 **DOW REACHES 18,000!  
WHAT COULD BE  
BETTER THAN THAT?  
PROOF OF O'S SUCCESS?  
*No! ALL THINGS  
MUST BE  
CONSIDERED!***

By Stephen L. Bakke  January 2, 2015



(From a cynical "non-conservative" cartoonist ... perhaps?)

In connection with this report I refer you to these related reports which, I believe, will add value to the effort you are taking to read this one (just click on the title for a LINK):

- [\*QE 1, 2, 3, 4 & Counting! A fleet of luxury ocean liners? No! It's the Feds printing money!\*](#)
- [\*Poverty & Inequality: Clear causes of a complex problem! PART 1\*](#)
- [\*Poverty & Inequality: Clear causes of a complex problem! PART 2\*](#)
- [\*The Euphoria is Palpable! But important employment stats are NOT improving!\*](#)
- [\*Inequality by Design!\*](#)
- [\*6 ½ Things That Would Calm the Market! And There Are MORE!\*](#)

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In the midst of this Holiday Season the Dow reached new record highs and even passed through the symbolically important index of 18,000. Yes it's a big deal, and I think a silver lining to a relatively dark cloud. How can I say that? Am I just being an inflexible ideological opponent to this administration? ..... How could anyone who knows me suggest that?

OK! OK! Getting serious now, I must say that I feel I've been consistent in my opinions and prophecies about the administration, its economic policies, employment, national debt, and the stock market. If not for decent market performance, many of us would not have stayed "even."

Remember that there are several unfortunate things which contributed to this huge market run-up. Also, don't forget that some developments also point out some negative effects of these gains, if viewed in the proper context. Bottom line, important events don't usually happen in a vacuum, and it's never all good news, no matter whose policies are being evaluated.

The U.S. is a very wealthy country and "liquid wealth" needs a place to go. The stock market, considering the alternatives, is a relatively good place to be invested, and its popularity has held up the prices, some say artificially. I feel that any wealth that is spendable isn't totally artificial. Consider **these forces which cause dollars to "come home to roost"** in the stock market, thereby pushing up prices.

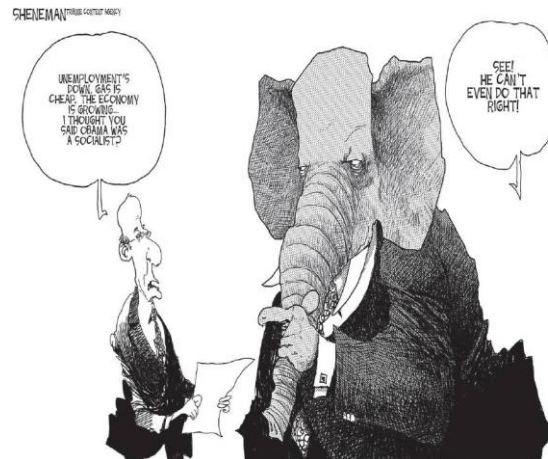
- Once popular **foreign investments are now less attractive** due to negative economic conditions in Europe, the Mideast, and elsewhere. Some of those foreign investment dollars have "come home to roost" in the U.S. stock market.
- For **interest bearing investments, recent yield has been very low**, and much of those dollars have also moved into the market. Obama's policy has been to keep interest rates at record lows.

- **“Quantitative easing” policies expanded the money supply** (by flooding financial institutions with capital, and thereby liquidity) which, in combination with previously mentioned low interest yields, drove a lot of the newly “minted” dollars into the stock market.
- The **attraction of dollars to gold, silver, and other commodities, has faded** from their euphoric high points, and some of those funds have been attracted back into the stock market.

**Bottom line, all these conditions and events have pushed the relative value of the stock market to incredibly high levels.**

All things considered, I’m not complaining about the improved stock market, but we must not let this very good (for some of us) situation hide very serious problems such as debt and other growth inhibiting policies. Consider these serious factors which argue against claims of success by the Obama administration:

- The “quantitative easing” policies result in marginally cheapening the U.S. dollar which is actually **a camouflaged way to “tax poor people.”** And seniors also suffer as they **lose income from interest**, a traditional source of their spendable income.
- This stock market frenzy has **widened the gap between the richest and the rest of society.** Was this done on purpose by the administration? i.e. Creating all this new wealth and then intending to go after this “inflated” wealth by increasing tax dollars – hoping to delay seriously damaging effects of our current outrageous debt levels.
- Remember that the **true national debt is NOT the \$18+ trillion** that we hear about. Rather, if the government were required to record their debt obligations on the same basis as corporate America, the present value of future contractual obligations is **probably over \$200 trillion.**
- Also, consider again the **administration’s insistence on holding interest rates artificially low.** The “official line” is that the administration is doing this to stimulate the economy. But a parallel by-product is to also create an “artificial” economic expansion – I call this “stock market inflation.” **With this “designer inflation” being encouraged, interest bearing investments yield less, and as I discussed above, those funds are attracted into the stock market where prices go up and the very wealthy are most directly benefited.** If that’s the case, and if they know it’s happening, why do it? **Why have a policy that increases inequality** while at the same time preaching against it? The simple motivation is that our otherwise lethal dosage of national debt is devalued over time, carries very low interest rates, and is paid back with cheap/devalued dollars. This makes Obama look good!
- And contrary to the claims of improving employment, **the percentage of employable population who are employed is at a 35 year low** (labor participation rate). That’s serious!
- Here’s a negative that not everybody thinks about! The skyrocketing **Federal transfer payments and Social Security have done much to increase inequality.** In recent years, transfer payments have been benefiting, to a greater extent, those above the poverty level. The lowest quintile’s share of transfer payment has been reduced from approximately 54% in 1979 to 36% in 2007. **How about that as an example of harming the poorest for the benefit of the more affluent?**
- **And so on ..... and on!**



*Minneapolis Star Tribune, December 31, 2014*

**There are no easy answers!** Politicians often simplify solutions and analyze things in a vacuum. If all things are considered, the story is often different than it appears on the surface, and certainly different from what is being spun by politicians. In this report I'm being hard on the Obama administration, but most politicians are tempted to join the major "spin game," at one point or another – unfortunately! It's just human nature! We must not let ourselves be deceived! And when making important evaluations, judgments, and policy decisions, remember that:



***ALL THINGS MUST BE CONSIDERED!***