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Digital Rules

a blog by Rich Karlgaard

Seven Questions For Week No. 11

March 15, 2010 - 9:51 am

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1. Will ObamaCare Pass?

[This story](#) again tops the weekly list--how could it not? On Sunday Fox News reported the Democrats had 211 votes. They need 216. Thus, the Pelosi, Gibbs, Axelrod, et. al., is either one giant incredible bluff, or they know something--incriminating videos? Which is it? We'll soon find out

2. Is The Stock Market Overvalued?

Cato's Alan Reynolds goes after Yale's Robert Shiller [here](#). You might dismiss this as an eggheads' spat, except that it goes to the heart of a market? Shiller believes P/E ratios will always revert to the mean. Thus today's 20 P/E for the S&P 500--based on trailing earnings--is higher than the long-term average, indicating overvaluation. Reynolds uses the other classic measuring stick: P/E's compared to the 10-year Treasury yield (which is 3.7% as of today, which is what the S&P 500's P/E could attain without being overvalued as compared to 10-Year T-bills. Which measuring stick is right? Or are there other tools?

3. Should Short-Selling Be Curbed?

Should short-selling be constrained? Real Clear Markets editor [John Tamny says no](#). Author [Michael Lewis says no](#) in this *60 Minutes* interview. Einhorn right about the perfidy of Lehman Brothers? Yes. But I also think short-sellers benefited from a tilted playing field during the meltdown and short uptick rule in 2006. The SEC also didn't enforce its own ban on naked short-selling during the meltdown. Finally, FASB made market-to-market requirement in November 2007. Previously MTM had been required but only for disclosure. These regulatory changes and neglects made it possible for financial institutions almost into the dirt. Short-selling is and should remain perfectly legal. It is necessary to discover prices and uncover frauds. Should short-selling be assisted by regulation any more than buying long should be advantaged. What do you think about short-selling?

4. Should U.S. Demand China Raise Yuan's Value?

[Paul Krugman thinks so](#). I disagree, but more with Krugman's insistence that a weak dollar helps the U.S. than on the need to play tougher with

5. Do Capital Controls Signal Retreat From Globalism?

Forbes.com editor Paul Maiment discusses the issue on [this video](#).

6. Is Marco Rubio The New Reagan?

I'm on record predicting the Republican ticket in 2012 will be Romney-Daniels. But Florida's 37-year-old [Marco Rubio](#) has star power, Reagan's charisma, and the GOP's future. Of course, Rubio must demonstrate his electability first by winning the Senate race in Florida.

7. Should Microsoft Ban Employee iPhones?

CEO Steve Ballmer would like to. [Is he right](#) or would Microsoft be better off studying, firsthand, what makes the iPhone successful?

Post your comments on any or all of this week's seven questions. Fire away.

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The Greenest Gasoline?



Brian S Hall
Whoa. Deja vu!

I certainly hope our country can join the rest of the developed world in guaranteeing education (er, healthcare) for all, regardless of ability to pay. And I doubt that means incriminating videos (oy, vay, Rich, the Fox News borg have taken you away, I'm afraid).

Re Microsoft banning iPhones. That's the same as IBM having an OS/? only policy instead of allowing MS DOS/Windows. A complete capitulation to reality.

Marco who? What is it about "conservatives" always pushing the next big star like a bunch of Frenchmen rallying around a new enjenu. (so i can't spell) Has the shine already come off the mayor of wasilia?

I fully support Krugman!

Ban short selling? I don't care -- provided it's done now and forever (rather than having psuedo regulations that only go into play when rich insiders need extra protection).

Don't know about the other stuff. Thanks for the links to the good material!
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