

The year certainly was dramatic. We're obviously in the middle of a massive economic, political, and strategic shift. Ironically concerned Americans are looking to politicians in Washington (who are essentially responsible for the economic meltdown in the first place) to infuse stability. Considering our leaders are often elected based on nothing more than likeability we should know better than to expect anything of substance, especially with complex issues such as these.

The awesome spectacle of the Summer Olympics in Beijing now seems like a distant memory though who could forget Michael Phelps' performances that earned him eight gold medals and the dynamic duo of Kerri Walsh and Misty May. Dmitri Medvedev succeeded Vladimir Putin as Russian President and then promptly invaded Georgia. North Korea took steps toward denuclearization including destroying its main reactor. And, as it turns out, Iran's capability to develop nuclear weapons is a ways off. A more threatening world has apparently been postponed however briefly.

We've been in Iraq for well over five years now. To date, 4,209 American soldiers have lost their lives in theatre. The 2008 "surge" worked. London's Sunday Times reported that between U.S. operations and efforts to engage Iraqi citizens, Al Qaeda forces that once numbered 12,000 have been reduced to 1,200 and are now cornered in the Northern city of Mosul. The elitist mainstream media ignored the story and just buried it. It appears that withdraw from Iraq in the relatively near future is probably. After watching the evening news for more than 25 years on ABC, CBS, NBC, or CNN I just stopped. All I was doing every evening was filtering out the bias and having to interpret the reports.

After global price jumps in agricultural commodities Saudi Arabia and other oil-rich countries are rushing to buy land overseas amid rising concerns over food security. Their initial investments are targeting land grabs in Pakistan, Thailand, and Sudan. With the worrisome trend of "sovereign capital" inflows to U.S. corporations (witness \$21B pumped into Citigroup and Merrill Lynch by Kuwait, S. Korea and Singapore earlier this year) it's not a stretch to imagine Gulf States and cash-rich Asian countries snapping up vast tracts of wheat and rice fields in the Midwest and California Central Valley. More, sovereign wealth funds, estimated at \$2.9T (greater than the \$2.8T federal budget in 2007), have set their sights on American technology companies, telecoms, casino's, and aerospace.

The President and congress started out the year with a \$168B economic stimulus package that had a positive, albeit short lived, impact on the economy. Driven by explosive demand from China and India, a weak dollar, and speculators oil prices shot up to \$147/bbl and pushed gas to nearly \$5/gal. The economic meltdown has decreased demand for oil and temporarily driven the price below \$50/bbl. When the Chinese and Indian economic engines rev up again gas will quickly top \$4/gal regardless of what the U.S. economy does. Dependency on oil precludes our right to control our destiny.

The U.S. housing bubble was caused by a complicated financial mechanism created by investment bankers who were baited by liberal congressmen so that millions of people with no practical means much less a down payment could buy houses. As a consequence Lehman-Brothers, Bear Stearns, Wachovia, Washington Mutual, JP Morgan Chase, Citibank, Goldman-Sachs and Morgan Stanley are either gone, have merged, or are on life support. Layoffs, rippling through all sectors, helped to produce November job losses of 533,000 pushing the national unemployment rate to 6.7% or 10.3M. In response to the financial crash, half of the \$700B budget for the Troubled Asset Rescue Plan (TARP) was spent in three weeks. President Elect Obama and the House of Representatives are floating trial balloons for a \$500B rescue package for overextended homeowners. It's a scary thought that our homes may become yet another government entitlement. In the long term, Washington's intervention will not work, only the market can correct the massive imbalance in housing prices. For some perspective on the magnitude of the numbers involved, the non-partisan Congressional Budget Office estimates the cost of the Iraq war at \$9B a month or \$650B since 2003.

American auto makers are flat-lining; congress stands poised with the paddles charged. Inflated union salaries, executive bonuses, a massive pension obligation, and a "job bank" (where laid off workers continue indefinitely to receive most of their paycheck) meant these companies were incapable of making money even when the economy was good. The damage was self inflicted by focusing on inefficient high margin trucks in pursuit of short-term profits while faced with skyrocketing oil prices and a glut of world-wide automobile manufacturing capacity. Consider the electric car: GM invented it in 1996 in response to California State zero emission laws; when the auto industry (and oil lobby) successfully bullied politicians to kill the mandates GM immediately recalled and destroyed every electric car they had produced. Meanwhile, the Japanese pressed ahead with a less daring approach - the hybrid. When gas hit \$5/gal American's were dumping their full size SUV's and paying top dollar for Japanese hybrids and other fuel efficient cars. Detroit sold the product I wanted 10 years ago yet today the only way I can charge an electric car with the solar panels on my roof is if I build the car myself.

Almost 70% of oil consumption in the U.S. goes to transportation, mostly cars and trucks. Every year the U.S. consumer transfers \$750B to oil rich nations at the pump. It is the largest transfer of wealth in the history of mankind and clearly a massive drain on our economy. At this point, the solution to the disaster that fossil fuels have presented us with is more political than technical. We'd be energy independent in a decade if the government dedicated as little as \$500B and a long term push to:

1. build nuclear power plants, wind farms, solar energy, and beef up the national electric grid,
2. encourage U.S. automakers to mass produce electric cars, and
3. provide aggressive tax credits to get the normal U.S. vehicle fleet "turnover" rate of 15 years down to eight years.

Best of all this is a non-partisan issue that helps the United States economically, environmentally, and strategically. In the long run, the nation that masters renewable energy will be prosperous for the remainder of the century. Of course the ramifications are that the Gulf States would be financially wiped out and the Middle East would likely implode in war. But, when your only business plan is based on a cartel whose mission is to control the price of a commodity you monopolize your destiny is to perish. With decades of wealth accumulation on a massive scale Arabs have yet to diversify their economies.

The development of renewable energy presents us with a revolutionary opportunity. The energy policy we employ in the next decade will either secure the prosperity of Americans for generations to come or permanently end the dominance of our young nation. Unfortunately, because a real energy policy requires federal funds and a national commitment our fate rests primarily with our political leaders. Optimistically, American creativity and inventiveness have never waned. We are at a crossroads and the benefits of energy independence are worth any short term sacrifice.

During the 2008 presidential campaign republicans failed to produce a candidate who could mend public dissatisfaction with the party and withstand the fallout from the economic meltdown. For most of the race it was Obama's to lose. Mr. Obama focused on issues that appealed to his passionate liberal base such as bigger government and less personal responsibility; to idealistic young voters he offered rather vague "change". In his defense, Mr. Obama has a gift for inspiring and uniting across party lines, he ran an incredibly effective campaign that outfought the Clinton dynasty and mighty political machine of the conservative right, and he listens, learns, and manages well. The election of a black man named Barack Hussein Obama will do much to dispel the myths about a racist America and it takes the wind out of the spreaders of hate in the Islamic world. After souring on the Iraq War foreign leaders are interested in re-engagement with the new President-Elect.

That Mr. Obama has been studying Fareed Zakaria's "The Post-American World" is unnerving and I'm apprehensive that he will gut a proven system that since inception has led to unrivaled prosperity for both individuals and our nation. The lack of clarity about some of Barack's beliefs and a thin resume present some very real risks considering he will inherit two wars, an economy teetering on the edge, and massive deficits. And regardless of who you supported, many of Barrack Obama's associations ought to make anyone uneasy.

I'm concerned that for the first time in U.S. history future generations will have a lower standard of living if the President Elect, backed by a stridently democratic congress, follows through on his platform of higher taxes and more socialized government. Consider his promise to raise taxes on the "rich": by letting the Bush tax cuts expire the top income tax rate would go to 39.6%, add another ~6% by applying payroll taxes to those "high" incomes and then factor in state and local taxes (over 9% here in California) and the disincentive to work becomes very high. My wife and I, a software developer and an aerospace engineer respectively, are discussing whether one of us will be quitting work in the near future. For us, the marginal income from a second paycheck may soon be too little to make a difference. The fate of our nation is terminal when taxes are so high that educated productive professionals are discouraged from working toward a higher standard of living. And, I'm alarmed that the "American Dream" will eventually become nothing more than a concept taught in history books. Thomas Jefferson said, "A government big enough to give you everything you want is strong enough to take everything you have".

Whether you supported him or not we all want Barrack Obama to succeed in improving our economy, environment, and implementing a wise foreign policy. After all, if he fails it is us and our children who will pay the price, not him or his.

As for us, we're still living in the San Francisco Bay Area and working in high-tech. Andrew's looking at colleges primarily on the left coast and Liam's in elementary school. We lost an exceptional friend to a tragic accident this year who is survived by an amazing family and we have very dear relatives fighting for their lives at too young of an age. With that I want to be clear that we're sincere when we say if you receive this letter consider yourself invited to visit or stay with us anytime. Even if it's just to say "hi", we always enjoy hearing from our friends and family; please try to keep in touch.

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

I never encourage anyone to vote. Instead I encourage individuals to become informed about domestic issues, foreign policy, and political platforms. Informed people develop convictions. And those with convictions are naturally driven to vote *intelligently*.

I contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle – Winston Churchill