

Hello Everyone,

The Storm Before the Calm -- Title of a book by George Friedman.

It sure feels like that. I just wonder how strong the storm will get before the calm settles in.

In the meantime, it makes sense to prepare for the storm.

That led me to this headline:

- ***JP Morgan To Pay Record \$1 Billion Settlement Over Precious Metals, Treasury Manipulation.***

Hmmm. We know the price manipulations were to the downside. JP Morgan used exotic financial instruments to force prices down. Then, they bought.

Perhaps they were preparing for a financial storm.

I cannot say with certainty that precious metals manipulation happened this week. But let's just say it was very helpful for some big banks to have gold and silver prices fall before the end of the quarter.

And I'll leave it at that.

Today's missive, however, has nothing to do with that. We will finish a short (but timely) series on how a Supreme Court Justice appointment can affect the stock market. I hope it helps you see a raucous confirmation process in a new light.

Signed, Your Given-The-NFL's-Ratings-They-May-Want-To-To-Call-It-Click-Off-Instead-Of-Kickoff Financial Advisor,

Greg

KKOB 09.25.2020 Supreme Court and the Markets

Bob: So, Greg, apparently your Monday report got people thinking about the connection between the Supreme Court and the Stock Market. And, I must admit, it is not a connection most of us normally make.

But you got phone calls and emails about it, right?

Greg: I did. So, I thought I'd follow up and give some more detail.

First a quick review from Monday. Clearly, politics and markets dominate our news cycles here in the US.

And we know, politics is about the *pursuit and distribution of power.* And *politics represents the interests of the state.*

Meanwhile, economics is about the *pursuit and distribution of wealth.* And *markets represent the interests of the individual.*

And, yes, wealth and power go together, but the emphasis is different.

Anyway, it is not uncommon for these two sectors to come into conflict. In fact, it is quite natural. And, at the highest levels, the referee between the two is often the Supreme Court.

Bob: I can see that. Government wants to take care of government. That's natural.

Meanwhile, people want to take care of themselves (and their families). I get that, too.

Greg: Right. So, while the news will couch the choice of the Supreme Court nominee in terms of the individual being a conservative or liberal, market analysts will look at it differently. They will view it in terms of the nominee being a statist or a supporter of individual rights.

Let me try to explain....

A statist is obviously one who supports government---or the state. Generally, statist support the doctrine that the political authority of the state is, in most cases, legitimate---and should be upheld. And that government's interests can be far reaching---and legitimately intrusive--into most areas--to include both economic and social policy.

And this is why both liberals and conservatives often get confused (and frustrated) when a Supreme Court Justice doesn't "*vote the way they were supposed to*".

For example, on several occasions, Chief Justice, John Roberts, has angered conservatives by voting with the liberals.

But, I can tell you a story about this. I have a long-time attorney friend who has a very bright attorney daughter (who is now a judge in Arizona) who helped set me straight.

Back in 2005, when Justice Roberts was being considered for the High Court, my friend's daughter did an in-depth analysis of his lower court decisions.

She wrote a 20-page paper explaining how Judge Roberts was not a conservative; but rather a statist. In other words, in almost all the cases where he presided, he sided with the government's interests over those of the individual.

And if you look at Justice Roberts' decisions since then, you will see he has not changed....which, of course, aggravates and frustrates libertarians and conservatives.

Bob: So, I think I see where you're going with this.

To tie this to Wall Street-----I can see where the markets would view the next Justice through a statist lens instead of a traditional "conservative vs. liberal" lens.

Greg: Exactly. There are some businesses that are very tied to government. Those firms would be thrilled to have another justice who supports the power of the state.

Then there are other firms that are more free-market oriented. They would love to see someone who supports putting more power, independence, and yes, money in the hands of the general population.

And while we may think the Supreme Court just deals with social issues like abortion or gay marriage, the reality is all kinds of taxation, regulation, financial, & banking issues

come before the Court every year. They just aren't as emotionally charged.

Bob: So, we are back to the referee thing.

Individual desires *pursued through economics* are pitted against governmental desires *pursued through politics*. And one vote on the Supreme Court can tip the balance toward either the state or the individual.

Greg: Right. So, I guess I'd ask your listeners to view whomever the President nominates in that light. It's not whether the nominee is a liberal or a conservative, but whether the nominee is a statist or not.

Bob: Really interesting. And, yes, I can see how viewing it that way makes sense. How do people reach you?

Greg: My number is 250-3754. Or go to my website at zanettifinancial.com

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