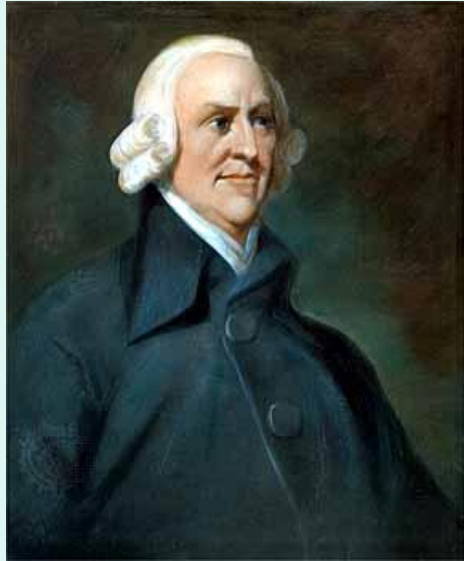


Forecasts & Strategies for 2010: Dangers and Opportunities

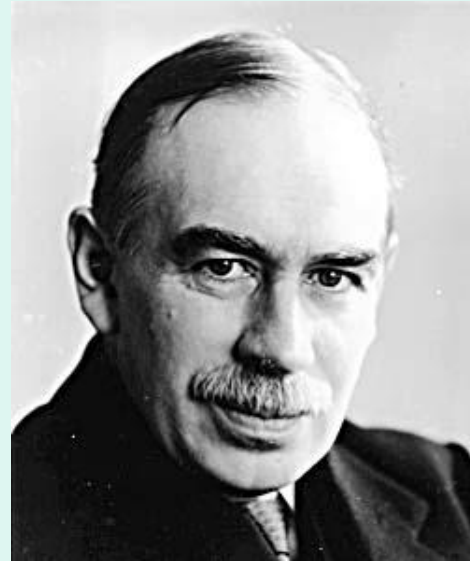
By Mark Skousen
Editor, *Forecasts & Strategies*
www.markskousen.com

“We have outlived the short-run and are suffering from the long-run consequences of [Keynesian] policies.”

-- Ludwig von Mises

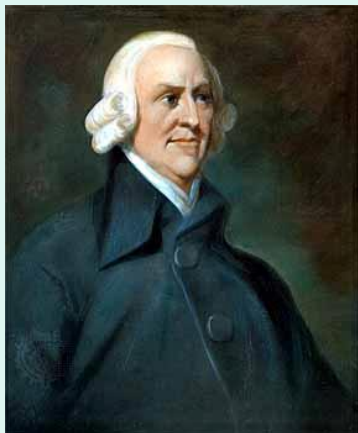


vs.



Adam Smith vs. Keynes: Who's Winning?

Classical economics vs. Keynesian economics



Adam Smith (1723-1790)

Scottish Professor of Moral Philosophy

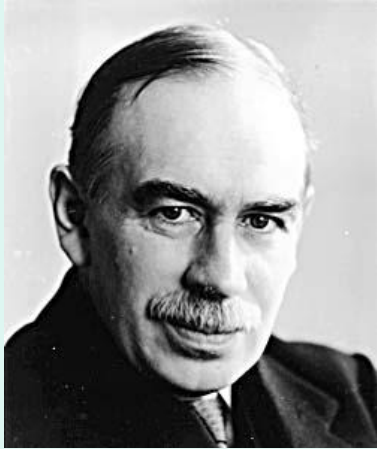
Author, *The Wealth of Nations* (1776)

Classical economics:

1. Saving and entrepreneurial capitalism are the key to economic growth
2. Limited government ("system of natural liberty," or laissez faire)
3. Balanced budgets
4. Sound money (gold standard)
5. Free trade

"Little else is required to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice."

-- Adam Smith



John Maynard Keynes (1881-1946)

Professor of economics at Cambridge University
and financial wizard
Author, *The General Theory* (1936)

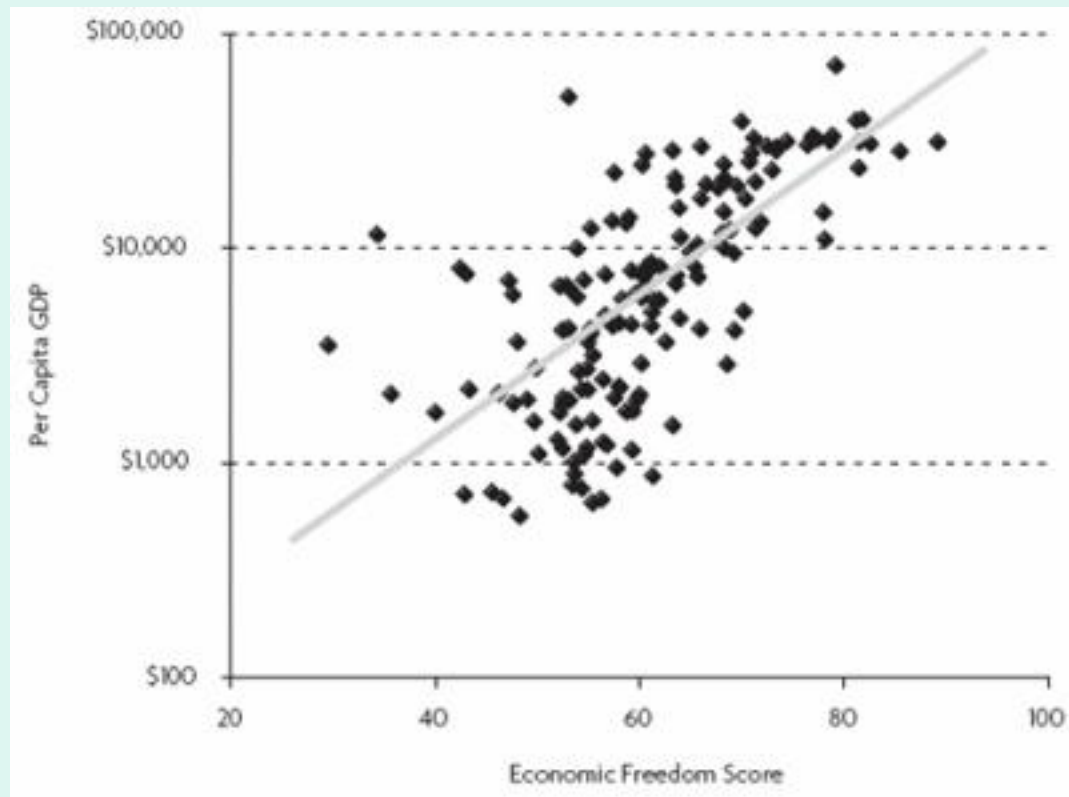
Keynesian Revolution:

1. Pro-consumption and anti-saving, especially during downturn
2. Big government (the welfare state) as stabilizer
3. Deficit spending during periods of unemployment
4. Easy money (abandon gold in favor of paper money and central banking)
5. Protectionism during downturn

"Individualistic capitalism...is not a success, it is not intelligent, it is not beautiful, it is not just, it is not virtuous--and it doesn't deliver the goods."

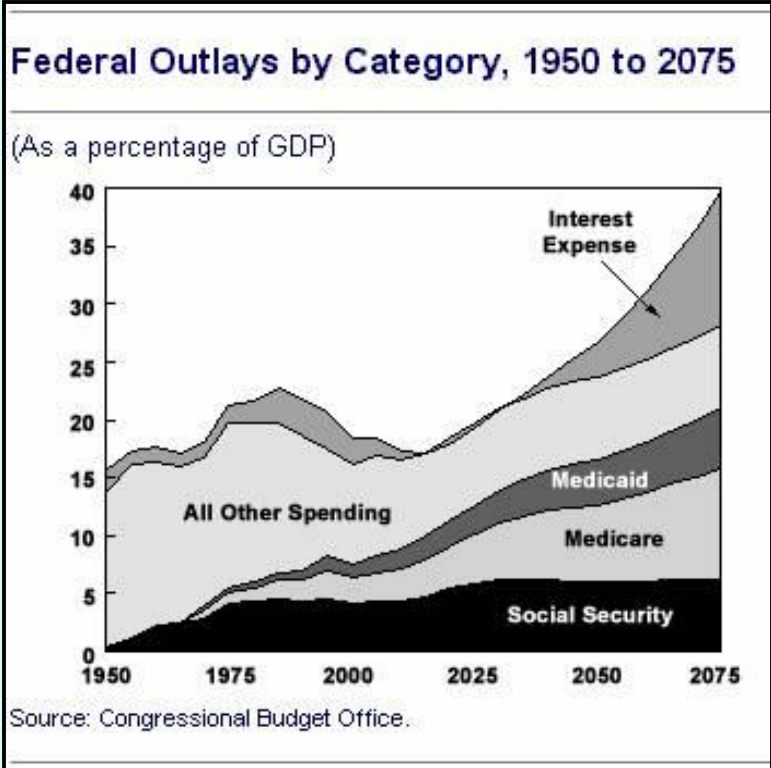
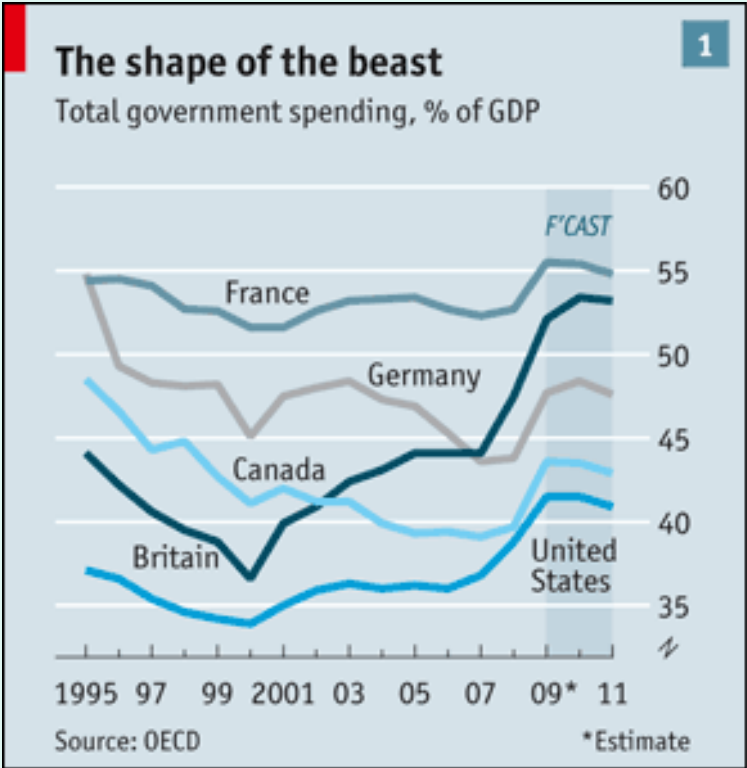
-- John Maynard Keynes

Economic Freedom Index: Countries with More Economic Freedom Have Higher Standards of Living

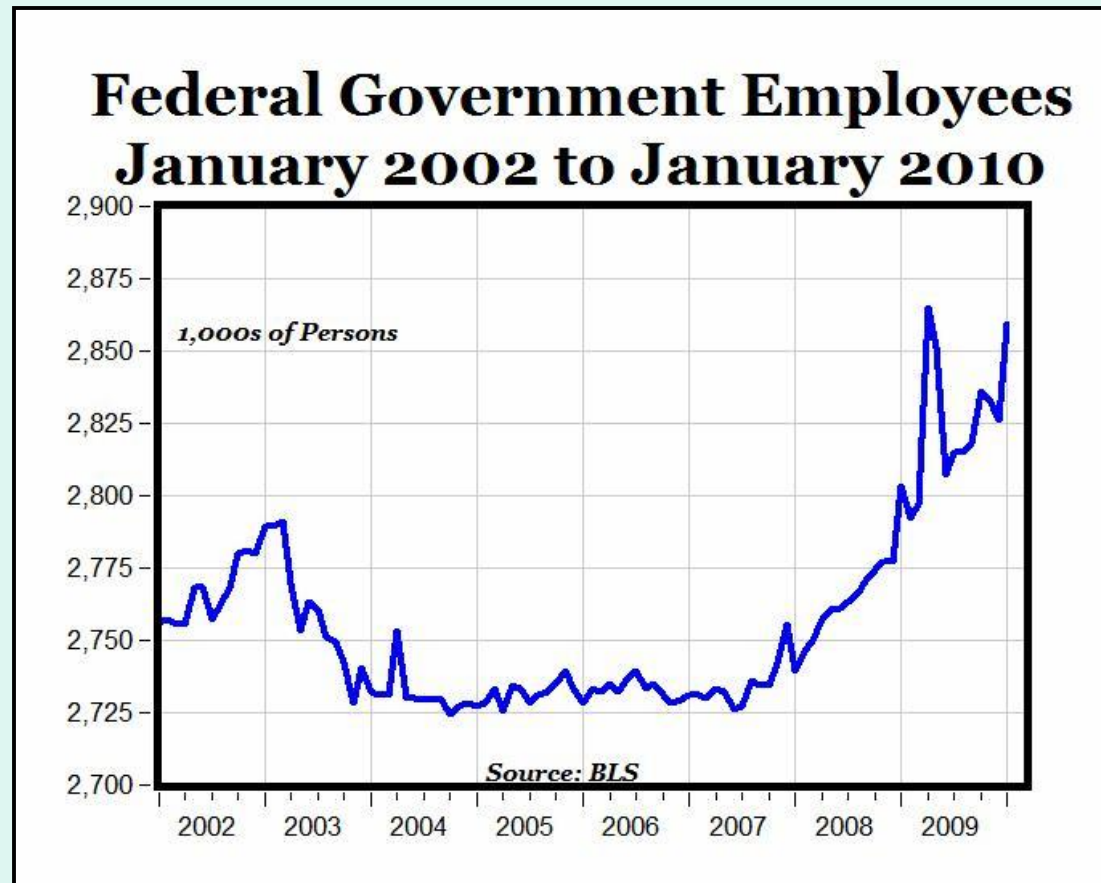


Source: Fraser Institute and Heritage Foundation/*The Wall Street Journal*

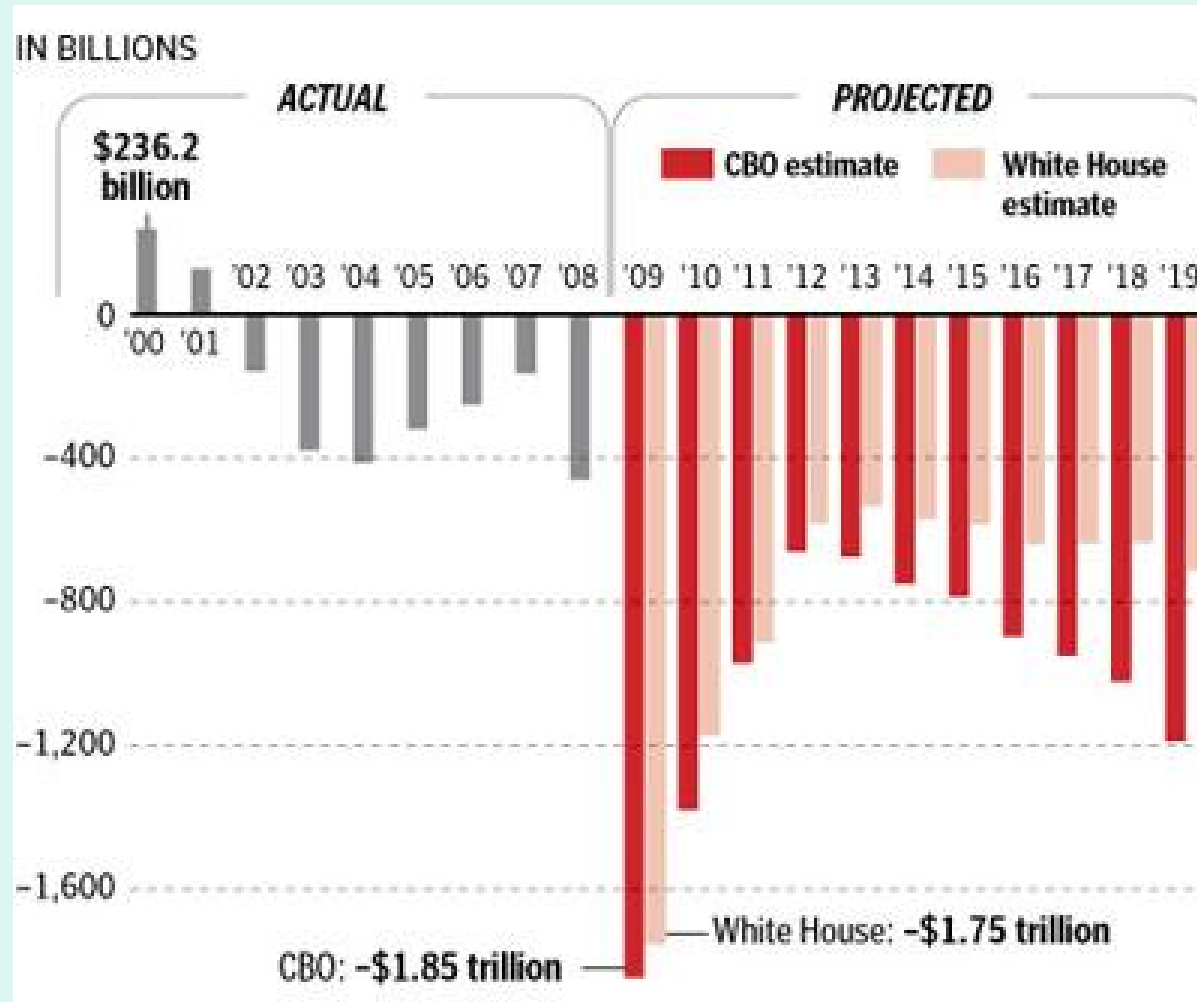
The Growth of Government



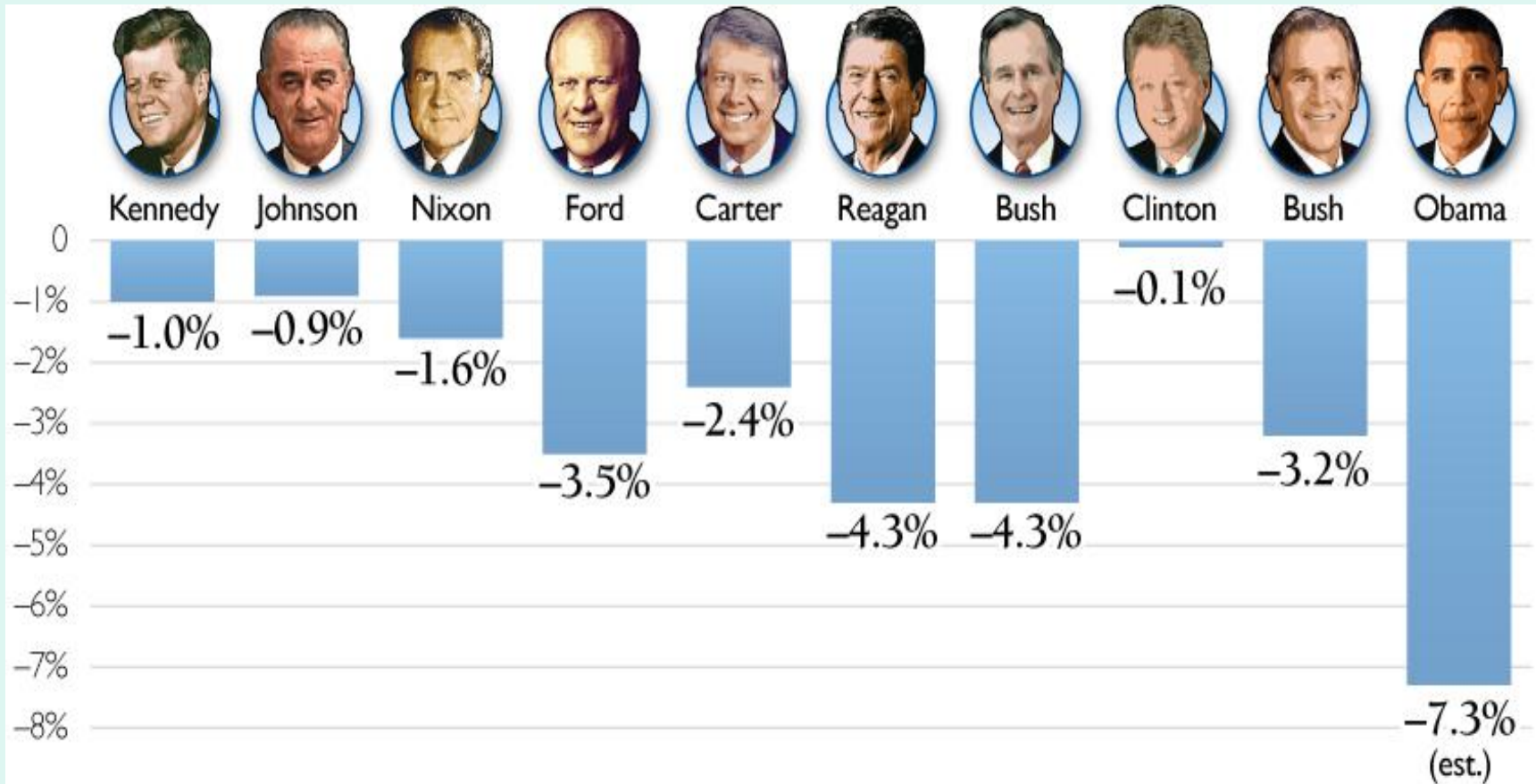
Federal Employment, 2002-2010



Out-of-Control Deficit Spending

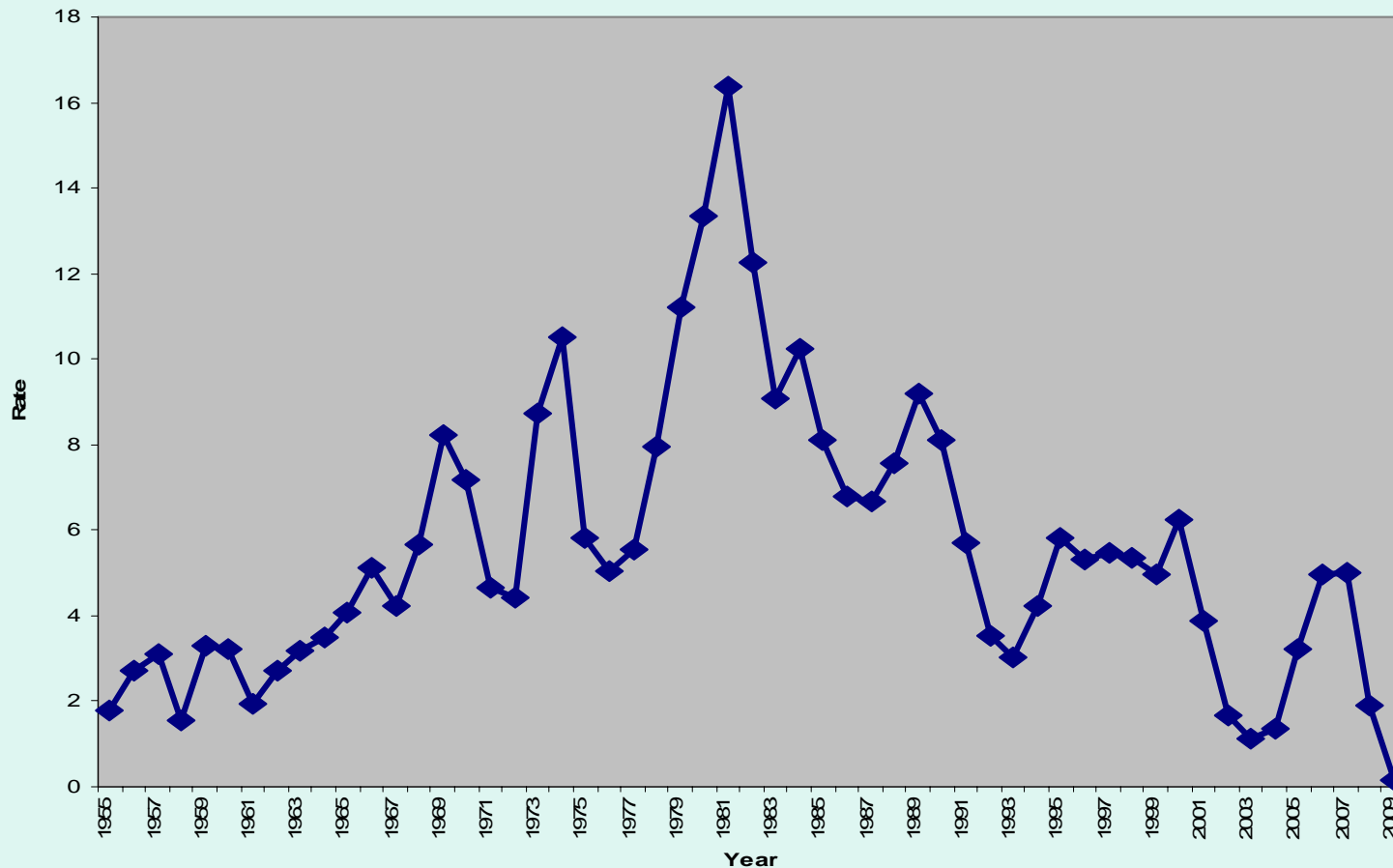


Change You Can't Believe



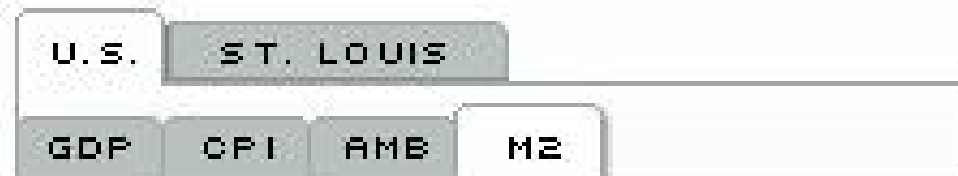
Short-Term Interest Rates: The Price of Money

Historical Chart of the Effective Federal Funds Rate



Source: Federal Reserve Bank

The Supply of Money (M2)



U.S. Money Supply - Weekly



A Tale of Two Dollars: Fiat Dollar vs. Silver Dollar, 1960-2010

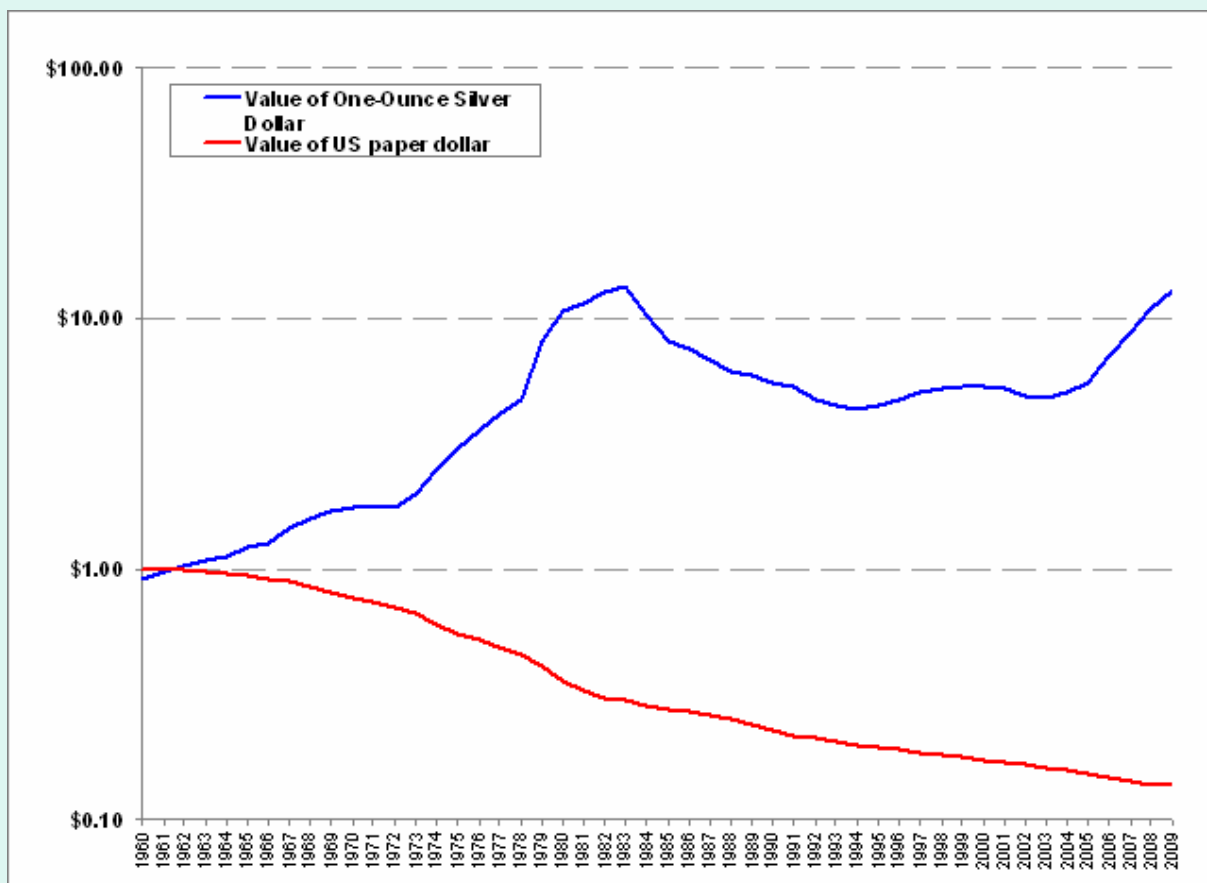


Figure 1. The purchasing power of two types of dollars, 1960-2010

"A Tale of Two Dollars," by Mark Skousen. Available from Investment Rarities, 1-800/328-1860, or free with a subscription/renewal to *Forecasts & Strategies*, 1-800/211-7661.

Economic Consequences of Mr. Keynes:

1. Bigger government/chronic deficits
2. More dependence on government for welfare and employment
3. More regulation of business
4. Growing threat of inflation and taxes: the twin relics of Keynesianism
5. Economic stagflation and stalled bull market on Wall Street
6. Consumer society with low saving rates and poor public investment in infrastructure

- “Little else is required to carry a state to the highest degree of opulence but peace, easy taxes, and a tolerable administration of justice.”
- “The uniform, constant, and uninterrupted effort of every man to better his condition. . . is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration.”

-- Adam Smith, *The Wealth of Nations* (1776)

But there's hope:



"I am pro-growth. I am a fierce advocate of a thriving, dynamic free market."

-- President Barack Obama, cover story *Business Week* (Feb. 22, 2010)

Ideal Investment Portfolio for 2010

- 40% stocks and mutual funds (domestic & foreign)
- 50% high-income stocks, ETFs, and closed-end funds
- 10% natural resources and precious metals

My Top Seven High-Income Investments for 2010

1. Aberdeen Asia-Pacific Income Fund (FAX)

ABERDEEN ASIA
as of 9-Mar-2010



My Top Seven High-Income Investments for 2010

2. Annaly Capital Management, Inc. (NLY)

ANNALY CAPITAL MANAGEMENT INC
as of 9-Mar-2010



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My Top Seven High-Income Investments for 2010

3. Western Asset Global Partners Income Fund Inc. (GDF)

WESTERN ASSETS GLOBAL PARTNERS
as of 5-Mar-2010



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My Top Seven High-Income Investments for 2010

4. Alpine Total Dynamic Fund (AOD)

ALPINE TOTAL DYNAMIC
as of 8-Mar-2010



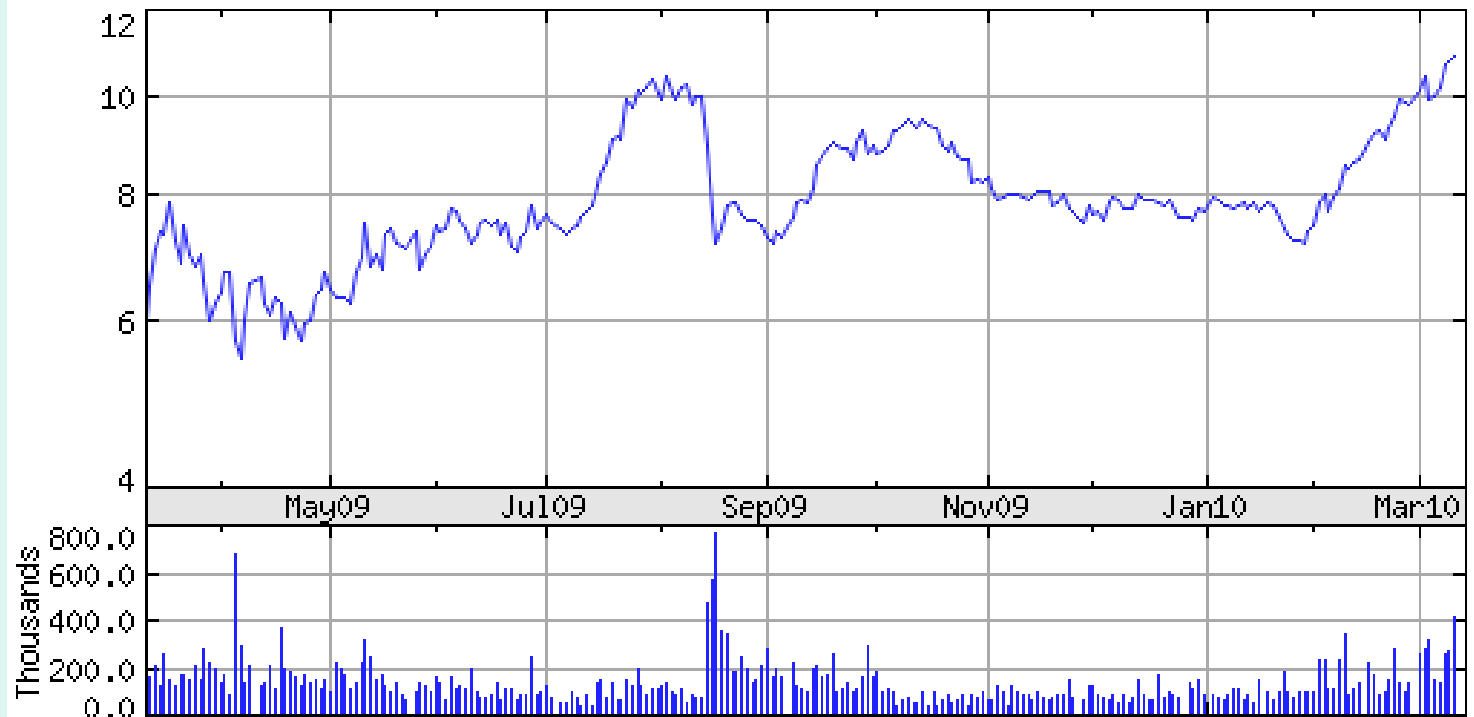
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My Top Seven High-Income Investments for 2010

5. Gladstone Capital Corporation (GLAD)

GLADSTONE CAPITAL CP
as of 10-Mar-2010



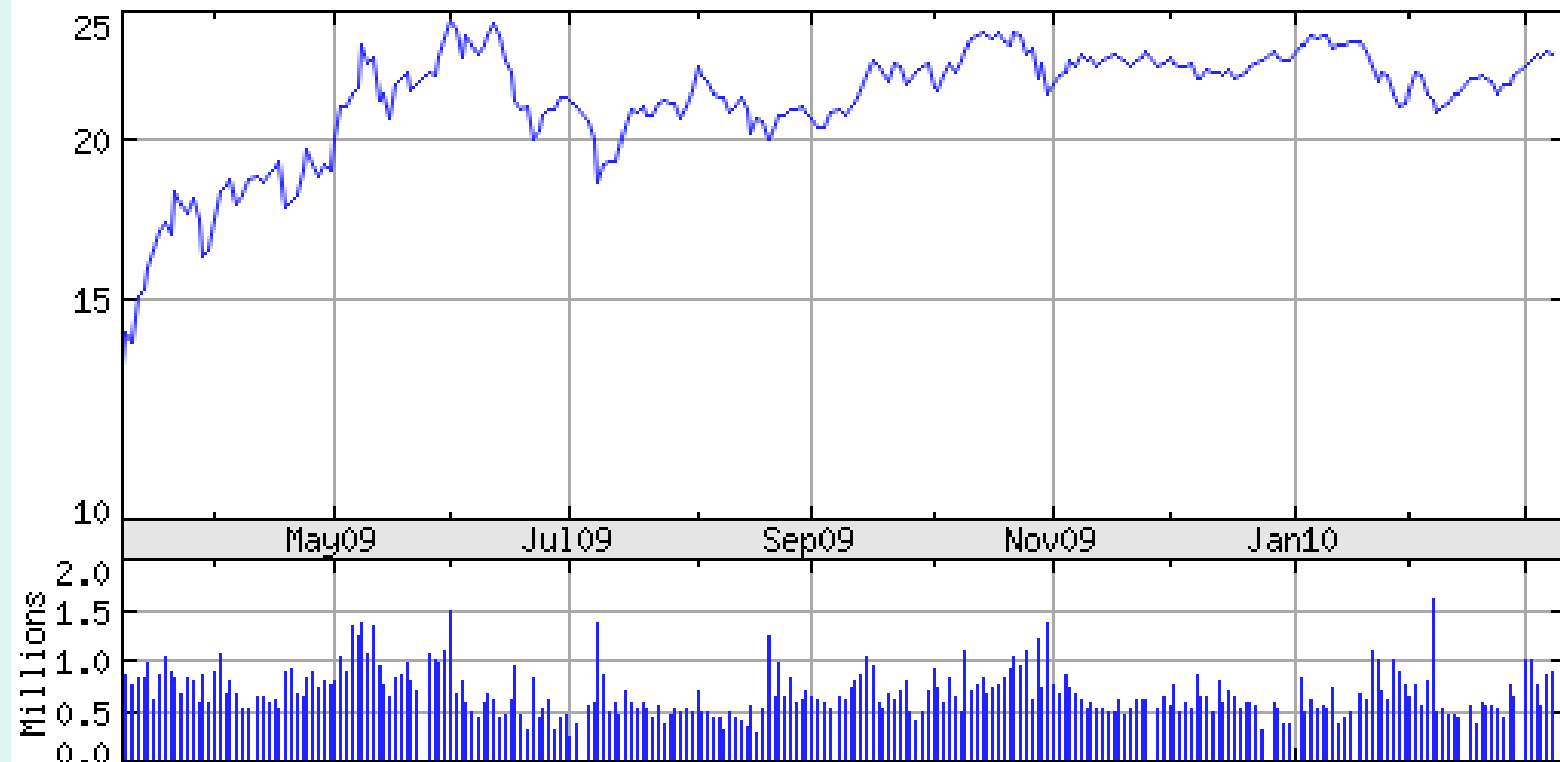
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My Top Seven High-Income Investments for 2010

6. Enerplus Resources Fund (ERF)

ENERPLUS RES FUND TR UTS SER G
as of 8-Mar-2010



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My Top Seven High-Income Investments for 2010

7. Enterprise Products Partners LP (EPD)

ENTERPRISE PRODUCTS PARTNERS LP
as of 9-Mar-2010

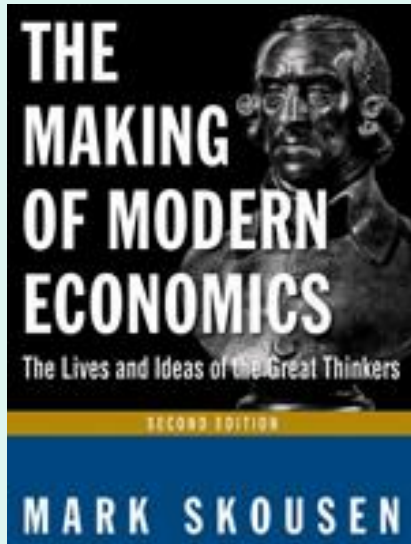
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"THE MAKING OF MODERN ECONOMICS" WINS CHOICE BOOK AWARD FOR 2009



The Making of Modern Economics: The Lives and Ideas of the Great Thinkers, Second Edition

Authored by: Mark Skousen

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-- John Mackey, CEO/President, Whole Foods Market

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