

# America's Delicate Democracy

**WASHINGTON** – Democracy, anyone? But, yes, of course. We all want democracy. In principle we all agree as to the advantages of living in a democratic country, where there are constitutional guarantees which uphold and protect freedom of expression and enterprise, free elections, rule of law, transparent and fully accountable government, respect for minority rights, and a lot more.

## **Preserving and passing on key values**

In reality, though, it seems that many societies –including an old democracy like the United States– are no longer able to preserve, nurture and pass on to the next generation the essential shared values that make it possible to have a well-functioning democratic republic.

Let's get this straight. A vibrant democracy needs a lot more than political pluralism and free elections held at regular intervals, as prescribed by the constitution.

Yes, these are essential preconditions. But, although absolutely necessary, they are not sufficient to guarantee an effective democracy. You can have (reasonably) free elections, and still give life to a polarized or just confused political system which produces dysfunction, or even chaos.

## **Basic preconditions**

Here are some implicit, yet basic, preconditions without which democracy becomes a flawed mess. Any vibrant democracy is premised on a reasonably well-educated population in which most citizens/voters agree at least in broad terms as to what rule of law means. This is all about justice, fairness, protection of minority rights, unfettered openness, real access to education, to all economic activities and to the unimpeded pursuit of public office.

The citizens also agree about the goals of public policy. And this includes agreement as to where the boundaries between the private and the public spheres should be. This means that the people have an understanding among themselves about the proper role of the state in providing for the truly needy and in creating appropriate and fair systems that would enhance, in fact guarantee unfettered access to economic and other opportunity to all, without at the same time creating politically inspired and justified entitlements and/or set asides for any group or social class.

## **Paralysis**

Well, here in the United States we still have all our republican institutions protected by the Constitution. But we also have political and policy paralysis. And this prolonged paralysis tells us that, as a society, we no longer agree on critical fundamental values.

And this did not start with the November 2016 elections. During the eight years of the Obama presidency the Republicans did their best to block or delay anything that the White House wanted to undertake. The widespread perception among conservatives and many independents was that Obama was in fact not the President of the United States trying to promote policies that would benefit most Americans but an ideological leftists who wanted to remake America into a quasi-socialist state. Hence the reflexive opposition to practically anything President Obama proposed. The outcome was paralysis. Almost nothing done when the Republicans gained the majority in the House of Representatives after the 2010 mid-term elections.

Today, after the significant Republican victory of 2016, we have a populist President Trump who acts on changeable instincts rather than on the basis of a well laid-out and properly articulated and shared strategy. The impression is that, beyond broad goals delivered through appealing slogans,

this Chief Executive is uncertain as to which way he would like to take the country.

### **Ideological warfare**

The legislative branch, in turn, is torn by deep ideological warfare, and most of all by the astounding inability of both Democrats and Republicans to elaborate and articulate in a compelling fashion their own strategic visions for America. The outcome of this is more policy paralysis. If this were only a temporary aberration, a glitch, America could survive and move on. But, as noted above, this paralysis did not start in 2016, it has been going on for a number of years, irrespective of who is in power.

Now that the (rather fragmented) Republican Party is in charge, we have the flip side of the Obama years scenario. Now we have the Democrats as almost statutory obstructionists. They will not get behind this President on anything at all, as a matter of principle. Battling them we have a disunited, in fact disjointed, Republican Party ostensibly in the majority. The Republican Party is clearly incapable, not only of attracting members of the opposition in order to form bipartisan coalitions on key policies, but also of maintaining even a modicum of unity and cohesion among its Senators and Congressmen.

This is serious. Indeed so serious that, if we cannot repair the ideological rifts and the deep divisions that make it now impossible to create viable (bipartisan) coalitions which can identify and successfully tackle policy priorities that will benefit America and its people, the very future of this old republic is in question.

### **Checks and balances**

The fact is that, a long time ago, the Founding Fathers devised a complicated and delicate –I underscore “*delicate*”– system of government that was primarily aimed at preserving

liberty. America was not and is not about creating a strong government that *"would get things done"*. It is mostly about protecting free people against the threat of tyranny. And for this reason the Founders came up with a complex alchemy of *"checks and balances"*: equally powerful institutions that will keep an eye on one another.

### **Easy to block anything**

But here is the thing. While this system of equal forces balancing one another is an effective instrument when it comes to preventing any dangerous power grab, it is also ideally suited for launching successful obstructionist efforts at multiple levels.

Simply put, preventing almost anything from getting done is relatively simple within the US constitutional framework. A small group, in some instances even a single law-maker, can delay or prevent major pieces of legislation and/or critical presidential appointments from moving forward. Getting things done instead requires a relatively high degree of political agreement among various factions and interest groups.

Lacking such an agreement, the system becomes easily dysfunctional. And this is the way it has been for a number of years, regardless as to who is in charge in the White House or in Congress.

### **Delicate system**

That said, the larger point here is that there is nothing wrong, as a matter of principle, with the US Constitution. What is deeply wrong is that nobody really cares very much about the fact that this American system of government is premised on a fairly broad consensus about the mission and the scope of government, sincerely and openly shared by both major parties. In other words, this American constitutional system, while old and tested, is in fact very delicate. It needs care and nurturing.

## **Recreating the consensus**

It is indeed so delicate that it cannot properly function without a fairly high level of “upstream” consensus about shared values and consequently about what should be the critical functions of government. These shared values are the ideological and cultural glue that should unite most if not all citizens and their elected representatives.

Given all this, it is obvious that given this constitutional setup it next to impossible to have a reasonably well-functioning U.S. government when vocal extreme functions vociferously advocating mutually exclusive visions are in control. As they have created a charged environment in which “compromise” is synonym with “betrayal”, the outcome is policy paralysis. (Remember what I noted above about how easy it is to engage in obstructionist efforts while ostensibly operating within the rules of the Constitution).

### **Anybody out there?**

Anyway, we have a major problem. Accepting a perennially dysfunctional federal government is not an appealing prospect. So, here is the question. Who is actively engaged in any meaningful, non partisan effort aimed at recreating the fundamental consensus about values and basic principles that made America possible in the first place? Anybody out there?

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## **Trump's Remarks On NATO**

**WASHINGTON** – Republican presidential nominee Donald Trump made headlines in Europe when he declared that America would intervene to assist a European NATO under attack only if this ally has paid its full share of the bill for the common

defense. This is unprecedented. No U.S. leader or aspiring leader has ever publicly questioned U.S. determination to intervene on behalf of a NATO member in case of hostile actions against it.

### **NATO's credibility at stake**

NATO's credibility rests mostly on the U.S. unconditional commitment to defend Europe. If future U.S. policy indicates that this blanket commitment is subject to conditions, this may encourage aggression, or at least unfriendly actions on the part of Russia, always keen to exploit divisions between the U.S. and its European allies.

Here is what Article 5 of the NATO Treaty says: *The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defence recognised by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area.* [Emphasis added].

### **Unconditional pledge**

It is clear that the NATO Treaty makes no mention of added conditionalities. It clearly stipulates that an attack against one NATO member shall be considered by all the others as an attack against all. Therefore, technically speaking, Trump's remarks are wrong, and frankly ill-advised. Indeed, Trump's glib remarks about circumstances that he would look at as president before deciding whether or not to come to the help of a European NATO country in peril are most inappropriate. The U.S. is bound to help a fellow NATO member because of a

Treaty obligation. There is no gray area.

That said, Trump, while wrong on his interpretation of the Treaty, diplomacy and more, is actually right on substance. Let me explain.

### **Not paying for the common defense**

In his usual inelegant but (sometimes) effective style, Trump pointed out what every U.S. defense official knows but will not say so bluntly, especially in public. It is a well-known fact that Europe is not paying its fair share of the common defense.

Ever since the end of the Cold War, European defense budgets have been (with very few exceptions) in free fall. The official pledge taken by all NATO countries to invest at least 2% of their GDP on defense has been broken by most of the Alliance members. There is no sign that all or at least most Europeans will soon be in compliance. Again, these are undisputed facts.

U.S. and NATO officials have repeatedly noted (albeit using muffled language) this huge gap between promises and actual defense spending. President Obama himself expressed his distress while contemplating European allies who do not spend even the bare minimum for the common security.

### **Trump said what most defense officials believe**

Given all that, what Trump said is very much in line with what most members of the U.S. national security establishment know and say –but mostly in private meetings. The huge difference is that Trump publicly and bluntly said that America will not come to the rescue of delinquent members. And this is news.

Of course this unprecedented statement by someone who may be the next U.S. Commander in Chief come January 2017 made headlines, especially in the front line NATO countries in

Eastern Europe that are directly facing Russia. (Think Latvia, Estonia, Lithuania and Poland). By saying to the Europeans something that amounts to *"First pay up, and then we shall see what I can do for you"* , Trump created nervousness and potentially contributed to enhancing instability in Eastern Europe. Given what he said, will Trump's America come to the rescue of Estonia in case of an attack? May be not. His statement allowed all sorts of bad conjectures. This is why it was most ill-advised.

### **Pledges should be honored**

That said, on the broader issue of lack of a European serious commitment to the common security, Trump is basically right. Throughout its long history that goes back to 1949, NATO has always been an unequal arrangement, with the U.S. doing the heavy lifting when it comes to defense spending.

But now we are at the point in which many European members of this old security pact contribute little to the common defense, some almost nothing; with the hope that they can get away with routinely unfulfilled pledges. This has to stop. Otherwise this old alliance turns into a joke.

Trump pointed out this huge gap between promises and actions. Again, really wrong on form; but right on substance.

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**Afghanistan Among The Most Corrupt Countries In The**



# World

**WASHINGTON** – Remember Afghanistan? Yes, that sorry nation in Asia, sandwiched between Iran and Pakistan. Presidential candidate Barack Obama, back in 2008, described it as the country where America should have concentrated all its military efforts, instead of starting a new “bad war” in Iraq.

## **War of necessity?**

Well, now Afghanistan enjoys the dubious distinction of being one of the most corrupt countries in the world, according to Transparency International. Billions of foreign aid money, (most of it from the US), combined with poorly targeted military and security assistance funds, (sometimes untraceable), certainly contributed to this.

After he got elected, Obama called Afghanistan a “war of necessity”, as opposed to a “war of choice” like Iraq. We “had” to fight there, because, according to him, that was a just cause. Al Qaeda had its bases there. That’s where they plotted the 9/11 attacks.

Anyway, fast forward to today and Afghanistan, “just war” or nor, is essentially a disaster area. Sure, the US and its tired NATO allies have cut back their military forces deployed there. But only after having created strong and self-sustaining institutions, we are told.

## **Leaving the country in good hands?**

The idea is that the well-trained Afghan soldiers, (yes there is irony here), will soon be able to take care of Afghanistan’s security entirely on their own. Indeed, after billions and billions of dollars spent in Afghanistan, America can leave the country (although not entirely) with a high degree of confidence that there is a democratically elected government in Kabul that can rely on (US and NATO trained)

loyal and efficient armed forces in its continuing fight against the ever resilient Taliban.

### **One of the most corrupt countries in the world**

Yes, if it only were so. Afghanistan is an unmitigated disaster. No real economy, except for opium production. The Afghan forces fight, sometimes well, sometimes not so well. But the Taliban threat has not receded. And, guess what, there are astronomic levels of corruption that, for sure, involve the NATO trained military and the police, among others.

At least some Afghans are aghast. According to Tolo, an Afghan news site, "A new annual study of Transparency International illustrates Afghanistan, Somalia and North Korea as the most corrupt countries among 176 in the world".

"Afghanistan is the second most corrupt country in the list of 176 countries ranked in the report" Tolo continues. "Meanwhile, Executive Director for Integrity Watch Afghanistan (IWA) Mohammad Ikram Afzali is concerned over the Afghan government's anti-corruption campaign and recommended a number of changes to this drive".

"The fight against corruption should be the top priority of the National Unity Government [NUG]. There should be a political will for this purpose," he said.

"The NUG has not implemented its promises it has made for overcoming the endemic corruption in the country," said Nasir Temori, a researcher at the IWA.

The Chief Executive of the NUG, Abdullah Abdullah, in a session with UN and other humanitarian organizations said they are committed to fighting endemic corruption.

"There is no doubt in the NUG's mind it is serious about the fight against corruption in public offices," he said.

**The NUG leaders in the first day in their office vowed to**

***overcome corruption in government offices and bring transparency in government contracts and other processes that pave the way for this problem.*** [Bold added]

*“Not only government but the people, the civil society and the private sector are responsible to join hands and fight corruption in the country,” said the president’s deputy spokesman Sayed Zafar Hashemi.”*

### **It did not happen**

Well, whatever the National Unity Government pledged about fighting corruption, it simply did not happen. Trying to help, the US and other countries poured literally billions and billions of dollars into Afghanistan in an effort to modernize its institutions and its economy, and there are only negligible results. And this is in part because a massive amount of foreign aid money was stolen through corruption, embezzlement, and other illegal means.

### **Bad aid policies**

To make things worse, corruption aside, US official aid was often spent on stupid or insane projects. Recently the news came up of a compressed natural gas (CNG) refueling station, funded by the Pentagon, that ended up costing in excess of \$ 40 million. Yes that \$ 40 million for a refueling station, when comparable projects in neighboring Pakistan would cost no more than \$ 500,000.

Did this 140 times cost overrun happen just because of an extravagant level of stupidity and incompetence? May be we shall never know. The US run Task Force in charge of this insanely wasteful project cannot provide proper documentation.

And this an American project. This was not run by the Afghans. While this example is truly egregious, if this level of mismanagement is even remotely indicative of how things were planned and organized under the “just war” umbrella, you can

understand why Afghanistan is an utter US foreign and security policies failure.

Interestingly enough, nobody says anything about any of this in Washington. It is true that President Obama inherited the Afghan conflict from George W. Bush who started it in 2001. However, after almost 8 years in the White House, he owns it. And yet it seems that he is not held accountable.

### **A disaster**

Sadly, the Afghan “just war” turned into a chronically ill patient completely unable to get better and take care of himself. In the meantime, everybody, from the ruling elites to the policemen in the villages, is busy stealing and extorting.

Is there a “Plan B” for Afghanistan? I doubt it.

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## **No More Startups In America**

**WASHINGTON** – President Obama confidently declared to the Nation in his last State of the Union Address that the American economy is back. Under his administration the Great Recession of 2008 was contained, and then 14 million new jobs were created. The economy is growing at a healthy pace.

### **Not that good**

Well, it is not that good. What we have had since 2009 is the worst economic recovery in modern American history. The average rate of growth used to be 3%; now it is 2%. A huge

deterioration. And this decline occurred notwithstanding an unprecedented period of high federal spending (hence the debt explosion) and zero interest rates that were supposed to guarantee higher growth. Unemployment is down to 5%. But this is largely because far fewer people are active workers. Millions have dropped out. Labor participation is extremely low.

Add to this millions of people who have part-time jobs only because they cannot find full-time occupation and the picture turns dark. Most of the new jobs created by this economy are in low paying sectors: waiters, janitors, nursing assistants, store clerks.

What we have is a highly indebted, slow-growing American economy that at its best is able to create low paying services jobs. And the trouble is that the President and many others claim that this is good. We are doing fine. No, we are not. With this feeble growth, and this unprecedented level of debt we are well on our way to a slow but inevitable economic decline.

### **The “Land of Opportunity”**

America used to be the “Land of Opportunity”. By this I mean the country in which many wanted to be entrepreneurs because they knew they had a fair chance to succeed. The broader context –laws, regulations, contracts enforcement, patent protection, credit availability, taxation– was generally pro-business.

And then there was a huge continental size market populated by eager consumers. When Americans see something new, or better, or cheaper they will buy it. For all these reasons, many Americans who started new enterprises did well, while some did extraordinarily well.

In that era the “Self-Made Man” became the quintessential American icon. At the same time a symbol of success, and a

role model for others aspiring to be business owners.

### **Old model not working anymore**

Well, this old model is not working anymore. Sure, whatever may be happening to the US Stock Market in recent days, the American economy is still growing; certainly more than anemic Europe, or semi-moribund Japan. Employment is growing. The US Dollar is strong. But, compared to its historic average, America has been experiencing very slow growth, while the income of lower middle class and working class Americans has been stagnating for decades.

### **Low rate of investment**

So, what is the problem? The problem is in a bad combination of higher taxes, suffocating regulations and Fed-induced perverse incentives that push large companies to issue more debt, instead of investing to expand operations.

The net result, as David Stockman points out in his Contra Corner, is that net investment in 2014 was only 2.3% of GDP. This is barely half the 4-5% average that prevailed in the high growth era of the 1950s and 1960s. And right now, Stockman notes, net investment is still below the 2007 levels.

### **Fewer new businesses created**

And this disappointing investment data is confirmed by the declining number of new businesses being formed. The declining number of new enterprises is the red flag, the proverbial canary in the economic mine, indicating that a negative trend is now dominant.

***Simply stated, new businesses, the proverbial startups, are the heart and soul of the American economy. Hard to think about future growth and dynamism if their numbers go down. But this is exactly what is happening.***

As Daniel Henninger points out in a WSJ piece, the number of

one year old businesses grew nicely from 550,000 in 1987 to 650,000 in 2006. But then they started going down.

## **The recession**

Of course we have to factor the Great Recession of 2008 and 2009. Many companies, large and small folded. But the recession, however severe, ended. Since 2009 we have had many years of uninterrupted growth. Still, the number of new startups keeps declining. In his WSJ piece Henninger quotes data from the Kauffman Foundation. In 2012 there were only 400,000 new companies created in America.

***And it gets worse. A 2014 Brookings Institution report, also quoted by Henninger, indicates that since 2008 every year there are more companies going out of business than new businesses created. This is a horrible trend.***

## **What happened?**

Now, we can debate the causes of all this. I cited bad monetary policies, high taxes, and a positively anti-business regulatory environment. Other talk about the crisis of innovation, (not enough of it to give life to new technologies and new companies that will produce them), “secular stagnation”, or whatever.

## **The pro-growth eco-system is gone**

The fact is that, due to multiple factors, the legendary pro-growth American economic “eco-system” is no longer there. The old, easy to understand incentives to start a business and grow it are no longer there. In some sectors the regulatory thicket is almost impenetrable. As a result of all these new obstacles, fewer young people have the interest and the aspiration to become entrepreneurs.

This is a major problem. Whatever may happen in Wall Street in the next few weeks, this entrepreneurship decline is a real,

structural impediment to robust future growth. America has become a country in which debt-driven, slow growth is the new model.

### **Debt driven economy**

Of course, until now financing operations through extremely low interest corporate bonds seemed extremely smart. Many companies got essentially free money. Yes, but it looks that this free money was used to fund current operations or stock repurchases. It has not been used to fuel new investments.

The fact that President Obama ignored all this in his State of the Union Address is a bad indication. Of course, he is defending his 7 years economic policy record.

But in so doing he is also telling America that this new era of slow growth, dangerously high levels of debt, under employment, declining entrepreneurship and lack of innovation is actually alright.

And, no, it is not alright. This is a road to economic and societal decline.

### **A new mandate**

Let's hope that a new President will have the mandate to shake up the system. We need aggressive deregulation, lower corporate taxes, and a genuine pro-business policy environment.

We need risk takers who once again feel that it makes sense to start a business in America, without having to worry all the time about inspections and compliance with obscure rules that most people do not even understand.

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# By Showing Captured US Sailors Iran Scored A Huge Propaganda Victory

**WASHINGTON** – Two small US Navy boats drifted off course while sailing in the Persian Gulf and ended up in Iranian territorial waters. The Iranian navy surrounded them and apprehended the 10 American sailors on board.

## **Matter resolved**

The matter was resolved peacefully and quickly. The sailors were released and the boats, with all their equipment, were returned to the US Navy. So, all is well? is this a palpable demonstration that the new era of better relations between Iran and the US is actually bearing fruits?

## **The whole episode was filmed**

Not quite. The Iranians filmed the whole incident. And so the whole world can now see young US sailors taken prisoners, looking forlorn. There is ample footage showing all of them on their knees, with their hands clasped behind their necks, the universal sign of surrender.

## **Deliberate humiliation**

While it is true that the incident was resolved favorably and quickly, it is also true that America has been deliberately and publicly humiliated. The Iranians certainly did not *need* to release this video; but they did it anyway. Who can pass this opportunity to show US servicemen at the mercy of the mighty Iranian armed forces?

## **No reaction from the White House**

Apparently, the White House is happy. No comments so far about

this slap in the face. This is how CNN reported official reactions:

*"The White House told reporters Thursday that President Barack Obama had seen the images of the detained sailors.*

*With the administration on the defensive over the video, State Department spokesman John Kirby told CNN's Jake Tapper on "The Lead" that the images were "hard to look at" but urged critics to concentrate on the fact that the sailors were returned quickly.*

*"What we are most happy about here in the State Department is that we were able to get them home in less than 24 hours, (with) 10 fingers, 10 toes, nobody hurt. They are all safe and we got our boats back, and I think that is the most important thing."*

## **Embarrassment**

Of course, let's focus on the good news. All the sailors were promptly released. But only an idiot would ignore the fact that Tehran got a huge propaganda victory out of this incident.

You can rest assured that this video of the American sailors on their knees will go around the world, many times. You can rest assured that it will be used by all those who hate America –for years to come.

***"You see? The Americans are weak. Look at them: on their knees, begging for mercy. They are not fighters. They are cowards. Confronted with determined warriors, what do they do? They surrender".***

## **Stain on America's prestige will not be removed**

No matter how much the White House, the State Department, or the Pentagon will try to spin this story, these sad images of captured and humiliated American sailors will be used in the

worst possible way by a variety of groups and political forces that hate America.

Mark my words, this stain on America's prestige cannot and will not be removed.

### **No price to be paid for offending America**

Without trying to make too much of this one incident, let's not forget that Great Powers are respected in large measure because of what others know or believe they can do. However, these days America's prestige is tarnished, and its resolve is also in question.

As America is perceived to be weak, a deliberate swing at Uncle Sam's image is no big deal. After all, what is America going to do in retaliation? Most likely nothing.

Therefore, let's have some fun. Let's film our prisoners and show the world that we Iranians are strong and the Americans are weak.

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## **Obama Talks About Gun Violence In Order To Avoid Embarrassing Issues**

**WASHINGTON** – I've got to hand it to President Obama. He is a really capable politician. And probably the greatest skill a politician can display is the ability to force Americans to focus on what he wants them to, as opposed to other important issues that could potentially damage him or his party.

### **Gun control initiative**

On January 5 President Obama made a major White House announcement about new measures that should prevent wanted criminals, or people with felony records from legally buying guns. On close inspection, this initiative amounts to almost nothing.

Obviously this is not a new legislative proposal. This would require congressional approval. And there is no chance that the Republican majority would vote for any new measures. And it is not an executive order either. This could have more teeth; but it could be challenged in court.

Obama's announcement is about new "guidance" on how to interpret and properly follow existing laws and regulations, while devoting more resources to process background checks on would-be gun buyers more rapidly. These directives will also instruct people in the gun selling business on how to properly adhere to existing regulations. In other words, this is virtually nothing.

### **No impact**

Indeed, even assuming faithful adherence to this new guidance, the impact would be negligible at best. If you are not convinced, please consider that there are already in excess of 300 million guns –yes this is 300 million– in circulation in the US. This is a staggering amount. New rules that may restrict access for some future gun buyers, however well intentioned, will not change this underlying reality. Plenty of guns in America.

### **News of the day**

And yet, notwithstanding the triviality of all this, Obama's White House announcement completely dominated the news cycle. There was full live TV coverage of the event, followed by almost mandatory commentaries in which gun violence experts were called upon to opine on what will be the impact, if any, of these new measures. They were followed by NGOs

representatives who spoke in favor or against guns. And then, of course, each and every Republican and Democratic presidential candidate had to be given a chance to comment on what Obama had said.

## **Diversion**

All this amounts to yet another instance of masterful media manipulation. Obama dominated the news. As a result of this gun control diversion, there has been almost no coverage of other really important issues that would deserve real analysis and scrutiny.

But why the diversion? Because going deep into these other matters would expose America's weaknesses and Obama's lack of leadership. Therefore, if we can, let's create a diversion. Let's talk about something else.

*"Hey, how about another "non-initiative" about gun control? We know that this is a crowd pleaser. The Democratic "base" loves it. OK, let's do it".*

## **Nothing about China**

And so it went. As we were watching Obama, no coverage of the disturbing news from China. Yes, there are nasty economic tremors in China. It is quite possible that, if China is sick and the whole world catches a bit of this Asian flu, the already fragile US economy may go south. This would be bad news for Democrats at the beginning of a critical election year.

## **Saudi Arabia-Iran crisis forgotten**

Likewise, no coverage of the additional crisis in the Persian Gulf in the aftermath of the public execution of Nemer al-Nemer, a Shiite cleric, by the Saudi government. Saudi Arabia, along with its smaller Arab Gulf allies, cut relations with Iran after an Iranian mob (the Iranians are all Shiites) burnt

down the Saudi Embassy in Tehran as a reaction to the execution.

Could this new major friction between traditional religious and political foes escalate to violence? What about the flow of oil from the Persian Gulf? Should Americans worry about this? Has the administration any contingency plans?

Add to this Saudi-Iran spat Iranian open defiance of UN Security Council Resolutions when it comes to its ongoing ballistic missile program. The Iranians proclaim that they can do whatever they want with their missile programs. Well, does this defiance impact in any way the implementation of the separate but related nuclear deal that Obama rated as a major US diplomatic accomplishment aimed at preserving peace in the region and beyond?

### **US policy towards Afghanistan?**

Last but not least, here is another unpleasant topic drowned by the gun safety initiative: US soldiers keep getting killed in hopelessly messy Afghanistan.

Discussing this matter would invite scrutiny on the fundamentals of US policy towards Afghanistan. What is the end game? Are we making progress? Can we defeat the Taliban? Can we confidently leave the country with the expectation that the fragile Kabul government will keep things under control after we are gone?

### **We do not discuss real issues**

So, you get the picture.

*The world economy is on shaky ground. Nervous investors from Japan to New York are looking for any additional deterioration in China as a sign that it is time to run for the exit.*

*The Middle East is one step away from another crisis to be added to Syria, Iraq, and ISIL.*

*The US-Iran deal is potentially in jeopardy because of Tehran's behavior.*

*Obama's Afghanistan policy is looking bad.*

And what does Obama do? He delivers a "hot air" White House address on how to cut gun violence focused on minor initiatives that will change nothing. I cannot blame him for trying. This is politics after all.

### **All US media accepted diversion as real news**

But what is shameful is that the entire US national media establishment bought the diversion. All the networks and cable TV news shows felt obliged to cover in detail this non event, at the same time adding layers and layers of irrelevant commentary.

And so, this became the news of the day, with more ripples to follow.

### **Obama knew what he was doing**

But here is the thing. Obama knew exactly what he was doing: a diversion. Whereas the media is apparently unable to call this presidential theater for what it is: a masquerade. News programs could have mentioned (in 20 seconds) Obama's initiative, and then they should have focused on the real issues: the world economy, international security. But it did not go this way.

Therefore, instead of talking about the US economy and the new Saudi Arabia-Iran crisis –real issues with possible grave consequences– we debate the merit of yet another presidential gun control initiative that according to most experts will change absolutely nothing.

The US media should know better.

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# 300 Million Guns In America – Limiting New Sales Will Not Cut Murders

**WASHINGTON** – Here is an interesting (front page) headline from The Financial Times: *Obama prepares to impose controls on gun sales in effort to tackle violence*, (January 2 – 3, 2016). On the face of it, this sounds reasonable. In a country where there is a great deal of gun violence, more stringent background checks on would-be gun buyers would prevent people with criminal records from purchasing guns.

## **Executive order?**

The FT article goes on to discuss what kind of options President Obama may have if he wants to act alone, via executive order, since this Republican Congress will be hostile to any new laws that may end up restricting gun ownership.

## **Preposterous issue**

That said, the whole issue is completely preposterous. Guess what, leaving aside any new, more stringent screening on would-be new gun buyers, in today's America there are anywhere between 270 and 310 million guns in circulation.

This is an approximation that includes both legally owned and illegally owned guns. When it comes to privately owned firearms, the US ranks N.1 out 178 countries. In 2014, 31% of all US households had one or more guns.

## **Between 270 and 310 million guns**



***Got that? Anywhere between 270 and 310 million guns already in the hands of US citizens. This comes to an average of almost 1 gun for every American, including babies and old people in nursing homes, (US population: about 326 million).***

## **Posturing**

Given this context of almost absurd levels of gun ownership, do the FT editors really think that President Obama can “tackle violence” by creating more stringent background checks on future purchases? ***And what about the 270 million (or more) guns already in private hands? We just make them disappear?***

The FT should know better. Any new presidential initiative that would somehow affect gun ownership at this stage amounts to political posturing. Given America’s “gun saturation”, Obama knows that whatever he does will have essentially no impact on future rates of gun violence. But he is going to try “to do something” anyway, because he wants to please a section of the Democratic Party. And he wants the moral high ground for himself and for the party.

## **Gun culture**

The sad truth is that most Americans (Including many Democrats) are wedded to the notion that owning a gun is some sort of birth right, (enshrined in the 2nd Amendment to the US Constitution).

Until this gun culture changes –and there is no sign of this– there is very little that any US President will be able to do. (In case you are wondering, confiscating all or even some privately owned guns would be unconstitutional, just like prohibiting any future guns sales).

Therefore please avoid the nonsense of headlines that convey the impression that new controls will have any impact on reducing gun violence. They will not. And the FT editors should know this.

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# Sargent Bowe Bergdahl Charged With Desertion

**WASHINGTON** – Remember Sargent Bowe Bergdahl, the soldier who had been a Taliban prisoner for 5 years and then was freed in 2014 in exchange for 5 Taliban officials held by the US at Guantanamo Bay? Right at the time of the exchange, the Obama administration presented this prisoners' swap as some kind of victory.

## **Desertion charge**

Well, today we learn that Sargent Bergdahl, after a lengthy investigation on the circumstances of his disappearance from his base in Afghanistan, and subsequent capture by the Taliban in 2009, will be tried for desertion by a US Court Martial.

## **War hero?**

Come again? The war hero was probably a deserter? And the Obama administration did not know about this? Well, apparently not. We were told at the time that the American government secretly negotiated the release of one of our brave soldiers. *"Yes, it was complicated. But we did it. We take care of our own"*.

In fact, President Obama was so proud of this achievement that he made a public White House announcement of the prisoners' exchange, with Bergdahl's parents next to him.

## **Administration could not control the story**

But then, after the White House “good news” announcement, something started moving in a bad direction. Other soldiers who had served with Bergdhal in Afghanistan said in various interviews that he had voluntarily left his post, without any authorization.

In other words, in their view, Bergdhal was in fact a deserter who was later on captured by the Taliban.

### **“Honor and distinction”?**

Well, that did not fit the narrative of the brave soldier who suffered in captivity and was later on rescued by a provident US government. And so the administration tried to change the picture.

They dispatched National Security Adviser Susan Rice to appear on TV shows where the poor lady had to say that Bergdhal served his country “with honor and distinction”.

But the stories of Bergdhal’s probable desertion did not go away. Of course, this made Susan Rice look foolish, or worse. In the end, the administration could not fix this public relations debacle. In the meantime, the Army was left with the Bergdhal hot potato. They did not know what to do with him. They gave him a desk job somewhere.

### **Investigation**

Still, given all the controversy, shouldn’t the bizarre circumstances of his disappearance from his post in Afghanistan be investigated? Well, may be. But it took months for any investigation to get going. And then this thing dragged on and on.

***In hindsight, it is obvious that the White House wanted to create as much distance as possible between the Obama-announced release and the final fate of this soldier.***

Finally, only now, we are getting somewhere. Bergdhal will be

tried by a US Court Martial on charges of desertion.

### **Hero, or deserter?**

Of course, this being America, a charge does not equal to a conviction. But we are talking about a potential deserter who was portrayed by the President of the United States, and by the White House National Security Adviser as a war hero who had been liberated thanks to the relentless efforts of this administration, after 5 long years of captivity.

### **A story of incompetence**

If you think about it, this Bergdhal story illustrates an incredible degree of incompetence and superficiality. Nobody checked the records. Nobody did any homework about Bergdhal and about how he left his post in Afghanistan.

They allowed the President of the United States to embarrass himself with the public announcement of "a war hero finally coming home". They forced Susan Rice to say on TV something that was clearly not true about Bergdhal having served with honor and distinction.

### **Nobody wants to connect the dots**

Having said all this, what is truly surprising, in fact alarming, is that today, after the official announcement of the Court Martial proceedings about to begin, nobody is connecting the dots. Nobody is going back to how this story was initially presented. Nobody wants to point out the obvious fact that this whole prisoners' exchange operation was mismanaged. Now, it looks like an unsupervised Junior High School Project that went terribly wrong.

### **No accountability**

For some reason the media just do not want to say that this administration did all this, all by itself. Talk about unforced errors!

Still, for some reason, the context of Bergdhal's disappearance, capture by the Taliban, and eventual release following the prisoners' swap has been forgotten.

This is a bad sign. Indeed, the first sign of a declining republic is when we forget to hold our public officials accountable.

### **Mentally disturbed**

As for Sargent Bergdhal, everything we heard about him indicates that he is mentally disturbed. Most likely at the time of his (alleged) desertion he had no treasonous motives. He did something stupid, inspired by stupid fantasies.

Still, whatever his mental state then and now, what he probably did is called desertion. And, no, this behavior is not an indication of a soldier who served America with honor and distinction.

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## **Obama Will Not Fight ISIL**

**WASHINGTON** – The Obama administration Middle East policy can be summarized with this proposition: *“Let's do nothing, hoping nothing really bad happens during our watch”*.

### **Timid on Iran**

And this includes the way in which the negotiations with Iran were conducted about nuclear issues. The effort was not about enforcing non-proliferation. It was mostly about trying to regulate proliferation, buying a little time now, hoping that the Iranian regime will mellow later on and decide not to openly pursue nuclear weapons 10 years from now.

## **The ISIL threat**

Well, nuclear Iran aside, the fact is that some really bad things have already happened. Among these by far the worst is the rise of ISIL. It is almost incomprehensible how the Obama administration, from day one has consistently underestimated the horrendous implications of the emergence of this self-described Caliphate.

The fact is that now the Sunni minority in Iraq, along with a huge piece of Syria, are dominated by this radical movement. This is and will continue to be major trouble in an already troubled region.

## **ISIL inspires others**

The very existence of ISIL as a functioning "state" dominated by radicals fuels and inspires more radicalism in the region. ISIL inspired movements are sprouting everywhere, from Libya to the Sinai peninsula in Egypt. It is impossible to predict what these organizations will be able to do, but we should expect the worst.

## **More terror**

Just consider the destruction of the Russian civilian airliner carrying tourists. If this accident was indeed caused by a bomb placed on board by ISIL members, (this is the theory now), we can see the far-reaching consequences of a few well crafted acts of terror carried out by ISIL members or sympathizers. In just one day Egyptian tourism has been essentially killed. No more tourists. One bomb, one downed airplane. Enormous economic damage.

Of course, with or without ISIL there will be other radical groups in the region, and some of them will engage in acts of terror. Still, the fact that militants know that there is an actual functioning state that embodies their beliefs is a tremendous morale booster. It reassures the true believers. It

tells them that they are winning.

### **An ISIL defeat would demoralize militants**

Imagine instead TV footage that shows ISIL fighters retreating and demoralized, many killed or taken prisoners, territory lost, their black flags gone. At the very least this would deflate the hopes of more would-be jihadists.

### **Incomprehensible indecision**

Given all this, Obama's indecision in fighting this enduring menace (after having stated that his aim is to degrade and destroy ISIL) is almost incomprehensible. By allowing this cancer to attach itself to large parts of the region, Obama is disregarding the likely consequences. More radicalism, more violence and more terrorism.

### **Not the only issue**

I fully realize that ISIL is not the only issue to be dealt with. But it is the most virulent and therefore the most urgent. Conferences and high level meetings will not take care of it. America is the only country that has the military power to confront and destroy this menace.

Any day that goes by and ISIL is still there, flying its flags, is a day of victory for all the militants.

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## **If The US Enters A Recession, Clinton In A Tough Spot**

**WASHINGTON** – Democratic presidential candidate Hillary Clinton just declared that the Obama administration deserves an "A"

when it comes to its (stellar?) management of the US economy.

### **A loyal Democrat**

Yes, you can say that this is to be expected. After all, she is a Democrat. As Secretary of State during Obama's first term, she was part of the team. Therefore, no wonder that she gives the President whom she served a high grade.

### **The new normal**

Fine. Except that this absurd exaggeration does not raise any eyebrows, even among competent practitioners. No outcry from serious economists. And the reason for this is that these days mediocrity is the new gold standard.

We all know that this has been the worst recovery that we have had in modern American history. Notwithstanding rivers of liquidity supplied by the Fed, and stupendous, trillion dollar plus, budget deficits in the first few years after the recession, economic growth averaged only 2% during this long but painfully slow recovery. This is 30% less than the historic US 3% average.

This is hardly inspiring. On the other hand, if 2% growth is the same as 3%, then Obama did well. Likewise, if the lowest labor participation rate in modern history, stagnant wages, and millions of Americans on food stamps are totally acceptable, then Obama did well.

### **A recession?**

That said, what if we get into a recession next year, right before the elections? As the defender of Obama's policies, Clinton would be a tough spot. The possibility of a recession is not a fantasy. GDP growth decelerated to only 1.5% in the third quarter of 2015. The US consumer has no more discretionary cash. And, if we look at the global economy, we do not see many prospects for a fast pick up.



China is dealing with the devastating consequences of its own immense over capacity, and it stopped buying stuff. Most of Europe, QE notwithstanding, is in stagnation or decline. Japan is not out of the woods. Brazil, Canada, South Africa and Australia have been hit hard by the collapse of commodity prices. Russia is doing poorly on account of truly depressed oil prices. Saudi Arabia is dealing with fiscal deficits also caused by reduced oil revenue. And let's not even talk about Venezuela, literally on the verge of collapse.

Beyond that, many developed countries have devalued their currencies in order to boost their exports, while emerging nations have seen their currencies lose altitude because of their shrinking economies. Hit by highly unfavorable exchange rates and non performing economies, these nations are not going to buy a lot of American products. And forget about hordes of new visitors coming to America for a vacation, given the high dollar.

### **No good signs**

In the US we have had a significant inventory build up in the second quarter, while consumers do not have much discretionary spending any more. And major exporters are doing poorly. For example, due to the global slow down, Caterpillar's sales abroad collapsed. And thanks to the dramatic oil prices drop, the entire US energy sector, one of the key drivers of the recovery, is now in recession.

So, there you have it. Excess inventory and soft demand at home. US exports, already down, are headed south. In the meantime, the US will be hit by a new wave of Chinese imports sold here at discounted prices. (This is how China will try to get rid of its excess inventory). This will put already struggling US producers at a further disadvantage.

Given all this, a US recession in 2016, while not certain, is not a fantasy scenario. And what are the political

implications? It is quite simple.

### **Clinton will be in a tough spot**

Hillary Clinton, running as a defender of the Obama glorious record on the economy, will find herself in the embarrassing position to distance herself from this administration, after she just said that they deserve an "A" on the economy, while arguing that she will follow a similar course, if elected President.

### **This should help the Republicans**

If this were a reasonable world inhabited by rational people, should the US economy enter a recession in an election year, this should really help qualified Republican candidates.

The Republican Governors, (John Kasich, Ohio), or former Governors (Jeb Bush, Florida), who have a proven record as capable chief executives and competent stewards of their states' economies, should be able to capitalize on this.

They should be able to argue, with some vigor, that they have both the sound policy remedies and the demonstrable leadership skills necessary to get the US economy back on track.

### **Irrational voters**

Well, they may try this. But I would not count on such solid arguments getting any traction. God knows what people respond to. We are now in an era in which emotions and whims dominate. Records, substantive programs, policy platforms, and proven leadership skills –the very foundations of competent and sound government– do not matter that much.

These days, people follow strange instincts. And these instincts are often divorced from reality.