



This Publication Brought To You Courtesy Of:

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CLIENT BULLETIN

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➤ *Turbulence*



➤ *Harmful Protection*

There has been a lot of tough talk and heated rhetoric around global trade in the past few months. Protectionists often make an argument that says something like “XYZ industry is subject to “unfair competition“ from abroad. Therefore, we must erect trade barriers to protect this domestic industry and its employees”. Sounds reasonable, right? Unfortunately, this view buys into one of the most common fallacies in economics first articulated by French economist Frederic Bastiat in 1850 called “that which is seen, and that which is not seen.”

➤ *Not So Obvious*

In the example above, the outcome that is **seen** is that the domestic producer is protected and jobs are “saved”. A good economist, however, digs into the **unseen** effects of such a policy. As an example, the commerce department is currently proposing a global tariff of 24% on all steel imports. While this would protect American steelworkers, it would raise costs and hurt employment in U.S. steel-*consuming* industries. There are roughly 16 times more workers employed by steel-consuming companies (think auto manufacturers) than the 140,000 American steelworkers. Politics and media sound bites do not lend themselves well to deeper economic analysis.

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➤ *Interpreting the Headlines*

Avoiding protectionist policies is important from an overall economic standpoint in addition to a purely employment impact. For example, the \$53.1 billion trade deficit in goods and services for the U.S. for the month of December was reported under the headline: **Trade Gap Widens to 9-Year High**. This sounds alarming, but the data under the headline shows that both imports **and** exports hit new record highs during the month, rising by \$3.5 billion and \$6.2 billion respectively. Expanded trade with the rest of the world is good news. Total trade - imports **plus** exports - is what really matters. Even more importantly, we tend not to fight with those we trade with. As Bastiat himself said, “when goods do not cross borders, soldiers will” (First Trust Advisors L.P.).

➤ *Another Sign That the Apocalypse May Be Upon Us*

In an effort to expand the company’s reach to customers, TD Ameritrade is rolling out new services including:

- The ability to buy and sell stocks via Twitter
- 24 hours a day trading
- Stock quotes through voice-activated Alexa platforms

➤ *Wage Growth - Finally*

The average hourly wage paid to workers in the private sector rose to \$26.74 an hour (approximately \$53,000 of annual compensation) in January 2018, up 2.9% in the last year. The last time private sector wages grew this much on a year-over-year basis was in May of 2009 (source: Department of Labor).

➤ *Productivity:*

In some way, government data sources have lost the ability to adequately track productivity growth, which has averaged slightly above 1% per year the last few years. New technologies, however, are boosting productivity everywhere:

- In 2009, it took a month to drill and complete a new oil well; now it takes about a week
- Farmers have boosted the bushels of corn they get from every acre of farmland by 2.4% per year since the early 90s using drones, GPS and ground sensors that save on inputs of hours, water, fuel and fertilizer
- Smart phones, tablets, apps, the cloud, 3-D printing, drones and many other new technologies are clearly boosting productivity.

It’s clear to everyone except the data that nearly everything is getting better, faster and cheaper. (source: Bureau of Labor Statistics).

➤ *Recognition*

I’m pleased to be included in Forbes Magazine’s 2018 listing of the top financial advisors by state. The ranking, which includes telephone and in-person evaluations, is based on a combination of quantitative data (such as client retention rates) and qualitative issues (clean compliance record, credentials, breadth of services and community involvement). See the attached for detail.

The information contained in this newsletter is of a general nature and is not intended to be a substitute for specific individualized financial or tax advice. It should not be acted upon in your specific situation without further details and/or professional assistance. Investing involves risk including the potential loss of principal.