

## **Bill Bonner of *The Daily Reckoning* on The New President**

### **Tomorrow, Everything Changes**

The most massive wealth creation in human history could start as early as Jan. 20. To take part, you must act fast.

Hanging in the balance – potentially millions of dollars for your family's next three generations.

Tomorrow, the man called Obama takes up the president's job. Poor man. He seems like a decent sort. A shame...something like that happening to him.

But he hung around with the wrong crowd – lowbred types in high political circles – and look where it has gotten him. Tomorrow, he'll be called upon to stand before a hundred million viewers, put his hand on a Bible, and lie.

To the question – will he swear to uphold the Constitution of the United States America – he will give the answer he has rehearsed. Yes, I can! Then, like almost every American president since John Quincy Adams, he will ignore it.

But before we return to tomorrow, let's turn back to yesterday...or, Friday. So far this year, stocks are down nearly 7%. But at least the Dow bounced a little at the end of last week – up 68 points.

Oil held at \$42. And dollar was steady at \$1.33 per euro.

The excitement on Friday was in the gold market – the yellow stuff bounced \$32. Why would gold go up...when the world economy is clearly going down? We don't know. But if we were Mr. Obama, we'd approach this new job like renting a car from a disreputable agency. We'd want to take a good look and take note of all the dents and defects before driving off the lot. We wouldn't want to get charged for the previous drivers' mishaps!

The founding charter of the U.S.A. made no allowance for going into the banking business...nor the auto business...nor any other kind of business. Neither did it allow invasions of foreign countries, without a declaration of war...or imagine a standing army that costs about as much as all the rest of the world's armies put together.

In the beginning, the U.S. government was specifically limited in what it could do. Now, very little remains that it can't do. But in all matters – big or small...torturing people or taking their money – government leaders must pretend to be acting in the national interest. It's a low-down, dirty business that usually attracts people of the same sort. People like George W. Bush and Joseph Biden...people with no sense or no principles – or neither. People who don't know a lie when they hear it or...don't mind telling one.

That's why we're sorry to seem Obama in the trade; he seems like such a nice fellow.

But politics...alas, someone's got to do it. As the old Latin expression puts it: The voters want to be deceived; then let them be deceived.

So many patsies...so little time. Bernie Madoff could barely keep up with all the people who wanted to give him money. The hopefuls joined his Palm Beach country club just for the opportunity to slip a few extra large bills in his pocket. Old buddies sought him out...eager to part with their entire fortunes.

And look at the Treasury market! The patsies line up to buy I.O.U.s from a deadbeat debtor who already owes money all over town. And now he's passing out more I.O.U.s...at a faster and faster pace...trillions of dollars' worth of them. Not only that, the debtor in question has said publicly that he intends to lower the value of his paper – at all costs.

And now the voters...the general public...the lumphouseholders – they're dying for a lie too. They want someone to tell them that he's got the recession under control.

Well, if they're going to be deceived someone's got to tell them lies. Barack...you're up!

The people want to believe that if the president weren't such a screw-up, we wouldn't be in this mess. In other words, if the administration would get its act together, it could "do something" to get the good, ol' times back.

Rarely do we get an opportunity to come to the defense of George W. Bush. But here we will say without equivocation: this financial crisis is not his fault.

Sure, he made it worse by wasting \$2 trillion on that silly war of his – the 'war against terror.' And sure, he should have gotten rid of Alan Greenspan at the beginning of his term...and he should never have signed so many spending bills without a fight. And, it's too bad he didn't understand what was going on in the financial sector and warn people – instead of jawing on about how great the U.S. economy was. But, heck, who did? He acted like a moron; no doubt about it. But who didn't?

So give George W. Bush a break. Let the man skulk back to the ranch without trying to pin this financial collapse on him. He didn't cause the problems; and he couldn't cure them either. The financial problems faced by the U.S.A. cannot be solved by politicians. They can only be made worse by politicians.

The problem is that there are a lot of bad loans, bad investments and bad businesses that need to be cleaned out. All the politicians can do is to try to prevent the clean up...

\*\*\* The lumpen want to be deceived; so the politicians take it as an opportunity. Last October, for example, they raided the Treasury for \$700 billion that they could pass out to their friends on Wall Street. Of course, that program was supposed to be in the 'national interest.' The banks were supposed to lend the money out to the taxpayers whence it came.

As absurd as it sounds, and as unconstitutional as it surely is, it is nevertheless the law of the land. And now that a few months have passed...and a few hundred billion have been passed around, we're beginning to understand what happened to it.

*The New York Times* reports:

“Speaking at the FBR Capital Markets conference in New York in December, Walter M. Pressey, president of Boston Private Wealth Management, a healthy bank with a mostly affluent clientele, said there were no immediate plans to do much with the \$154 million it received from the Treasury.

“‘With that capital in hand, not only do we feel comfortable that we can ride out the recession,’ he said, ‘but we also feel that we’ll be in a position to take advantage of opportunities that present themselves once this recession is sorted out.’

“‘The Treasury secretary, Henry M. Paulson Jr., said in October that banks should ‘deploy, not hoard’ the money to build confidence and increase lending. He added: ‘We expect all participating banks to continue to strengthen their efforts to help struggling homeowners who can afford their homes avoid foreclosure.’

“But a Congressional oversight panel reported on Jan. 9 that it found no evidence the bailout program had been used to prevent foreclosures, raising questions about whether the Treasury has complied with the law’s requirement that it develop a “plan that seeks to maximize assistance for homeowners.”

What did they think? Bankers don’t make loans in the hopes of getting ‘good citizenship’ awards. They lend money when they think they can make money at it. Now, with so many balance sheets in such bad condition, they are afraid their loans won’t be repaid.

Typically, Thomas L. Friedman has a solution. The president should get 300 banking presidents in a room and give them a “come to Jesus” speech, he says. By that, he means the feds should play a more muscular role in the banking crisis. Good banks should be saved. Bad banks should be dissolved.

And what about all those bad loans? Ah...the *New York Times* columnist has a solution for that problem too. The government should buy them up...hold them...and then “sell them later when the market rebounds.”

See how easy it is, dear reader. Problem solved. That’s what Obama should promise the voters.

And if the patsies will believe that...maybe they’ll kick in a few hundred billion more for Wall Street.

Until tomorrow,

**Bill Bonner**

*The Daily Reckoning*

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