

**Merry Christmas, Happy Hanukkah and A Happy New Year!** I usually end my final missive of the year with these wishes. But, since the rest of this e-mail is loaded with lumps of coal, I thought I would start out with the happier note! Now, on to details that could just as easily have been provided by Ebenezer Scrooge.

Post-Thanksgiving, there were basically two issues remaining for Congress this year. I will address each separately:

**Funding the Government:** A bill to fund the government for the balance of this fiscal year passed both Houses on a bipartisan vote and is expected to be signed by the President very soon. The total spending in this bill was determined by the "debt limit agreement" in August. So, all that had to be worked out were the specifics within that number (\$1.043 trillion). So, that means no government shutdowns before September 30, 2012. Additionally, it is standard practice in election years to fund the government from October 1st through at least the end of November on a Continuing Resolution (CR) rather than try to get enormous spending bills done weeks before an election. So, I expect that next year in March or April, the House will pass an updated version of the Paul Ryan budget that was passed this year. The Senate will continue accruing its record number of days gone by without even proposing, not to mention passing, a budget. If the Senate has offered no budget by early next year, then that will be somewhere north of 1300 days since they last passed a budget, or enough time for Kim Kardashian to get married and divorced 18 times. If that is the case, there will be a CR passed in late September to cover the rest of the year. The bad news about all this is that there will be no opportunity to cut spending further and bring the budget closer to balance until 2013. The good news is that at least there will be no spending related drama in 2012. The only possible exception to this would be if a recession, collapse in Europe, or some act of Congress drives the deficit up over the next 10 months such that the current debt limit (\$15.194 trillion) is hit before the election.

**Social Security Taxes, Unemployment Insurance and Such:** Here is the naked truth about all the recent consternation on Capitol Hill that you are not hearing from the mainstream media: Extending the Social Security Tax cut is a bad idea. It was a bad idea to do it in the first place. The Social Security system is already paying out more money than it is taking in, and this problem is projected to get progressively worse every year in the future. So, why would we make this insolvency worse by reducing what everyone pays in to the system? And, the extension adds \$121 billion to the deficit. If you decided to do the extension and then reduced how much everyone gets in Social Security payments, that would be one thing. But, we are not doing that. We are just saying pay less and get more. Except that we will all pay much, much more or get much, much less when the deficit takes us the way of Greece soon. And, no reasonable economist from the right or the left believes that this sort of program stimulates the

economy. It was done under the first President Bush, and once more since then, and neither instance worked to spur economic growth. This won't either.

The unemployment extension to 99 weeks is also a bad idea. There is now plenty of evidence that it actually encourages and rewards unemployment and makes people stay on unemployment longer, thereby keeping more people unemployed. Another problem with both the Republican and Democratic proposals on these "extenders" are the so-called "pay-fors". Both party's bills "pay for" a one year extension (or two months) of new spending by raising taxes or cutting spending over 10 years! That's one year of spending paid for by 10 years of something else. That's like telling your grocer that you will pay him or her for today's groceries over the next 10 years....unless you change your mind. That's why the proposals by both parties increase this year's deficit by at least \$167 billion.

The bottom line here is that these "extenders" are bad ideas that will not help the economy, will absolutely and dramatically increase the deficit, and will generally make it harder to fix our problems in the future. As you have probably guessed, I was one of 14 Republicans to vote against both the Republican and Democratic proposals on this and one of only 6 to vote against them last year and again this year.

Truth be known, my position is not as much as an outlier as it might seem. Many, if not most, people in both parties understand that this is bad policy. So, why the bipartisan love fest for a proposal that further endangers Social Security, increases deficits, and hurts the economy? It all gets back to the occupant of the White House. Obama is doing all he can to avoid running for reelection on his record or on what he might do if reelected. (By the way, have you ever heard him once voice what he would do with another 4 years? No, you haven't.) He doesn't want to have to talk about the economy or how he is making us more dependent on Middle East oil or how "Obamacare" is increasing medical costs or his rudderless foreign policy, which makes me almost long for Jimmy Carter again. So, rather than let the House and Senate engage in a reasonable discussion of how to ease us out of this unnecessary spending, he seized the political opportunity to call a non-extension of a one-year, self-described temporary, Social Security tax holiday, a Republican tax increase. Unfortunately, instead of pointing out that this cannot be extended without damaging the Social Security trust fund, my side of the aisle played along with the President's characterization. And now, we are where we are. With the exception of the oil pipeline approval, this debate has nothing to do with good public policy. It is all about posturing for the next election. Our President is very good at running for president. Unfortunately, he is not good at being president. I suspect that in the end these things will all be extended and there will be no "pay-fors", or there will be "pay-fors" that aren't real. This is how we have gotten into the fiscal mess we are in. When Republicans and Democrats both want to spend money, but spend it in different places, the "compromise" is to let everybody spend everything and only the deficit loses. Obama has already made this sort of deal several times.

I'm sure he will make it again. But, at some point we have to stop this, or the outside world will force us to stop - as is now happening in Europe. I wish we could stop it here and now. All we have to do is actually do nothing, and the deficit will go down and the economy will take a tick up. Alas, maybe next year.

But, as I said, it is Christmastime. You will not receive another missive from me until next year. So, for a few days, forget about this junk. Enjoy your families, your friends, and your freedom. Thank God for the gifts he has brought us and continues to bring us that know no political labels. Perhaps place a knee to the ground in supplication to Him for His goodness and His grace. And, don't forget to raise a glass to toast the passing of 2011 and a hopefully brighter 2012.

Drive fast and live free.....Ho, Ho Ho.