

# TABELL'S MARKET LETTER

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Any attempt to relate political trends to the stock market is an occupation fraught with peril for the market analyst. Perhaps the hardest task is to maintain one's objectivity. Bull and bear markets have, in the past, occurred under both Republican and Democratic administrations, and with a fine impartiality. It is a difficult task for both the analyst and investor to keep his own political views out of a rational assessment of the market situation, to avoid excessive optimism when his own party is in power and a tendency to look on the gloomy side of things when it is not. Despite these difficulties, it should remain, nonetheless, part of the investor's task to assess political trends and to try to relate them to possible developments affecting his securities. What has taken place so far in 1972 represents an interesting field for such an exercise.

The major news, to begin with, has been the Democratic primaries, and it is obvious from the results of these primaries to date that the two major "winners" are Senator McGovern and Governor Wallace. Considered in what we have come to accept as conventional political terminology, two more dissimilar individuals could hardly be imagined. Political commentators, therefore, have spent a great deal of time trying to find a common bond between them and many of them have located such a bond in calling both "populists" -- i.e., the political heirs of William Jennings Bryan and Robert LaFollette.

Like most such comparisons, it is probably a bit facile. The sort of populism that constituted a major political force prior to World War I was agrarian in its roots. And it was directed against an establishment represented by a Wall Street which then possessed power which it does not, thankfully, retain today. There are, nonetheless, ties that bind the current trend with that of the early years of the century. In an article in Thursday's New York Times, Senator Fred R. Harris of Oklahoma, author of a book about and advocate of the new populism, quotes LaFollette as saying, "The issue... is not the tariff or conservation of the currency. It is not the trusts. The supreme issue, involving all the others, is the encroachment of the powerful few upon the rights of the many". Harris goes on to argue that the central issue today is not tax reform, monopoly or the environment but a similar latter-day encroachment.

It is not necessary to agree with this sort of thing to realize that it has attracted a following. It will be important to note this fact even if Senator McGovern is nominated and later defeated by President Nixon -- an event the stock market (see our letter of January 14) is now apparently forecasting. It is the nature of political processes to respond to positions held by individuals who receive large blocks of votes even if those individuals themselves are defeated. This is why an assessment of the implications of a new populist trend is important to the investor.

Two keystones of current populist thinking are impatience with the present tax structure, especially the so-called "tax loopholes", and the belief that current income is somehow maldistributed. It is irrelevant that both these propositions might be refutable. They are still widely held. The investor, therefore, should consider carefully investments which depend for their continued profitability on favorable tax treatment. The current depressed levels of many oil stocks, as an example, attest to doubts which have already been raised on this score. The investor should also, in his planning, be prepared to confront the demise of favorable tax-treatment that he has been receiving. The exemption of estates from capital-gains penalties is one example that readily comes to mind.

There are also implications for the investor on the positive side. Any steps toward a redistributive incomes policy could obviously aid industries with an interest in higher consumer spending, such as the leisure time industry, and the historic identification of populism with easy money may well have implications for bond prices. These and a host of other implications must be considered if Senator McGovern and Governor Wallace indeed represent the political force that a number of observers tell us they do.

Dow-Jones Industrial (12:00 P.M.) 970.57

S&P (12:00 P.M.) 110.57

AWT:mn

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