

November 6, 2011

Charles Krauthammer asks and answers, "Who Lost Iraq?"

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Despite recent administration claims to the contrary, Iraq today meets none of those conditions. Its sovereignty is hollow because of the continued activities of Iranian-backed militias in its territory. Its stability is fragile and perhaps ephemeral, since the fundamental disputes among ethnic and sectarian groups remain unresolved. And it is not in any way self-reliant. The Iraqi military cannot protect its borders, its airspace, or its territorial waters without foreign assistance.

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Meanwhile [Andy Malcolm](#) found our leader in Europe.

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[Spengler](#) writes on political polarization in our country.

Has America become irrational? Not since the 1930s have politics been so polarized, from the Tea Party movement on one side of the spectrum to the Occupy Wall Street protesters on the other. Why does the right object so vehemently to government spending? And why does the left attack private capital with parallel passion? The answer lies not in the American psyche, but in the statistics.

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When the whole world brought its savings to the United States, people of mediocre skills and slack work habits could afford big houses, expensive vacations, and (at taxpayer expense) generous pensions. Why Americans expected to live well indefinitely on the largesse of foreign investors is a question for the psychiatrists, not the economists.

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The outcome inherently favors the Republicans. Debt - the catchall name for the crushing tax burden - has become a hot button issue even for many Democrats. But this election will be fought more desperately, and nastily, than any other that comes to mind during the past century. This is an existential struggle, a political war of survival for the American middle class. If the government unions go down in the fight, the Democratic Party of Barack Obama will cease to exist in its present form - and that would be a beneficial outcome for the United States.

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Joel Kotkin says we need more babies.

The world's population recently passed the 7 billion mark, and, of course, the news was greeted with hysteria and consternation in the media. "It's not hard to be alarmed," intoned National Geographic. "We should all be afraid, very afraid," warned the Guardian.

To be sure, continued population increases, particularly in very poor countries, do threaten the world economy and environment — not to mention these countries' own people. But overall the biggest demographic problem stems not from too many people but from too few babies.

This is no longer just a phenomenon in advanced countries. The global "birth dearth" has spread to developing nations as well. Nearly one-third of the 59 countries with "sub-replacement" fertility rates — those under 2.1 per woman — come from the ranks of developing countries. Several large and important emerging countries, including Iran, Brazil and China, have birthrates lower than the U.S.

In the short run this is good news. It gives these countries an opportunity to leverage their large, youthful workforce and declining percentage of children to drive economic growth. But over the next two or three decades — by 2030 in China's case — these economies will be forced to care for growing numbers of elderly and shrinking workforces. For the next generation of Chinese leaders, Deng Xiaoping's rightful concern about overpopulation at the end of the Mao era will shift into a future of eldercare costs, shrinking domestic markets and labor shortages. ...

More of this from **Nicholas Eberstadt** who speaking of Europe says;

... No plausible amount of self-imposed budget austerity, furthermore, is likely to save these existing arrangements for the future, for Europe's welfare states are being fatally undone by her public in another arena: the crèche. "Sustainability" is the term of the decade among Europe's

cognoscenti: and European birth trends have made the continent's magnificent edifices of entitlement arithmetically unsustainable.

Half a century ago, the 17 countries that currently comprise the Euro zone were bearing about 5 million children each year. In a pay-as-you-go welfare state, those babies are now men and women in the prime of their working lives, supporting the health and pension benefits of older (and smaller) cohorts that preceded them. (Today there are about 2.2 Western Europeans in their late 40s for each in his or her late 70s.)

Over the intervening decades, though, Europe's birth totals have plunged—and although the Euro zone's population is much larger now than it was in 1960, the region today registers 30 percent fewer births. Over that period, Europe's childbearing patterns shifted into sustained sub-replacement fertility, and by 2009, the Euro zone was on a trajectory which, if continued, would portend a shrinking of each subsequent generation by about a quarter (absent compensatory immigration). ...

Washington Post

[Who lost Iraq?](#)

by Charles Krauthammer

Barack Obama was a principled opponent of the Iraq war from its beginning. But when he became president in January 2009, he was handed a war that was won. The surge had succeeded. Al-Qaeda in Iraq had been routed, driven to humiliating defeat by an Anbar Awakening of Sunnis fighting side-by-side with the infidel Americans. Even more remarkably, the Shiite militias had been taken down, with U.S. backing, by the forces of Shiite Prime Minister Nouri al-Maliki. They crushed the Sadr militias from Basra to Sadr City.

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And it's not as if that deadline snuck up on Obama. He had three years to prepare for it. Everyone involved, Iraqi and American, knew that the 2008 SOFA calling for full U.S. withdrawal was meant to be renegotiated. And all major parties but one (the Sadr faction) had an interest in some residual stabilizing U.S. force, like the postwar deployments in Japan, Germany and Korea.

Three years, two abject failures. The first was the administration's inability, at the height of American post-surge power, to broker a centrist nationalist coalition governed by the major blocs — one predominantly Shiite (Maliki's), one predominantly Sunni (Ayad Allawi's), one Kurdish — that among them won a large majority (69 percent) of seats in the 2010 election.

Vice President Biden was given the job. He failed utterly. The government ended up effectively being run by a narrow sectarian coalition where the balance of power is held by the relatively small (12 percent) Iranian-client Sadr faction.

The second failure was the SOFA itself. U.S. commanders recommended nearly 20,000 troops, considerably fewer than our 28,500 in Korea, 40,000 in Japan and 54,000 in Germany. The president rejected those proposals, choosing instead a level of [3,000 to 5,000 troops](#).

A deployment so risibly small would have to expend all its energies simply protecting itself — the fate of our tragic, missionless 1982 Lebanon deployment — with no real capability to train the Iraqis, build their U.S.-equipped air force, mediate ethnic disputes (as we have successfully done, for example, between local Arabs and Kurds), operate surveillance and special-ops bases, and establish the kind of close military-to-military relations that undergird our strongest alliances.

The Obama proposal was an unmistakable signal of unseriousness. It became clear that he simply wanted out, leaving any Iraqi foolish enough to maintain a pro-American orientation exposed to Iranian influence, now unopposed and potentially lethal. Message received. Just this past week, Massoud Barzani, leader of the Kurds — for two decades the staunchest of U.S. allies — [visited Tehran](#) to bend a knee to both President Mahmoud Ahmadinejad and Ayatollah Ali Khamenei.

It didn't have to be this way. Our friends did not have to be left out in the cold to seek Iranian protection. Three years and a won war had given Obama the opportunity to establish a lasting strategic alliance with the Arab world's second most important power.

He failed, though he hardly tried very hard. The excuse is Iraqi refusal to grant legal immunity to U.S. forces. But the Bush administration encountered the same problem and overcame it. Obama had little desire to. Indeed, he [portrays the evacuation as a success](#), the fulfillment of a campaign promise.

But surely the obligation to defend the security and the interests of the nation supersede personal vindication. Obama opposed the war, but when he became commander in chief the terrible price had already been paid in blood and treasure. His obligation was to make something of that sacrifice, to secure the strategic gains that sacrifice had already achieved.

He did not, failing at precisely what this administration so flatters itself for doing so well: diplomacy. After years of allegedly clumsy brutish force, Obama was to usher in an era of not hard power, not soft power, but [smart power](#).

Which turns out in Iraq to be .□.□. no power. Years from now, we will be asking not "Who lost Iraq?" — that already is clear — but "Why?"

American Enterprise Institute

Out of Iraq

by Frederick W. Kagan and Kimberly Kagan

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The American withdrawal, which comes after the administration's failure to secure a new agreement that would have allowed troops to remain in Iraq, won't be good for ordinary Iraqis nor for the region. But it will unquestionably benefit Iran.

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While President Obama has clearly failed to achieve the goals for Iraq that he set five weeks after taking office, Iran, in contrast, is well on its way to achieving its strategic objectives. Since 2004, Tehran has sought to drive all American forces out of the country, to promote a weak, Shi'a-led government in Baghdad, to develop Hezbollah-like political-militia organizations in Iraq through which to exert Iran's influence and intimidate pro-Western Iraqi leaders, and to insinuate its theocratic ideology into Iraq's Shi'a clerical establishment. It has largely succeeded in achieving each of those goals.

Preventing the extension of a Status of Forces Agreement allowing American military forces to remain in Iraq has been the primary goal of Iranian activities in Iraq since 2008. In that year, then commander of U.S. forces in Iraq, Gen. Ray Odierno, told the Washington Post that he had seen intelligence reports suggesting that Tehran and its agents bribed Iraqi leaders to derail a new agreement. Iranian-backed militants also attempted to conduct an intimidation campaign to deter Iraqi officials from signing the extension. But back then, the Iraqi Security Forces and American troops had just defeated the Shi'a militias in major battles in Sadr City and Basra and driven their commanders back into hiding in Iran. Their attempts to drive the U.S. out at the end of 2008 failed.

This year, however, Shi'a militants were able to execute a campaign of targeted assassinations. They also increased rocket and IED attacks on American and Iraqi security forces using technologies that they had tried unsuccessfully to field in 2008 but have since perfected. Militias that had been badly damaged during a surge by U.S. forces were able to reconstitute during the protracted government-formation process, because Iraqi politicians were unwilling to support attacks on groups affiliated with Moqtada al Sadr, whose backing was needed for Prime Minister Nuri al Maliki's continued premiership.

Opponents of the U.S. presence in Iraq have long argued that the withdrawal of American forces would reduce anti-American sentiment and violence, denying the militias their excuse for continued operations. Sadr does not see it that way.

Two days after the President's announcement, he declared that even an expanded American diplomatic presence in Baghdad would be a continued occupation. Speaking of American diplomats in Iraq, he said, "they are all occupiers and resisting them after the end of the agreement is an obligation." This declaration was the more remarkable in that he had announced on Thursday, before President Obama's speech, that a residual American presence could be accepted after a "complete withdrawal", payment of "compensation," and the signing of a new agreement. Far from assuaging Sadr's anti-Americanism, the announcement of American retreat has apparently fuelled it and driven him (or his Iranian backers) to seek an even greater success through continued attacks on the American Embassy and its personnel.

Many Americans felt a sense of relief when the president announced: "America's war in Iraq is over." That relief must be tempered, however, by the recognition that Tehran has achieved its goals in Iraq while the U.S. has not. Henceforth, Iranian proxy militias are likely to expand their training bases in southern Iraq and use them as staging areas for operations throughout the Persian Gulf.

An Iraq dependent on Iran for its continued survival will undercut any sanctions regime that the international community places on Iran to prevent its acquisition of nuclear weapons. And the unresolved ethnic and sectarian disputes in Iraq are likely to devolve into armed conflict once again. In a year that also saw the Arab Spring, it will ultimately be Iran that emerges ascendant in Iraq and throughout the Middle East. America's defeat is nothing to be relieved about.

Investor's.com

[Obama plays job charades even from Europe](#)

by Andrew Malcolm

How dumb do they think we are back there in D.C.?

We have a Democratic president, who isn't really in Washington (he's over advising Europe on *its* debt crisis, if you can believe that). He's been doing little else but fly around this country on Air Force One to the tune of \$181,000 an hour.

By night, Obama typically holds fundraisers. By day, Obama gives another speech ("Thank you. Thank you. Please be seated") allegedly to pressure Congress to pass that infamous jobs bill that was so urgent back in August that he went on vacation and didn't deliver the address until a month later.

It was no shock, given Obama's penchant for doling, that he wanted to spend another nearly half-trillion dollars. His jobs bill had to be passed right then, he said.

Come to find out the ultra-urgent jobs legislation hadn't been written yet. But once it was, the Democratic Senate sat right on it because Majority Leader Harry Reid knew it would never pass.

The president thinks if \$787 billion didn't stimulate much since 2009, another \$447 billion might now.

Minority Republicans don't like the idea of throwing billions more down the same shovel-ready sinkhole. Worse for Reid, a number of Senate Dems don't either.

So, what's the cynical strategy by this Illinois guy who promised oh-so earnestly to change the way Washington does business?

Take the defeated bill apart. Let all the individual pieces get defeated again one by one in a congressional charade that unfolds all fall. Obama complains loudly each time. And he does not see this as self-defeating proof of his completely ineffective political leadership. As usual with him, it's somebody else's fault.

Nor does Obama see it as evidence for voters to decide that having a Democratic Senate majority accomplishes pretty much nothing. So, maybe they ought to give the other guys a majority in 2012, as they did in the House last year? That might not be too hard since 22 of the 33 Senate seats up are held by Democratic caucus members now.

Obama comes out of the Chicago political machine, which has had no real opposition for decades. Any disagreements there come from Democratic factions, which can be bought off. So, Obama takes GOP opposition personally, as obstruction aimed at him and his indisputably correct vision of what America needs after he neglected the employment problems for so long.

In one speech this week, after 1,016 days of 'Hail to the Chief,' Obama even declared that he knew God wanted his jobs bill passed, claiming a rather intimate connection with the deity for someone who doesn't make it to church much anymore.

Asia Times

[The economics of polarization](#)

by Spengler

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America is engaged in class war, but not of the sort one reads about in the mainstream press. The truly indigent - young African-American men, for example, most of whom are now unemployed - have little to do in this war. Large corporations for the most part are bystanders as well; they will make their peace with the victor. This is a war of survival between the productive middle class on one hand, and the dependents of the state on the other.

The Tea Party's aversion to government spending is as pure an expression of rational self-interest as we have seen in American history. Like any new movement, it attracts more than its fair share of oddballs. The fact that a movement led by amateurs continues to wield so much power proves that it has good reason to be there.

The Tea Party is a middle-class movement, older, better educated and wealthier than average, but it is not a party of the very wealthy, who are conspicuously absent among its activists. They know from personal or family experience that taxation is destroying the American middle class. They are approaching retirement, and most of their wealth is in the family home, as it is for the great majority of Americans:

Exhibit 1: Home equity as a percentage of net worth, by income (2004)

Net Worth	Home Equity as % of Net Worth
\$25,000 to \$49,999	84%
\$50,000 to \$99,999	75%
\$100,000 to \$249,999	64%
\$250,000 to \$499,999	53%
\$500,000 and over	28%

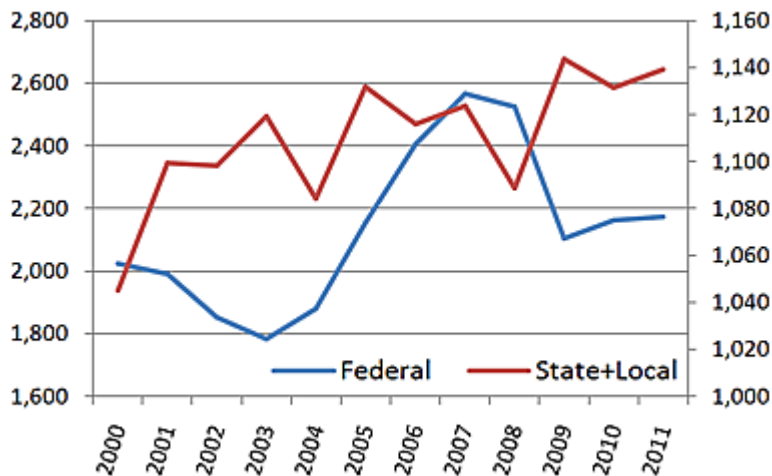
Source: Federal Reserve

The American tax burden has shifted drastically away from the federal government, and on to states and localities. And property taxes are bearing an increasing share of the total burden. That is killing the residential property market.

Federal tax revenues remain about 10% below the pre-crisis peak, but state and local tax collections continue to rise. In part, that is because states and localities cannot run budget deficits, unlike the federal government, and must raise taxes to cover their expenses, even while they cut spending. State and local employment has fallen by more than half a million since August 1998, and the layoffs continue.

But a great deal of state and local spending is tied to federal entitlement programs, especially in health care. States receive block grants from the federal government and, in return, take on responsibility for funding public health care and other programs in return. Unfunded mandates push states further into fiscal trouble.

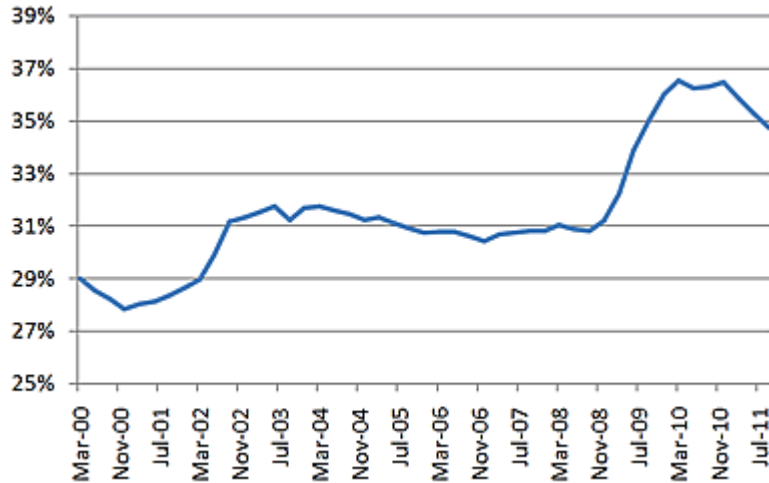
Exhibit 2: Federal vs local tax collections



Census Bureau

With income and sales depressed, state and local governments rely on property tax revenues more than ever.

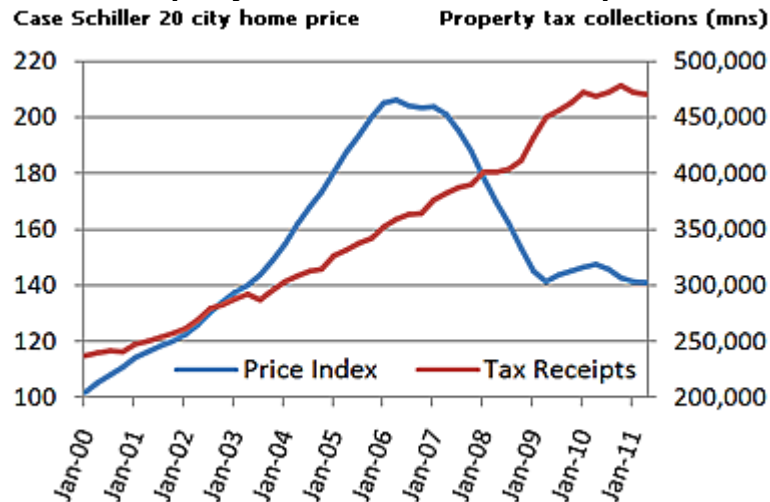
Exhibit 3: Property taxes as percentage of total state and local revenues



Source: Census, Case-Schiller 20 City Index

Property tax collections have continued to rise, even while home prices have collapsed. Local property assessments lagged behind actual prices during the bubble years, but have not fallen to reflect the 40% decline in home prices.

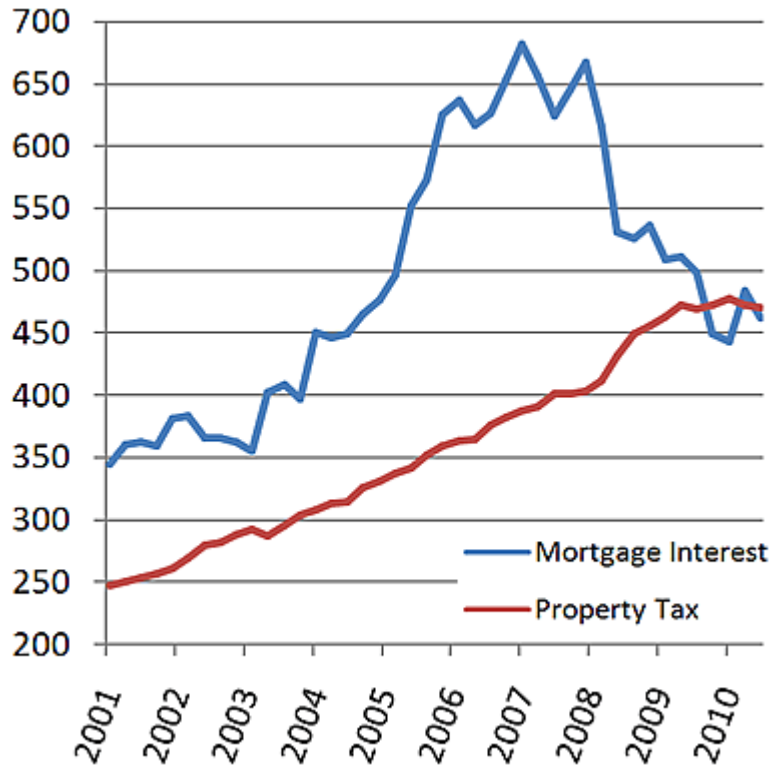
Exhibit 4: Property tax revenues vs home prices



Source: Census Bureau

Property taxes have risen so far that a prospective homebuyer today will pay as much in real estate taxes as on mortgage interest.

Exhibit 5: Property taxes vs home mortgage interest (mortgage debt outstanding multiplied by current mortgage rate), in \$US billions



Source: Census Bureau, Federal Reserve

The average homebuyer today, the chart shows, will pay almost as much in property taxes as in mortgage interest. (Mortgage interest is calculated on the basis of the current mortgage rate, reflecting the costs to prospective homebuyers rather than existing homeowners).

That is an astonishing outcome; in the past, mortgage interest typically was two or three times the property tax bill. Put another way, the combined cost of mortgage interest and property taxes is close to a trillion dollars a year today, about the same as at the peak of the housing bubble. Rising property taxes have just about wiped out the impact of lower interest rates and lower home prices on households. The property tax data include commercial as well as residential taxes, to be sure, but more than two-thirds of total property tax collections are from households.

That explains why the middle class compares its revolt to the American revolutionaries who dumped East India Company tea into Boston Harbor. Their modest wealth embedded in household equity and prospective retirement are at risk. Tea Party activists seem amateurish because they are newcomers to politics. For the most part they are the kind of people who lived their lives quietly before the crisis came to their front door. Many things radicalized this part of the political spectrum, but taxation pushed them out of the front door.

On the other side of the spectrum we have the dependents of the state. Not all of them are poor. As a 2011 Heritage Foundation study [1] showed, the federal government is paying much higher wages for construction workers on projects funded by the 2009 economic stimulus package than prevail in the marketplace. The Davis-Bacon act sets an arbitrary floor under union wages, and the Obama administration paid between 30% and 60% more than the reported market rate as a favor to its trade-union backers.

Exhibit 6: Federal government pays 30% to 60% above market for construction work

	Long Island, NY	St. Louis	San Diego	Philadelphia
Paid on Federal Projects	37.21	33.23	37.15	37.4
Market	28.62	25.54	23.35	25.16
Difference	30%	30%	59%	49%

Source: Heritage Foundation

The swelling of state and local budgets has created a new kind of pseudo-middle class, that is workers who earn more than \$100,000 year with a bit of overtime. The generosity of government pensions has become a scandal; the California Foundation for Fiscal Responsibility claims that more than 6,000 retired California government workers receive pensions in excess of \$100,000 a year; about half were policemen, firemen, and prison guards. States cannot afford this largesse. The American Enterprise Institute calculated American states' excess pension liabilities amount to \$2.8 trillion, given the present return on investments.

Public sector employees unions rode the real estate bubble along with homeowners, and local governments awarded them unsustainable concessions in the form of pay, pensions and health benefits. Their political power waxed with state and local spending power. Today the public sector unions are the backbone of the Democratic Party. They man the phone banks, staff polling stations, and round up voters to the polls.

The prospect of default on state debt has increased borrowing costs for errant states. Europe has Greece, Ireland and Portugal; America has 11 states whose budget deficit exceeds 16% of the total budget.

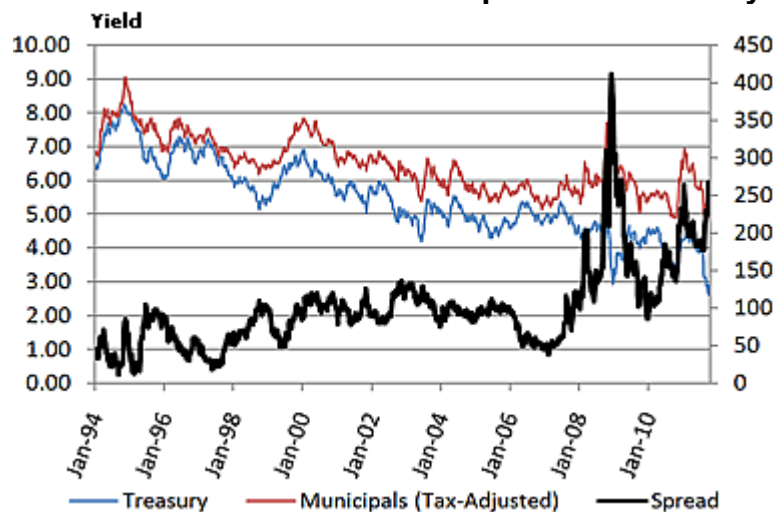
Exhibit 7: Worst US state budget deficits

State	Deficit	Deficit % of Budget
Nevada	\$1.2 billion	37.40%
New Jersey	\$10.5 billion	36.00%
California	\$23.0 billion	27.20%
Oregon	\$1.7 billion	25.50%
Texas	\$9.0 billion	20.50%
Minnesota	\$3.8 billion	20.30%
Louisiana	\$1.6 billion	19.40%
New Hampshire	250 million	18.40%
New York	\$10.0 billion	17.60%
Arizona	\$1.5 billion	17.00%
Illinois	\$5.3 billion	16.00%

Source: Center on Budget and Policy Priorities

Bonds issued by American states and cities bear the widest risk premium on record. Their yield is not taxed by the federal government, so that the tax-adjusted yield is usually reckoned at 28% below that of comparable Treasuries. After tax adjustment, the Bond Buyer Index of 20-year US municipal bonds paid just 35 basis points (0.35%) above the 20-year Treasury bond. Today it pays 230 basis points more.

Exhibit 8: Yield on 20-Year Municipal Bonds vs. 20-year Treasury



Source: Bond Buyer, Federal Reserve

At the peak of the debt crisis in early 2009, the tax-adjusted spread was about 400 basis points, roughly the difference today between German and Italian government debt. American states have to cut their deficits, or the market will refuse to finance them.

State and local governments, though, have exhausted their tax base, and the continuous rise in property taxes through the crash in property prices has kept the real estate market more depressed than economic conditions otherwise might indicate. A further increase in tax rates would yield less revenue. In effect, the government would have to proceed from taxing private capital to expropriating it, de facto or de jure - for example, nationalizing banks and directing them to make loans to politically-favored projects, after the fashion of Latin American banana republics.

The alternative is to renegotiate pension and health benefits already promised to public sector unions.

In either case, households that considered themselves comfortably middle class, and looked forward to a comfortable and secure retirement, find themselves on the edge of calamity. During the bubble years of 1998-2007, when America imported \$6 trillion of overseas capital, the ride was easy.

When the whole world brought its savings to the United States, people of mediocre skills and slack work habits could afford big houses, expensive vacations, and (at taxpayer expense) generous pensions. Why Americans expected to live well indefinitely on the largesse of foreign investors is a question for the psychiatrists, not the economists.

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The outcome inherently favors the Republicans. Debt - the catchall name for the crushing tax burden - has become a hot button issue even for many Democrats. But this election will be fought more desperately, and nastily, than any other that comes to mind during the past century. This is an existential struggle, a political war of survival for the American middle class. If the government unions go down in the fight, the Democratic Party of Barack Obama will cease to exist in its present form - and that would be a beneficial outcome for the United States.

Jewish World Review **[Democracy Versus Mob Rule](#)**

by Thomas Sowell

In various cities across the country, mobs of mostly young, mostly incoherent, often noisy and sometimes violent demonstrators are making themselves a major nuisance.

Meanwhile, many in the media are practically gushing over these "protesters," and giving them the free publicity they crave for themselves and their cause — whatever that is, beyond venting their emotions on television.

Members of the mobs apparently believe that other people, who are working while they are out trashing the streets, should be forced to subsidize their college education — and apparently the President of the United States thinks so too.

But if these loud mouths' inability to put together a coherent line of thought is any indication of their education, the taxpayers should demand their money back for having that money wasted on them for years in the public schools.

Sloppy words and sloppy thinking often go together, both in the mobs and in the media that are covering them. It is common, for example, to hear in the media how some "protesters" were arrested. But anyone who reads this column regularly knows that I protest against all sorts of things — and don't get arrested.

The difference is that I don't block traffic, join mobs sleeping overnight in parks or urinate in the street. If the media cannot distinguish between protesting and disturbing the peace, then their education may also have wasted a lot of taxpayers' money.

Among the favorite sloppy words used by the shrill mobs in the streets is "Wall Street greed." But even if you think people in Wall Street, or anywhere else, are making more money than they deserve, "greed" is no explanation whatever.

"Greed" says how much you want. But you can become the greediest person on earth and that will not increase your pay in the slightest. It is what other people pay you that increases your income.

If the government has been sending too much of the taxpayers' money to people in Wall Street — or anywhere else — then the irresponsibility or corruption of politicians is the problem. "Occupy Wall Street" hooligans should be occupying Pennsylvania Avenue in Washington.

Maybe some of the bankers or financiers should have turned down the millions and billions that politicians were offering them. But sainthood is no more common in Wall Street than on Pennsylvania Avenue — or in the media or academia, for that matter.

Actually, some banks did try to refuse the government bailout money, to avoid the interference with their business that they knew would come with it. But the feds insisted — and federal regulators' power to create big financial problems for banks made it hard to say no. The feds made them an offer they couldn't refuse.

People who cannot distinguish between democracy and mob rule may fall for the idea that the hooligans in the street represent the 99 percent who are protesting about the "greed" of the one percent. But these hooligans are less than one percent and they are grossly violating the rights of vastly larger numbers of people who have to put up with their trashing of the streets by day and their noise that keeps working people awake at night.

As for the "top one percent" in income that attract so much attention, angst and denunciation, there is always going to be a top one percent, unless everybody has the same income. That top one percent has no more monopoly on sainthood or villainy than people in any other bracket.

Moreover, that top one percent does not consist of the "millionaires and billionaires" that Barack Obama talks about. You don't even have to make half a million dollars to be in the top one percent.

Moreover, this is not an enduring class of people. Nor are people in other income brackets. Most of the people in the top one percent at any given time are there for only one year. Anyone who sells an average home in San Francisco can get into the top one percent in income — for that year. Other one-time spikes in income account for most of the people in that top one percent.

But such plain facts carry little weight amid the heady rhetoric and mindless emotions of the mob and the media.

Forbes

[Overpopulation Isn't The Problem: It's Too Few Babies](#)

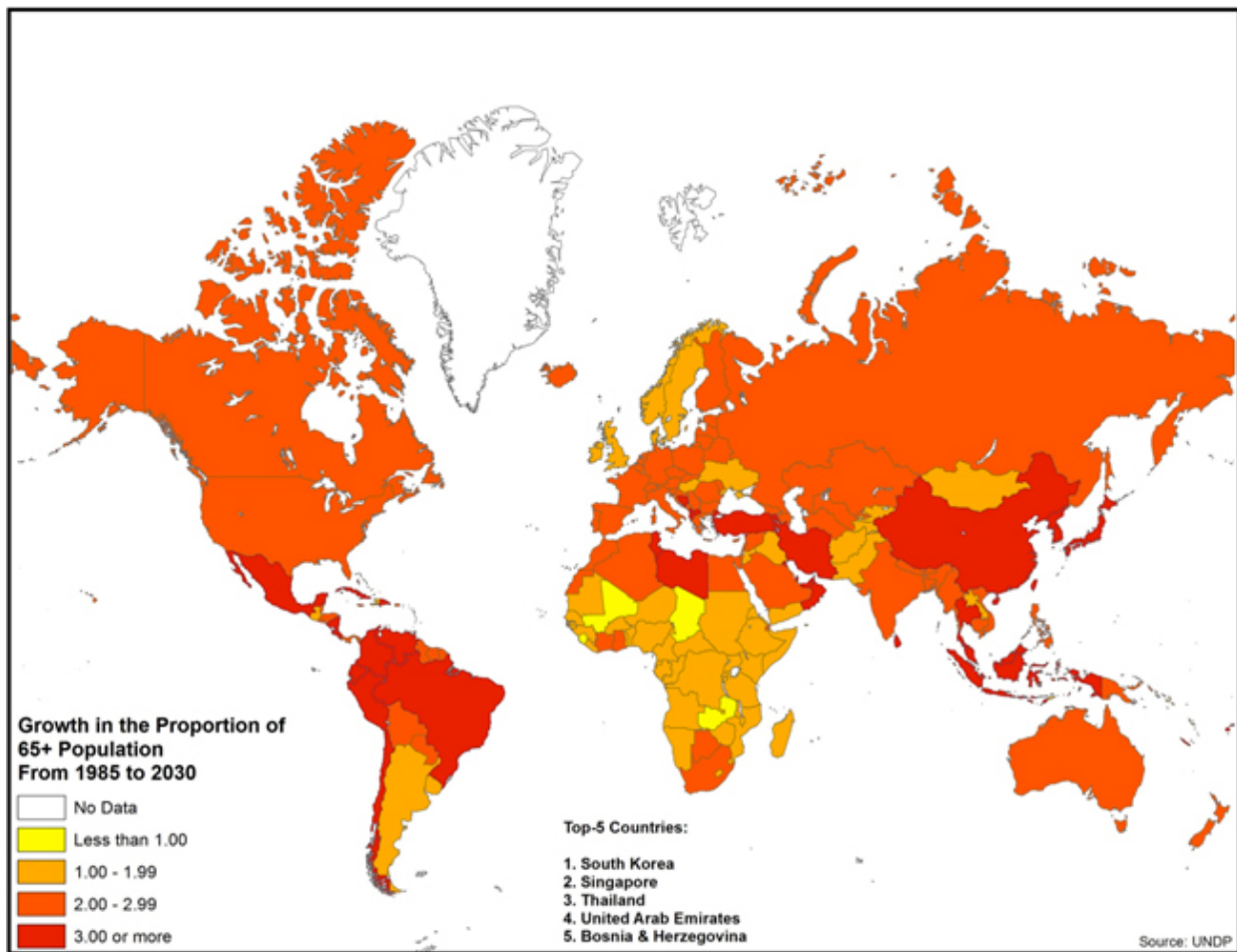
by Joel Kotkin

The world's population recently passed the 7 billion mark, and, of course, the news was greeted with hysteria and consternation in the media. "It's not hard to be alarmed," [intoned National Geographic](#). "We should all be afraid, very afraid," [warned the Guardian](#).

To be sure, continued population increases, particularly in very poor countries, do threaten the world economy and environment — not to mention these countries' own people. But overall the biggest demographic problem stems not from too many people but from too few babies.

This is no longer just a phenomenon in advanced countries. The global "birth dearth" has spread to developing nations as well. Nearly one-third of the 59 countries with "sub-replacement" fertility rates — those under 2.1 per woman — come from the ranks of [developing countries](#). Several large and important emerging countries, including Iran, Brazil and China, have birthrates lower than the U.S.

In the short run this is good news. It gives these countries an opportunity to leverage their large, youthful workforce and declining percentage of children to drive economic growth. But over the next two or three decades — by 2030 in China's case — these economies will be forced to care for growing numbers of elderly and shrinking workforces. For the next generation of Chinese leaders, Deng Xiaoping's rightful concern about overpopulation at the end of the Mao era will shift into a future of eldercare costs, shrinking domestic markets and labor shortages.



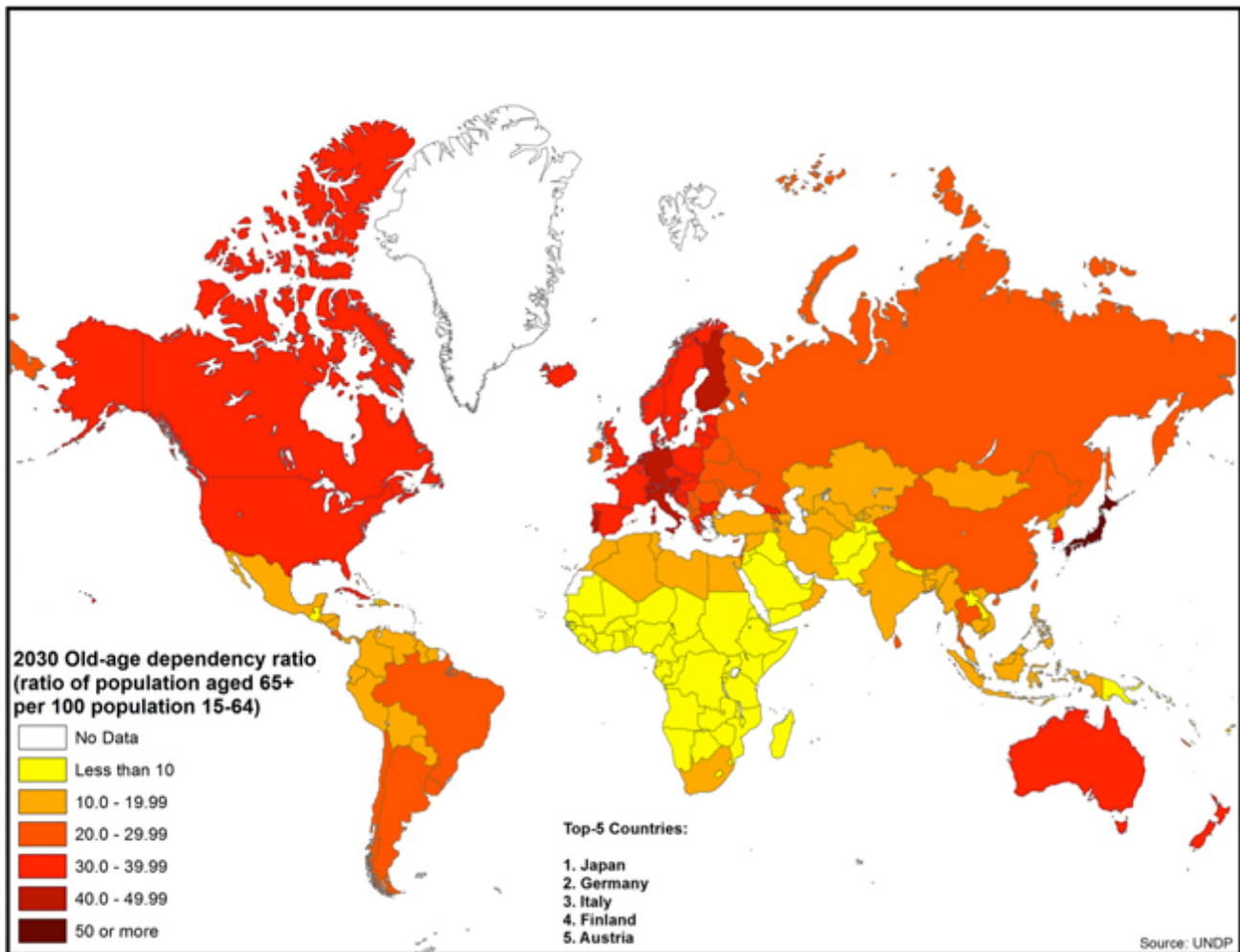
This scenario is already a reality in Japan and much of the European continent, including Greece, Spain, Portugal, much of Eastern Europe, Scandinavia and Germany. Adults over the age of 65 make up more than 20% of these countries' populations — compared with 15% in the U.S. — and their numbers could double by 2030, [according to researchers Emma Chen and Wendell Cox](#).

In many of these countries, rising debt burdens and shrinking labor markets have already slowed economic growth and suppressed any hope for a major long-term turnaround. The same will happen to even the best-run European economies, just as it has in Japan, whose decades-long growth spurt ended as its workforce began to shrink.

By 2030 the weight of an aging population will strangle what's left of these economies. Germany, Japan, Italy and Portugal, for example, will all have only two workers for every retiree. The U.S. will fare somewhat better, with closer to three workers per retiree. By 2030 the median age will also be higher in China and Korea than in the U.S. This age difference will grow substantially by 2050, according to the [Stanford Center on Longevity](#).

The biggest impact of aging, however, will not occur in northern Europe and Japan, where there may be enough chestnuts hidden away to keep the aged fed, but in [Asia](#). In the next few decades, South Korea, Taiwan, Singapore, Thailand, and even Indonesia will start following Japan into the wheelchair stage of their demographic histories. These are not quite rich places like China and Brazil, which still lack the wealth and a developed welfare state to take care of the elderly. Although not headed directly to European or Japanese rates of aging, these

countries will experience a doubling of their Old Age Dependency Ratios; both will rise slightly above current U.S. levels by 2030.



In China, the one-child policy could be used to explain this phenomenon, but this hardly accounts for declining birthrates and rapid aging in countries such as Iran, Mexico or Brazil. Other factors — urbanization, a secular society and upwardly mobile women — also appear to be playing an important role.

Of course, the populations in most developing countries will still grow, but more due to longer lifetimes than a surfeit of new births. But projections are often wrong, and their demographic trajectory may slow down more than now predicted.

The one region expected to continue growing is Africa. Some countries, like Nigeria and Tanzania, are expected to more than double or even triple their current populations by 2050. But as Africa urbanizes and develops, it may eventually experience the same unexpected decline in fertility we already see in Islamic Iran, multi-cultural Brazil or throughout east Asia.

Largely left out of the analysis may well be the next big demographic phenomenon: the rise of childlessness. We have already seen how the move in developing countries from six kids or more per household has reduced population growth. In a similarly dramatic way the shift towards zero children, particularly in wealthier countries could have unforeseen lasting

consequences. After all, with two children, or even with one kid, there's the possibility of two or more grandchildren. With no children, it's game over — forever.

Of course, there have always been unmarried people and childless people; some by necessity or health reasons, others by choice. But now a growing proportion of young child-bearing age women in countries as diverse as Italy, Japan and Taiwan are claiming [no intention of having even one child](#). One-third of Japanese women in their 30s are unmarried, and similar trends are developing in other Asian countries.

Life without marriage, and children, has also [become the rage](#) among a large proportion of the cognoscenti even in historically procreation-friendly America. Whether it's because men are seen as weak, or children too problematical, traditional families could erode further in the decades ahead.

The childlessness phenomenon stems largely from such things as urbanization, high housing prices, intense competition over jobs and the rising prospects for women. The secularization of society — essentially embracing a self-oriented prospective — may also be a factor

If this trend gains momentum, we may yet witness one of the greatest demographic revolutions in human history. As larger portions of the population eschew marriage and children, today's projections of old age dependency ratios may end up being wildly understated. More important, the very things that have driven human society from primitive time — such as family and primary concern for children — will be shoved ever more to the sidelines. Our planet may be less crowded and frenetic, but, as in many of our child-free environments, a little bit sad and lot less vibrant.

Our future may well prove very different from the Malthusian dystopia widely promoted in the 1960s and still widely accepted throughout the media. With fewer children and workers, and more old folks, the “population bomb” end up being more of an implosion than an explosion.

American.com

[**Europe's fundamental long-term deficit isn't measured in euros; it's measured in babies**](#)

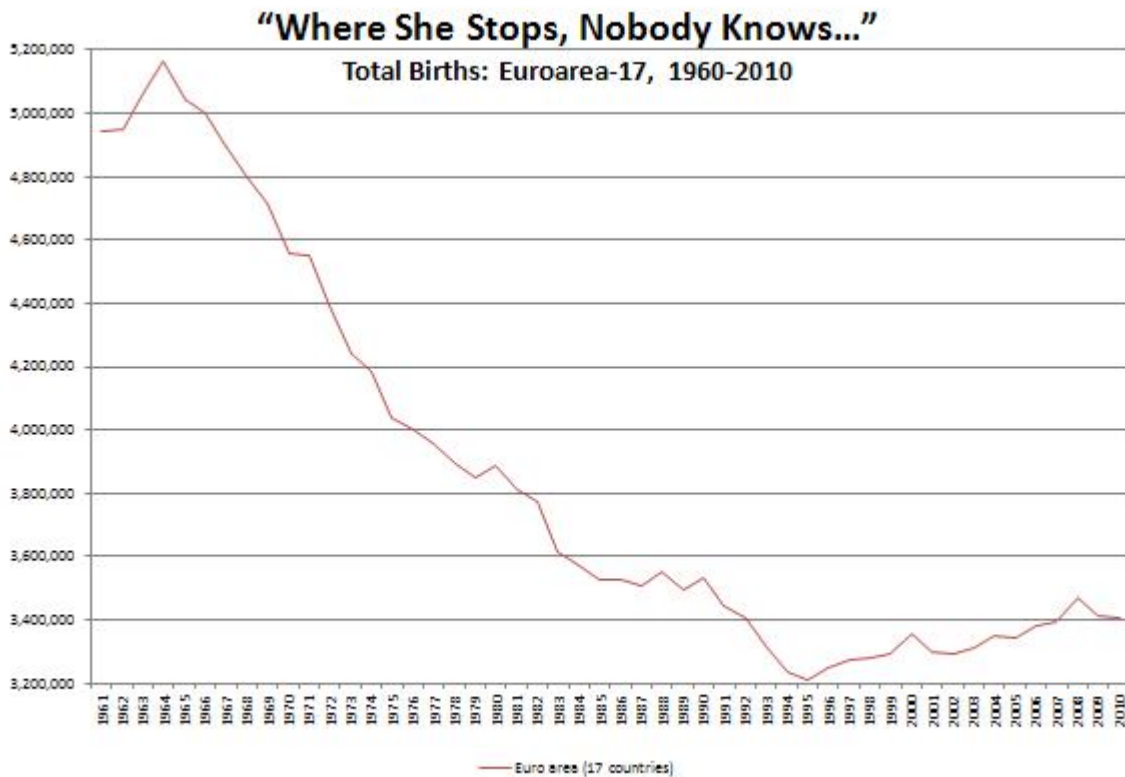
by Nicholas Eberstadt

Last week's Eurozone pact—which was intended to forestall contagion of the Greek debt crisis to Portugal, Spain, and Italy (and Belgium? and France?)—has temporarily revived market confidence in the euro, as well as European bonds and equities. But even regarded in the best possible light, the agreement was nothing more than a topical palliative for pains emanating from a deep underlying systemic distress. For at the end of the day, Europe's current debt crises are a consequence of a region-wide crisis of the welfare state, whose vast promised benefits voters demand, yet are unwilling to finance through self-taxation.

No plausible amount of self-imposed budget austerity, furthermore, is likely to save these existing arrangements for the future, for Europe's welfare states are being fatally undone by her public in another arena: the crèche. “Sustainability” is the term of the decade among Europe's

cognoscenti: and European birth trends have made the continent's magnificent edifices of entitlement arithmetically unsustainable.

The chart below illustrates the problem.



Source: Eurostat, available at <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>

Half a century ago, the 17 countries that currently comprise the Euro zone were bearing about 5 million children each year. In a pay-as-you-go welfare state, those babies are now men and women in the prime of their working lives, supporting the health and pension benefits of older (and smaller) cohorts that preceded them. (Today there are about 2.2 Western Europeans in their late 40s for each in his or her late 70s.)

Over the intervening decades, though, Europe's birth totals have plunged—and although the Euro zone's population is much larger now than it was in 1960, the region today registers 30 percent fewer births. Over that period, Europe's childbearing patterns shifted into sustained sub-replacement fertility, and by 2009, the Euro zone was on a trajectory which, if continued, would portend a shrinking of each subsequent generation by about a quarter (absent compensatory immigration).



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"THINK OF IT AS FOOD AND LODGING AT THE EXPENSE OF THE 1%..."