

## Forecasts & Trends

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**Economic Presidential Overview:** The economic growth rate slowed in the 4Q but still managed to grow at the 4% annual rate according to the Commerce Department's preliminary report in late January. That followed the red-hot 3Q gain of 8.2% (annual rate). Some of the economic reports released in January were consistent with the slowdown in GDP, but overall the data continues to point to a firm economy in 2004. The unemployment rate fell to 5.6% in January, and new jobs created were the highest in three years. Most economists still expect growth to be in the 4-5% range for all of 2004.

**The Bank Credit Analyst** remains very optimistic about the economy for 2004 and even beyond as discussed at length last month, barring any major negative surprises. They expect that the Fed will have to raise interest rates at some point this year but only by a modest amount. The Fed paved the way for a rate increase at the late January FOMC meeting, but such an increase is not likely until mid-year or later.

BCA continues to forecast higher equity prices this year, but they do not expect the markets to match their gains in 2003. This seems to be the prevailing view for stocks in general. While 2004 may not be a repeat of last year, and will almost certainly be more volatile, we should not rule out the possibility that stocks will again surprise on the upside this year.

### Tired, Ugly Politics, Lies, WMDs & The Election (The "Bush Haters")

During 2003, I wrote several articles in my weekly E-Letter about the increasingly ugly trends in national politics, especially among the Democrats. Late last year, as the presidential campaign was starting to heat up, **I predicted that 2004 would be the meanest, ugliest election year many of us have ever seen.** As the weeks tick by, that prediction is proving to be true.

Whether it's a Republican or a Democrat in the White House, there are always the "fringe" groups on the far right or far left that spew hatred and venom against the President. Yet the crowd of "**Bush Haters**" has expanded to point that it now includes even many mainstream Democrats. That Democratic leadership has done nothing to stem this movement, and some would argue they have even encouraged it.

I remember how many conservatives, including myself, loathed Bill Clinton during his eight years in office. However, even many conservatives like me had to acknowledge that Clinton was one of the best pure politicians ever to come down the pike. We also acknowledged that Clinton veered from his very liberal learning to the middle ground on numerous issues in order to deal with the Republican Congress. **The point is, that aside from the fringe groups, most of us didn't "hate" Bill Clinton.** Speaking only for myself, there were actually times when I wished the Republican leadership had been as smart as Clinton.

For whatever reasons, there seems to be almost no acknowledgment on the Democrat side that Bush has done anything good. Even his leadership just after 9/11 and his handling of the War On Terror have been attacked viciously by the Democrats, the media and of course, the Bush Haters. This has occurred despite the latest polls in January showing that **over two-thirds of Americans support Bush's handling of the War On Terror and believe we are "safer" as a result of his leadership.** Yet, these public polls have been ignored by the Democratic leadership and the presidential wannabes. They continue to attack Bush, not only on national security issues, but also on a very personal level.

### **Tired, Old Arguments & Lies**

Aside from the personal attacks, the Democrats are using the same tired, old arguments against Bush. Every day, they claim that the economy is in shambles, and it is all Bush's fault. They never admit that the recession unfolded in early 2000 when Clinton was still in office. Likewise, they never acknowledge that GDP soared 8.2% in the 3Q, the fastest pace in 20 years. And ... they

refuse to mention that unemployment has fallen and job growth is now on the upswing.

Bush's tax cuts, of course, were a disaster, and they would have us believe that only the "rich" got a tax cut. Excuse me, but **ALL AMERICANS WHO PAY TAXES GOT A TAX CUT!** Likewise, the Democrats claim it was the tax cuts which caused the huge budget deficit. And the Democrats are even criticizing Bush for being a big spender. On this issue, there is some merit (see below), but how ironic is it that the Democrats would criticize *anyone* for being a big spender??

These are just a few of the arguments and lies the Democrats are using to advance the hatred of Bush.

### **The Misguided War & WMDs**

Howard Dean vaulted to the head of the pack of Democratic wannabes with his attack on Bush for the war in Iraq. Dean was outspoken about his opposition to the war, calling it misguided and unnecessary. He pinned responsibility for the 500 dead US soldiers solely on Bush's shoulders, despite the vote in Congress to approve military action against Iraq. Dean opened the door for other Dem candidates to openly criticize Bush over the war.

Dean was also among the first to claim that Bush lied to the American public about weapons of mass destruction in Iraq. This ignored the fact that **many prominent Democrats were on the record that they believed Saddam Hussein had WMDs.** These names include Bill and Hillary Clinton, John Kerry, Dick Gephardt, Joe Lieberman, Wesley Clark and others.

As we are now coming to learn, at least some of the intelligence Bush relied on regarding WMDs in Iraq was probably in error. Actually, some of the critical intelligence Bush relied on came from British sources. Even British Prime Minister Tony Blair believed there were stockpiles of WMDs in Iraq. This whole WMD issue is far from resolved, and will remain in the news for months to come. Yet, the Democrats want us to believe that Bush knew there were no WMDs in Iraq, and that he purposely lied to the American people. This completely ignores the fact that many prominent Democrats believed there were WMDs in Iraq.

### **"Blood For Oil?"**

Remember how the Democrats and the media claimed we were only going to war in Iraq to confiscate the oil fields and the vast underground reserves? Remember the headlines: **"Blood for Oil?"** The story was that Bush was sending US troops to die so that he could "give" the oil to his cronies at Haliburton and other big corporate sponsors. Some Americans, especially on the left, actually believed this hog wash.

As should have been obvious all along, the American people paid for the war in Iraq, just as we have paid for every other war. The *Blood For Oil* rhetoric was just another in the string of lies.

### **The Big Question: Is America Safer?**

We can argue honestly about whether the war in Iraq was the right thing or not. There are intelligent people who genuinely believe it was a mistake, and there are arguments on that side. We can also argue about whether America is safer today, now that Saddam Hussein is locked away. I continue to believe that the war was the right thing to do. There is no question that the Iraqi people are safer today. And I believe America is safer. **So do over two-thirds of Americans based on the latest polls!** How much safer is yet to be known.

There are also those on the left, including some of the Democratic presidential wannabes, who are arguing that Bush has overblown the threat of additional terrorism in the US for political purposes. The Dems are being very cautious so far in advancing this point, but they are pushing it out there. The truth is no one knows for sure how great the terrorist threat is today. **Just because there hasn't been another attack since 9/11, that, in no way, suggests that Bush has overblown the threat, and we should not let down our guard.** Will it take another attack to convince these people?

Bush has certainly made his mistakes, and he has irritated even many within his conservative

base. For political reasons, he tried to capture several key Democratic issues: steel tariffs, the farm bill, Medicare, etc. The Bush administration failed in communicating about the war in Iraq and WMDs. If the intelligence was wrong, they should have emphasized that plenty of prominent Democrats believed it as well.

Bush has made his mistakes, and some conservatives are disgruntled. Yet, I believe the fundamental election issue will come down to the question: **Is America safer and should we let down our guard?** The latest polls show that over two-thirds of Americans believe America is safer, and that Bush has done a good job in the War On Terror. I agree. Yet none of the Democratic wannabes have any use for continuing this war. As far as I can tell, any other the contenders at this point would bring our troops home as soon as possible. **And the War On Terror would once again become just so much "talk" as it was under Clinton.**

I believe conservatives will vote for Bush in November, despite his missteps. The Bush Haters will obviously vote for whoever is the Democratic nominee. The battleground is for those in the middle. They will decide who wins in November. By default, they will decide whether to continue the War On Terror. I predict it will be a close election. **For national security reasons and others, I hope Bush wins.**

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