

Obama's Myths and Lies Part V: "The Failed Policies of the Present". "You have a problem? I've got a speech for that!"

Almost three years ago Obama arrived in the White House without being adequately vetted and without a record.

One of the most evident proof of this is the fact that although he ran under the "yes we can" mantra he has spent his presidency blaming others for his shortcomings.

His constantly repeating that "*I inherited the crisis*" is one more token of his lack of accountability.

Even if we were to concede that he "*inherited*" a bad economy, the fact of the matter is that if it was "*not his fault*" (as he and his supporters spin) it certainly is Obama's responsibility and has been from the moment he took office.

Further, it really doesn't matter what he inherited when his policies rather than alleviate the downturn have only deepened the crisis to a degree completely divorced from what any reasonable person would expect from a "yes we can" candidate.

Moreover, not only does Obama refuse to take responsibility of his obligations as Chief of the Executive, he also misleads the American People in many other ways, like when he tries to advance his regressive policies with the equivocated assertion that "*we cannot repeat the failed policies of the past*" (mainly referring whenever it is politically expedient) to the tax cuts "*for the rich*" implemented by President George W. Bush.

What we see today and is evident in every single economic (and social) indicator is that it is "***Obama's Policies of the Present***" the ones that are sinking our nation to depths not seen since the Great Depression.

What really has the United States on the brink of a double-dip Great Recession is Obama's:

- i. His excessive spending,
- ii. The exploding growth in the size of government that he has promoted,
- iii. His refusal to restructure the failing entitlement programs,
- iv. The added financial burden that would result from (the potentially unconstitutional) *Obamacare*,
- v. The soon-to-be unmanageable indebtedness,
- vi. His false and misleading redefinition of families and businesses making over \$250 thousand a year as "*millionaires and billionaires*", "*fat cats*", "*the super-wealthy*", or "*corporate jet owners*" effectively promoting class warfare, and
- vii. His stubborn yearning to increase taxes on those most able to provide economic growth.

These are the real failed policies of the present. This is Obama's economic agenda. This is what is causing among other things:

- America's credit ratings downgrade,
- Poverty levels not seen in decades,
- A weak US dollar,
- One of the highest unemployment levels since WW II coupled with stagnating wages,
- A regressive empowerment of union leaders in a shameless effort to guarantee their campaign contributions,
- Uncertainty among job creators that cannot hire nor invest in the current environment, and last but certainly not least,
- A toxic political atmosphere poisoned by his "blame discourse" and class war mongering.

**The Real Causes for Obama's "Inherited" Economic Crisis:
And no, it was not only "Bush's fault" ...**

It is all too common to hear from the administration, the Liberal media, from Obama supporters and from Obama himself the repeated (and false) two main arguments that the crisis is "*Bush's fault*" and/or (depending on the context and, in classic Obama mode, on the audience) "*the result of the failed policies of the past*".

When I hear this I cannot help but to remember Obama talking up his "*shovel-ready*" projects and think that the only "*shovel-ready*" factor during his administration has been Obama himself. Because if he came into office and found a hole, he brought a big shovel with him (*Obama's failed policies of the present*) ready to keep digging; deeper and faster than any president before him.

The Real Origin of the Crisis:

1.- The Housing Bubble.

Make no mistake: the true beginning of the economic crisis lies with a housing bubble that started brewing way before President Bush took office and going back to the times of the Clinton administration.

When the government advanced a policy to increase home ownership and make mortgages "*affordable to anybody that wanted one*" created an unprecedented demand for houses.

The way to make such mortgages affordable of course, was to establish a poisonous combination of artificially low "*hook interest rates*" and an excessive relaxation in the establishment of a borrower's credit worthiness.

With more and more people having an artificial access to the mortgage market, soon we began to see prices of homes go up and up, all the while more and more borrowers would buy homes with mortgages that under certain circumstances would become impossible to afford, much less pay back.

One of the main problems was that as long as home prices kept rising, these borrowers would see their equity being “created” (although only on paper). This started a vicious circle as such non-cash increased equity would become an incentive to borrow even more. Such “paper equity value” was then used as collateral for more and more loans that were also structured under the scheme of low rates and frail credit quality requirements.

But, despite what socialists argue, the markets always find a way to re-establish equilibrium when this is broken and soon, supply of homes began to exceed demand and prices started to fall for the first time in US history.

As home prices dropped, so did the value of the “paper equity” against which many loans were issued. As home prices dropped even more, such equity value was completely wiped out. More gravely, the principal on the original mortgages began to exceed the actual market value of the property resulting in what is called “a home value being under water”.

2.- Collateralized Debt Obligations (CDOs) and Banks.

The second crisis detonator was an extended practice by banks to bundle up “pools” of mortgages and create securities (assets whose value derives from the combined value of the underlying property) called Collateralized Debt Obligations, or CDOs.

A bank or lender would take a few mortgage loan contracts and “package” them together into an instrument that could be sold forward to an investor (who could be an individual, a group of investors, a fund, or even other banks and GSEs –government-sponsored entities- like Freddie Mac and Fannie Mae).

In theory, the value of these instruments would be the sum of the value of each individual mortgage loan embedded in the security or “the package” but as loans with different characteristics (maturity, interest rate, credit quality, prepayment probabilities and an array of other factors) began to be the components of a security these loans would “secure” or serve as collateral, the complexity of the final instruments grew beyond the comprehension of even some of the people that structured them.

To illustrate:

Imagine a clothes store that sells all kinds of garments.

Suppose that a loan structuring entity comes along and offers to pay up front for your whole inventory at a discount. Suppose then that this buyer starts packaging the garments by class and quality into different kinds of suitcases (for example: silk blouses in one, wool slacks in another, and so on) the idea being to sell forward these suitcases to other people.

The first batch of suitcases could be priced in a very straightforward basis, for example: the number of silk blouses in a suitcase multiplied by the estimated market value for each item. The same would be done for the other suitcases each containing a well defined amount, type, and quality of garments.

But then suppose that the structure changes and the wholesale buyer starts mixing garments into the suitcases. Now it is possible that you could buy a suitcase from him that could contain blouses, slacks, socks, handkerchiefs, and/or any combination of different types of garments with different characteristics and qualities.

It is easy to imagine that pricing this type of suitcase would be much more complicated than assigning a market price to the original suitcases with uniform contents. Well, something similar began to happen with the mortgage packages or “collateralized debt obligations” also known as CDOs.

Suddenly these packages or CDOs could contain small and big mortgages, of loans for properties in different states, lent out to borrowers with different capacity to pay, each contract with different maturities, rates, etc. To be sure, these packages became much too difficult to value and their underlying collateral (the original mortgage loans that were the components of the package) much too difficult to track back.

As a result of this complexity, CDOs started to be priced according to models, assumptions, and even approximations, losing much of the relationship between the actual value of the underlying assets and the actual market price for the securities.

As the complexity grew, so did the “reward” or interest (and fees to underwriters and other parts of the structuring teams). These higher “rewards” fueled a growing demand for the issuance of larger and more complex CDOs and banks and GSEs started accumulating these instruments on their balance sheets.

Further, thanks to certain relaxation in regulations (advanced mainly by Larry Summers in the Clinton years) banks and GSEs could buy these CDOs “*on margin*”, that is, on credit. In extreme cases, a bank could buy thirty (!) times the value of its investment in CDOs. For example, a bank or a GSE could buy \$30 million “worth” of CDOs paying with only \$1 million of its own funds and \$29 million of borrowed funds (usually from The Fed).

The Result: An Economic Crisis:

You may probably know already where all of this is going: as long as the values of homes kept rising and nobody was defaulting on their loans, everybody was happy with their CDOs holdings. But when the bubble started to burst and home prices started to fall, the underlying value of the original mortgages fell as well.

One of the main problems was now that because of the high degree of complexity of the CDO structures, few, if anybody knew how to value the losses and/or how to assign a realistic price to the security.

This uncertainty caused CDO prices to start falling drastically and worse, given the fact that banks and GSEs had levered up to buy CDOs, their losses were effectively multiplied by the level of leverage.

In the previous example, for instance, that original \$1 million invested gained 30-times any increase in value of the CDOs it bought... but in the exact same fashion, for each \$1 in original investment, losses were now being multiplied by 30 times! Moreover, banks had to put up more of their own capital to compensate for the potential losses, and started to feel the crunch as they suddenly had less money available to lend, practically drying out the loans market and bringing the economy overall almost to a halt.

Since this practice had been “exported” to financial institutions all over the world, the effect was further magnified and resulted in the detonation of one of the worst financial crises we have ever seen.

So in a nutshell, this is what really started the economic slowdown that then led to the recession and to government actions such as TARP (the Troubled Assets Relief Program) heavily orchestrated by Timothy Geithner, Ben Bernanke and Hank Paulson.

Literally thousand of pages have been written on this and you will never be lacking sources to get better informed on the real reasons for the crisis. (In fact, I am posting several third-party studies and documents on the web site if you want to read further).

The point is though, that it really doesn't matter how many times Obama chooses to blame President Bush, how many times he blames the crisis on the tax cuts “for the rich”, how many times he spins the discourse to advance a demagogue point, the facts exist and are there for any objective person to see. The origin and explosion of the financial crisis was mainly due to the above mentioned two factors.

And it was a direct consequence of those two sets of events that resulted in the “collateral damage” of the drastic decrease in available loans for individuals and corporations (big and small), the resulting drop in global economic activity, and the corresponding hike in unemployment, the plummet in consumption, and the loss of wealth.

And what did Obama do when faced with the crisis?

Recently, we began to hear (insistently) that one of the reasons for Obama's failure to solve (or even alleviate) the crisis is that “he did not really know the magnitude of such crisis”. That assertion is a blatant lie. In speech after speech during his campaign, Obama never grew tired of describing it as “the worst economic crisis since the Great Depression”.

So he knew; he understood the magnitude and the depth of the crisis. But he refused (or was unable) to recognize his shortcomings and stop declaring himself to be the “yes we can” man or, as he once put it “the one we’ve all been waiting for”.

When the country needed sobriety, objectivity, and a high degree of economic knowledge, candidate Obama fed the American People with platitudes, slogans, demagoguery, and grandiose self-descriptions.

When the country needed an honest assessment of the kind of leader that would be needed to tackle the economic challenges, candidate Obama offered the American People empty speeches lacking all kinds of concrete proposals.

And when candidate Obama became president, not only did the discourse never change, but the risk of the crisis deepening further grew as he began talking about regressive policies aimed to pander to his “base” and as we saw many of the same protagonists of the crisis become part of his cabinet and his closest advisory team.

Afterthoughts:

Almost three years ago Obama arrived in the White House without being adequately vetted and without a record.

Had he been subjected to even a tiny fraction of the scrutiny put upon the Republican candidates, or to a fraction of that fraction of the scrutiny that the media and Liberals have put on people like Sarah Palin, Michelle Bachmann or Rick Perry, many Obama voters would have known better.

We would all be singing today a much different tune, perhaps the National Anthem under the leadership of a Republican president.

After almost three years Obama now has a record, and it is a clear one.

He is the most divisive president I can remember; a person who when faced with a problem will never offer a solution but will always have a speech; a Liberal whose preferred (if not only) strategy is to always find someone to blame for his numerous failures; a corrupt individual that shamelessly sweeps or instructs to sweep under the rug travesties such as *Operation Fast and Furious* or the *Solyndra* scandal.

Obama’s record shows a person that would say anything to get elected; would make promises to the American People with no intentions to fulfill them.

His record shows a man that says one thing and does the opposite: living largely while the country goes through one of its worst economic downturns, appointing cronies like Timothy Geithner and Larry Summers all the while blaming others for the policies that precisely these people were instrumental in implementing.

Obama's record show him flooding government and his party with ideologue attack dogs while claiming to be "for civility", manipulating public opinion through the media, manufacturing a discourse that demonizes common sense and hides or ignores the consequences of his regressive and destructive policies.

That is Obama's record.

This is the person that occupies the highest office in the land. This is the one that has to go. RIGHT AWAY!

His ideological catalogue, however, is quite limited. We can reduce his arguments to:

- i. I inherited the crisis
- ii. The failed policies of the past
- iii. They keep blocking me, they are the "Party of No", ... and a personal favorite:
- iv. I will give a speech after I return from my vacation

Little else. No actions, no responsibility, no accountability, no faults. It is always everybody else's fault.

And he has a speech for that!

But facts are stubborn things:

Indeed and the fact of the matter is that although he did face an economic crisis when he was elected, he ran under the "Yes We Can" mantra and under the implied assumption that he would be the person to solve such crisis.

- I. Obama took a high but manageable budget deficit and had it explode into unsustainable levels;
- II. he found a highly indebted country and added liabilities with abandon as if there were no tomorrow (and under his tenure, this could very well become the case);
- III. he sent populist budget after populist budget to Congress just to have each one of them rejected on a bipartisan way;
- IV. he subjected his party to an electoral "shellacking" but lost no time in blaming others;
- V. he remained aloof and disengaged from debt ceiling negotiations and then came back and accused others of lack of cooperation when all that was demanded of him was to manage the process responsibly and help stop the financial bleeding;
- VI. he received three practical and feasible deficit reduction plans from Republicans only to declare them "dead on arrival" and without even producing an alternative himself.

The truth is that the "yes, we can" myth turned into the "no, he couldn't" reality. And what is worse, even as he criss-crosses the country once again peppering us with vacuous and divisive speeches, it is increasingly evident that no, he can't and no, he just will not.

Obama's record is one of miserable failure.

The country's poverty level is at its highest in decades; unemployment remains above 9.1% in general with certain areas and groups suffering an even greater percentage of lack of work. This is true especially among those groups that had the highest expectations for him and that surprisingly are buying his demagoguery again!

The dollar continues to weaken, the deficit keeps growing, entitlement programs continue to bleed their way into bankruptcy, and the economy remains dangerously close to a double-dip Great recession.

And yet, inexplicably to me these failures are still being denied by many or spun by his team and the media. He continues to be allowed to act without consequences, without questioning, without a demand for accountability.

Millions of people still defend his every move, his every word, his every excuse, and remain under the spell.

And since this cannot just be due to the "*power of Kool-Aid*" I have to assume that there must be some serious special interests behind this overt and cynical campaign to avoid all criticism, deflect all responsibilities, attack anything and anyone that dares to question him or his administration, discredit everything that may evidence wrongdoing, and most dangerously, mobilize millions of gullible Americans hungry for handouts and brainwashed on the alleged benefits of an Obama-style socialist nation.

Obama said recently: "*if you love me, help me pass this bill*".

I argue instead that, *if you love AMERICA, help her by voting Obama out!*

And as Obama would also say: ... ***Right away!***

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