

Tea Leaf

...weekly since 1976

Your guide to understanding today's economy and financial markets

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Message in a Ballot

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Anger in America...repudiation... sending a message...wrong direction

All of these are appropriate in regard to the shellacking the Democrats took in Massachusetts...and figuratively across the nation...in Tuesday's special Senatorial election in the Bay State. Imagine...the Senatorial seat of Ted Kennedy for 46 years, a political icon in the Commonwealth of Massachusetts, now to be held by a Republican...in the bluest of blue states.

Democrats are scrambling to make excuses for what happened on Tuesday. Many point to a weak candidate, high national unemployment, recent political "vote buying" in the Senate, and Democrats taking the seat for granted. I suggest it was to send a message to the Administration and the extremely left-leaning Congressional leadership that the

newsletter, I have been equally critical of the more conservative side of politics as well. This was especially true when "the party of Lincoln" was running the show in Washington, and got caught up in its own flagrant abuse of political leadership. We identified a handful of instances, particularly between 2006 and 2008, where we took the Republicans to task, and were highly critical of their lack of leadership and pork barrel abuses...

...from the *Tea Leaf* issue "Change in the Wind?"...dated October 25, 2006. This was just before the Democrats took control of both the Senate and the House of Representatives and focused on the likelihood of a change in Congressional control... "*Democrats have attained such a lofty perch solely through...the arrogance of the Republican 'leadership' (the term is used loosely).*"

What's Important to the People?

The three most important issues to the typical American today are employment, the skyrocketing national debt, and national security. There's something about a 10.0% national unemployment rate that gets people's attention.

Trillion dollar annual deficits for as far as the eye can see boosts anxiety levels. Wars in Iraq and Afghanistan and national security issues tied to Americans being targeted by extreme militants around the world also get our attention.

What's Important to the Political Leadership?

The Administration is almost singularly focused on passing a costly, ineffective, and ruinous health care albatross that the majority of Americans do not want. Americans/consumers/voters are highly frustrated by the buying of votes that occurs behind closed doors. This by an Administration, and by Speaker of the House Nancy Pelosi, that both stated unequivocally that this would be the most transparent and the most open political process ever...

...yea, right

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current course of the country is off kilter, that the direction of more and more and more government in the eyes of voters is a negative development, a dangerous course.

Every week, nearly every day, seems to bring something new from the Administration or the Congress...another liberal idea to boost taxes even higher...another way to boost the costs of "doing business"...another clever way to permanently boost government spending...another way to protect powerful labor unions, in reality, another way to provide one more disincentive, one more impediment, one more slap in the face to those who can actually create jobs in the American economy...small and medium-sized business owners.

Both Sides

During my 35 years of writing a weekly economic, financial, and political

Special Interests

The latest abuse of power occurred within the past week. The Senate version of the health care bill is partially financed by a 40% excise tax on high-cost insurance coverage, known as the “Cadillac tax.” Many have no problem with such a proposal, particularly when applied to extremely pricy policies of highly paid corporate executives.

However, the tax would also impact the costly health care plans of members of powerful unions. The Democrats couldn’t have that.

So emerging from their backrooms, Democrats agreed to extend a special exemption from the Cadillac tax to any health plan that is part of a collective-bargaining agreement, plus state and local workers, many of whom are unionized. Everyone else with a higher-end plan will start to be taxed in 2013, but union members will get a free pass until 2018... The 87% of Americans who don’t belong to a union will now foot the bill for a \$60 billion giveaway to those who do (*The Wall Street Journal*).

And you can bet this temporary five-year exemption will be made permanent should the Democrats remain in control. One more abuse...one more backroom deal...one more reason to be fearful of where this nation is headed...one more reason for employers to put off the idea of hiring additional workers.

Peggy Noonan, who writes a one-half page opinion piece entitled *Declarations* in the Saturday edition of *The Wall Street Journal*, and who I consider the best political writer around, noted that passage of a health care bill by the Administration would be “a catastrophic victory.” *“If it is voted through in time for the State of the Union Address, as President Obama hopes, half the chamber will rise to their feet and cheer. They will be cheering their own demise.”*

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Massachusetts Senator-elect Scott Brown ran a campaign to, in part, be the 41st Republican Senatorial vote that could

stop the President’s health care plan. Where we go from here is unclear. The Congress could still try to pass the health care bill, with the House of Representatives passing the Senate version. This is unlikely.

Many Democrats already knew the impending November elections would be hard on their numbers. It is typical in an off-year election for the majority party to lose seats. However, dozens of Congressional Democrats are likely to tell the Administration, Speaker of the House Pelosi, and Senate Majority Leader Reid that their support for a bad health care bill just evaporated.

Republicans are delighted by Tuesday’s election results. However, they are likely to find next November that voters are tired of childish behavior on both sides of the aisle, with many long-term incumbents of both parties likely to bite the dust.

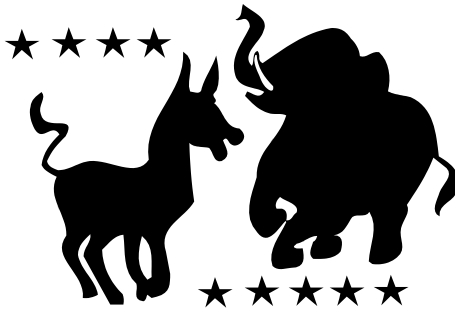
Running From Obama

One other development could take place. You may recall that many Republican Congressional candidates in the November 2008 election asked President Bush to not campaign for them. They felt the negatives tied to an unpopular President outweighed the positives.

President Obama could face the same issue, with many Democrats running for re-election asking him, as well as the Democratic leadership, to simply stay away. A few months ago, the President campaigned for Democratic candidates for Governorships in New Jersey and Virginia. Both Democrats lost.

The President went to Denmark last October to speak in support of Chicago’s bid for the 2016 Summer Olympic Games. Despite being the favorite of the four finalists, Chicago was the first city eliminated in the balloting.

...The President campaigned in recent days in Massachusetts



“TEA”ser

I’d do it for the right amount of money—a couple of billion.

—Donald Trump



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