

## All Is Not What It Seems

When Obama was running for a second term I said we could survive one term of Obama but I was not sure we could survive two terms. Unfortunately my prediction might be coming true.

The community organizer came into office with hope and change. What we got is a continuing middle class recession and a world in chaos.

The Obama administration claims that under its tenure, unemployment is down to 5.6% as of December of 2014 from double digits, the stock market is at historic highs, America is becoming energy independent and inflation is down. Today all Americans have affordable health insurance through Obama Care. On the international stage we are no longer fighting a war in Iraq and Afghanistan. We are in the process of normalizing relations with Cuba and pursuing an agreement with Iran on their nuclear development.

The bottom line is that the world and the American people are better off than they were when Obama took over from the Bush administration. If all this was true why, then, is Obama's rating below 50% and the Republicans now control both houses of Congress after two disastrous elections?

The answer is that all is not what it seems. Take the unemployment rate of 5.6%. This number only includes those who are actively seeking work but does not include those who are available for work or have become discouraged and are no longer seeking employment. When these numbers are included the true rate is 11.2%. The quality of the job is also important. There are 6.79 million people who are working part-time because they couldn't get full-time work, although they'd prefer it. When Obama took over in 2008 the official unemployment rate was 4.6% with the true rate was 8.4%.

The large pool of under employed and discouraged workers has also depressed wages along with higher paying jobs being replaced by lower paying jobs. The median income in 2014 has finally risen to \$53,891 from a low of \$51,893 in 2011 as compared to a high of \$55,589 in 2009. Is it any wonder that the middle class is not happy?

But the stock market is at an all-time high. Doesn't that show the economy is booming? Here is a bubble about to burst creating another nail in the coffin of the middle class.

Since December of 2008 the U.S. has had a policy of zero interest rates. The objective as stated by Fed Chairman Bernanke was to lower the cost of capital encouraging businesses to invest and consumers to borrow and spend thus boost the economy. A second objective was to force those who had their savings in bank accounts and CD's (the majority of the middle class) into riskier investments, the stock market.

What has happened is that instead of investing the funds in equipment the companies have used the zero interest rates to borrow money to buy back stock and pay dividends thus artificially increasing the value of their stock. Although the savers have moved large sums of money into stocks from savings, the low interest rates are killing the same people that Obama is claiming to

help, the low income and elderly that cannot invest in the stock market but were counting on interest from savings to live on.

With depressed wages and a large percentage of the workforce not working, consumer spending remains low even with zero interest rates.

Since 2008 the Feds have been printing money to the tune of \$4.4 Trillion by the end of 2014, using the money to buy securities and treasury bonds even after the markets have stabilized. The Fed now holds more than five times the amount of securities it had prior to the 2008. The objective was to provide market liquidity and force low interest rates. This potentially exposes the taxpayers to further losses when rates eventually go up, and potentially increasing the likelihood of future inflation while building an artificial stock market and financial bubble.

In recent months Obama has been trying to take credit for the increase in U.S. oil production and low gas prices. This is so far from the truth. In fact the Obama administration has been doing everything in its power to close down oil production and switch the country into alternate environmentally friendly energy sources. Since 2009 oil production on federal lands is down by 6 percent while overall oil production on non-federal land is up by 61 percent per the Congressional Research Service. In 2010, 36 percent of our nation's oil production took place on federal lands, by 2013 only 23 percent of oil production took place on federal lands.

Even the temporary drop in gasoline prices is driven by a surplus of oil and Saudi Arabia efforts to force the American fracking oil industry out of business and not by any policies on the part of the Obama administration.

Companies as well as governments make strategic decisions that affect the stability and future of the company or nation. Obama made such a decision when he chose to focus on healthcare, transfer of wealth and environmental issues rather than the ailing economy. The results have been to prolong the financial recovery and making it the longest economic recovery in history.

One of the unintended consequences of the Obama Administration's decisions is the state of the world economy. Since World War II the United States has been world's major consumer of products and resources. When the economy went into recession it was felt the China would fill the gap left by the United States and the world would avoid going into recession. Unfortunately China also depended on the United States as a consumer of their products. The results are a world in recession which is now on the brink of a financial disaster.

The Obama win in the 2008 presidential race was supposed to mark a new chapter in U.S. foreign policy. Early in his administration Obama announced a new foreign policy, "Leading from Behind". Henceforth the United States would no longer unilaterally take action on its own but would seek coalitions through the United Nations. Further he pledged to pull out U.S. troops from Iraq and Afghanistan, and close down Guantanamo Bay. This approach to foreign affairs was to earn both love and respect for the United States around the world by stressing cooperation and understanding.

Since World War II the United States has been the world's policeman. This has saved the nations of the free world from having to spend in their defense at the expense of this nation's

sons and daughters, and treasure. In general we have kept the tyrants at bay but the nation has become war wary from Iraq and Afghanistan and looked to the fantasy of Obama's vision of the world.

Unfortunately Obama's approach has created a vacuum that is being filled by crisis and turmoil in the Middle East as Iraq, Syria and Libya descend into chaos, Iran getting closer to a nuclear bomb, Russia's invasion of Ukraine and China taking a more aggressive stance toward its neighbors.

It is very likely that Obama will be the 21<sup>st</sup> century's equivalent of Chamberlin's "Peace for Our Time."

So what can we expect until the next presidential election in November of 2016? With two election defeats under his belt Obama still plans to press on with his agenda, Transfer of wealth, environmental programs, increased regulations, expansion of entitlement programs and the fantasy of negotiations to resolve international issues without the show of force.

The one big difference will be that Harry Reid will not be around to shield the President from having to cast a veto on popular legislation. The Republicans still do not have a super majority in the Senate so the majority of vetoes will be sustained. The President will no longer be able to claim that the Republicans and congress are the cause of nothing being done.

Gas prices will go up when one of two things happen: Saudi Araba runs out of foreign currency reserves or Iran acts through one of its proxies to disrupt the flow of oil from the Middle East. Obama will take no action to make up the difference by allowing the shipment of oil from the United States. This will force Europe into further financial instability being dependent on Russian and Middle East oil.

Russia will continue to expand claiming it is protecting Russian nationals by incorporating the Eastern European countries and the Balkans. Obama will ask that the countries involved negotiate with Russia to resolve their differences, denying any aid on the premise that it would only promote conflict.

Obama will announce that the western nations are removing all sanctions from Iran having signed an agreement restricting their nuclear development. Soon after Iran will announce that they have the bomb setting off an arms race in the Middle East countries. Israel and Saudi Arabia will band together to try to stop Iran. Iran will become the major power in the Middle East controlling Iraq, Syria, Lebanon and Afghanistan controlling vast oil reserves.

Japan, South Korea and the Philippines will become isolated as China expands its influence in the area laying claims to large sections of the ocean and islands. World War II conflicts will prevent a coordinated approach against China without United States leadership.

Increased regulations, expansion of entitlements, and transfer of wealth will constrain the economy keeping it on the edge of a return to recession. The stock market bobble will burst as international events overwhelm the economy finally forcing the country into recession.