

Why do you Feel Poor?

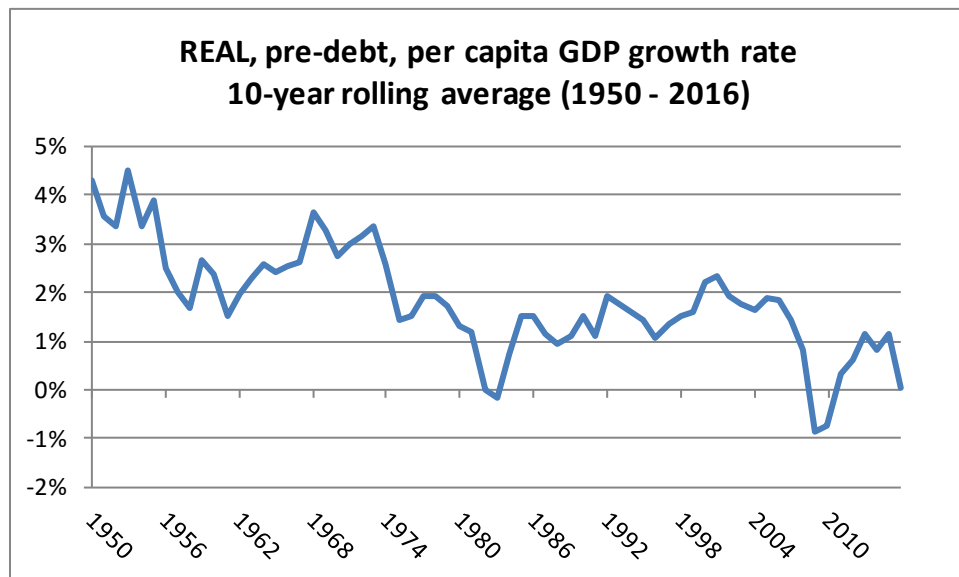
Because you are.

See Through the Numbers

What is Gross Domestic Product ("GDP")? In one way, it's the collective economic output of a country, usually expressed annually. Viewed another way, though, it is roughly synonymous with personal income. So how have we done over the last 10 years? Not good. In fact, downright terrible.

Forget nominal GDP (says little). Forget understated inflation. Forget government debt taken on to pay for the persistent deficits which itself understates actual debt taken out each year (after all, a loan you take out is not your income, is it?). And forget that population has been rising 1% each year.

Nope, instead let's not forget. Adjust nominal GDP for all these factors and REAL, pre-debt, per capita GDP growth rate has been a whopping **ZERO percent over the last 10 years - MAX**. The 2008 financial market collapse made a large impact on that performance, but mostly from a volatility point of view.



The US rebounded from 2008 strongly in the stock market. So, need another example? Median personal income is down -5% in the last 10 years (flat versus mid-80s!), while housing and asset prices have risen (e.g. housing ratio is normally 3x, but it's now 5x - just like at the peak of 2008 collapse).

Buyer beware.

Why did This Happen?

This level of terrible economic growth is simply unprecedented, post WWII. And it's not hard to discover why. Governmental influence - both monetary and fiscal in both Bush's and especially Obama's Administrations. **FYI - this is NOT a political commentary.**

Carter began and Clinton expanded, but Bush and Obama exploded the growth of the Community Reinvestment Act ("CRA"). CRA is like affirmative action, but for mortgages. It also grew coincident with Bush's "ownership society," bank's greed, and Obama's community organizing, thus perpetuating the bubble.

What bubble? 20-year bubble, of which 2008 was only tremor. It began overseas in Asia in the early 90s, then exported via deflation to the West which kept interest rates too low for too long. The result: TMT/stock market bubble/collapse. The bubble didn't deflate then though; it found a new "home."

Where? Housing. We all know that story as well as since 2008, but the one thing these rolling bubbles all have in common is excessive credit at lower than appropriate prices pushing up asset prices. Doesn't take a genius to conclude that labor wages have been screwed in the process.

You feel poor? That's because you are.

How to Reverse It

We're through the first half of the credit bubble hurricane, which weakened structures, but did not blow them away. Result: terrible almost-unprecedented growth, post WWII. Post-2008, we have been in the "peaceful" eye of the hurricane that only cost taxpayers an additional \$10 trillion in debt (total \$20 trillion by 2016 year-end + \$101 trillion entitlements' present value + Fed's \$4 trillion toxic loans). The other more-destructive half of the hurricane looms.

Yikes. We sit at the precipice, can't possibly pay for promises of prior/current politicians, and are more divided politically now I suspect since anytime since the Civil War. How in the hell are we supposed to dig out of this deep hole, especially looking into a likely recession due to an overly aggressive Fed?

To paraphrase Ronald Reagan, the answers are simple, but the process is hard. We didn't get here overnight, and we're not getting out overnight - nor with the same bunch of "leaders" in government and out, including...you. You get what you pay for and the leaders you elect. Make sure their policies address the real economic issues and have good chance to repair long-term damage to the US economy (which will likely involve a deep recession).

What are those policies? Repeal CRA (and probably Obamacare), lower taxes on the all but the rich, continue Fed's rising of rates (yes), and cut, baby, cut (i.e. the fiscal budget and actual spending too). Our goal ought not to be cut the deficit, but rather cut the debt^S. Structurally, shrink government regulations and the job-killing bureaucracy.

As for the rest, we must wait for another day. Thank you reading and any feedback you wish to provide.

Kind regards,



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