been a decrease in the tension between Democrats and Republicans in 2014 or is the peace only temporary?*

**Andrew Friedman – Proprietor The Washington Update (TheWashingtonUpdate.com)**

"There is a hiatus in the hostilities regarding fiscal issues.. The budget deficit has been reduced considerably in the near term. However, it is a matter of time before tensions will flare up again. In November there will be elections and in some time after March the debt ceiling has to be increased again. The real problems come down the road as more baby boomers retire. They are entitled to medicare and social security, which means government spending will quickly increase and the government debt will grow. There will be no quick fix, because both parties have a completely different approach to this problem. The Democrats are looking to expand the influence of the government and to raise taxes on rich Americans. For Republicans a tax-raise is out of the question and they are looking for ways to reduce government-influence."

18 March 2014

# HUFF POST POLITICS UNITED KINGDOM

Edition: UK



Follow

FRONT PAGE NEWS POLITICS BUSINESS SPORT TECH STUDENTS ENTERTAINMENT CELEBRITY COMEDY LIFESTYLE BLOGS

Politics Boris Johnson • Conservatives • Labour • Lib Dems • Ukip • Westminster • Mehdi's Morning Memo



## THE BLOG

Featuring fresh takes and real-time analysis from HuffPost's signature lineup of contributors

### HOT ON THE BLOG

James Caan  
Ray Quinn

Suzi Godson  
Mark Serwotka



### Andy Friedman

US Political commentator, Principal of The Washington Update LLC

GET UPDATES FROM ANDY FRIEDMAN



# Are the Fiscal Battles Over in Washington?

Posted: 18/03/2014 11:10



Read more > [UK Politics News](#)

GET UK POLITICS NEWSLETTERS:

SUBSCRIBE

Last month, the U.S. Congress - faced with an impending snow storm and a desire to get home for holiday - hastily passed legislation permitting the federal government to continue to borrow funds through March 15, 2015. Coupled with the agreement reached last December to fund the government through September 30, 2015, this action eliminates the prospects of additional fiscal showdowns for at least the remainder of 2014.

While Congress can congratulate itself for keeping the government open and functioning (something it has not always been able to do), the fact is that these actions fail to address the fundamental fiscal issues facing the country. In particular, the compromises do not:

ADVERTISEMENT

## MOST POPULAR

Clarissa Dickson Wright Dead: Two Fat Ladies Chef Dies Aged 66



Was Malaysia Airlines MH370 Hacked By A Mobile Phone?





- **Change the growth of entitlement spending:** A new report from the non-partisan Congressional Budget Office makes clear that mandatory spending (spending on entitlements such as Social Security, Medicare, and Medicaid as well as interest payments on the federal debt) continue to compose almost two-thirds of all U.S. spending. The Budget and Economic Outlook: Fiscal Years 2014 to 2024, Congressional Budget Office (Feb 2014). And that percentage will increase as the baby boomers age, the costs of Obamacare begin to accrue, and (at some point) interest rates rise. Indeed, the rate of increase is a considerable concern; the CBO estimates mandatory spending to grow at a rate in excess of seven percent annually - double the projected growth rate of the economy.
- **Bring in additional tax revenue or close tax loopholes:** Tax reform remains on the agenda, but there has been no groundswell in Congress or encouragement from the Administration to move forward in a serious way.
- **Meaningfully reduce the deficit:** The compromise did not reduce the near- or intermediate-term federal deficit beyond the sequestration spending cuts approved in 2011.
- **Change the trajectory or amount of outstanding federal debt:** Outstanding debt continues to climb inexorably as the United States borrows more money each year to cover that year's deficit. Debt as a percent of GDP does fall for a few years due to the sequestration cuts, but then that measure too rises as the increased entitlement costs kick in. See the CBO report above.
- **Replace the bulk of the sequester cuts:** The indiscriminate across-the-board cuts to discretionary spending are unpopular with both parties, yet the compromise does little to replace them.

Some believe that the Republican agreement to extend the borrowing authority without a corresponding concession from the Democrats marks the end of the budget battles going forward. That is not my view, however. Although the fiscal battles will be quiescent this year, by the time next year that the debt ceiling has to be raised and the government funded again, a new class of House Republicans - likely fortified by new Tea Party members - presumably will want to take up the cudgel again to fight for fiscal restraint.

### FOLLOW UK POLITICS



31k



SUBSCRIBE

### BREAKING L'Wren Scott Dead: Mick Jagger's Girlfriend Found In NYC Apartment



### Samsung Galaxy S5 Can Do (At Least) 9 Things The iPhone Can't



### Noel Edmonds: 'I Want To Buy The BBC'



### Yacht Crashes Into Richmond Bridge, Watching Crowd Mostly Laugh



### The Best Selfies Ever



## "Keep faith in the annuity"

David Blackman



## Laura MacPhee

The US government has a brave plan to boost equity markets through tax reform, but it is likely to run into political roadblocks

# How far can the US kick the can?

11 March 2014 | By Laura MacPhee

It happened with the fiscal cliff, it happened with the debt ceiling. When it comes to the economy, the US is notorious for kicking the can further and further, but what happens when they reach the end of the road?

This was the question I put to Andy Friedman, an expert on political affairs and former senior partner at law firm Covington & Burling in Washington DC, at a briefing organised by Eaton Vance.

14 – 15 May  
Edgbaston  
Birmingham

He agreed that the status quo cannot go on forever. As the Fed continues to borrow \$1 trillion every year to finance the country's debt, this will keep interest rates low.

Investors won't be satisfied with returns of 3-4%, so will stop buying US treasuries. Interest rates will spike and the US will find itself back in a crisis situation, forced to adopt austerity measures.

The US cannot control the fiscal situation as it has been doing

“The US cannot control the fiscal situation as it has been doing,” warns Friedman.

The repercussions of a US crisis would be felt around the world, and the US would no longer be viewed as a haven. So where would investors flee for safety?

No other currency is an obvious candidate

No other currency is an obvious candidate, so Friedman predicts they will turn to precious metals. China, he says, is already cutting back on its dollar investments and buying more precious metals as they are seen as more secure.

While bonds are suppressed, though, US equities could potentially get a boost through proposed tax reforms. It's early days, but a recent proposal from David Camp, chairman of the House Ways and Means committee (responsible for tax writing) heralds a new, simplified tax regime.

The problem is this – unusually, US companies only pay tax on their overseas profits when they bring them back to the US, and they pay it at 35%. It is hardly surprising then, that many companies choose to keep their profits in the country where they earned them, thus avoiding this charge. Apple, for example, moved its operations to Bermuda and lowered its tax bill to 2.5%.

Sounds good, but the idea is universally hated by politicians

This is bad for the US economy which could benefit from the boost of this overseas revenue. So Camp has come up with a plan to tax overseas earnings at just 5% (or 15% on earnings from “intangibles” like patents, thus hurting technology companies more than manufacturing).

This would increase the overall tax received from these companies from nothing to 5-15% and stimulate the economy.

Sounds good, but the idea is universally hated by politicians. Republicans don't like it because it punishes banks by introducing an asset-based (rather than income based) tax, and Democrats disapprove because it lowers taxes for the wealthy.

One thing is certain though - nothing will happen before the midterm elections in November, so schemes and their advisors will have to watch and wait.

NEWSQUEST  
*Specialist Media*

[Print](#) [Close](#)

# Professional Pensions

## US political wrangling 'threatening to discredit treasuries'

- By: Natasha Browne
- 20 Mar 2014
- [0 Comments](#)

- [Print](#)
- [Send](#)
- [Share](#)



Stock markets tumbled when the US government closed down for two weeks last year after the White House and the House of Representatives clashed heads over whether or not to raise the debt ceiling.

There have been a total of 18 shutdowns in the past 30 years. US political commentator and former partner with Washington-based law firm Covington & Burling Andy Friedman is worried persistent increases in US debt will eventually lead to treasuries losing credibility.

Friedman, who produces The Washington Update, says: "Congress is not dealing with the rise in mandatory spending. As the US continues to buy \$3tn each year, purchasers of the debt are going to ask for higher yields, pushing a spike in interest rates.

"They have to cut back on entitlements and introduce austerity. If we keep creating debt each year, the US will begin to look less credible. People won't want to buy US debt at 2%-3% yield. Low interest rates need to go up."

Figures sourced from the US Congressional Budget Office showed mandatory spending made up 59% of total government spending last year at more than \$2tn (£1.2tn) out of a total \$3.45tn. The second largest spending department was defence at 18% or \$625bn.

The complicated political make-up of the US government leads Friedman to worry it will continue to find itself in forcing events: where the consequences of failing to act would be too disastrous for arguing Democrats and Republicans not to resolve their disputes.

However, it is not merely the tension between the two leading parties that threatens the stability of policies. It is also the division within the Republican Party between the staunchly conservative ideologues and the more yielding compromisers. Friedman points out that this split mean one of the government houses will always be dominated by the Republicans, while the other will be owned by the Democrats. No amount of gerrymandering will ensure a majority government for either party. The commentator does not think the Republicans will ever break into two parties because it is too entrenched and worth too much money as it is.

He adds: "I've never seen Washington so polarised. I don't see how we're going to reverse that without a third party."

However, Russell Investments global head of investment strategy Andrew Pearse is more upbeat about the state of US political affairs.

He says: "The US system has always been noisy and they're having a very important debate right now about the role and future sides of government. It might look ugly up close but it's a debate other countries aren't having, and I think it's a healthy thing."

Pearse believes the US has done a good job of winding back the fiscal deficit, although he agrees it would be better if it had less debt and there was a more certain path for returning to surplus.

He adds: "It would be nice if there were less demographic questions about future entitlements spending. But the numbers aren't nearly as scary as people predicted they were going to be a few years ago."

The US was the epicentre of the most recent financial crisis and yet that did not damage its reputation, with investors continuing to use it as a safe haven for their cash, Pearse says.

[Print](#) [Close](#)

© Incisive Media Investments Limited 2012, Published by Incisive Financial Publishing Limited, Haymarket House, 28-29 Haymarket, London SW1Y 4RX, are companies registered in England and Wales with company registration numbers 04252091 & 04252093.