



Downgrading Obama

Unfortunately, Jimmy did nothing to make things better. By 1980, when he was running for re-election against Ronald Reagan, the Misery Index had climbed to an all-time high of 21.9 percent — more than 61 percent higher. Ouch! As a result, the voters booted him out and decided to give the former Governor of California a chance.

But all Reagan did for the next four years was blame Jimmy Carter for the mess he inherited, while things in the country got worse and worse.

Ha-ha, just making sure you're paying attention. Of course, that last paragraph is a total fabrication. Rather than blame his predecessor for the conditions he inherited, Reagan and Paul Volcker slammed on the money-creation brakes, cutting inflation dramatically. Interest rates plummeted. Businesses could borrow again, with confidence that their investments would pay off.

A massive tax-reduction program encouraged individuals to start saving once again and companies to expand. Millions of new jobs were created, which meant millions of new taxpayers started sending a portion of their earnings to Washington. While lowering the tax rate, government revenues actually increased.

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I wish I could tell you that President Reagan also abolished a ton of government agencies, as he promised during his campaign that he would. Unfortunately, once he took office, not a single major government department was abolished or even substantially reduced. By the time he left office eight years later, the total number of government employees and total government spending had grown dramatically.

That's the bad news. The good news is that, like an old-time biblical prophecy coming true, the wall came tumbling down. Communism collapsed in East Germany. Most of the former Soviet satellites tasted freedom for the first time since World War II. And the "evil empire" was no more.

Historians will argue for centuries whether the results were worth the price. But actually, none of that is my point today.

No, what I want to emphasize is the startling difference between how Ronald Reagan sounded, and what he and his administration did, compared to the petulant whiner we have in the White House today.

I don't know about you, but I have had it up to here with Barack Obama's refusal to take responsibility





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for any of his failed (and unbelievably expensive) policies. All he and his coterie of apologists can do is blame his predecessor and argue for more government spending to make things better.

The latest example was the decision by Standard & Poor's to downgrade the credit worthiness of the United States from AAA to AA+. To you and me, this wouldn't be a big deal — maybe like dropping a point or two on our credit score. Nobody expects our borrowing costs to soar and lenders to flee — at least not for a while.

No, the result of the downgrade was mostly psychological. And, boy, wasn't that enough to prove there are a lot of loonies on Wall Street? In the five days that followed the Friday-night announcement, the Dow Jones industrial average, the mostly widely watched financial metric in the country, dropped 634.76 points. Then it soared 429.92 points. The next day it plummeted 519.83, then up 423.37, and finally up another 125.71. Man, if someone could turn that ride into a roller-coaster, he would make a fortune!

What does it all mean? Let me suggest at least two things:

1. The people making millions of dollars a year investing other people's money don't know any more about what's going to happen or what they should do about it than you or I.
2. The whiners in the White House are a pathetic bunch of losers. Isn't there anyone in authority who will man up to the facts? Clearly, that duplicitous huckster and one-time tax cheat Treasury Secretary Timothy Geithner won't. Not only did he flat-out guarantee that S&P would not downgrade our debt, he was foolish enough to do so in front of cameras. Now, his brazen baloney will live on the Internet forever. (Serves him right.)

John Mauldin, one of my favorite economic analysts, had this to say about the situation:

So if the Fed, which doesn't issue credit and can print money, can be downgraded because it holds AA+ debt, then why and how in hell can the [European Central Bank], which holds hundreds of billions of euros of the junk debt of Greece and Ireland and insolvent banks not be downgraded on Monday? And the Bank of Japan. REALLY? What are these guys smoking?

Of course S&P didn't downgrade the ECB on Monday. Instead, it gave Fannie and Freddie the whacking they have deserved for at least half-a-dozen years.

Just one more thing: Don't put much faith in that Joint Select Committee in Congress that is supposed to implement all those spending cuts that were promised at the end of the debt-ceiling debate. Pelosi and Reid stacked their side with six of the most loyal leftists in Congress. While McConnell and Boehner responded by appointing establishment types who have voted for years to expand the reach, power, and cost of government.

Talk about snatching defeat from the jaws of victory! If you're counting on this group to hold down spending, I'm afraid you are going to be sorely disappointed. Once again, it looks like the business-as-usual types on both sides of the aisles will get what they want.

Someone once said we get the government we deserve. I sure hope not.

Until next time, keep some powder dry.

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