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Bush: Before and After

Before we enjoyed his cheeky grin, his straight-forwardness, his comical abuse of the queen's English. 7 years later, with energy prices at an all time high, liking the President is hard.

The US President's approval rating has sunk to an all time low of 24%. Voters are responding to escalating living costs, extreme indebtedness, and a drop in purchasing power not seen since... oh well, suffice to say, the answer is depressing.

So, let's talk about the good news - inflation. We're constantly told that this is holding steady at around 2% a year. This is good in theory, because it should mean that, provided our pay is rising by the same small amount, we can still afford the same basket of goods.

Trouble is - nobody believes it. It has become a useless gauge for the health of the nation. For one thing, it doesn't prepare us for the scale of those costs that have been put off, but must still be repaid. If your mortgage is resetting now, you'll know what I mean.

I'd love to know for whom 2% inflation is a reality. Did annual [house price inflation](#) remain steady at 2% over the last 7 years? Did energy prices increase by 2% a year? Are rent-rises now holding steady at 2%?

Let's compare commodity prices around 1999|2000 (before Bush came into power) and in 2007, after 7 years of Bush.

Product	Cost Before Bush	Cost After Bush (2007)	Rise	If only 2% annual inflation	Unit
Natural Gas	2	6	x3	2.3	\$ per million Btu
Oil	10	93	x9	11.49	\$ per barrel
Gold	270	780	x3	310.15	\$ per troy ounce
Uranium	7	80	x11	8.04	\$ per lb
Wheat	113	480	x4	129.8	\$ per tonne

What this exercise shows us is that energy prices and commodity prices, far from standing still, have actually rocketed. Wholesale Natural Gas is up by a factor of 3, Oil x 9, Gold x 3, Uranium x 11 and Wheat x 4.

With the exception of gold, these commodities are the kind of things which put heat and light in our homes, fuel in our cars, even bread on the



table. When they surge in price, the effect on consumers is sure to be one of two things - either higher bills or reduced service.

Should we blame the government for high energy prices? I mean... Bush, Cheney, Rice and Co all declared their vested oil interests didn't they?

I repeat. Oil is up by a factor of nine, from a low of \$10 dollars (in Feb 1999) to \$93 a barrel. We've just witnessed the sharpest rise in the price of oil since OPEC cut supplies to Western Nations in 1973.

A \$10 barrel of oil which went up in price by a steady 2% a year over 7 years would cost \$11.50, not \$93!

So what has pushed up energy prices?

1) **Catastrophic Events**

9/11, the invasion of Iraq, a rash of oil fires and explosions, hurricane Katrina, the threat of US aggression against Iran. These are the kind of events which threaten to interrupt the supply of energy. Arguably, only one of these was not avoidable.

2) **Rampant Speculation**

Some 500 hedge funds now specialise in energy trading. The scale of the bets can be enormous. One hedge fund trader from Amaranth Advisors famously lost \$6bn on a bet that the price of gas would go up in April 2007.

3) **Increased Demand**

Rapid industrial development in China and India means increased competition for oil. Meanwhile, light oil isn't flowing any easier.

So what went wrong? Or, conversely, for whom did it go right?

Exxon Mobil posted record profits of \$39.5 billion in 2006. Financial wheeler dealers also enjoyed bumper bonuses. And boy, didn't we all party when interest rates were low.

But something fundamentally less celebratory was going on at the same time. The dollar has fallen by 30% against the euro since Bush arrived in the White House.

In practical terms, this means the buying power of American wage earners, compared to Europeans, has been dropping by the equivalent of 5% a year. In 2000, 1 dollar bought you 1 euro. Today it only buys you 0.69.

So we might as well ignore the 2% inflation mantra. The real picture is that the basic cost of living is rising in the US, whilst the exchangeable value of American wages is dropping year on year.

I don't see many US presidential candidates talking candidly about this, with the exception perhaps of Ron Paul. The repercussions for the UK only recently started to become obvious.

Easy cheap loans have been like lullabies to us. Too much money, too readily created and too loosely lent, led us to this place. This is the place

where vultures and loan sharks start to circle round struggling businesses and households. It's where pyramid schemes resurface and wealth further [concentrates](#) as the asset fire sales begin.

In 1971, The Who wrote us an anthem to ensure we never got fooled again.

What happened on Bush's watch? Another bunch of 18 year olds got waved off to war. Meanwhile, the non-combatant binged on credit, set the bath running, then promptly fell asleep in front of the latest 'reality' TV show.

God Bless America.

Ends | 2 Nov 2007 | The Leg

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 Businesses will feed oil costs down foodchain to consumers
 The BIS graphs shout it out: speculation in commodities is rife
 UK - Real Cost of Living Index actually rising at 9.5%
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 Truckers & fisherman protest fuel costs in Europe and beyond
 UK industry hit by fuel & materials costs - up 33% in 18mths
 Global airlines predict heavy losses in 2008 if oil stays at \$135
 Ahmadinejad: high oil prices "completely manipulated"
 UK fishers stage fuel prices demonstration
 Global food crisis: Guardian investigation
 Commodity-index investing up to \$260bn in '08 from \$13bn in '03
 Some UK rents rose by as much 17% in 12 months to April
 Germany in call for ban on oil speculation
 Soros: Speculators responsible for oil price bubble
 FileOn4: Big fund speculators to blame for food crisis
 Deadly greed: speculators bid up the price of staple foods
 Speculators feast: 2.5m corn contracts, up from 0.5m in 2003
 Democrats table Bill to close speculation loophole
 Is foundation of high oil prices "nothing more than speculation"?
 Bank of France: world economy "has become very inflationary"
 UK inflation just rose by 0.8% in a month
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 Washington's Great "No Inflation" Hoax [seems familiar?!]
 70% of Americans now disapprove of the President
 BP & Shell rack up £7bn profits in 3 months
 Inflation is about too many dollars, not too little food
 UK family's Food shopping bill just rose 15% in 12 months
 Speculators' rumour-mill helping hedge funds profit from Iceland?
 Food riots in Haiti - price of rice just shot up 75% in last 2 months
 UK: Annual rate of increase of manufacturing input costs hits 20%
 Rice now costs the poor Bangladeshi half his income
 Rice (staple food of 3bn people) rises in price by 50% in 2 weeks
 Price of rice jumps 30%. Global stocks at lowest since 1976
 Supermarket milk prices set to rocket
 UK debt charities cast wary eye on waters as loan sharks circle
 Rampant speculation abetted by huge concentration of wealth
 Rice trading at 40% higher price in March than in January
 UK supermarkets now forced to absorb food price increases
 America was conned - who will pay?
 High street baker attacks speculators for driving up wheat price
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Fears of commodity crash as speculation outstrips demand
 1 Euro now exchanges for \$1.50. It bought just 85 cents in 2001
 US house prices down 10% in 12 months whilst inflation climbs
 Millions more face starvation: wheat price just doubled in 12 mths
 High price of wheat threatens UK pig farmers
 US core inflation is almost a joke - it excludes food and fuel
 The next crisis will be over food
 GM to offer 'early retirement' to 74,000 of its 110,000 US workers
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 The real cost of living: how inflation could hurt us all
 ECB warns crashing dollar may stop further US interest rate cuts
 Falling dollar results in 2300 job losses at Rolls-Royce
 Oil price may include "speculative premium" of up to \$57 a barrel
 'Noise' and speculation has helped force oil up to \$100
 UK homeowners face 15% increase in energy bills
 Oil & Gold prices peak like in 1980 - oil at \$100, gold over \$850

Currency	Oil price per barrel in 2000	Oil price per barrel in 2008	Percent increase in oil prices in 8 years
Euro	€42.41	€73.75	74%
US dollar	\$35.00	\$118.00	237%

Table: Note the relative % increase in the price of a barrel of oil in US dollars compared to Euros since Autumn 2000. You'd expect this result if the number of dollars in circulation was being disproportionately inflated and/or trust in the dollar was sliding.

2007:

Rising food prices may dent consumer confidence in 2008
 US food banks are experiencing shortages
 Are commodities a bubble ready to burst?
 US: the cost of energy, clothing and medication all rose in Nov
 Made in the USA. 3.2% rise in factory gate prices in one month!
 China: Cities told to store 10 days food and cooking oil reserves
 Dollar's drop puts stock market gains in perspective
 Low dollar 'threatens the life' of Airbus
 Bush's call for crops for ethanol helps double the price of maize
 China isn't alone in losing its appetite for the dollar
 Reduced service: BP to sell off 700 US convenience stores
 Chavez: Iran attack could spike oil prices to \$200 a barrel
 OPEC: \$100 Oil caused by instability, speculators, failure to invest
 Scottish truck drivers consider action against fuel price rises
 UK factory gate inflation reaches 12 year high
 Cost of basket of 25 staple goods rises 12% in 12 mths in UK
 Peaking at the pump - graph of historical US gasoline prices
 Could gasoline go up by 50% and winter heating bills double?
 "A recession might be the least bad of the possible outcomes..."
 7 Countries considering abandoning the US Dollar

30% surge in the forward price of UK electricity and gas
Investors threaten to kill analyst who warned about Citigroup
Food price inflation 18% in China, 10% in S.America, Russia, India
Petrol breaks £1 a litre barrier as oil nears \$100 a barrel
Oil prices decoupled from fundamentals of supply and demand
By many measures, inflation is rising...
If central banks bail out investment crooks, inflation will result
Thousands in Mexico City protest rising food prices
More interest rate cuts will undermine dollar & raise cost of imports