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Pressure on Congress will heighten over the next year

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As far as the financial markets are concerned, gridlock means uncertainty, and uncertainty is something that markets generally abhor. It should come as no surprise that the markets have been swinging due to the congressional supercommittee's inability to develop a consensus on finding \$1.2 trillion in budget savings over the next 10 years. Since there were no immediate political consequences to not arriving at a deal, none was reached. That is a luxury that lawmakers will find in short supply over the next year.

The failure to arrive at an agreement will have consequences in about a year. There are mandatory cuts totaling \$1.2 trillion that will have to be made over the next 10 years. The cuts fall disproportionately on the Defense Department, which is already undergoing \$450 billion of cuts.

The way this is shaping up is that Republicans will blame Democrats for putting the nation's safety at risk. Democrats will blame Republicans for protecting those earning more than \$1 million per year. In fact, both of these positions are gross oversimplifications of the truth. The national parties are using the budget deficit imbroglio to define their positions for the next presidential election.

The danger of protracted animus is that it begins to destroy the very culture that makes any nation great. When we lose our national purpose, the fact that we are all in this together, we start to lose our optimism and confidence that tomorrow will somehow be better than today.

After everything is said and done, financial markets run on confidence. Bull markets enjoy a surfeit of confidence while bear markets tend to view things in varying shades of hopelessness. The good news for investors, really, is that neither state is permanent. The problem for most investors is that it is nearly impossible to believe that these polar states are transitory when you are living through them. This seems to be the case today.

Investors need to understand that much of the noise that the markets are reacting to today is artificially generated. It tends to be politically motivated and is not a vote on the future profitability of corporate America. Unfortunately, the hopelessness that many investors are feeling is caused by legislators' decision to "let the public" do the legislator's job by either endorsing the current administration, or putting a new one in place.

Our problems are not insurmountable. Eventually, when every possible alternative has been explored, we will right the ship. We are in the process of determining who is going to pay more and who is going to receive less. Make no mistake about it, there will be no winners when this is all said and done.

As investors, it is important for us to realize that the current volatility may create investment opportunities that will look great in three to five years.

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