

Pledging Allegiance to the United States of Hedge Funds

YOU really cannot imagine how beautiful and yet how empty it is at Lake Pend Oreille in North Idaho.

When I take my hardy little Thompson motorboat out in front of my future home there — at a resort community called the Seasons, for avid boaters like me — the water goes on forever. There may be one or two other boats at most, and eagles are nesting next to where I moor my boat for lunch. Hard to believe: it's real, perfect and uncrowded.

On the other hand, here are a few parcels of the daily drama of life that are easily real. When scientists discovered nuclear power, as George Bush and I call it, they considered its uses virtually unlimited. Even now, we have not plumbed all of the atom's utility. The same goes for hedge funds.

Supposedly, a number of wizard managers consistently earn more than 40 percent a year for their hedge funds. Yes, I know that this conflicts with every bit of investment and market theory — or almost every bit. I know that such a thing should be impossible. But, supposedly, magicians like Steven A. Cohen, founder of SAC Capital in Stamford, Conn., can regularly earn 40 percent a year — often more — on their capital.

But why waste our time on envy or disbelief? Let's put Mr. Cohen to work for the greater good. Let's have the federal government issue about \$10 trillion in Steven A. Cohen National Debt Retirement Fund Bonds. After interest is paid on the bonds, if Mr. Cohen makes 40 percent on the money, the fund will return 36 percent a year. That means that in only two years, he will have made roughly \$10 trillion for the taxpayers, with which he can pay off the entire United States federal debt.

Even if Mr. Cohen follows his usual pattern and charges the client — in this case, the government — 50 percent, thus lowering the effective yield to a "mere" 16 percent, his brilliance and skills will have paid off the entire national debt in less than five years. That's unless, of course, Mr. Bush — or Hillary or Mitt or Rudy or



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Barack after him — add hugely to the national debt.

But wait, as they say in the infomercials, there's more! Why do we need federal taxes? The government spends very roughly \$2.3 trillion a year. Suppose that Treasury Secretary Henry M. Paulson Jr. issues \$6 trillion in Steven A. Cohen Budget Anticipation Trust Bonds. And suppose Congress mandates that Mr. Cohen not

charge a fee for managing this fund. In one year, his bonds will have earned enough for all federal expenditures, thus eliminating the need for taxes. And why not do this every year? Why burden us persons with taxes when stock market and other speculation can take up the slack?

And that's just the beginning. Why not have a Medicare Anticipation account in which speculation is used to defray the av-

alanche of costs reasonably anticipated by Medicare? The power of uncompromising pure research and split-second timing is limitless.

My pal Phil DeMuth, investment guru of Conservative Wealth Management, has calculated that if Mr. Cohen uses his laser vision to keep making 40 percent a year indefinitely, by 2075 he will have as much money as the rest of the country put together.

By 2080, on the same assumptions, he will have all of the wealth of the United States unto himself. Within a decade or so more (very, very roughly) he will have all the wealth in the world.

I KNOW that there is a little problem called mortality here. But do you really think that a man who can consistently get 40 percent a year in speculation cannot defeat that problem? Anyway, he probably has a little black book with phone numbers or a black box with unimaginably complex strategies for trading locked up somewhere that will keep on churning out these results for his heirs.

Now, I am a little troubled by where this leaves the other hedge fund managers who are also making 40 percent a year for their hedge funds, both here and abroad. At some point, the top players will start bumping up against limits, and against one another. Then it will be like King Kong versus Godzilla versus Mothra — a giant creature in early horror movies that resembled an immense moth. Only the toughest hedge fund manager will be left standing. And I am not sure where this leaves China, which is growing, and will surely keep growing, at 10 percent a year.

Mr. Cohen has the sechel (a Yiddish word meaning wisdom), but China has the bomb and the Thought of Mao Zedong. It's all too complicated for me. And I think that by solving the problems of the national debt and taxation, I have done enough for today.

Hedge fund power. Unlimited, clean and silent. In the meantime, enjoy Lake Pend Oreille and the splendid empty waterways and mountain forests of North Idaho before it all becomes the United States of Cohen.