



## Pop Radio – Party like its 1989?

"It is hard to imagine a more stupid or more dangerous way of making decisions than by putting those decisions in the hands of people who pay no price for being wrong"

US Economist Thomas Sowell

Today the Washington Post reported the latest US Consensus Bureau's annual report on incomes and poverty. And while one might think after years of stagnant incomes and elevated poverty rates which are broadcast daily in the media, that we would have become acclimatized to depressing facts.

What was interesting in the data is not the fact household incomes were basically flat in 2012, or the fact that 15% of the US population was living below the poverty line. No, what surprised me was that when you look at a longer view of US household incomes, it shows the real median household income over the past 25 years (ie. money earned, in inflation-adjusted dollars by the family at the exact middle of the income distribution) remained flat. In 1989, the median American household made \$51,681. The 2012 numbers came in at \$51,017. That means that 24 years ago, a middle class American family was making more than a middle class family was making one year ago. So when we read about the "lost decade" for economic gains for Americans, it's been more like a lost generation.

Now regular readers will know how I feel about the current US Administration, but based on the data the President has been correct about the plight of the middle class. In my opinion, what he has been totally wrong about is how to fix it. It is not via policies like income re-distribution, higher taxes, reckless government spending, higher regulation, etc...

Listening to the President these days is like listening to pop radio; it's the same song over and over, but with no message. It's a song heard for a long time by the left. Perhaps politics reflects real life or vice-versa, but all of a sudden, he's trying to present what's new is actually old news but presented as new.

The President repeats the same slate of ideas every time he speaks, like off a hymn sheet:

- Economic opportunity
- Education
- Clean water
- Housing
- Immigration
- Healthcare reform

The US has rarely lost a war, but the "war on poverty" has been the nation's biggest failure, and not because of a lack of firepower. Trillions and trillions of dollars have been pumped into the system to "help" the disadvantaged, but somehow the poverty problem is not only firmly rooted, it has actually gotten worse.

Perhaps the wrong targets to attack might be the reason. The rate of poverty has climbed back to match levels of 1993, and as far back as 1965, when the war on poverty was the strongest and lots of promises made, but as of 2012, still unfulfilled.

Until recently, poverty levels improved markedly at the end of recessions and made big gains during the Reagan and first Bush Presidencies, which brings me back to the targets in this "war." The idea of taking wealth from any source and giving them to another only creates a short-lived prosperity for the recipient. The source of funds doesn't make a significant difference if the help doesn't come with expectations or strings attached. So far, those trillions that have been pumped into the system have come from US taxpayers or Chinese lenders.

Already burdened by the highest corporate tax rates in the world, there is a serious effort out of the White House to drain more funds directly from Corporate America. Does higher minimum wages actually help those it intends to help if it simply eliminates more jobs? The message out of the White House consistently seems to be:

- It's not your fault for your situation, it's the fault of someone you've never met who happens to be successful
- Sacrifice is too hard for you but you should make more for a lesser skill set
- Poverty should be "comfortable"

Poverty since Lyndon B Johnson	1965	2012
Under 18 year's old	17.5%	21.8%
18-64	10.0%	13.7%
65+	29.0%	21.8%

We hear over and over again how the top 1% has a greater share of total income, and the attached narrative that they got there by somehow "stealing" that money from those earning less. The liberal agenda has failed miserably in this regard, for the notion of targeting those who are actually already carrying the load has kept out job creators and investors, and the strategy has backfired.

Nobody has fared worse than the constituents of the current President and those who have clung to the notion and his "sales pitch" of government engineered solutions and mandated fairness. This is where the thread of Obama thinking has been faulty and why the American economy is underperforming.

All of his major motivations seem centered on getting even rather than growing and moving forward. Getting even is human, but getting the economy moving and truly empowering people to create jobs is what being a leader (i.e. President) is all about.

With another US debt ceiling debate rapidly approaching, the rhetoric from the White House will revolve around even more taxes, more redistribution, lots of useless rhetoric to sum it up.

More and more people are being lured to the sidelines of life with the idea they are entitled to a certain life regardless of their own individual efforts.

The President's support levels are swiftly falling as well:

- 54% now disapprove of the job Barack Obama is doing (only 40% approve)
- 39% approve his foreign policy
- 38% approve his job on healthcare
- 37% approve his job on the economy

(Gartman Letter 9-11-13)

The President can take solace that Congress' approval rating is at 17% however.

So in the next few weeks, Washington is going to turn its attention to their budget. Right now, the US government's debt (or at least the legal debt limit) is \$16.7 trillion. Read the number again. It was approximately \$10 trillion when President Obama took over. So in approximately 220 years the mighty USA put on approximately \$10 trillion in debt and almost \$7 trillion in less than 5 years under Obama. Does that not resonate as somehow way off with anyone?

Stay tuned,

Vito Finucci  
Vice President and Director  
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