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THE HOLY SEE AS A NEW ECONOMIC POWER

What do *Time*, *GQ*, *Esquire*, and *The Advocate* have in common? They all named Pope Francis their 2013 Man of the Year. (In the case of *Esquire* it was actually best-dressed.) Few guys on Wall Street would quite raise such an achievement to the level of winning golf's Grand Slam, but it is, by any standard, a difficult distinction for any human being to achieve in the same year. While actors have always been warned to avoid working with children or animals given their ability to steal a scene, businessmen have long been warned to stay away from politics and religion when talking given the potential to offend current and potential customers. And so while this is a tricky piece to write for someone who considers himself both a committed Catholic and a committed capitalist, it seems as if the potential investment implications of the new Pontiff are too large to ignore.

The 266th Pope of the Catholic Church, Jorge Mario Bergoglio has, as Pope Francis, captured the imaginations of people of all religious faiths and political beliefs. Although some might attribute the Pontiff's popularity with his de-emphasis on potentially divisive social issues, it is arguably his outspoken support for the poor and his willingness to shun the typical accoutrements of a head of state that have garnered the most attention. In a world in which the town council members of Bell, California felt comfortable voting themselves salaries that approached half-a-million dollars, it is somewhat refreshing to see a guy who is officially in charge of the spiritual lives of 1.2 billion Catholics drive a 1984 Renault 4, 4-door stick shift, preferring to wear a simple cassock instead of the ermine-trimmed mozzetta used by prior Pontiffs. In one of his first official acts as Pope, he humbly kissed and washed the feet of 12 prisoners in Rome to underscore his role as a servant to the disenfranchised. In just the past week, he largely eliminated the honorific of "monsignor" to all but a few priests in an effort to abolish the "clerical careerism" that has come to characterize the Church.

But it is perhaps his first official act as Pope – his choice of the name of Francis – that may hold the most significance for investors looking to divine economic and social trends. As the first Jesuit priest to be named Pope, it was surprising to those who follow the Holy See to see that he eschewed the names Ignatius and Xavier. He chose Francis in homage to the famous Saint from Assisi because of his willingness to bring *"an idea of poverty against the luxury, pride, vanity of the <u>civil</u> and <u>ecclesiastical</u> powers of the time." (Italics and underlining added.)* It is this commitment to the people themselves, not to the trappings of power that come with "serving" the people, that appears to have most angered both conservative and liberal critics alike. In his recent Apostolic Exhortation, *Evangelii Gaudium*, Pope Francis urges us to reject a "new idolatry of money" and a "financial system which rules rather than serves." Some conservatives see this as a direct indictment of capitalism while a more charitable interpretation of his comments would suggest that his Argentinian origins lead him to believe that it is the unholy alliance of politics and money that pose the greatest risk to alleviating the scourge of poverty. It should be remembered that Milton Friedman was famous for making the distinction that he saw himself as "pro-market" rather than "pro-business" given the penchant of large politically-well-connected businesses to benefit most from the growth in government. Indeed, a look at the relationship between income inequality (the GINI coefficient) and per capita income suggests that higher standards of living accrue, ironically, perhaps to some, to those countries that possess greater differences between rich and poor. This may be scant solace to human beings who care more about relative outcomes rather than absolutes but it bears study.

The most important investment implication of all this is that, like it or not, populist sentiments in a time of stubbornly-high unemployment are only likely to grow. Disciples of monetarism and the belief that heavy debt-loads hinder long-term economic growth (Reinhart-Rogoff) have taken major hits within the academic world and in the media. The election of New York City Mayor Bill de Blasio and SeaTac, Washington's decision to institute a $15 minimum wage are further indications of the willingness of politicians to try to equal the playing field *de jure*. The ranks of those standing to support austerity seem to be shrinking, their political influence waning. Nearly every day, the news headlines show another European country's government rethinking cuts now, especially in light of the Fed's decision to pare back its bond-buying program. Could another fiscal stimulus program, perhaps centered around infrastructure spending in the U.S. and Europe behind. As Strategas' Chief Economist Don Rissmiller has noted, if you thought it was historically tough to fight the Fed, try fighting the Pope.

Jason DeSena Trennert

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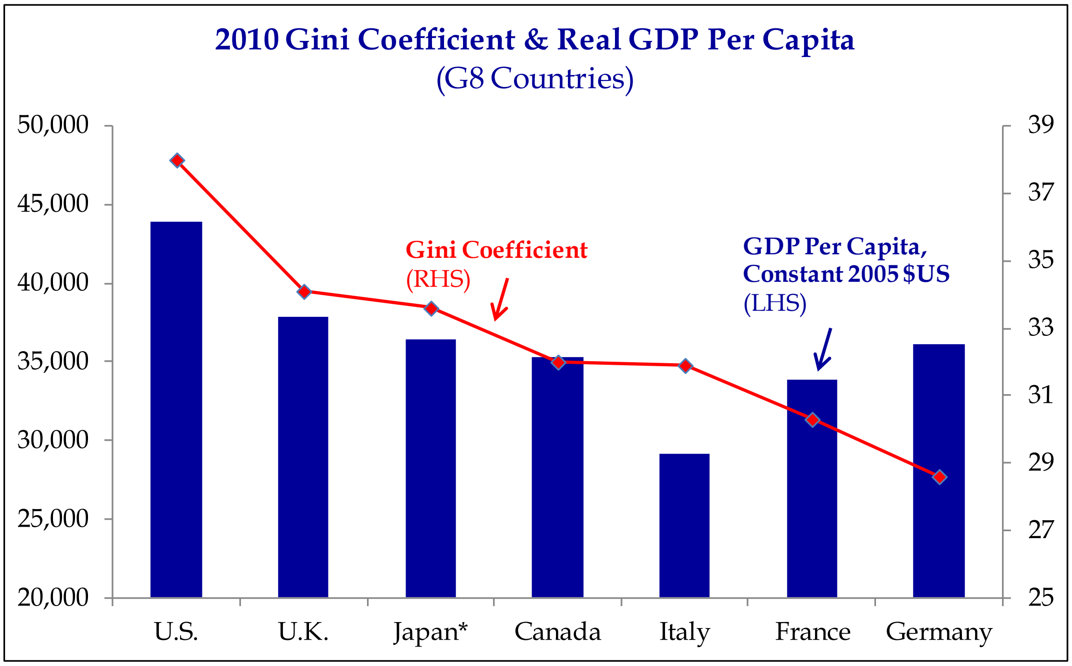
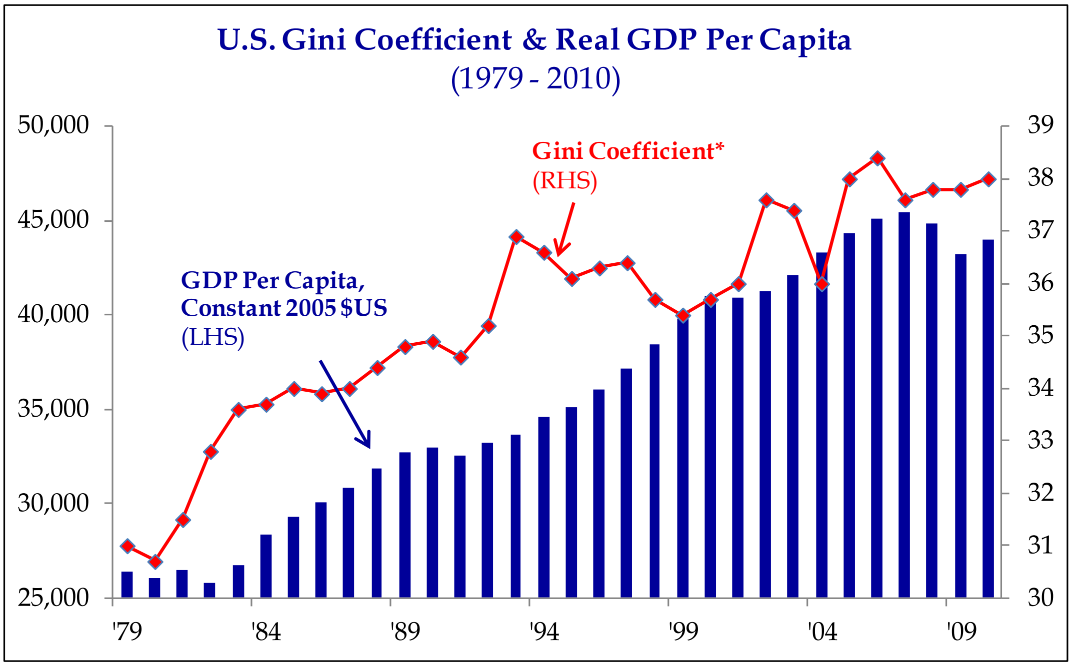
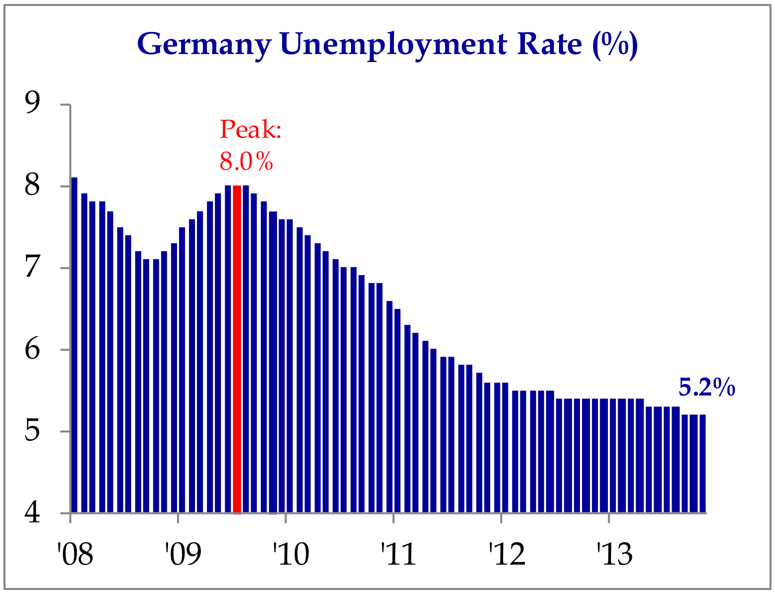
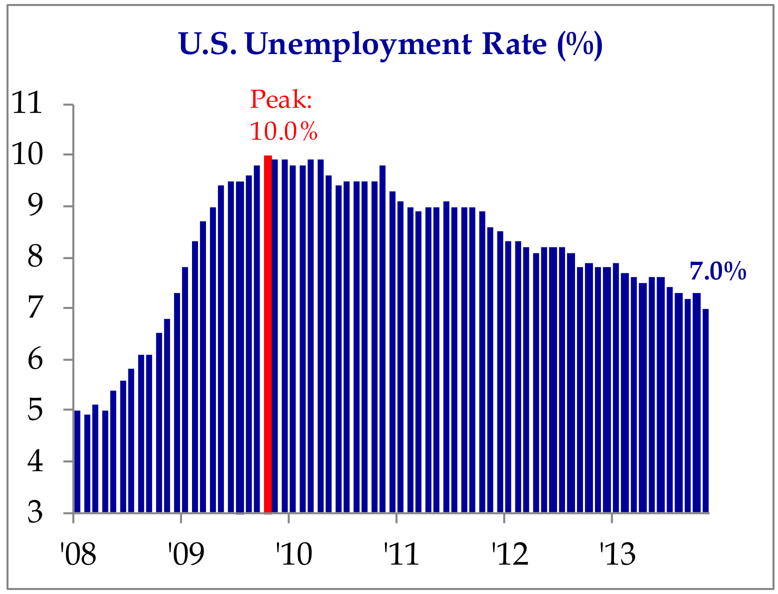


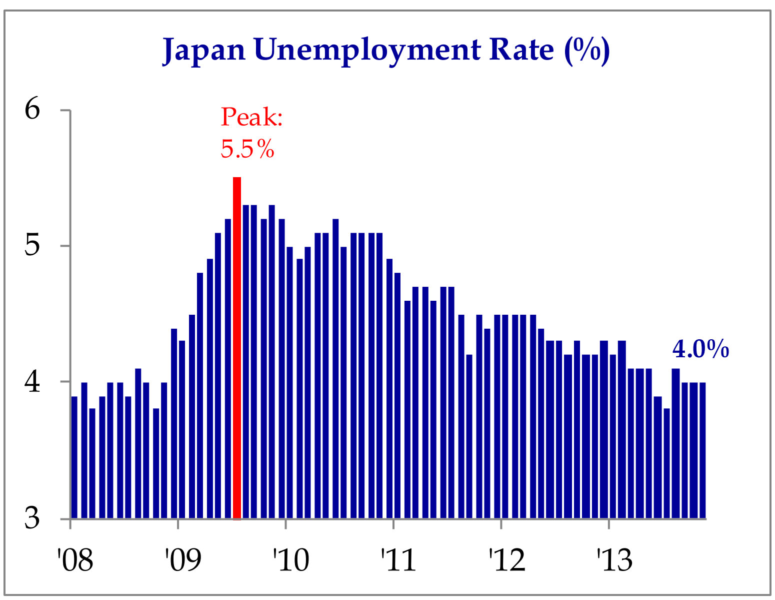
**Uses 2009 Gini Coefficient.*
Source: OECD. Chart excludes Russia.

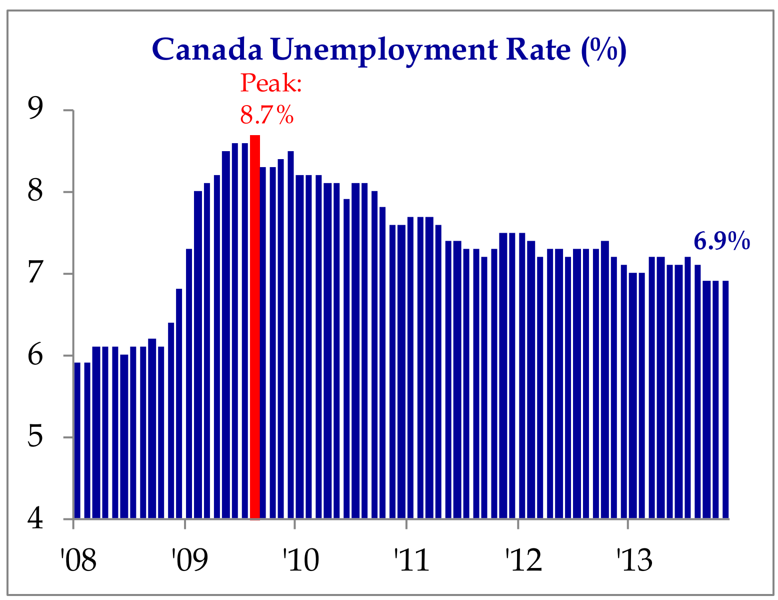


**Gini Coefficient of 0 represents perfect equality and 100, perfect inequality.*









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