Debt Be Not Proud

JOHN MAULDIN | February 23, 2015

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Some things never change. Here is Eugen von Böhm-Bawerk, one of the founding intellectuals of the Austrian school of economics, writing in January 1914, lambasting politicians for their complicity in the corruption of monetary policy:

> We have seen innumerable variations of the vexing game of trying to generate political contentment through material concessions. If formerly the Parliaments were the guardians of thrift, they are today far more like its sworn enemies. Nowadays the political and nationalist parties ... are in the habit of cultivating a greed of all kinds of benefits for their co-nationals or constituencies that they regard as a veritable duty, and should the political situation be correspondingly favorable, that is to say correspondingly unfavorable for the Government, then political pressure will produce what is wanted. **Often enough, though, because of the carefully calculated rivalry and jealousy between parties, what has been granted to one has also to be conceded to others — from a single costly concession springs a whole bundle of costly concessions.** [emphasis mine]

That last sentence is a key to understanding the crisis that is unfolding in Europe. Normally, you would look at a country like Greece – with 175% debt-to-GDP, mired in a depression marked by -25% growth of GDP (you can't call what they're going through a mere recession), with 25% unemployment (50% among youth), bank deposits fleeing the country, and a political system in (to use a polite term) a state of confusion – and realize it must be given debt relief.

But the rest of Europe calculates that if they make concessions to Greece they will have to make them to everybody else, and that prospect is truly untenable. So they have told the poor Greeks to suck it up and continue to toil under a mountain of debt that is beyond Sisyphean, without any potential significant relief from a central bank. This will mean that Greece remains in almost permanent depression, with continued massive unemployment. While I can see a path for Greece to recover, it would require a series of significant political and market reforms that would be socially and economically wrenching, almost none of which would be acceptable to any other country in Europe.

Sidebar: Japan would still be mired in a depressionary deflation if its central bank were not able to monetize the country's debt. As Eurozone members the Greeks have no such option .

However, the rest of Europe is not without its own rationale. To grant Greece the debt relief it needs without imposing market reforms would mean that eventually the same relief would be required for every peripheral nation, ultimately including France. Anyone who thinks that Europe can survive economically without significant market reforms has no understanding of how markets work. Relief without reforms would be as economically devastating to the entirety of Europe as it would be to Greece alone. Ultimately, for the euro to survive as a currency, there must be a total mutualization of Eurozone debt, a concept that is not politically sellable to a majority of Europeans. (The European Union can survive quite handily as a free trade zone without the euro and would likely function much better than it does now.)

Kicking the debt relief can down the road is going to require a great deal of dexterity. The Greeks haven't helped their cause with their abysmal record of avoiding taxes and their rampant, all-too-easily-observed government corruption, including significant public overemployment.

In this week's letter we will take a close look at the problem that is at the core of Europe's ongoing struggle: too much debt. But to simply say that such and such a percentage of debt to GDP is too much doesn't begin to help you understand why debt is such a problem. Why can Japan have 250% debt-to-GDP and seemingly thrive, while other countries with only 70 or 80% debt-to-GDP run into a wall?

Debt is at the center of every major macroeconomic issue facing the world today, not just in Europe and Japan but also in the US, China, and the emerging markets. Debt (which must include future entitlement promises) is a conundrum not just for governments; it is also significantly impacting corporations and individuals. By closely examining the nature and uses of debt, I think we can come to understand what we will have to do in order to overcome our current macroeconomic problems.

But first, two announcements. At the end of the letter is a link to the website for my 2015 Strategic Investment Conference in San Diego, April 29 – May 2. There is a terrific lineup, and you can sign up now and get the early-bird discount through the end of the month. Ours is simply the best speaker lineup at any conference in the country that discusses economics and investing. You really should make an effort to attend.

And I'm pleased to announce the launch of Mauldin Pro, our new service for professional investors. We've been working on this for months. You'll likely remember a few *Outside the Box* editions featuring a brilliant young global macro investor by the name of Jawad Mian. Jawad has brought his excellent *Stray Reflections* letter to Mauldin Economics as part of our Pro service. In addition, we have *Over My Shoulder* and *World Money Analyst*, an interview series called *Mauldin Conversations*, and – perhaps the best part – our Pro Sessions. These will be a traveling series of seminars with SIC-level speakers, but in a more intimate setting. We'll get together for a few hours of intense discussion and then relax with a drink and get to know each other. Our first session is being organized now and will be held in New York City. If you are a financial advisor, portfolio manager, or other type of investment professional, this service is for you. Check it out here.

Now let's think about debt.

Debt Be Not Proud

Debt is future consumption brought forward, as von Böhm-Bawerk taught us. It is hard for me to overemphasize how important that proposition is. If you borrow money to purchase something today, that money will have to be paid back over time and will not be available for other purchases. Debt moves future consumption into the present. Sometimes this is a good thing, and sometimes it is merely stealing from the future.

This is a central concept in proper economic thinking but one that is all too often ignored. Let's tease out a few ideas from this concept. Please note that this letter is trying to simply introduce the (large) topic of debt. It's a letter, not a book. In this section we'll deal with some of the basics, for new readers.

First off, debt is a necessary part of any society that has advanced beyond barter or cash and carry. Debt, along with various forms of insurance, has made global finance and trade possible. Debt fuels growth and allows for idle savings accrued by one person to be turned into useful productive activities by another. But too much debt, especially of the wrong kind, can also be a drag upon economic activity and, if it increases too much, can morph into a powerful force of destruction.

Debt can be used in many productive ways. The first and foremost is to use debt to purchase the means of its own repayment. You can borrow in order to buy tools that give you the ability to earn higher income than you can make without them. You can buy on credit a business (or start one) that will produce enough income over time to pay off the debt. You get the idea.

Governments can use debt to build roads, schools, and other infrastructure that are needed to help grow the society and enhance the economy, thereby increasing the ability of the government to pay down that debt.

Properly used, debt can be your friend, a powerful tool for growing the economy and improving the lives of everyone around you.

Debt can be created in several ways. You can loan money to your brother-in-law directly from your savings. A corporation can borrow money (sell bonds) to individuals and funds, backed by its assets. No new money needs to be created, as the debt is created from savings. Such lending almost always involves the risk of loss of some or all of the loan amount. Typically, the higher the risk, the more interest or return on the loan is required.

Banks, on the other hand, can create new money through the alchemy of fractional reserve banking. A bank assumes that not all of its customers will need the immediate use of all of the money they have deposited in their accounts. The bank can loan out the deposits in excess of the fraction they are required to hold for depositors who do want their cash. This lets them make a spread over what they pay depositors and what they charge for loans. The loans they make are redeposited in their bank or another one and can be used to create more loans. One dollar of base money from a central bank (sometimes called high-powered money) can over time transform itself into $8-10 of actual cash.

A government can create debt either directly or indirectly, by borrowing money from its citizens (through the sale of bonds) or by directing its central bank to "print" or create money. The money that a central bank creates is typically referred to as the monetary base.

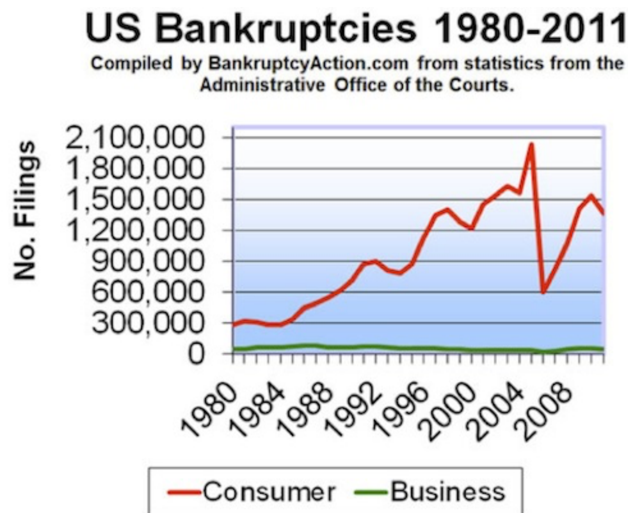
Debt can be a substitute for time. If I want a new car today, I can borrow the money and pay for the car (which is a depreciating asset) over time. Or I can borrow money to purchase a home and use the money I was previously paying in rent to offset some or all of the cost of the mortgage, thereby slowly building up equity in that home (assuming the value of my home goes up).

Oh Debt, Where Is Thy Sting?

Let's start with a simple analogy and then get more complex. When someone borrows money, they agree to make principal and interest payments over time. For instance, $25,000 borrowed at 5% interest over three years to pay for a car would require a monthly payment of $749.27. Not a problem for someone making $100,000 a year ($50 an hour) but a serious, almost impossible commitment for someone making $10 an hour. After taxes, the car payment would gobble up almost 50% of that person's income.

All but the most disciplined of us have encountered the unpleasant reality of running up too much credit card debt, typically when we were young. For those outside the US, credit card interest rates can often run 18% or more, and the penalties for late payment can increase the net amount substantially and cause the interest rate to be jacked up even higher. The unpleasant reality of paying far more in interest each month than you are paying on the principal can be quite the eye-opener.

Sometimes debt can be overwhelming. In many countries, individuals can file for bankruptcy and get relief from their debt (as well as losing any remaining assets). In the middle of the last decade, the US bankruptcy laws were changed to make it more difficult to declare bankruptcy. As the chart below shows, bankruptcies fell precipitously but are now back to where they were just a few years before the law passed. Clearly the financial crisis contributed to the new steep rise in bankruptcies. (The 2005 spike in bankruptcy filings was from people rushing to file bankruptcy ahead of the new law's taking effect.) The vast majority of bankruptcies are now filed by consumers, not by businesses. In 1980, businesses accounted for 13 percent of bankruptcies, but today, they are just 3 percent.



Personal bankruptcies can happen for all sorts of reasons, but in the US they are caused primarily by overwhelming medical expenses, accounting for around 60% of bankruptcies (depending on the year). Other causes are (in order of prevalence) job loss, out-of-control spending, divorce, and unexpected disasters.

Bankruptcy is designed to keep people from being literal slaves to debt. We have come a long way in our civilization from the days of debtor's prisons. Texas actually wrote into its constitution that a debtor could not lose his horse, tools, or homestead, the principle being that a person needed to be able to move on from bankruptcy and make a living. That sort of basic protection has since evolved nationally into a rather complex but reasonable system for letting people move on from untenable financial situations.

I say that we've come a long way from debtor's prisons. There is a qualifier to that statement. In the US, student loans cannot be discharged in bankruptcy. They are with you until you finally pay them off. In Spain, you cannot get out of a mortgage debt through bankruptcy. Even though the bank can take your home from you, you are still obligated to pay the debt forever. There are exceptions to bankruptcy protection everywhere.

Debt Is Future Consumption Denied

Why go on and on about personal bankruptcy when we are talking about government debt? Because the same principles apply, with a few caveats.

Governments have outright defaulted on their debt nearly 300 times in the past few hundred years. Spain is the all-time winner, with six defaults in the last 140 years and 12 if you go back to 1550. Italy and Argentina have made a sport of defaulting this last century, if you count monetization as a form of default, which it is. While I can find no statistics, inflation and loose monetary policies have almost surely destroyed far more buying power than outright defaults have.

There are times when a government simply cannot pay its bills and must either default outright or change the terms on its debt, just as individuals do.

If an individual or corporation or country has a significant amount of debt and their income drops by 25-30%, it may become impossible to pay that debt and also cover the necessities of life. Greece, as a current example, has not really added to the outstanding total of its debt over the past three years since its last debt default; but the growth of the country (and therefore of its tax revenues) has collapsed by about 25%. Even if tax collection can be improved, the interest rates Greece is forced to pay today may make the repayment of the country's debt untenable.

Debt is future consumption brought forward into the present, but a corollary is that debt is also future consumption denied. If you will have to pay both principal and interest on debt in the future, then you are setting aside and spending money on debt service that is no longer available for current consumption. And, yes, that debt service goes to bondholders, but their return of capital does not necessarily express itself in consumption or further lending.

Further, when economies are debt-constrained, capital looking to be invested in fixed-income assets finds fewer creditworthy opportunities available and **begins to take lower interest payments in a search for yield. The current low-interest environment is not just a product of the Federal Reserve and other central banks; it also stems from a lack of demand from creditworthy borrowers.**

Dr. Lacy Hunt of Hoisington Asset Management has been documenting the drag on growth that overindebtedness creates. He recently wrote (emphasis mine):

> Poor domestic business conditions in the U.S. are echoed in Europe and Japan. The issue for Europe is whether the economy triple dips into recession or manages to merely stagnate. For Japan, the question is the degree of the erosion in economic activity. This is for an economy where nominal GDP has been unchanged for almost 22 years. U.S. growth is outpacing that of Europe and Japan primarily because those economies carry much higher debt-to-GDP ratios. Based on the latest available data, aggregate debt in the U.S. stands at 334%, compared with 460% in the 17 economies in the euro-currency zone and 655% in Japan. **Economic research has suggested that the more advanced the debt level, the worse the economic performance, and this theory is in fact validated by the real-world data.**

There are a host of reasons for debt-related economic drag, but the primary cause is that the debt was of the nonproductive kind. The debt was incurred primarily to fund current consumption, whether to pay benefits or for defense spending or what have you.

Deflation Is the Enemy of Debt

Deflation is the general condition where prices go down. This can be caused by increased productivity or decreased demand. We all like it when the cost of our latest technological goodies and indeed everything else we buy goes down. We are generally not happy when the economy falters and prices fall because of slack demand. One of the primary debates among economists is whether economic slowdowns are caused by insufficient demand or insufficient income and productivity.

There have been periods in many countries when there has been economic growth in the midst of general price deflation, but we more typically think of deflation as occurring in periods of economic retreat. Recessions – and certainly depressions ¬– are almost by definition deflationary.

In a growing, increasingly productive world, the trend for prices should be down, that is to say, deflationary. But that assertion assumes one necessary condition: a stable monetary base. Proponents of a gold-backed currency point out that gold offers a stable monetary base, while fiat currencies are subject to expansion or contraction by central banks and governments. It is often said that all fiat currencies will eventually explode or implode in value, but that is not necessarily true. A carefully constrained central bank and government will maintain the value of a country's money. Think Switzerland (the primary example, but there are others). The value of the Swiss franc in relationship to currencies around the world has continued to rise even as the Swiss economy has grown, and their standard of living is among the highest in the world. (Of course, as the Swiss have learned, an overly strong currency can be problematic, too, in this era of intensifying currency wars.)

But while a generally deflationary environment reduces the prices of things we buy, it does not reduce the cost of servicing debt – quite the opposite. Deflation is the enemy of debt. The obvious example, currently, is Greece, as noted above. The deflationary depression the Greeks are in has increased the value of their debt in relation to their income, even though the nominal value of the debt has hardly risen. And because they have not had the benefit of an increase in buying power (stuck, as they are with the euro as a currency and having no control over Eurozone monetary policy), deflation has ravaged their economy.

To put it in personal terms, if your real income drops 25%, then whatever debt service you're carrying will be a correspondingly larger portion of your income.

In a world where incurring government debt is allowed only when and if that debt is deemed productive, deflation would not be a problem, as incomes would rise with increased productivity. But debt that is nonproductive will grow in absolute cost to an economy in periods of deflation.

One can argue with John Maynard Keynes, and I do so rather aggressively at times, but he did have some valuable insights. If an economy is in recession, the government can lean against the drag on demand by increasing spending. That of course means increasing debt, and Keynes argued that government should borrow and spend in times of recession. Governments everywhere have taken that dictum to heart.

What they have ignored is his second point: a government should pay back that debt during the good times that follow. That discipline allows it to borrow and spend again in when recession recurs. The very concept of a balanced budget is now considered anathema in much of what passes for academic economic circles. It is pejoratively labeled as "austerity." As if balanced budgets were the cause of economic pain and suffering…

Following the historic budget compromise between Clinton and Gingrich, the United States began to run actual surpluses in the late 1990s, and indeed we were talking about what would happen if we eliminated government debt altogether, so rapidly were we paying it down. The surpluses were accumulated during a rather remarkable economic time. Then the Republican Congress, aided and abetted by George W. and Karl Rove, came along and squandered that surplus. Dick Cheney famously said that deficits don't matter, in defense of the Bush administration's policies of cutting taxes and increasing spending in order to curry favor with voters. (Refer again to the quote from von Böhm-Bawerk at the beginning of this letter.)

Absent those large increases in debt and deficits, the Obama deficits, while violating the rule of only accumulating debt for productive purposes (to mention only one violation of principle), would have been manageable in the grand scheme of things. But we are now rapidly approaching a time when debt will once again become an important issue in the US, as it was in the '90s. Too much debt will become an ever larger drag on the US economy, just as it already is in Japan and Europe.

This rising debt in the US and around the world is one of the primary reasons that central bankers fear deflation. A little inflation plus a little GDP growth helps reduce the overall burden of debt in an economy. While central bankers everywhere seem to think that 2% inflation should be a target, many of them would accept a somewhat higher number. I personally take issue with the 2% figure, because that's an inflation target that will reduce the purchasing power of any saved dollar by 50% in 36 years. A 2% inflation target is essentially a tax on savings and investment, no matter how you look at it. In a low-interest-rate world, 2% inflation means conservatively invested savings are losing buying power every year. But a little inflation does make debt more manageable, and central bankers seem to be more concerned with making sure that debt can be serviced than that savings can earn an adequate return. Current central bank policy is tantamount to financial repression of savers and retirees.

Neo-Keynesians would argue that debt and deficits are not a problem, in that the central bank can ultimately monetize the debt if necessary. And they point to Japan, whose central bank is doing just that. They look at our own national balance sheet and GDP numbers and ask, so what's the problem?

But debt is future consumption denied. If you monetize your debt beyond the real growth rate of the economy, then you are reducing the value of your currency and thus reducing your potential future consumption. The fact that this reduction doesn't happen all at once and may not happen in the immediate future does not remove the reality. In the fullness of time, quantitative easing will result in the reduced buying power of the US dollar.

Yet the US monetary base has expanded significantly, and there has been no real increase in inflation, and the dollar is actually getting stronger. "So what's the problem?" Mr. Krugman asks. Inflation is brought about by not just an expansion of the monetary base but also by a stable, concurrent rise in the velocity of money. It's complicated, I admit. I have devoted more than a few letters to the concept of the velocity of money. The current period of low inflation has been caused by a rather dramatic fall, over the last eight to ten years, in the velocity of money. As I predicted almost five years ago, the Federal Reserve was able to print far more money than anyone could imagine without the threat of inflation rearing its head.

The problem is that the velocity of money is a very slow-moving statistic. It is what we call mean-reverting, in that the velocity of money can't rise to the heavens unless you have a Weimar Germany-type situation, and it can't fall to zero. It oscillates over long periods (think decades) around an average or mean. Right now the velocity of money is falling, which allows the US Fed to have a very loose monetary policy without having to worry about inflation. When the velocity of money begins to rise, the Fed will have to lean against what could quickly turn into soaring inflation with a tighter monetary policy than it otherwise would have, because of its recent, extreme episodes of quantitative easing. Think Paul Volcker in the early '80s, turning the screws on 18% inflation. That was not exactly a fun time.

Of course, economists think that we can avoid any big mistakes. But sadly, there is no such thing as a free monetary lunch. Today's quantitative easing (in a period of reduced velocity of money) will mean tomorrow's much tighter monetary policy – or much higher inflation. Or both.

The Black Hole of Debt

Debt, when used properly, can overcome obstacles to productivity and bring on a warm day of sunshine, fostering life and growth everywhere. But if debt increases too much, just like a massive dying star it can collapse upon itself, explode like a supernova, and become a black hole instead, sucking in all the life around it.

Without a massive increase in debt, present-day China would have been impossible. Clearly that debt has improved the life of its citizens. But in recent years China has used debt to maintain a strange new form of growth and is increasingly using debt to build and consume, heading toward an ever less productive outcome. As in many other places in the world, each new dollar of debt is producing less in terms of GDP growth.

There has been a massive explosion of global debt since the beginning of the Great Recession in 2007. Normally, after a banking and financial crisis, one would expect a period of deleveraging and a reduction of debt. This time is truly different. Next week we will look at the actual growth of debt around the world and what it has accomplished.

The 2015 Strategic Investment Conference

I want to urge you to register for my 2015 Strategic Investment Conference, which will be held in San Diego April 29 through May 2. You can save $200 by registering before the end of February. (Note: This year the conference is open to everyone, not just to accredited investors, which makes me very happy.) While I am still finalizing the last few speakers with my conference cohosts, Altegris Investments, we've already secured an outstanding lineup. The plan is for my old friend David Rosenberg to once again be our leadoff hitter. The last few years he has come up with surprises to share with the audience, and I suspect he will do the same this year. Then, I'm excited that we have been able to persuade Peter Briger to join us. Peter is the head of $66 billion+ Fortress Investment Group, one of the largest private-credit groups in the world. In 2014, Fortress Investment Group was named Hedge Fund Manager of the Year by *Institutional Investor* and Management Firm of the Year by *HFMWeek*. Peter knows as much about credit around the world as anyone I know.

Longtime readers and conference attendees know how powerful Dr. Lacy Hunt's presentations are. I've also persuaded Grant Williams and his partner in RealVision TV, Raoul Pal, to join us. Raoul is not a household name to most investors, unless you are an elite hedge fund (and can afford his work), and then you know that he is an absolute treasure trove of ideas and insights. If you are looking for an edge, Raoul is at the very tip. Paul McCulley, formerly with PIMCO, will be returning for his 12th year. David Harding, who runs $25 billion Winton Capital Management, which trades on over 100 global futures markets, will tell us about the state of the commodity markets. My good friend Louis Gave will drop in from Hong Kong to help round out the first day. Louis never fails to come up with a few ideas that run against mainstream thinking. I can't get enough of Louis. And then my Texas friend George Friedman of Stratfor will close out the day with his views on Europe and the world.

The next day my fishing buddy Jim Bianco, one of the world's best bond and market analysts, will join us. I have long wanted to have him at my conference. I get the benefit of his thinking every summer, and I'm excited to be able to share it with you. Larry Meyer, former Fed governor currently running the prestigious firm Macroeconomic Advisers, will be there to give us his take on when the Fed might actually raise rates. He is a true central bank insider and will be flying in from a just-concluded Fed meeting. He is the go-to guy on Fed policy and thinking for some of the world's greatest and largest investors. Then the intrepid and never-shy-with-his-opinion Jeff Gundlach, maybe the hottest bond manager in the country, will regale us with his insights. Is anybody more on top of his game than Jeff has been lately?

They will be followed by Stephanie Pomboy, whom I have wanted to have at the conference for years. She is one of the truly elite macroeconomic analysts, known primarily in the institutional and hedge fund world, and over the last few years her insights have been a regular feature in *Barron's*. My friend Ian Bremmer, the brilliant geopolitical analyst and founder of Eurasia Group, who is consistently one of the conference favorites (and whose latest book we will try to have for you if it is off the press in time), will join, us followed by David Zervos of Jefferies, former Fed economist and fearless prognosticator, who has an enviable track record since he joined Jefferies five years ago. He is currently quite bullish on Europe.

On the final day we will have Michael Pettis flying in from China to give us his views on how Asia rebalances and China manages its transition. Michael has been one of the most consistently on-target analysts on China and is wired into the thought leaders in the country. And what fun would the conference be without Kyle Bass of Hayman Advisors offering us his latest ideas? I am excited to announce that William White, the brilliant former chief economist of the Bank for International Settlements has also agreed to attend. We are finalizing agreements with another three or four equally well-known speakers, which will include a few surprises, as well as rounding out the panels. I will share those names with you as we nail them down.

Since the first year of the Strategic Investment Conference, my one rule has been to create a conference that I want to attend. Unlike many conferences, we have no sponsors who pay to speak. Normal conferences have a few headliners to attract a crowd and then a lot of fill-ins. Everyone at my conference is an A-list speaker I want to hear, who would headline anywhere else. And because all the speakers know the quality of the lineup, they bring their A games.

Attendees routinely tell me that this is the best conference anywhere every year. And most of the speakers hang around to hear what is being said, which means you get to meet them at breaks and dinners. Plus, this year I am arranging for quite a number of writers and analysts to show up just to be there to talk with you. And I must say that the best part of the conference is mingling with fellow attendees. You will make new friends and be able to share ideas with other investors just like yourself. I really hope you can make it.

Registration is simple. Use this link: http://www.altegris.com/mauldinsic/index. While the conference is not cheap, the largest cost is your time – and I try to make it worth every minute. There are also two private breakfasts where hedge funds will be presenting. Altegris will contact you to let you know the details.

Orlando, Geneva, Zürich, Dallas, and San Diego

I will be in Orlando this weekend to do a keynote presentation for the American Banking Association and to share a dinner with my old friend Greg Weldon. A few weeks later I fly to Geneva and Zürich, where I have a very packed schedule. In addition to speaking, I'm particularly looking forward to being with Dylan Grice, plus lots of other friends, and meeting Bill White for the first time. I'm sure I will be staggered by the cost of everything in Switzerland, but the train ride from Geneva to Zürich is worth every penny. On a side note, Bill White was smart enough to negotiate his speaking fee in Swiss francs, while I'm getting dollars for mine. That probably tells you all you need to know about whose advice you should listen to.

I have some other speeches in Dallas and then a relatively quiet April (at least so far) until I head to San Diego at the end of the month for the above-mentioned Strategic Investment Conference.

I'm a little behind, finishing this letter on a Monday morning rather than on the weekend as usual. I took a little time off to watch an early Dallas Mavericks game with new player Amare Stoudemire, who will hopefully be the final piece needed to bring another NBA championship to Dallas. He certainly displayed his athleticism last night. Mark Cuban has gone all out to make the Mavericks champions again.

Dallas has turned rather cold, so it was good to come home to chili and my kids, who wanted to watch the Oscars in the media room. My personal favorite movie of the year so far has been *The Imitation Game*, the inspiring and ultimately tragic story of Alan Turing, played brilliantly by Benedict Cumberbatch. Cumberbatch also plays a thoroughly delightful Sherlock Holmes in the recent British series, which is available on Netflix. And while I was in and out during the actual Oscars, I will admit to being pleasantly surprised by the normally somewhat obnoxious Lady Gaga doing a splendid review of the music of Julie Andrews. Who knew? At 79, Julie still has a commanding and elegant stage presence. And, like most of the world, I will miss Robin Williams, who was among the stars we lost last year.

Have a great week, and if you are in the northern hemisphere, try to stay warm.

Your thinking about debt and productivity analyst,

John Mauldin

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