

While the U.S. recession ended in mid-2009, the economy remains dismal, especially for young Americans. Liberal economic policies such as massive stimulus spending failed to encourage growth. Worse, evidence suggests that the government is holding us back while small businesses struggle to survive with new taxes and regulations and corporations sit on mountains of profits instead of hiring in the face of a predatory, leaderless Washington. After a look back at last years' letter I thought a few facts were worth revisiting:

- [\\$17T](#): US debt (\$6.6T added by Obama vs. \$6.3T incurred by all prior presidents combined)
- [\\$157,000](#): amount of debt owed by each American taxpayer
- [14%](#): real unemployment rate (which includes people that have given up looking for work)
- 38%: the decline of US household wealth (to 1992 levels) in the last 4 years
- [22M](#): number of unemployed (14M) + underemployed (9M) out of a labor force of 155M
- [47M](#): number of people on food stamps (the highest in history)
- [No. 5](#): US rank in global competitiveness (down from No. 1 in 2008)

In 2013, Egyptian president Morsi was deposed in a coup d'etat. Margaret Thatcher, the greatest British leader since Winston Churchill, died. China put a rover on the moon; the first such landing since 1976. Syria's King Assad used chemical weapons against women and children; Obama stood by idly while Russia dealt with the issue. Typhoon Yolanda devastated the Philippines; China donated \$1.6M (less than IKEA) while the U.S. committed \$20M. A Korean airliner crashed while landing on a calm, clear summer day in San Francisco simply because the pilots couldn't fly the plane without the assistance of some redundant automated equipment.

A disproportionate number of government workers continue to join the ranks of the 1% in California. The latest being an Alameda County administrator who recently retired at age 62 with an annual pension of [\\$420k](#). There are countless [examples](#) of public servants with staggering pay and benefits. With public employees accumulating vast wealth around the country, states are left with [massive debts](#) for decades to come. Meanwhile, California suffers from an [8.5%](#) unemployment rate.

Stockton, California declared bankruptcy. It was inevitable with perks like lifetime healthcare for city employees (and a dependent) effective essentially the first day on the job. The bankruptcy illustrates a problem prevalent in the state where politicians bow to the will of public sector unions in exchange for political contributions and votes. It is a destructive game with inbred players where the tax payer footing the bill is not represented. The liability for extravagant pay, extreme pensions, and medical benefits that city, county and state politicians dole out to the workers is not realized until long after those politicians leave office.

In the northeast, after 50 years of liberal policies such as the "[Model City](#)" initiative in the 1960's, the "[Community Development Block Grant Program](#)" of the 1970's, and government redevelopment schemes in the 1990's, Detroit filed for bankruptcy. The city is so crime ridden and rundown that at a recent auction, with bids starting at \$500, of 9,000 homes and lots available, less than [1,800 sold](#). The lesson is that coercion based on government central planning doesn't work for economic development.

200,000 new jobs were reported in November. On the surface it sounds good. The problem is that 180,000 jobs need to be created each month just to keep up with population growth. The bigger issue is that 11M people are currently unemployed and less than [60%](#) of working age American's have a job. The unemployment rate continues to decline. However, that's primarily because millions of people are giving up looking for work and dropping out of the labor force.

Sequestration went into effect; Obama responded by closing the Whitehouse to public tours and taking his family on a vacation to Africa costing some \$100M. Then the government shutdown for two weeks and, in spite of Democrats fear mongering, nobody noticed except for a very biased press and some government workers who enjoyed two weeks off with full pay.

For 5 years now, '[Generation Wait](#)' has been paying the price for the lethargic economy: [26%](#) of young adults, ages 25 to 34, were unemployed in 2011 and a record [21M](#) people, ages 18 to 31, live with their parents.

Barack remained mired in scandals throughout the year. Many were covered up in order to get through the 2012 election and virtually all of them received marginal coverage by the media including:

- The wholesale spying on *millions* of American citizens by the NSA
- An IRS probe where the agency was (and continues) to target non-profit organizations with which the president disagrees
- The Benghazi embassy cover-up where four Americans, including our Ambassador, were killed when security requests were denied and rescue attempts were called off by the administration
- Operation Fast & Furious, where a government gun "walking" scheme resulted in the death of an American border patrol agent and hundreds of Mexican citizens

Any or all of these scandals ought to frighten citizens with the apparatchik approach and complete disregard for the law this administration consistently displays. President Nixon resigned under public pressure when he was caught for a scandal that paled in comparison to any of Obama's and in which nobody died.

At this point, the majority of Americans believe that Obama is dishonest. This is understandable considering his Whitehouse secretly projected up to [67%](#) of individual policies would be cancelled under his healthcare law at the same time he was out pitching "If you like your policy, you can keep your policy." In the first two months alone [6M](#) policies were cancelled under Obamacare. In addition, we're learning that the law contains 18 new taxes, \$500B in cuts to Medicare, less medical choices, fewer doctors, and higher premiums for individuals and businesses. Beyond destroying the medical field, this federal takeover of our health care system (which is one-sixth of our entire economy) is stifling job growth with higher taxes and hurting the economy. It is no wonder that [57%](#) oppose Obamacare.

Apparently the "young", those 18 – 31 years of age, are not signing up for Obamacare, unless the trend is reversed, the law will go into a "[death spiral](#)" where costs soar out of control and coverage is reduced for all. The largest drop in approval of Obama over the last year is among voters under age 30, a group that provided crucial support in both of his presidential election victories. 54% of those voters approved of his job performance a year ago; just 41% approve today. More, 55% disapprove of his handling of the economy ([86%](#) of us consider the economy to be our top priority).

With an economics degree and decades studying the private and public sector I've concluded, not unsurprisingly, that spending more money than you have or assuming substantial debt without a plan to repay it will, sooner or later, lead to bankruptcy.

The root problem with liberal economic policies is that they promote the idea of entitlement which argues that because we were all born into a rich society that other people owe us something. The implication is that successful Americans have not rightfully earned their wealth and instead have taken advantage of society to which they must give back. More, only "the government", which is simply a bunch of people (like congressmen or IRS agents) that have been raised up to rule us, can correct this perceived inequality. The simple act of

some agency or person in the government taking from one person and giving to another is destructive to our economy.

For example, look no further than the current recession. It is absolutely the result of the federal government forcing an entitlement agenda (specifically that even people who cannot afford a home should be loaned money to buy one) on the otherwise risk averse business of banking and finance. If there is one link you click on in this letter, it should be [this one](#) which covers a short chronology of how we ended up in this recession with trillions in debt.

If I could appeal to only one demographic with this letter it would be those who are 18 – 35 years old. Given your education and critical thinking skills, experience with technology, ability to multitask, and natural disposition to network, you have excellent opportunities for success. Sadly with a national debt of \$17T, over bearing regulation, an administrative state with millions of employees, public sector unions, and insolvent entitlement programs you are at risk of losing everything.

I believe that our country's greatness doesn't come from government, but rather its people. While there is obviously a need and a place for government in our society, more often than not, I'm convinced that government needs to get out of the way so that we, as individuals, can reach our true potential and, as history has shown time and again, enjoy prosperity while making the world a better place.

I implore you to steadfastly refuse to be consigned to less than what you are capable of and what you absolutely deserve. No other nation or civilization in history has done more good for the world. Seize the advantage inherent in your American exceptionalism. Consider the following accomplishments: We invented the smart phone, fracking, the personal computer, the Internet, and the transistor. We went to the moon and 45 years later, the only human beings to have set foot on the surface are Americans. We developed the production line for cars and eventually every consumer good. We invented the light bulb, the airplane, and the telegraph. And, we created a system of government where a persons' rights are not given to them (or taken away at a whim) by some ruler or elected official but are inalienable and inherent.

In summary, if you can scale back the government that is smothering innovation with regulation and individual freedom with overburdening laws then I'm certain you will have a high standard of living and will witness the positive results that a productive America has on the people in our country and, in fact, the world.

As for us, we're still in Bay Area. Andrew recently accepted a job at Intel where he'll start next spring after completing his computer science degree at UCSB. Liam's busy in junior high school and is looking forward to a *Dr. Who* tour in London next summer. We spent a lot of time at our cabin in Northern California during the last year and traveled to New Mexico, Oregon, and Idaho. Regardless of how busy we are, we appreciate hearing from our family and friends; please keep in touch. The invitation is always open for you to visit us.

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

*"Nobody spends somebody else's money as wisely as they spend their own money" Milton Friedman*