

Egyptian Court Let Former Dictator Mubarak Go Free

WASHINGTON – As we may recall, back in 2011 the enthusiastic Tahrir Square youth, armed with cell phones and twitter, in a matter of a few weeks caused the down fall of Hosni Mubarak, a former military man and for 30 years Egypt's uncontested autocrat. The world admired those courageous young people who were opening the door to democracy and accountability, and cheered.

From general to general

Well, fast forward to today and we have Egypt ruled by another former general, Abdel Fattah el-Sisi, now transformed into a civilian president, (just like Mubarak). And el-Sisi's judiciary now reversed a guilty verdict for Mubarak, his sons and his entourage, on various charges ranging from homicide to corruption. So, the old (86) villain is no longer a villain. And the military still rules Egypt. Guess what, nothing changed.

Let me say this again. The February 2011 Tahrir Square Revolution culminated with the successful eviction from power of Hosni Mubarak, a military dictator, and it ended with the acquittal of the same military dictator thanks to a court system obviously working under orders issued by el-Sisi, the new military man turned into civilian president.

El-Sisi came into power after having kicked out the incompetent (but duly elected) president Mohammed Morsi, leader of the conservative Muslim Brotherhood.

Back where we started

From a certain angle, this strange Egyptian tale looks almost like a farce. A big production, with a lot of sound and fury,

that ends exactly where it started: a military dictatorship dressed up as a democracy.

Of course it is not a farce. It is in fact a sad story. Let's not forget that many Egyptians died in the long 2011-2013 turmoil. And let's not forget that the military took over mostly because of the excesses of the Muslim Brotherhood government that most unwisely the Egyptians had chosen as a successor to Mubarak's dictatorship.

Incompetent Morsi

The Muslim Brotherhood, led by president Mohamed Morsi, proved to be at the same time massively incompetent and anti-democratic. Hence bigger and bigger streets revolts against its rule, eventually followed by the military take over that ended with general el-Sisi becoming president and barring the Muslim Brotherhood, while arresting Morsi and all its national leaders.

Egypt not ready for democracy

So, what do we make of this story? Well, in hindsight, I admit that back in 2011 I was totally wrong in believing that the Arab Spring could propel Egypt into a new era of secular, accountable democracy. I grossly over estimated the strength of the westernized urban youth that had occupied Tahrir Square.

I did not realize that, given the opportunity to vote freely, most Egyptians would choose the backward looking Muslim Brotherhood, a political force bent on forcing on the whole country its own brand of strict religious orthodoxy.

From autocracy to chaos

In the end, as the skeptics had anticipated, getting rid of Mubarak created only chaos. The Muslim Brotherhood was powerful enough to win an election, but not strong enough to

force the entire country to follow its antiquated religious precepts. At the same time, under their clumsy rule the Egyptian economy took a dive. Hence the popular rebellion, followed by the military take over.

No real democracy without a democratic ethos

I see only one important lesson here. *The creation of a real democracy is a very complicated and most delicate enterprise that can succeed only if we assume the existence of a strong democratic ethos within any given society.*

Democracy, of course, includes free elections. But that is only the beginning. In Egypt's case, when the people had a chance to cast a vote, they elected a profoundly anti-democratic political force.

This is a bit like the Germans voting for Adolf Hitler in 1933 hoping that the Nazis would fix things. They certainly fixed things; but outside of the Weimar Republic parameters. Once asked to form a new government, they created a dictatorship.

In Egypt, the Muslim Brotherhood thought that the elections amounted to a mandate for imposing on the whole country its own religion based order. But the military did not buy this approach, and in the end it sided with the more secular Egyptians and got rid of president Morsi.

How will el-Sisi rule?

Will general, turned into president, el-Sisi rule like an enlightened technocrat, willing to enable the planting of the seeds of a future democracy? Will he favor some measure of dialogue with the more mature components of Egypt's civil society? Will he allow some debate? Or is this going to be Mubarak 2.0?

Time will tell. However, we know that Egypt is a mess, while the Arab World is torn apart. And today the most pressing

issue is not how to create democracy, but how to fight Islamic radicals. Democracy will have to wait.

By now we know that a successful planting of the seeds of democracy requires a fertile soil consisting of calm, tolerance and some degree of unity and common sense.

So far, at least in Egypt, the conditions are not at all favorable. The careful cultivation that will produce this absolutely necessary fertile soil is at best a distant goal.

Will America's Shale Oil Kill OPEC?

WASHINGTON – The incredible decline of world oil prices, (now at \$ 66 per barrel), is due to three reasons. The first one is lower demand due to the prolonged economic slow down in Europe, in Japan, and to a lesser extent China. The second one is the significant increase of US domestic production –due to the massive development of shale oil– that caused a substantial decrease of US oil imports, this way adding to total supply available to other buyers. And the third one is Saudi Arabia's ability to convince all OPEC members that, despite lower demand, the oil producers' cartel should not cut supply in order to strengthen prices.

Market prices?

Well, what do you know, without artificial supply manipulation, it looks as if oil prices for a while at least will be determined by old-fashioned demand and supply.

Target US shale oil

That said, it is quite obvious that Saudi Arabia's objective is to target US shale oil producers, in order to kill or at least weaken what the Saudis view as the major threat to their world energy dominance.

The Saudis bet that a prolonged period of low oil prices will put many small and medium-sized US companies that invested in shale oil out of business.

The conventional wisdom is that extracting oil from shale is very expensive. Therefore, it does not make sense to invest in shale unless oil prices stay above \$ 80 per barrel.

By having all OPEC countries continue to produce at the same rate, Saudi Arabia is purposely flooding an already over supplied market, this way causing oil prices to fall more and more. The hope is that many, if not most, US energy companies extracting shale oil will go bankrupt or exit the sector, because it is assumed that they cannot make any money when oil prices are at \$ 65 a barrel or lower.

So, Saudi Arabia is trying to kill the US shale revolution. Without this additional American production, OPEC will regain its ability to control prices through the manipulation of supply. Will this plan work?

Will US shale oil companies survive?

There is no question that many US small shale producers, especially those that carry huge debts, are doomed because they need oil prices at \$ 65 per barrel, or higher.

However, many experts believe that most shale producers will survive this profit squeeze. As it always happens in a crisis, there will be painful consolidation. Smaller companies will be bought by bigger ones. Production will be concentrated in the shale regions where drilling is easier and cheaper. And there

will be additional investments in cost cutting technologies and in enhanced recovery methods that allow companies to get more oil without the substantial cost of drilling many more wells.

In other words, as of now it looks that Saudi Arabia's strategy aimed at killing the US shale oil sector will cause a lot of trouble, but that it will eventually fail.

Pain for OPEC members and for Russia

In the meantime, Saudi Arabia's low oil price policies are inflicting a lot of pain on many OPEC members that heavily depend on oil revenue to finance most of their public spending. Iran and Venezuela will suffer greatly because their economies are weak, while their budgets are predicated on getting substantial revenue from high crude prices.

And Russia, not an OPEC member but a major oil producer, will also suffer because energy exports represent most of its revenue from foreign trade. Sure, Russia over time has accumulated substantial cash reserves. Therefore, it can finance current state spending by tapping these funds. The question is: for how long?

Indeed, should this low oil prices season go on and on, all bets are off. How long can Venezuela go on with a lot less oil money coming in? Ditto for Iran, and eventually for Russia. And even Saudi Arabia would have to revise its public spending plans, if it believes that its oil revenue will be curtailed for many years to come.

America bets on cost cutting technology

Here in America the hope is that the technological revolution that made shale oil production possible and profitable will continue. Or have we reached the limit on cost cutting innovation? I hope not. ***If you are a pessimist, please remember that until just a few years ago most oil***

experts believed that getting oil out of shale would never be profitable.

That said, optimism alone is not enough. Obviously the long-term viability of the US shale oil sector hinges in large part on its ability to stay profitable by reducing production costs. If this proves to be an impossibility, then the high cost US shale sector will be vulnerable to price fluctuations, just like this one. If oil prices stay low indefinitely, US shale may eventually die, or at least production will be restricted to far fewer, lower cost areas.

Will America kill OPEC?

If technological progress will instead continue in the shale sector, then America will be the high volume, low-cost energy producer that killed OPEC. Assuming that US energy companies will be able to stay profitable with oil at current or even lower prices, increased supply of abundant and cheaper oil will benefit all energy products consumers across the world.

Expect More Political Paralysis After The Republican Victory

WASHINGTON – The Republicans won control of the US Congress; but Obama has no intention to negotiate anything meaningful with them. He could and he should. But he does not have to. There is no law that forces his to cooperate with his

opponents if he thinks this is a bad idea. The price that America pays for this impasse is complete paralysis.

Weak government by design

The American Constitution was not designed by people who wanted a strong, effective government. It was designed by people who wanted to preserve liberty. Their concern was not an effective executive. Their concern was to prevent tyranny. For this reason they designed a peculiar system with independent power centers that check on each other.

Find agreement

Of course, assuming sensible people in control of both the White House and Congress, these two power centers will come to an agreement on key issues. The Congress will pass legislation that the President will sign it. In turn, the President will promote legislation he wants through supporters in Congress who will craft bills that will be passed and then signed by the President.

Divisions mean paralysis

This being the good case scenario, what if we do not have sensible people in control of Congress and a belligerent President who does not care to deal with them? Well, then you have what we have now: paralysis. Since 2010, when the Republicans took control of the House, an essential half of the legislative power, almost nothing got done in America.

And do not expect any improvements now that the Republicans, exceeding many expectations, took control of both the House and the Senate after the recent November 4 elections.

Even though voter participation was embarrassing small, (about 36%), a significant majority of those who decided to show up cast a vote against President Obama and his Democratic party.

But this victory, while impressive, does not mean a lot when

it comes to governing. The Congress cannot enact legislation without the President's signature. And you can count on Obama to veto anything he does not like. The Congress can override his veto; but only with super majorities.

No compromises

For their part, many Republicans have an unpromising feisty attitude. They want to take the President to Court because they believe he exceeded his powers when he decreed (after the electoral defeat) that millions of illegal immigrants should not be prosecuted.

On the other side of the divide, how did President Obama react to this resounding political defeat? Badly. He simply ignored it. At least in public, no rethinking, no recalibration, no offer to work together with a new, definitely more conservative, Congressional majority hostile to much of his programs. No humility, no recognition that perhaps his policies are not in sync with the nation.

And so, what's next? Sadly, probably not much. The President will try to enact policy through an expansion of his executive powers, essentially trying to govern by decree. But there are limits to how far he can go with this.

The Republican Congress will engage in demonstrative legislation, just to make a political point. They will consciously pass laws that they know Obama will veto, but they will try to convince the public that Obama is wrong and they are right.

America needs serious reforms

The truly sad thing is that America needs serious reforms. Wise centrists in both parties know this. America needs a major tax reform and drastic entitlement reform. And, of course, it needs to overhaul the semi-disastrous Affordable Care Act, an ill-conceived medical insurance reform.

Obamacare helped some, but it created far too many problems for millions of Americans.

Cooperation?

Of course, President Obama could decide to cooperate with this new Congress and use the last two years of his second and last mandate to work seriously with the Republicans in order to pass all these critical reforms.

And why do I say that it is up to the President to lead? Well, because he is one office holder with enormous powers. The Congress has an equally important institutional power. But its power is scattered among too many individuals and factions.

Obama has only two more years left in office. It would be of great benefit to America if he chose to use this time to work constructively with Congress with the goal of addressing America's systemic problems. Some of the solutions the Republicans favor may go against his beliefs. But he should negotiate in good faith.

Can the American system work?

Otherwise, expect more of the same in Washington: paralysis, rancor and partisan attacks.

As I said at the beginning, the complicated institutions of this Republic can work only if we assume that at least a majority of the elected office holders will be guided by common sense and by a genuine desire to foster the common good.

If there is no way to overcome deep ideological divisions, it may be the case that this long experiment in self-government may have become unworkable.

Black Americans Believe That Michael Brown Is A Victim Of Racist America

WASHINGTON – It is truly disheartening to watch the aftermath of the Ferguson Grand Jury decision not to indict police officer Darren Wilson on any possible charge, (homicide, manslaughter, or anything else), related to his killing of Michael Brown last August.

The facts are clear

By now all the facts are clear. After lengthy proceedings, hours and hours of testimonies, and the presentation of physical evidence, the Ferguson Grand Jury concluded that Michael Brown, a Black young man who had just robbed a store, got into a confrontation with officer Wilson, tried to seize his gun, did not obey any of the officer's commands, and then attacked him. In order to prevent physical injury to himself, officer Wilson shot Brown and killed him.

The Grand Jury concluded that officer Wilson followed procedures and killed Brown in self-defense. This being the case, there is no "probable cause" about any crime having been committed. Hence the decision not to put Wilson on trial.

Again, the process is most transparent. Now that the Grand Jury has concluded its work, all the proceedings and all the testimonies have been made public. Anybody can go on-line and review them.

End of all speculations

Well, you would think that this is enough to assuage any concerns and put to rest all the wild speculations and false accounts of what actually happened that day in August.

No, Michael Brown had not surrendered when he was shot. No, he did not have his arms raised. No, he was not shot in the back. Indeed, "eye-witnesses" who had claimed all of this had to subsequently admit that they "had ben mistaken". In fact, they had made all of this up.

Several other eye-witnesses, all of them African-Americans, corroborated the account given to the Grand Jury by officer Wilson. Furthermore, the autopsy results and other physical evidence also supported his story.

It makes no difference

Well, guess what, none of this makes any difference whatsoever. Most African-Americans believe what they want to believe. Their understanding of "what happened" , before and after the Grand Jury deliberations, is that Michael Brown is yet another innocent victim of White police brutality. This killing is yet another sad episode in the long history of the victimization of Black Americans.

All Black leaders, commentators and lawyers who appeared on TV stuck to the script. All of them believe that the Grand Jury proceedings were artfully manipulated, so that officer Wilson would go free. The fix was in from the very beginning. Therefore, this has nothing to do with real justice.

Injustice

And this travesty is in line with what we knew already. There are just too many Black victims of White police brutality. Michael Brown is just another one in a long list. And the very fact that there are so many young Blacks males in prison is evidence that they have been targeted. Indeed, Michael Brown's mother said that she is convinced that officer

Wilson that day was up to no good. He was on some sort of hunt, and sadly her son was the victim.

From Los Angeles to New York

After the Ferguson Grand Jury decision not to indict, we saw rallies across America, from Los Angeles to New York, in which outraged young Blacks marched with their hands raised, shouting "*Do not shoot!*"; this way showing that they buy the false claim that Michael Brown was an innocent guy who had surrendered, and was nonetheless shot in cold blood by an evil policeman.

How do we move forward?

Given all this, how do we move forward? If we cannot even agree on the facts, even after they have been carefully ascertained through a meticulous and now totally open judicial proceeding, how can we agree on anything else?

Fictitious narrative

What is most disheartening here is that the Black community has created this fictitious narrative of endless victimization as a way to avoid serious reflections on the roots of its crisis.

Indeed, it would be most inconvenient to admit that, yes, far too many young Black males are in fact criminals. And quite often they are criminals because they grow up in dysfunctional homes, with plenty of drugs and no books. These kids –over 70% of them raised by single mothers with no education– learn almost nothing attending bad schools, and very often do not finish any school. Therefore they become young adults having no marketable skills that would get them a decent job.

It is all about racism

This is the sad reality. It is indeed so sad that it is preferable to ignore it by accepting the escapist narrative

that exonerates the Black community. *“Whatever our problems as Black Americans, at the root of all of them you will always find racism and injustice”.*

America Is Still “The Fair Land”

WASHINGTON – Since 1961 The Wall Street Journal has published the same editorial in celebration of Thanksgiving, the most American of all the annual festivities. This is the way in which this newspaper declares that the old American values, the values that inspired the Founders, should continue to be our guidance as we move forward. Thanksgiving is tied to the history of the Pilgrims who in 1620 sailed to America on the Mayflower and who established their small colony in Plymouth, in what later on became the state of Massachusetts.

Thanksgiving

Over the centuries, Thanksgiving has become the day of the year in which America reaffirms the value of its unique experience. Americans celebrate their spiritual roots with family gatherings.

And this is what the old 1961 WSJ editorial, published again and again, says in its conclusion:

“We can remind ourselves that for all our social discord we yet remain the longest enduring society of free men governing themselves without the benefit of kings and dictators. Being so, we are the marvel and the mystery of the world, for that liberty is no less a blessing than the abundance of the earth.”

“And we might remind ourselves also that if those men [The Pilgrims] setting out from Delfthaven [in the Netherlands] had been daunted by the troubles they saw around them, then we could not this autumn be thankful for a fair land”.

Yes, the Pilgrim Fathers who landed in America in 1620 had the fortitude to believe that they could succeed, despite the terrible odds.

Their experiment, after so many changes and additions, became a Republic based on the twin pillars of the sacrosanct value of individual freedoms and self-government.

The story of Plymouth Colony is emblematic of an arduous journey. Nothing was easy. Only a strong spirit made it possible to build Plymouth Colony, and much later a different country, the very first modern republic. This is true today as it was true in 1620: *we are still on a journey, and nothing important is easy.*

Let's value our freedom

Therefore, let's cultivate our spirit. Let's value our freedom and let's protect it, as we use our intellect and our ingenuity to continue building this country.

Most of all, let's keep in mind that our unique American foundations rest not on language or shared ethnic origins but on the principles enshrined in the Declaration of Independence and in the Constitution.

As long as these principles are understood and shared by all Americans, we can rest assured that the “Fair Land” will endure and will prosper.

The Ferguson Riots Prove That America Is Still Divided Along Racial Lines

WASHINGTON – As many had predicted, the Grand Jury decision not to indict Ferguson police officer Darren Wilson on his killing last August of Michael Brown, a Black teenager, sparked a new wave of violence.

The facts do not matter

The sad truth is that the exonerating facts that emerged from the lengthy judicial process do not matter at all for the rioters. It does not matter that the jurors had the opportunity to listen to all testimonies and look at the circumstances of Brown's killing from all angles before reaching their conclusion that officer Wilson acted properly when he shot Michael Brown.

The system is rigged

The sad truth is that a large percentage, possibly a majority, of African-Americans firmly believe that the White Majority uses the police and other law enforcement tools as means to intimidate and purposely hurt Blacks. The fact that the Grand Jury established that there is no evidence to indict officer Wilson for this killing is just part of the fix. The entire system is rigged. The point is that Blacks do not get justice in White America. Period.

From this well established perspective, the killing of young Michael Brown is just an additional piece of evidence that simply reaffirms the accepted narrative. America is still a racist society. Blacks are routinely targeted and harassed by the police, or they are murdered for no reason, as the Brown killing tells us.

America is racist

And unfortunately this is a widely shared belief. We see competent Black lawyers arguing on TV that the Grand Jury process was essentially a travesty. The jurors –they argue– did not hear all the damaging evidence. The policeman’s self-serving account of what actually happened during what he described as his altercation with Michael Brown was not adequately challenged. Therefore, it is obvious that the Grand Jury came to the conclusion that there should be no indictment. The whole process had been fixed well in advance.

Worse yet, many educated Blacks argued on TV that, given this outrage, it is perfectly understandable that “The Community” could not contain its anger. Therefore, it goes without saying that the Grand Jury decision not to indict Wilson was followed by violence, arson, looting and destruction. Well, what else would you expect?

And so, these compassionate leaders with a straight face tell us that of course the good people of Ferguson manifested their moral indignation over police brutality by looting liquor stores. Why, is there any other way to vent your anger at White injustice?

Look, this whole matter of race relations in America is of course a lot more complex than the Grand Jury process aimed at establishing the actual facts about the killing of Michael Brown in Ferguson. In this particular case, looking at the evidence it would appear that the officer was justified in using deadly force. And this is the conclusion reached by the Grand Jury.

Black Americans targeted

But it is also true that in many other cases all across America Blacks have been unfairly targeted by the (mostly White) police.

And why are they targeted? Well, in some measure because a disproportionate number of violent criminals happen to be young Blacks. Therefore, any young Black man who seems to act in a strange or suspicious way attracts attention. And therefore he is more likely to become a target for the police.

Of course, all this means that many young Black males are unfairly targeted. Yes, in America you can be stopped by the police because *"you were driving while being Black"*.

Clearly, all those Blacks who have been stopped, questioned, frisked, arrested or worse without any real motive have every reason to believe that they are victims of an organized persecution.

So, how do we get out of this vicious cycle in which it is impossible to identify cause and effect? This is going to be very difficult.

Divided America

But we should start with reality. The reality is that several decades after the passing of landmark civil rights legislation that put an end to any form of legally sanctioned racial discrimination, America remains a deeply divided society. The African-American minority still looks at White America with a mix of suspicion, resentment and fear. African-Americans feel victimized by what they see as an inherently unfair law enforcement system that –they firmly believe– is willfully used by the White Majority to intimidate and brutalize them.

A fair system?

How do you convince Black leaders and ordinary African-Americans that at least in most cases this is not true? How do you convince them that on balance this is a fair, *"color blind"* system in which everybody is treated in the same way? How can we do away with prejudice and preconceived ideas?

The sad Michael Brown story will eventually fade and go away. But soon enough there will be some other story of yet another Black man killed in the street, allegedly without any solid justification, by yet another trigger-happy White policeman.

And you can rest assured that this will cause more anger and more riots.

Sudden Vacancy At The Pentagon Highlights Policy Confusion

WASHINGTON – Former Senator Chuck Hagel, a fairly liberal Republican from Nebraska is no longer US Secretary of Defense. Several media accounts indicate that he resigned “under pressure”. Of course, the official statement says that Hagel thought it was time for him to move on, after having supervised a two year transition, etc. But the consensus is that he was asked to leave by President Barack Obama.

This does not look good

We do not know the precise points of disagreement on policy between Obama and Hagel. But this sudden vacancy at the very top of the US national security apparatus, with the US fighting some kind of war in Iraq, while figuring out next steps in tormented Afghanistan does not look good.

No strategy

America is facing difficult challenges, with no clear

strategy. To make things worse, military spending is in steady decline due to the “sequester” and other imposed budgetary cuts, while US public opinion is not in favor of any new military adventures.

Many challenges

Obama wanted to end US military engagements. But new developments made this impossible. The ISIL threat that nobody saw coming changed almost everything in the Middle East. Now Iraq needs emergency help to repel the invaders, while the administration has been forced to enter the Syrian military theatre without any clear end game. At the same time, it appears that a quiet military disengagement from Afghanistan may not be possible.

Then we have Iran and its nuclear program. As of today, the word is that the negotiations will continue. But it is obvious that Tehran wants to hold on to its gains. In other words, Iran wants to retain the ability to produce nuclear weapons, if and when it would choose to do so. A hesitant and timid America has very few tools, if any, to force Iran to give up its nuclear ambitions.

Then we have the festering crisis in Eastern Ukraine, with all its unpleasant ramifications regarding a deteriorated relationship with Moscow, while America needs to reassure nervous European NATO Allies about its continuing commitment to the defense of Europe.

Last but not least there is China’s meddling in its Asian neighborhood via bogus legal claims on a few islands that would extend its territorial waters, and therefore its maritime influence.

Look, all of these are major issues that can be dealt with only by a strong, well armed and resolute America that friends and enemies alike respect.

But America, while still the dominant world military power, is not that strong anymore while most observers would question its unity and determination to achieve almost anything requiring a sustained effort.

Timid response to ISIL

If we look at ISIL, crisis number one, so far at least the response to the Islamic State invasion of Iraq has been very modest. Instead of a crushing blow, we have seen plenty of small bombings here and there that have not forced ISIL to retreat. The Islamic State's prestige is still intact. It controls a large territory in Syria and it keeps the Baghdad government and the Kurds in the North East on the defensive.

Short of a massive bombing campaign, an effort at least 10 times larger than what the US and its coalition partners have underway, ISIL will still be there in Northern Iraq and large parts of Syria when Obama will leave the White House in January 2017.

Intractable issues

All this amounts to saying that, no matter who will be chosen to lead the Pentagon for the next two years, America faces large and possibly intractable problems. I say intractable because there is an obvious mismatch between available resources and will on one hand and the need to convince adversaries that we mean business.

ISIL sees that we are not going after them with all we've got. The Taliban in Afghanistan appreciates that some US troops will stay, but without conviction. Putin knows that he can do almost anything in Ukraine, without risking a major confrontation with America.

Tehran knows that America will never go to war with Iran in order to destroy its nuclear facilities. Therefore the

mullahs can go on and on “negotiating” until final exhaustion will force Washington to accept a face-saving bad deal that in practice will allow Tehran to keep all or most of what it acquired. Finally, the leaders in Beijing understand that this risk averse America will not act in any serious way to block their creeping expansionism.

Find a new consensus on the national interest

In the final analysis, the real issue confronting America is not who will be chosen to replace Chuck Hagel at the Pentagon. The real issue is to come up with a coherent and credible national security strategy based on a true consensus on our national interest.

Sadly, this fractured country in which all policy debates are now dominated by ideological extremists who believe that working to reach a consensus equals surrender is incapable of formulating anything coherent and credible on anything at all, be it immigration, health care, entitlement reform or national security.

And, quite frankly, the hope that the next President (Hillary Clinton? Jeb Bush?) will find the magic formula to fix all this may prove to be wishful thinking.

Despite Low Prices and Squeezed Margins, The US Shale Oil Sector Will Survive

WASHINGTON – The US shale oil and shale gas revolutions have radically transformed global energy markets. Thanks to shale, the US now produces 9 million barrels a day. However, right now the focus is on how this booming sector will be affected by the dramatic drop in global oil prices. (Shale gas is a very different story. There is no global price for natural gas. Unlike oil, natural gas markets are regional. The value of natural gas is in its lower cost compared to coal or other power generation technologies).

The shale oil revolution

There is no doubt that shale oil is great for America. The ability to develop shale oil has allowed the US to become once again a major energy producer. Consider this. North Dakota, in the span of just a few years, managed to move its oil production from practically zero to 1 million barrels a day, this way becoming the second largest oil producer in America. *However, producing this oil is quite expensive, compared to –say– getting crude out of the ground in Saudi Arabia.*

Low prices caused a squeeze

And this is the problem. You see, extracting shale oil is way too expensive. It made perfect sense to invest in this business when oil prices were well above \$ 100 a barrel. But now they are below \$ 80. And this dramatic drop creates huge problems, especially for US small and medium sized shale producers who need oil above \$ 75 in order to make a profit. If oil prices stay so low or get even lower for much longer, many small companies will go out of business.

What are the margins?

However, several analysts believe that for most producers there are still decent to good margins even with oil below \$ 80. Those who operate in the Permian basin in West Texas are still OK with oil prices between \$ 57 and \$ 75. According to other estimates, prices need to go down to \$ 65 or \$ 60 or even lower in order to bring most of the US shale oil sector to a halt.

Technological innovation

Of course, none of these estimates can properly factor technological innovation that can bring down shale oil exploration and extraction costs. Let us not forget that shale oil production is the child of ingenuity. Until a few years ago nobody believed that extracting oil from shale would make any economic sense, whatever the price of crude. It simply could not be done.

More resilient than you think

Needless to say, major technological breakthroughs cannot be willed into place right now, simply because industry needs them badly. But I am sure that the squeeze on profits caused by the current low crude prices will incentivize investments in cost cutting innovation.

Sure enough, because of the squeeze on profits, many US energy companies will go out of business. But I would bet that the sector will prove to be far more resilient than what oil analysts in Saudi Arabia now believe.

The Economy Grows Modestly, While Wall Street Is At An All Time High

WASHINGTON – When it comes to US higher and higher stock prices I am struck by something truly odd, in fact frightening. There is an obvious disconnect between all time Wall Street highs and relatively weak economic data.

Mediocre economy

The US economy is doing OK, but not especially well. After the weakest recovery in recent history, America is growing at 2% a year, may be a little better. However, unemployment around 6% is still too high. Labor participation is at historic lows. Real incomes have not grown for decades. A new generation of college graduates is coming into the labor market saddled with the heavy burden of gigantic student loans. These huge financial obligations prevent even the lucky ones who find decent jobs to spend, buy homes, etc. All in all, I would not call this a booming economy.

Forget about the BRICS

Add to this not particularly inspiring US picture the obvious fact that the global economy is doing poorly. Remember the BRICS? Not even one of them has met expectations. Brazil was all about its short-lived commodities export boom. Now it is in poor shape. Forget about Russia and sorry-looking South Africa. India, now under new management, may hold some promise. China's economic miracle story is over. The spectacular 30 year export-led model has run its course. At this time China is desperately trying to meet inflated growth targets by pumping more cash into a so-so economy already suffering of a serious case of "too much bad debt", coupled with massive overcapacity in some key sectors, like steel.

Europe and Japan are in decline

In all this, Europe and Japan are in seriously bad shape. Simply stated, these are old, in fact exhausted societies with way too much public debt, negative birth rates, too many old people, negligible investments, bloated public sectors, and huge entitlement programs no longer supported by a large active work force paying into the system.

These old countries, mostly run by mediocre political leaders, simply cannot keep up any more. Italy has zero growth, an unemployment rate of 12%, with youth unemployment in the South up to 60%, and a national debt now equal to 130% of GDP. Japan is once again in a recession, while its national debt is 230% of GDP. None of this is fixable.

Now, let's point out the obvious. These are America's main trading partners. How can it be that the US economy is doing so-so, the rest of the world, including those who buy our goods and services, is in mediocre to bad shape and the US stock market is booming? It used to be that stock prices reflected basic fundamentals. Well, not any more.

Stock valuations driven by Central Bankers

These days stock prices have little to do with the real economy. They are determined by the presumed positive impact of supposedly benign monetary policies implemented by Central Bankers. And what kind of magic are they doing? Well, the Central Bankers throw more and more invented money into the system while purchasing assets in order to ignite growth.

The evidence is that this does not increase the volume of productive investments; but it pushes up the valuation of stocks. Indeed, since real interest rates are kept below zero by the monetary authorities, where else will you put your money? Therefore, all the smart people buy more stocks, counting on Fed or ECB policies to push valuations higher and higher, no matter what the fundamentals may be. Japan's

economy is not growing, but its stock market valuations doubled. Have we gone totally mad? The answer is "Yes".

David Stockman's analysis

Here is how David Stockman sees it. Writing in his own www.davidstockmancontracorner.com he says:

"The global financial system has come unglued. Everywhere the real world evidence points to cooling growth, faltering investment, slowing trade, vast excess industrial capacity, peak private debt, public fiscal exhaustion, currency wars, intensified politico-military conflict and an unprecedented disconnect between debt-saturated real economies and irrationally exuberant financial markets.

*Yet overnight two central banks promised what amounts to more **monetary heroin** [bold added] and, presto, the S&P 500 index jerked up to 2070. That is, the robo-traders inflated the PE multiple for S&P's basket of US-based global companies to a nose bleed 20X their reported LTM earnings.*

And those earnings surely embody a high water mark in a world where Japan is going down for the count, China's house of cards is truly collapsing, Europe is plunging into a triple dip and Wall Street's spurious claim that 3% "escape velocity" has finally arrived in the US is soon to be discredited for the 5th year running. So it goes without saying that if "price discovery" actually existed in the Wall Street casino, the capitalization rate on these blatantly engineered earnings (i.e. inflated EPS owing to massive buybacks) would be decidedly less exuberant.

In truth, nothing has changed about the precarious state of the world since yesterday. Except.... except the Great Bloviator at the ECB [President Mario Draghi] made another fatuous and undeliverable promise-- this time that he would do whatever he "must to raise inflation and inflation expectations as fast as possible"; and, at nearly the same

hour, the desperate comrades in Beijing administered another sharp poke in the eye to China's savers by lowering the deposit rate to by 25 bps to 2.75%.

Let's see. Can it possibly be true that European growth is faltering because it does not have enough inflation? Or that China's fantastic borrowing and building boom is cooling rapidly because the People Bank of China (PBOC) has been too stingy?

The answer is not on your life, of course. So why would stocks soar based on two overnight announcements that can not possibly alleviate Europe's slide into recession or the collapse of China's out-of-control investment and construction bubble?"

This boom is unsustainable

Well, there is no valid economic reason for these incredibly high stock valuations, except for the crazy belief held by most investors that Central Bankers have magic wealth creation powers.

As long as the monetary authorities of the US, Europe, Japan and now China can keep their magician tricks going, (buying assets while keeping interest rates at zero), everybody in America will continue to believe that the stratospheric Wall Street valuations are justified.

I do not know when, but there will be a point when the Central Bankers will run out of tricks, and therefore this whole Wall Street boom will unravel, because it is based on nothing real.

Republicans Pledge To Fight Obama On Immigration – A Bad Idea

WASHINGTON – As expected, President Barack Obama just announced his plan to shield millions of illegal immigrants from prosecution and possible deportation. A fair estimate indicates that this executive order will cover 4 to 5 million illegal immigrants, almost half the total number of those who are in the US without regular papers.

Prosecutorial discretion

Without getting too technical, the President justified this unilateral move on the (widely accepted) principle of “*prosecutorial discretion*”.

It is indeed true that all law enforcement authorities in the US may exercise their own discretion (in certain cases) as to what kind of crimes they will prosecute with dispatch, while, for instance, not pursuing minor offences. All this is true. It is also true that past Presidents justified their own executive orders on the same principle.

It is legal

Based on all this, President Obama claims that his executive order is perfectly legal. After all, with his order he is not changing the legal status of the affected illegal immigrants. He is not granting them resident status, let alone allowing them to become citizens. All this would require a law passed by the US Congress.

With this action, Obama is simply shielding the “undocumented” from prosecution. And he justified this rather unprecedented action (in terms of scope, and number of people

affected) on the ground that it is inhumane for America to force so many immigrants to live at the margin of society, with no status, no rights, and so on.

The Congress did not act

Well, this is just one of many strong arguments in favor of comprehensive immigration reform. And the President is right when he claims that he has patiently waited for the US Congress to take legislative action. Indeed, more than a year ago the Senate –with Democrats and Republicans supporting it– had passed an immigration bill. However, the House did not even bring it to the floor for debate, simply because the Republican majority is deeply divided and conflicted on this issue.

Republicans want a fight

Anyway, the President has acted. How will the Republicans respond? The initial reactions are not at all promising. As I feared, the Republican leaders in Congress, strengthened by their recent massive electoral victory on November 4, promise to fight President Obama not on the merit of his action; but on principle. They argue, (alas, too many of them are lawyers), that Obama's unilateral action is unconstitutional, and therefore a severe threat to the very foundations of American Democracy.

I stated before and I repeat now that this legalistic approach, while it has merit, is totally wrong.

The point is that Obama has taken action. Stopping this through legal countermeasures may take a long, long time. (A law suit in US District Court, certainly to be followed by an appeal and then finally a full debate before the US Supreme Court).

In the meantime, the Republicans will appear to be the mean-spirited, anti-immigrant party (in some cases this is

unfortunately the truth) resorting to legal tricks in order to stop the implementation of a policy change decreed by a brave President who is inspired by truly American principles of fairness and humanity.

Anti-immigrant party?

Look, the US Constitution is not a detail. Accepting as valid an executive order of this magnitude means creating a major precedent that amounts to a huge increase of the Executive Branch discretionary powers. And this may have unwanted consequences down the line.

However, I believe that the only way to make real progress here is for the Republicans to stop fighting and jump ahead. They must produce a good immigration reform plan that at least matches the reach and scope of whatever Obama ordered now.

And here is the basic premise for any decent immigration reform plan. Whatever the vociferous opponents among the Republicans may argue, it is simply inconceivable that the US Government will deport more than 11 million people. Therefore, it is time to find a decent way to allow them to stay, while providing a path to legalization. This is not easy, given the large number of people involved, but it is possible.

Secure the border

At the same time, the border needs to be secured. The US Government should make it absolutely clear through its actions that a new law aimed at fixing an old problem will not be interpreted by anybody as an invitation to get to America illegally, with the expectation that sooner or later another "amnesty" will take care of them as well.

However, if the entire Republicans Party will be held hostage by its vociferous anti-immigrant minority, then the political and moral battle is lost. If the Republicans choose

to fight Obama's executive order on immigration on constitutional grounds, then the President will be able to say that he was right about taking unilateral action, since the Republicans are so unreasonable.

E Pluribus Unum

Here is my advice to the GOP. Debate the issue; but find unity on the very simple goal of fixing the status of so many people who want to be Americans. By legalizing them, we shall give them a real stake in our society. This will reinforce the Nation. In the end, a good reform will benefit all of us, it will unite us.

Don't forget our roots: *E pluribus Unum*, "Out of Many, One".