

OPINION

The Business Journal welcomes letters to the editor

PORTLAND BUSINESS JOURNAL

► GUEST OPINION

Beware the 'healthy' economy

I keep asking myself, what's missing?

Interest rates are near historical lows, the world is awash in cash and the Fed just did what everyone expected it not to do, keep the pedal to the monetary metal.

I know, a robust economy capable of locomotion without the aid of monetary crutches and first time home buyers, that's what's lacking. This, of course, goes a long way to explaining why the stock market is making new highs and the housing market bubble is being re-inflated, not.

I'm having a hard time connecting the dots. Didn't we learn anything last time around about government manipulation of the economy? When bright lights like Barney Frank, Chris Dodd and Maxine Waters forced the banking industry to throw traditional underwriting standards to the wind, it nearly collapsed the global financial system.

Now, manipulations of money and credit by the Fed have caused stock market values to more than double since 2009. The Board of Fed Governors (whose seven members are appointed by the president) reasoned this wealth effect would stimulate demand thereby increasing employment.

Au contraire, little or none of this trickled down to middle-class families. The Fed's near-zero interest rate policies have slashed their antici-



Robert Smith is president of Peregrine Private Capital Corp. Contact him by calling 503-241-4949 or visiting www.PeregrinePrivateCapital.com.

pated income streams from traditional investments, making it next to impossible to live off savings.

In the loose money/tight credit environment that has been in effect since Obama came to power, giant hedge funds and major corporations enjoy access to near-zero-cost financing while small businesses and consumers go begging. This isn't monetary stimulation, its monetary distortion.

This is exacerbated by the current administration's push to reinfranchise deadbeat home buyers. Black and Hispanic home owners were hit disproportionately hard by the housing market collapse. Therefore, mortgage lenders are being pressured again to advertise in minority media and offer loans to people on public assistance. Led by Obama, history repeats itself, the first time as tragedy, the second time as farce.

Where does this leave investors? Out on a limb, I'd say. The Fed is doing everything it can to create another unstable bubble in the financial markets. Unfortunately, its policies and decisions have no history of ever working. As mentioned earlier, if they did Argentina would be the wealthiest and most productive country in the world.

While the Fed careens down its Road Not Taken Before, Obama and his minions continue to strong-arm lenders. Never satisfied with market mandated outcomes (foreclosure and bankruptcy), they continue doing everything possible to promote unsustainable home ownership. However, just as the Second Crusade in the mid-12th century ended badly for the crusaders, this attempt to re-boot housing by once again dredging up the shibboleth of "past discrimination" won't end well either.

It really does seem as if the political class and academia from which so many are drawn never learn anything. Ben Bernanke seems bound and determined to recreate the "irrational exuberance" of his predecessor and mentor, Alan Greenspan, while Mr. Obama is doing everything he can to set up "his folks" for failure again.

By buying into these markets, at these levels, you dear readers, are the essential losers.

Caveat emptor.