November 20, 2011

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America's political leadership can continue to act irresponsibly about money for years to come, and absolutely nothing will happen … until it's too late.

Consider an analogy to household finances. My wife and I are squares about money. We borrow conservatively, repay early, plan cautious budgets and won't buy anything unless we know we can cover the cost within a short time. The result is a nice house that's mostly our own equity, plus retirement savings and a strong credit rating. In fiscal terms, we are pretty much where the United States was a quarter century ago.

Suppose I ran out and bought a high-end sports car for me and a diamond brooch for her. This would be irresponsible, especially from the standpoint of our three children. What would happen the next day?

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And **George Will** on the super committee.
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23. Not that law has much to do with fiscal matters: The Democratic-controlled Senate has not produced a budget in more than 930 days. This is just one way existing budget law is ignored.

Regarding the supercommittee, Harry Reid's and Obama's interests diverge. Imitation is the sincerest form of politics, and Obama needs congressional failure as he seeks reelection by emulating Harry Truman in 1948, running against a "do-nothing" Congress. Reid, however, wants to remain Senate majority leader. In 2012, Democrats will be defending 23 seats, Republicans only 10. Republicans need to gain just four seats to control the Senate. Reid's members cannot relish running while Obama is denouncing the "Republican Congress." As if the Democratic-controlled Senate has been temporarily disassociated from Congress. ...

Spengler turns his attention to MF Global and corruption in DC.
Jon Corzine's MF Global is missing $600 million of customer money, and the bankruptcy trustee has no idea when it might be found or when investors might be paid back, if ever. The New York Times today says that the investigation points to the conclusion that the firm simply misappropriated (that is, stole) customer money to back up failing bets on the distressed bonds of failing European governments.

The former head of Goldman Sachs and Democratic governor of New Jersey presided over a firm that may turn out to have been a criminal enterprise. Maybe the Occupy Wall Street movement should shift venue to the headquarters of the Democratic Party, which has a long pattern of involvement in outright corruption.

If this is the case — and I will patiently await the results of investigation by the proper authorities before coming to any conclusion — the only proper thing to do would be to throw the book at Corzine and his colleagues and put some people in jail for a very, very long time. In response to corporate malfeasance and Wall Street's misbehavior in the advent of the 2008 crisis, we have had a raft of new legislation and regulation — Sarbanes-Oxley, Dodd-Frank, the Volcker rules, and more minutiae than the battery of corporate lawyers hired by the banks can follow. My few friends still employed in the investment banking industry are making a fraction of what they once did, but their lawyers are getting fat. The last hiring bubble in Wall Street, I'm told, is in risk management and legal services. Remember what Mother used to say: "You can't have any new laws until you use the old ones!"

There is overwhelming documentation that key Democratic Party figures used government sponsored enterprises — the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) — to corrupt Congress on a grand scale in order to pay themselves spectacular sums. Last year Gretchen Morgenson and Josh Rosner told the sordid story in their book Reckless Endangerment: ...

Just for grins, **David Warren** lists some of the Occupiers' demands.
... "Repeal the Taft-Hartley Act. Unionize ALL workers immediately. ... Raise the minimum wage immediately to $18/hr. ... Institute a moratorium on all foreclosures and layoffs immediately. ... Open the borders to all immigrants, legal or illegal. ... Tax the very rich at rates up to 90 per cent. ... Allow workers to elect their supervisors. ...

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That was a fairly representative sampling, from a very wide field, across which one might reply to every single demand, "You and whose army?" For, after all, the encampment in Zuccotti Park was unable to defeat even New York City bylaws. ...

Roger Simon wants us to pay attention to foreign policy.
... I am leery of a president who is a foreign policy novice.

We have seen the results of that with the incumbent. America's foreign policy has been between non-existent and disastrous during his administration. Our leadership in the world has diminished drastically, probably intentionally, and that is horrendous for the human race.

The examples are myriad (going after Ghaddafi while virtually ignoring the far more dangerous Assad; allowing, even encouraging, the fall of Mubarak leading to the rise of the Muslim Brotherhood in Egypt and elsewhere; playing footsie with increasingly Islamist Turkey; putting undue pressure on Israel and repeatedly disrespecting her prime minister; etc.) but I can't recall a more despicable behavior by an American president in my lifetime than Barack Obama's reaction — or should I say non-reaction — to the democracy movement in Iran. Who can forget the brave demonstrators in the streets shouting "Obama, Obama, are you with us or against us?"

Obama didn't hear them, choosing instead to negotiate with Ahmadinejad. This ideologically ignorant and narcissistic decision, devoid even of basic human compassion, has helped put us in the position we are today with an Islamofascist Iran on the brink of nuclear weapons.

So what does this mean in terms of the Republican candidates? ...

Regarding the cost of the GM bailout, **Shikha Dalmia** gets to say, "I told you so."
Am I allowed to say, I told you so?

The Treasury Department yesterday revised its loss estimate for the Government Motors bailout from $14.33 billion to $23.6 billion, thanks to the company's sinking stock price. GM's Sept. 30 closing price, on which the new estimate is based, was $20.18, about $13 less than its December IPO price and $35 less than what is needed for taxpayers to break even.

The $23.6 billion represents a 25 percent loss on the feds $60 billion direct "investment" in GM. But that's not all that taxpayers are on the hook for. As I explained previously, Uncle Sam's special GM bankruptcy package allowed the company to write off $45 billion in previous losses going forward. This could work out to as much as $15 billion in tax savings that GM wouldn't have had had it gone through a normal bankruptcy. Why? Because after bankruptcy, the tax liabilities of companies increase since they have no more losses to write off.

This means that the total hit to taxpayers, who still own about a quarter of the company, could add up to $38.6 billion. That's even more that the $34 billion on the outside I had predicted in May.

Reuters Blogs

The shock awaiting if the 'super committee' fails

by Gregg Easterbrook

Action by the debt-reduction 'super committee' is due in less than a week. You will not be surprised to learn the super committee may only announce grandiose goals, while "deferring" specifics to some unspecified future point.

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Consider an analogy to household finances. My wife and I are squares about money. We borrow conservatively, repay early, plan cautious budgets and won't buy anything unless we know we can cover the cost within a short time. The result is a nice house that's mostly our own equity, plus retirement savings and a strong credit rating. In fiscal terms, we are pretty much where the United States was a quarter century ago.

Suppose I ran out and bought a high-end sports car for me and a diamond brooch for her. This would be irresponsible, especially from the standpoint of our three children. What would happen the next day?

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Observing that nothing happened, suppose I then take my wife on a luxury world tour – first-class flights, presidential suites, Bollinger '75. I could just sign for it, no questions would be asked. What would happen? Absolutely nothing.

I could go on like this for quite a while, overspending without restraint. The sun would continue to rise. It would seem nothing was going wrong — until my family's finances were ruined. By the time that point had been reached, it would be too late.

In most of its history, the United States government has been conservative about debt. The nation had to borrow significantly during the early 1940s, but responded with a strict focus on repaying that debt quickly during the late 1940s and early 1950s. As recently as the Reagan deficit years of the early 1980s, there was bipartisan consensus that significant borrowing should be a temporary policy only. In the late 1990s and first two years of the 2000s, the national debt declined as the budget went into surplus and Congress resisted the impulse to overspend.

Then, beginning in fiscal 2003, discipline went out the window. The FY 2003 deficit of $378 billion was considered shocking at the time — the worst, in current dollars, since World War II. Every year since then, save fiscal 2007, has seen a federal deficit that would have been shocking in any previous decade. Yet nothing happened! The sun still rises, and other nations still lend the United States money.

When Congress and the White House discovered they could borrow recklessly and nothing bad seemed to happen, forbidden fruit had been tasted. Since then, neither Republicans nor Democrats in Washington have shown restraint. Republicans want lower taxes and more corporate welfare, Democrats want more spending for their party's interest groups. Both sides keep ordering cases of champagne – and nothing happens … in the short-term, that is.

Currently the plan is for trillion-plus annual deficits as far as the eye can see. Even if the super committee achieves its mandate of reducing the deficit by $120 billion a year – a "draconian" reduction equivalent to 3 percent of annual federal spending — the national debt still would be projected to bloat from $14 trillion today to $19.6 trillion in a decade.

But the White House and Congressional leaders of both parties know that if the super committee fails, nothing will happen right away. Supposedly automatic budget cuts would be triggered. But they would not take effect until 2013, ensuring that for now, no program is cut and no tax is increased. Waiter, more Bollinger!

Then, in 2013, waivers for the "automatic" cuts could begin. Timothy Noah noted recently in the New Republic that the Gramm-Rudman balanced-budget act, passed to considerable theatrics in 1985, on paper imposed automatic cuts if Congress overspent or under-taxed. The rules proved toothless when lawmakers "realized they did not need to take the law seriously," and started passing waivers. Same with the Pay-Go legislation enacted to great theatrics again in 2007. On paper it requires disciplined spending – but nearly every appropriations bill since 2007 has included a Pay-Go waiver.

The supposedly mandatory, automatic cuts might later be quietly repealed. Among the most important public policy books of the last decade is *Reform at Risk: What Happens After Major Policy Changes Are Enacted*, by Eric Patashnik of the University of Virginia. This 2006 book details how Congress enacts what appear to be super-dramatic reforms, but as soon as the media spotlight shifts elsewhere, lobbyists and committee chairs quietly undo the reforms by repealing sentences or paragraphs of the legislation. Often the repeals are hidden in seemingly innocuous "technical corrections" bills deliberately worded so as to be incomprehensible. The supposedly mandatory super committee spending cuts may disappear in this fashion.

A core reason why Washington keeps borrowing too much, and taxing too little, is that national leaders know that if they behave irresponsibly, in the short term nothing will happen.

In the long term, though, the United States will become Greece. At that point, it will be too obvious for Washington to deny what has happened, and it will also be too late to do anything about it.

Washington Post

Spending's ascending — with or without a budget sequester

by George F. Will

Born during what is mistakenly called the debt-ceiling "debacle" last summer, the congressional supercommittee may die without agreeing to a 10-year, $1.2 trillion (at least) deficit-reduction plan. This is not properly labeled a failure. Committee Democrats demanded more revenue; Republicans offered $500 billion; Democrats responded with the one-syllable distillation of liberalism: "More!" So the committee's work has been a clarifying event that presages a larger one — next November's elections.

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Sensible people who remember the last grand budget bargain will be dry-eyed about not having another now. Although only 21 of the 242 Republicans in the House and eight of 47 Republicans in the Senate were on Capitol Hill in 1990, everyone there should remember the results of that year's budget agreement, wherein President George H.W. Bush jettisoned his "no new taxes" pledge: Taxes increased. So did spending. And the deficit. Economic growth decreased.

Congressional failure to approve a supercommittee proposal supposedly will trigger a $1.2 trillion sequester, half from national security budgets. But the trigger will not be pulled until 2013. No Congress can bind another, and any trigger Congress creates Congress can disable. Obama, who may not be president then, hints that he might veto legislation that alters the sequester. But suppose the sequester occurs. Ignore loose talk about "draconian" spending cuts. Veronique de Rugy of George Mason University's Mercatus Center has a graph you should see.

It shows two lines. The top one charts spending, 2013-2021, without the sequester; the other shows spending with the sequester. Both lines are ascending. Both show annual spending rising from less than $4 trillion to more than $5 trillion. The space between them is so narrow that it is difficult to see that there are two lines. Without the sequester, spending will increase $1.7 trillion; with the sequester, spending will increase $1.6 trillion. Here are categories of spending:

Ten-year spending ***increases! ! !***

	Without	**With**
Defense	20 percent	18 percent
Nondefense discretionary	14 percent	12 percent
Medicare	62 percent	62 percent
Other mandatory	51 percent	51 percent
Net interest	152 percent	136 percent

The supercommittee's difficulties are not shocking. *This* is shocking: Amid a darkening fiscal crisis, Energy Secretary Steven Chu, whose department has become a huge and incompetent venture capital fund, has not resigned as penance for complicity in the administration's "green graft" and crony capitalism.

Equally incomprehensible: As the supercommittee seems about to leave government's spending curve unbent, Transportation Secretary Ray LaHood, who should take a high-speed train into retirement, continues his multibillion-dollar mania for California's San Francisco-to-Anaheim high-speed-rail project. In just three years, the projected price of it has tripled to $98.5 billion, and only ludicrous assumptions about passenger traffic present the project as profitable enough to attract private investors, who are supposed to pay most of the costs.

"The first lesson of economics is scarcity," writes economist Thomas Sowell. "There is never enough of anything to fully satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics." Next November we will learn whether the second lesson of politics is that adhering to the first lesson is eventually dangerous to incumbents.

Pajamas Media

Republicans, Democrats, and Wall Street Fraud or: Who's the MF Now?

by David P. Goldman

Jon Corzine's MF Global is missing $600 million of customer money, and the bankruptcy trustee has no idea when it might be found or when investors might be paid back, if ever. The *New York Times* today says that the investigation points to the conclusion that the firm simply misappropriated (that is, stole) customer money to back up failing bets on the distressed bonds of failing European governments.

The former head of Goldman Sachs and Democratic governor of New Jersey presided over a firm that may turn out to have been a criminal enterprise. Maybe the Occupy Wall Street movement should shift venue to the headquarters of the Democratic Party, which has a long pattern of involvement in outright corruption.

If this is the case — and I will patiently await the results of investigation by the proper authorities before coming to any conclusion — the only proper thing to do would be to throw the book at Corzine and his colleagues and put some people in jail for a very, very long time. In response to corporate malfeasance and Wall Street's misbehavior in the advent of the 2008 crisis, we have had a raft of new legislation and regulation — Sarbanes-Oxley, Dodd-Frank, the Volcker rules, and more minutiae than the battery of corporate lawyers hired by the banks can follow. My few friends still employed in the investment banking industry are making a fraction of what they once did, but their lawyers are getting fat. The last hiring bubble in Wall Street, I'm told, is in risk management and legal services. Remember what Mother used to say: "You can't have any new laws until you use the old ones!"

There is overwhelming documentation that key Democratic Party figures used government sponsored enterprises — the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) — to corrupt Congress on a grand scale in order to pay themselves spectacular sums. Last year Gretchen Morgenson and Josh Rosner told the sordid story in their book *Reckless Endangerment*:

The authors, Gretchen Morgenson, a Pulitzer Prize-winning business reporter and columnist at The New York Times, and Joshua Rosner, an expert on housing finance, deftly trace the beginnings of the collapse to the mid-1990s, when the Clinton administration called for a partnership between the private sector and Fannie and Freddie to encourage home buying. The mortgage agencies' government backing was, in effect, a valuable subsidy, which was used by Fannie's C.E.O., James A. Johnson, to increase home ownership while enriching himself and other executives. A 1996 study by the Congressional Budget Office found that Fannie pocketed about a third of the subsidy rather than passing it on to homeowners. Over his nine years heading Fannie, Johnson personally took home roughly $100 million. His successor, Franklin D. Raines, was treated no less lavishly.

To entrench Fannie's privileged position, Morgenson and Rosner write, Johnson and Raines channeled some of the profits to members of Congress — contributing to campaigns and handing out patronage positions to relatives and former staff members. Fannie paid academics to do research showing the benefits of its activities and playing down the risks, and shrewdly organized bankers, real estate brokers and housing advocacy groups to lobby on its behalf. Essentially, taxpayers were unknowingly handing Fannie billions of dollars a year to finance a campaign of self-promotion and self-protection. Morgenson and Rosner offer telling details, as when they describe how Lawrence Summers, then a deputy Treasury secretary, buried a department report recommending that Fannie and Freddie be privatized. A few years later, according to Morgenson and Rosner, Fannie hired Kenneth Starr, the former solicitor general and Whitewater investigator, who intimidated a member of Congress who had the temerity to ask how much the company was paying its top executives.

The quotes above are from a *New York Times* book review by the Clinton administration's most left-wing cabinet member, Robert Reich. Congress subsidized Fannie Mae and Freddie Mac, the two agencies skimmed a third of the subsidy, and used it to pay their executives and lobby Congress. The master manipulator in the Morgenson-Rosner story is James A. Johnson, Mondale's 1984 campaign manager and a top Democratic Party player for decades, who became FNMA chairman in 1990 and created the lobbying behemoth.

The trouble is that we don't enforce the laws that we have. The only high-profile federal prosecution to emerge from the 2008 crisis was directed at the managers of the Bear Stearns mortgage hedge fund whose failure in June 2007 heralded the crisis. Bear was a scrappy, entrepreneurial, and Republican shop that forgot the advice of its long-time CEO Ace Greenberg: "Don't mistake your own body odor for perfume." I knew the managers of the fund (I worked at Bear 1993-1996), and I also knew that they and a lot of Bear Stearns top managers had their own money in the fund, and lost it. They were guilty of the belief that the housing bubble wouldn't pop, and nothing more, and a jury rightly acquitted them. By contrast, Corzine's MF Global appears to have stolen customer money outright.

In my "Spengler" essay at *Asia Times Online* last week, I recount some personal encounters with dodgy business on Wall Street. Recently a distinguished jurist asked me, "How is it possible that the financial industry — the smartest guys out there — did so many stupid things?" In fact, the financial industry is full of people who know perfectly well that they are mediocre, but who nonetheless want to make a great deal of money. So they cheat. The 2008 crisis spiraled out of control because every level of the investment banks lied to every other level about the extent of the contingent liabilities they had accumulated in order to raise their current fee income. When Lehman hit the rocks in September 2008, its chairman Dick Fuld had no idea of the true extent of the firm's liabilities. (That, by the way, is why the so-called European financial crisis is not really a crisis, but a negotiation. Everybody knows where the bodies are buried. The only question is who will suffer: German taxpayers, Italian pensioners, bank bondholders, and so forth).

For that matter, I am still amazed that the ratings agencies were never dinged for their role in the crisis. (Actually, I'm not amazed. The powers that be fear that if the ratings agencies are discredited, a shock-wave of risk aversion would roll through the markets.) As I wrote in the cited *Asia Times* piece:

The ratings agencies became the arbiters of risk not because they had good models (they did not) or because they employed particularly skilled analysts, but because they were eminently corruptible. In October 2008, congressional investigators found e-mails from Moody's credit analysts warning management that they had "sold our soul to the devil for revenue".

For every Collateralized Debt Obligations, Moody's and Standard and Poor's received a fee in the low six figures, and these fees made up the bulk of their revenues. They acted as a adjunct to the investment banks' structuring teams, advising them on the best way to game their own models.

Why hasn't the government prosecuted the rating agencies for fraud? Incredibly, the ratings agencies take the position that their ratings are "opinions" with the same legal status as a newspaper editorial. Newspaper editorialists, though, don't take money from big advertisers for endorsing their products.

MF Global's problem — presuming that customer money really was lost in proprietary trading — is much simpler. The technical term is "theft." Breaking the wall that separates customer money from the firm's money is like rape: it's hard to argue that you did it by accident. There is no way that senior management could not have known that customer money was being misappropriated. When the management bet the firm on Italian bonds, it counted every penny of collateral it had to put up for margin. That's what trading desks do, every day, all day. Hundreds of millions of dollars were stolen, including my residual pittance. What did Corzine know, and when did he know it? Corzine ran a trading desk. He's a punter; that's one of the reasons he got the boot from Goldman Sachs. People who run trading desks obsessively watch a spreadsheet that tells them exactly how much cash they have as margin against levered trades, and where the cash comes from. There is simply no way that *someone* in senior management could NOT have known that hundreds of millions of dollars materializing *ex nihilo* in the cash column came from customer accounts. Corzine has lawyered up and isn't talking.

Regulators reportedly are conducting an audit of every futures trading firm to determine whether they are improperly mingling customer money with their own. The impact of MF Global on entrepreneurs in the financial industry is chilling: if a firm run by the former CEO of Goldman Sachs can make off with customer money, whom can you trust? The new set of protections introduced by Dodd-Frank would NOT have protected MF Global's customers against theft by the firm, as the *Financial Times'* Alphaville blog reports today. Passing new laws doesn't eliminate criminals. The constable and the jailer eliminate criminals.

I have not a modicum of sympathy for the unwashed waste-heads of the Occupy Wall Street movement. But I'm for enforcement of the law, of which we already have many good ones, for example, against stealing. Let the chips fall where they may. Especially on Democrats.

Ottawa Citizen

The Occupiers' demands

by David Warren

Evelyn Waugh, thou shouldst be living at this hour. Or perhaps he is. The English satirical novelist, traveller, and biographer - who to all appearances died in April 1966 - would seem to have resurfaced as the author of various lists of demands from the Occupy Wall Street movement. They are darkly comedic, and when I circulated one "proposed" version found on a New York OWS website, in email, friends quickly pinged back even better examples from the Left Coast.

None of these lists is "official" - OWS leaders are already mastering the political art of "deniability" - and yet there is an unmistakable family resemblance from list to list, and considerable overlap. They give the flavour of a movement that was detached at birth from any mothering sense of reality. At one level, here are the orphans of Marxist socialism, wandering the world zombielike, 22 years after the fall of the Berlin Wall.

"Repeal the Taft-Hartley Act. Unionize ALL workers immediately. ... Raise the minimum wage immediately to $18/hr. ... Institute a moratorium on all foreclosures and layoffs immediately. ... Open the borders to all immigrants, legal or illegal. ... Tax the very rich at rates up to 90 per cent. ... Allow workers to elect their supervisors. ...

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That was a fairly representative sampling, from a very wide field, across which one might reply to every single demand, "You and whose army?" For, after all, the encampment in Zuccotti Park was unable to defeat even New York City bylaws.

Waugh's gift was for the reductio ad absurdum; to take quite commonplace ideas, that were essentially daft, and advance them to the point where any intelligent reader could see where they lead. But not so far as to collapse into humourless sarcasm; only far enough to give the reader the briefest amusing glimpse through the hell gates, into the suffering beyond.

That is where he comes in here. For each of the proposals cited (and the many for which I had no space) is simply a conventional "social democratic" or "progressive" aspiration, taken a little farther than conventional "social democrats" would want to go. But not all that much farther. For some of the proposals were nearly achieved in countries like Greece, before they were overtaken by public bankruptcy.

And others have been advanced in more fiscally respectable countries, such as Germany, where a fear of radical Islam, that can't be publicly acknowledged, has contributed to vaguely anti-religious legislation, that then becomes politically incorrect to enforce, except on Christians.

One might flag so general a demand as, "Strengthen the separation of church and state." This looks almost innocent, until the reader reflects that the protesters demand state control of everything. It follows that any church (synagogue, mosque, or temple) under this arrangement must go underground.

Or one might flag, more specifically: "Make home-schooling illegal. Religious fanatics use it to feed their children propaganda."

Now them is genuine fightin' words. Speaking on behalf of religious fanatics, my comment would be: "They killed their babies, and now they want to appropriate ours."

Indeed, the idea that opposition to abortion-on-demand makes one ipso facto a religious fanatic is of grave relevance here; together with the increasingly common "progressive" notion that any manifestation of religious belief is evidence of dangerous anti-social tendencies.

There is a reason why all the great totalitarian regimes of the 20th century were atheist, and persecuted the religious - in fact slaughtered millions of Christians, Jews, and persons of other faiths. For religion is the last bastion against the tyranny of worldly power. In the religious we find minds ultimately obedient to God, not Mammon; and the vanity of Mammon will not be assuaged.

The threat from these people is hardly immediate. It would be nearer the truth to say that, far from representing "the 99 per cent," the OWS demonstrators represent the one per cent; and those who find them clueless and embarrassing, are the rest of the population.

Against the background of current events, as we watch (erstwhile democratic) governments disintegrate which have simply spent themselves into perdition, OWS demands are merely comic. Not one I have seen could in fact be satisfied without accelerating the disintegration - for even those which do not explicitly require huge new expenditures of money, would implicitly require huge sums to enforce.

Yet it is useful, as I have tried to be, to set them out on the table. Ignore, for a moment, the Halloween costumage, and tricks, and ask these people to explain in plain language what they want. These "unofficial" demands are the closest we get to a plain answer.

And there's the biggest joke. They only want more of what Nanny State tried unsuccessfully to deliver.

Roger Simon
It's the Foreign Policy, Stupid

"It's the economy, stupid," some dude named Carville once said. He was referring to what was the correct prescription for winning a presidential election — and it's been gospel ever since.

He's probably right. Except when it comes to actually *being* president, it's something else altogether. "It's the foreign policy, stupid" — because *day one* of being POTUS, you, and basically you alone, determine the foreign policy of the United States of America and much of the future and present of humanity.

And that's not just because you wake up with an intelligence briefing that could make bald men lose their hair or because you are the Commander-in-Chief of the most powerful armed forces on Earth with all the life or death decisions that entails or because some unsmiling individual follows you around with the nuclear football, putting Armageddon in your hands.

It's because — unlike economic policy for which, be it "9-9-9" or the Ryan Plan or anything else, you must get the approval of Congress — in foreign policy the president is king. Technically, the legislature has a lot to do with foreign affairs — they have multiple oversight committees as well as the right to declare war — but by the time they go so far as to meet, the president would have reacted to a dirty nuke in a Minneapolis shopping mall or a terrorist attack on the Port of Los Angeles. Whatever the Congress does in those situations is way behind the curve. The president has already acted. Indeed, he must.

So for that reason I was relieved that foreign affairs finally arrived Saturday night as the subject in the seemingly endless series of Republican debates. I am far more worried about that than I am about the economy. That's because just about any Republican who gets elected will do some or all of the obvious — cut way back on government spending and regulations and keep taxes to a minimum. He or she will also cancel Obamacare and open the energy spigot. In all probability, the economy will boom.

But no one can predict what will happen in the world at large. That is why I am leery of a president who is a foreign policy novice.

We have seen the results of that with the incumbent. America’s foreign policy has been between non-existent and disastrous during his administration. Our leadership in the world has diminished drastically, probably intentionally, and that is horrendous for the human race.

The examples are myriad (going after Ghaddafi while virtually ignoring the far more dangerous Assad; allowing, even encouraging, the fall of Mubarak leading to the rise of the Muslim Brotherhood in Egypt and elsewhere; playing footsie with increasingly Islamist Turkey; putting undue pressure on Israel and repeatedly disrespecting her prime minister; etc.) but I can’t recall a more despicable behavior by an American president in my lifetime than Barack Obama’s reaction — or should I say non-reaction — to the democracy movement in Iran. Who can forget the brave demonstrators in the streets shouting “Obama, Obama, are you with us or against us?”

Obama didn’t hear them, choosing instead to negotiate with Ahmadinejad. This ideologically ignorant and narcissistic decision, devoid even of basic human compassion, has helped put us in the position we are today with an Islamofascist Iran on the brink of nuclear weapons.

So what does this mean in terms of the Republican candidates? In the debate, for me, Newt Gingrich and Mitt Romney (and to a lesser extent Michele Bachmann and Rick Perry) stood out as leaders who made me feel relatively confident they could handle the vicissitudes of global confrontation. Jon Huntsman appeared evasive and Ron Paul was worse than Neville Chamberlain. (He was also disingenuous. Paul’s contention that the U.S. was ignoring Bin Laden for ten years is absolute nonsense. We just couldn’t find him.)

Herman Cain also worries me in the area of foreign affairs. Unlike his other superb debate performances, on Saturday evening he seemed as if he wanted to be elsewhere. His answers were vague and insecure, recalling his inability some weeks ago to recognize the Palestinian demand for a “right of return.”

That was no small mistake. The “right of return” has been one of the key bones of contention in the Arab-Israeli crisis for decades. The lack of recognition bespeaks a disinterest in foreign policy. There is nothing amazing in this — a majority of Americans pay little attention to affairs beyond our shores. But if you are running for president, it should be a different matter. We don’t need a president who needs to be educated in this area on the job, even one who, like Cain, has the best of intentions.

We need someone who can handle the economy *and* foreign policy simultaneously. In fact, in this world, they are in many ways the same thing. You can’t succeed in one without the other.

Reason

[Treasury Admits What Everybody Already Knew: Taxpayer Losses On GM Bailout Are Going to be Massive]

Shikha Dalmia

Am I allowed to say, I told you so?

The Treasury Department yesterday revised its loss estimate for the Government Motors bailout from $14.33 billion to $23.6 billion, thanks to the company's sinking stock price. GM's Sept. 30 closing price, on which the new estimate is based, was $20.18, about $13 less than its December IPO price and $35 less than what is needed for taxpayers to break even.

The $23.6 billion represents a 25 percent loss on the feds $60 billion direct "investment" in GM. But that's not all that taxpayers are on the hook for. As I explained previously, Uncle Sam's special GM bankruptcy package allowed the company to write off $45 billion in previous losses going forward. This could work out to as much as $15 billion in tax savings that GM wouldn't have had had it gone through a normal bankruptcy. Why? Because after bankruptcy, the tax liabilities of companies increase since they have no more losses to write off.

This means that the total hit to taxpayers, who still own about a quarter of the company, could add up to $38.6 billion. That's even more that the $34 billion on the outside I had predicted in May.

Although GM will never, ever make taxpayers whole, taxpayer losses could be mitigated if GM's stock price rises before the Treasury sells its remaining equity, something it was supposed to do by year-end but has postponed under the circumstances. But right now at least the prospects of a serious upward move in GM's stock don't look too good for reasons at least partly beyond GM's control.

GM actually has been doing quite well in North America and China with profit margins of 10 percent, among the best in the industry. How long that will last is an open question. That's because GM's new competitors are not Toyota and Honda that share its cost structure but Hyndai and Kia that have a far leaner one. These companies concentrate on the small car market and don't offer a full product line so GM and Ford's most profitable vehicles—those evil, gas-guzzling, greenhouse-gas emitting SUV's and pickup trucks—are somewhat insulated from the downward price pressure. But the greens and Obama administration want GM to reorient its product mix away from big cars and toward money-losing hybrids and electrics, something that could well put GM back in a hole.

But that's part of the administration's long-term strategy for ruining GM. The company's big weak spot right now is Europe for two reasons: One, thanks to political pressure and labor resistance, it hasn't been able to address its bloated cost structure there. Two, Europe's economy is imploding, weakening car sales.

All of this shows why forcing taxpayers to wager their hard-earned dollars on a risky venture was exactly the wrong thing to do. But the Ostrich-in-Chief Barack Obama, who had assured taxpayers that their GM "investment" would cost them "not a dime," is drawing the opposite lesson, obviously. He has been trumpeting the success of the bailout—repeatedly. He was in

Michigan recently claiming that the “investment had paid off.” What’s more, he declared, that now that GM is back, it is just a matter of time before Detroit is too:

“[D]espite all the work that lies ahead, this is a city where a great American industry is coming back to life and the industries of tomorrow are taking root, and a city where people are dreaming up ways to prove all the skeptics wrong and write the next proud chapter in the Motor City's history."

But the “next, proud chapter in Motor City’s history” actually is likely to be bankruptcy. That’s because Detroit is facing a $209 million budget deficit and is going to be completely out of operating cash by April.

Here is a very helpful piece by *Detroit Free Press’* editorial page editor, Stephen Henderson, explaining in gory but accurate detail just what a mess the city is in. Perhaps President Obama can glance at it before he returns here and spins some more fairytales?

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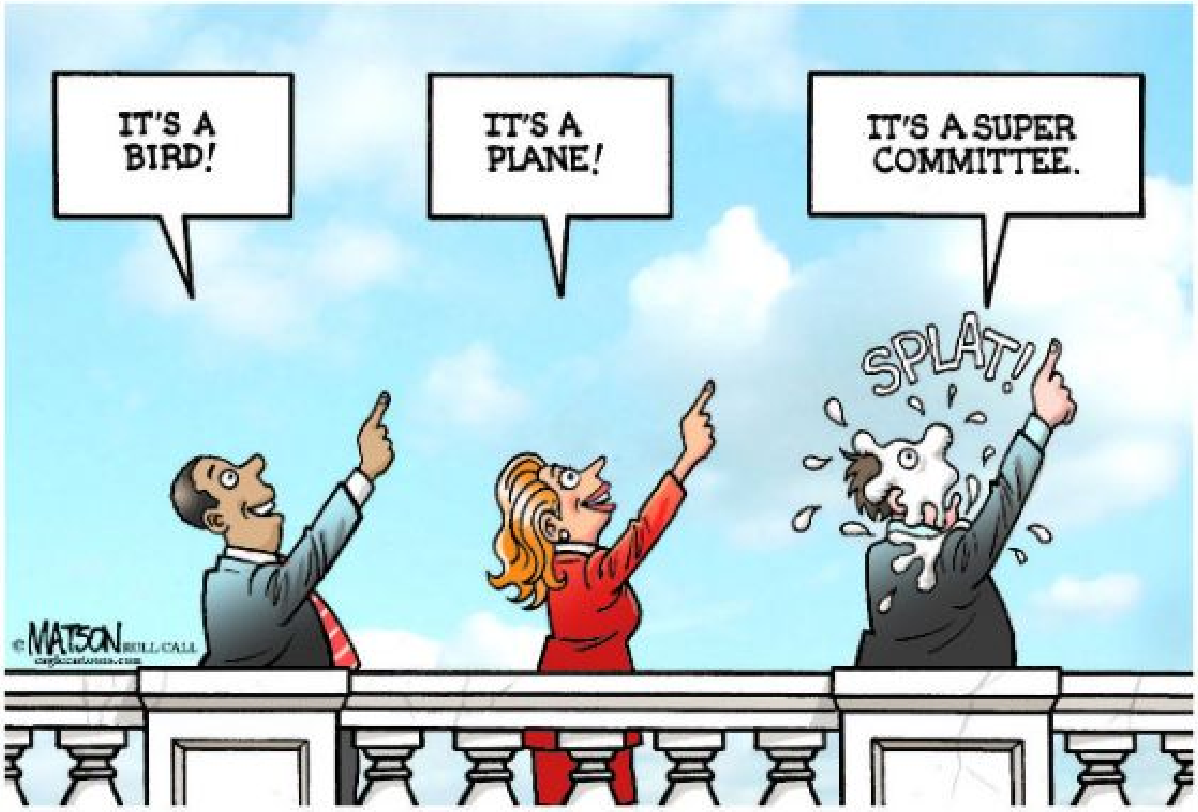
THE SUPER-COMMITTEE


IT'S A BIRD!
IT'S A PLANE!
IT'S A SUPER COMMITTEE.
SPLAT!
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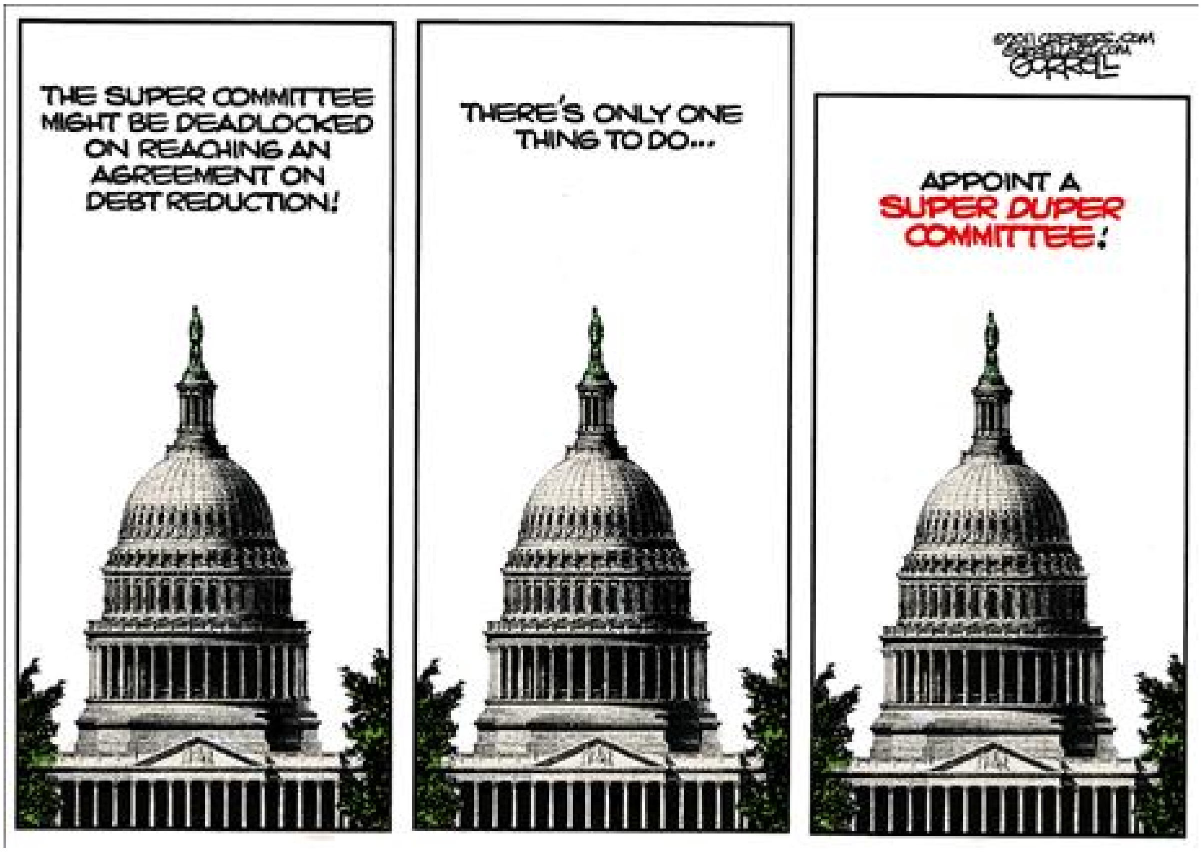
AND THE SUPER COMMITTEE IS SET TO KICK THE CAN AGAIN!
HIKE!
SUMMERS



THE SUPER COMMITTEE MIGHT BE DEADLOCKED ON REACHING AN AGREEMENT ON DEBT REDUCTION!
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