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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	хЗ	2.3	\$ per million Btu
Oil	10	93	х9	11.49	\$ per barrel
Gold	270	780	х3	310.15	\$ per troy ounce
Uranium	7	80	×11	8.04	\$ per
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 \times 9, Gold \times 3, Uranium \times 11 and Wheat \times 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 lullables 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.

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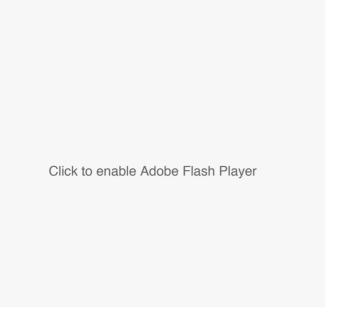
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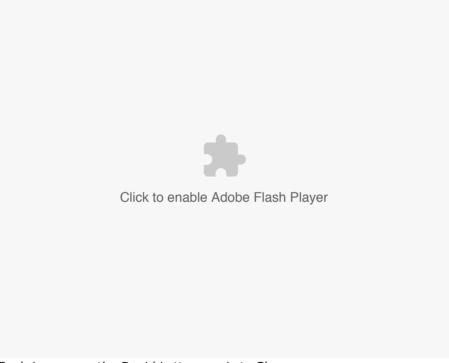
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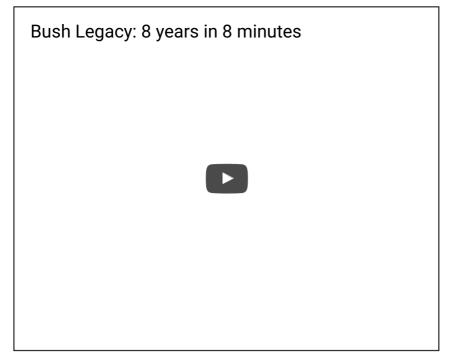
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Currency	Oil price per barrel in 2000	Oil price per barrel in 2008	Percent increase in oil prices in 8 years
Euro	€42.41	€73.75	74%
US dollar	\$35.00	\$118.00	237%

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.

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