



Political Note

September 9, 2011

When a joint session of Congress sits one gets a direct view of the ideological and political differences that exist in the United States of America. Sitting neatly divided by party, the reactions to initiatives laid out in President Obama's speech were stark in contrast. The debate regarding how much the federal government should be involved in the everyday life of Americans is as old as the country itself. The two great minds of Thomas Jefferson and John Adams who wrote the Declaration of Independence, split ideologically once the ideals of that document were put into practice and would widen even further after the U.S. Constitution was written and adopted some 11 years later. The debate would resurface during the legendary debates between Abraham Lincoln and Stephen Douglas in 1858 when the reach of the federal government to remove or deny states the right to have slavery was central to the political discourse of the time. Again, later in the 19th century after the Civil War, the pendulum of federal power over the states would swing wildly with the Reconstruction Acts and later the Southern states invoking Jim Crow laws that would codify segregation of the races for some 80 years. It would take The Great Depression and the uncanny consensus building of FDR to quiet the state's rights debate until the present. The New Deal Coalition that FDR built in Congress (white Democrats from the South that were beholden to segregation ; Northern socially progressive Democrats; and rugged individualist from the West) would last until the 1990's when the Republican Party finally made a breakthrough after 130 years in the South.

Watching last night's speech by President Obama reminded everyone of how blunt and deep the political divide in America is right now.

The President laid out a **two pronged approach** to the unemployment problem in the U.S. that, in his own words, is removing the U.S. as the greatest country on the planet and truly threatens its standing as the economic power that it still remains, barely. In the short term, he challenged Congress to pass the **American Jobs Act**. This act will provide **tax breaks to small and medium business to the tune \$4000 per person for every person they hire who has been out of work for 6 months or more**. He will also use the Georgia Work Program as a model. Companies can train employees that have been out of work for 6 months or more without having to pay them. Presently, Georgia has 19 people in the program so growing this into a national program seems unrealistic. Also proposed were **cuts to social security payments in 2012 to half the amount paid in 2011**. Those tax cuts were the lead in to his grand vision of pump priming the economy by spending billions on **rebuilding schools, bridges, hospitals, and transportation networks**. He stated, China should not be able to build new airports, railways, subways



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while the US is not willing to. I was shocked to see the Republican Party remain mum in their seats when he proposed spending on schools that are in desperate need of repair, some 35,000 across the nation. The United States ranks 33rd in the world for performance of students in reading, science, and math (that is behind Greece, Turkey, Mexico, and Hungary). In fact, the Republicans only cheered with great vigour when the President talked about tax cuts, employment programs for veterans, and when he rhetorically turned to the Republican section of the chamber and said, "some of you have pledged not to raise taxes ever in your lives..."

The last key piece of his short term plan is to open the door for people to **refinance their mortgages at today's historically low rates through Fannie and Freddie**. Obama will be roaming across the country in an effort to push Congress to act. All his short term measures require Congressional action.

Obama's long term vision to create jobs in America included signing **free trade deals with South Korea, Panama, and Colombia**. Furthermore, he pointed to the need to loosen regulations so that small companies can compete while **stream lining the Patent process**. Lastly, he said the **Tax code needs to overhauled**. He used the Warren Buffet example to demonstrate the backwardness of the tax code as it stands presently. Buffet's tax rate is lower than his secretary's.

The central question is how will the government pay for this and again Obama pressured Congress to up the bar of the spending cuts that were attached to the debt ceiling debate from this summer. He asked the Congress to come up with another \$450 billion to cover the cost of his jobs initiatives. That would mean Congress must find roughly \$2 trillion in cuts by Christmas. So one must ask "how is this stimulating the economy if every dollar that is spent on jobs must be withdrawn from somewhere else in the economy?"

While this speech was about jobs it was more about the platform that Obama will run on in 2012: 'Congress refused to help the unemployed and most in need in society or Congress followed his policies and got people back to work.'

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