

The year was chaotic. President Ford died. Saddam Hussein was executed. And, ominously China destroyed one of its own aging weather satellites using an ASAT missile. The test resulted in a massive orbiting debris field and showed a total disregard for the increasingly congested space around our planet.

Iran's nuclear ambitions appear to have been a deception. This is good news because if Iran were allowed to go nuclear, other countries in the region - Saudi Arabia, Egypt, and possibly Turkey - would be compelled to follow suit. The Middle East would be entangled in a cats' cradle of nuclear trip wires. A nuclear Iran would inevitably invite a hair-trigger face-off with Israel and would certainly pursue even more aggressive regional policies in Iraq, Lebanon, and the Palestinian territories.

Spurred by defaults in the sub-prime lending market politicians are making noise about providing assistance and bailouts to over-extended homeowners. Government involvement would clearly penalize and tax those prudent individuals who bought homes they could afford based on less risky loans with higher interest rates. Short sighted legislative talk such as this discourages rational behavior and smacks of yet another entitlement program. Allowing a free market to drive housing prices up by over 400% in the course of a few years and then extending a safety net when faced with a 20% correction is a thinly veiled attempt to protect an inflated tax basis and blatantly hypocritical.

Now in its fifth year, the Iraq War has claimed the lives of 3,887 soldiers. Our military has been ill prepared to deal with an enemy that deliberately mingles with civilians. Precisely because America is so powerful against conventional armies our adversaries will continue to rely on this type of asymmetrical warfare forcing us into protracted counter-insurgency wars that offer no clear-cut victories and risk the prospect of humiliation. Unfortunately, the list of insurgencies that have been crushed by occupying forces is notoriously short; witness the failures of the French in Algeria, Russia in Afghanistan, and America in Vietnam. At western military colleges more has been written on counter-insurgency strategies in the past four years than in the prior four decades. The consensus is that defeating insurgents can only be accomplished through local governments (whose survival depends on success and who cannot pack up and go home). The Iraqi people are now slowly turning against Sunni extremists and fundamental Muslim terrorists such as al Qaeda; even as Americans tire of the conflict, conditions are improving.

The U.S. remains an attractive target. A rejuvenated al Qaeda operating in the tribal areas of Pakistan is determined to launch a catastrophic attack on American soil using chemical, biological, or nuclear weapons. Yet no foreign terrorist has managed to strike the country since 9/11. One theory is that jihadi's may not want to enrage an American public that is growing weary of wars in Iraq and Afghanistan. Also, it seems that Muslim communities in the U.S. are less hospitable to violent extremes than Muslims abroad. Still, federal anti-terrorism programs have followed threats, not anticipated them. The 180,000 person strong Department of Homeland Security could do better.

The politics of climate are changing rapidly in America. Congress is floating a number of bills and the environment has made its way into the platforms of most serious presidential candidates. Five years ago corporate America was solidly against carbon controls. But the threat of a patchwork of state regulations combined with the opportunity to profit from new technologies has dramatically shifted business attitudes. At the same time, security hawks want

to reduce America's dependence on Middle Eastern oil. Finally, the public is tired of seeing its wealth siphoned off to a handful of Arabian families. America's environmental stewardship is critical, not just because it's the world's biggest polluter but also because without its leadership, the biggest polluters of tomorrow - China and India - will do nothing. Currently, China is building one coal-fired power plant each week and is set to bypass America as the biggest source of greenhouse gas within a year. Just as America's adoption of the catalytic converter eventually led to lead-free gasoline world-wide, so its drive to clean-energy technologies will ensure they spread too.

The 30-something billionaire owners of Google are keeping their private jets, including a lavishly outfitted 737 dubbed "the party plane", at NASA's Federal Air Base, Moffett Field. That a couple of individuals have found a way to make private use of such a facility is an unsettling and telling precedent.

A wireless revolution is underway. Tiny Radio Frequency Identification (RFID) tags, some small enough to fit in the groove of a thumb print, will provide huge amounts of data that has historically been impossible to collect or prohibitively expensive to obtain. These devices will become the backbone of entirely new services. Sensors will tell if buildings and bridges are safe, an army of chips will measure soil temperature & humidity and automatically control irrigation systems, and gizmos & gadgets will be remotely serviced and upgraded. RFID tags will certify the origins and distribution of food, medicine, and countless other products. Miniature chips in or on people's bodies will send vital signs to doctors. Car parts will call for their replacement before they fail. In short, we will witness a technological revolution on par with the advent of the Internet or personal computer.

Bush's unpopularity has opened the door to a pathetic pack of democrats in 2008. It is disconcerting that Hillary Clinton remains the front runner. She has never run anything herself and her most notable foray into governance, her 1993 attempt to reform the American healthcare system, was a catastrophe. Aside from a \$1b bailout she's proposing for troubled home-owners with sub-prime loans she has yet to spell out her policy platform including vital issues such as taxes and climate change. To boot, she has suspiciously meddlesome tendencies. While America's military weaknesses during the Clinton years have been overshadowed by the Iraq war under Bush; it was on Mr. Clinton's watch that al Qaeda took root, grew, and executed the majority of the plan for the September 11th attacks. Can a woman whose negatives are among the worst in the business re-unite America? For all her years of scheming and positioning Mrs. Clinton remains essentially a divisive and unknowable woman who we would be foolish to elect. A better alternative is Ron Paul, a Texas representative. A medical doctor by trade, he's a staunch advocate of returning to a limited constitutional government. He opted out of the congressional pension program and claims to have never voted for a congressional pay raise, a tax increase, or an unbalanced budget.

My wife occasionally asks me why the negative spin with a Christmas letter. The reason is that since the 1980's I've witnessed the steady deterioration of our nation and economy at the hands of egotistical leaders. Even our best politicians are mediocre and the electorate has no common goal: there is no cold war, no space race. Capitalizing on the disorder, elected officials seize the opportunity to consolidate and trade power amongst themselves and special interest counterparts to the detriment of our country. It is a cancerous combination that is crippling our ability and compromising our future. The resolution of this single issue is pivotal to maintaining our prosperity, society, and world status. We're in a sad state of affairs when I

believe more in the ability of Carlos Mencia to effect change in our nation than in our elected officials. To be fair, I'm extremely encouraged by our drive toward renewable energy. Big business, Washington, and the public are in sync. I'm certain we'll be the global leader in this effort. The children of today's world will breathe cleaner air in their lifetime. The technology we develop for renewable energy will lead to an economic boom while mitigating a likely reason for conflict with China. World economies will shift away from fossil fuels and the painful consequences of dependency on the Middle Eastern oil eventually leaving that region, with no other strategic value, to its own divisiveness resulting from pathetic regimes who squandered an opportunity to diversify.

As for us, we're still living in the San Francisco Bay Area, working in high-tech. Andrew's in 10th grade, Liam's in elementary school. We recently returned from a visit to France (where I can assure you that the dollar is weak and doesn't go far). We're consistently "too busy", which seems to be inherent with living in the Silicon Valley. If we haven't seen you recently we hope to soon; we're planning visits to friends and family throughout the year. Alternatively, if you receive this letter consider yourself invited to stay with us anytime. Even if it's just to say "hi", we always appreciate hearing from you.

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*Merry Christmas and Happy New Year,
From the Cottrell Family*

The past few years have taught Americans that our most serious problems must be addressed with practical fiscal policies and a consistent foreign policy applied over the course of many administrations. God Bless the lives of those individuals who put themselves in harms' way so that we may be safe at home. Let their sacrifices not be in vein but for a greater good.

The nearest thing to eternal life we will ever see on this Earth is a government program - Ronald Regan