

The Tonge Telegraph

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Predictions

The December and January newspapers are fun to read in part because of the number and variety of predictions that are reported. The financial press is no exception. All the big names at various institutions produce forecasts on interest rates, stock market performance, and the economy. It makes for interesting reading as long you remember that there are things you can predict and things you cannot predict.

The Unpredictables, as David Babson called them, include stock prices, interest rates, investor moods, economic activity, and the political winds in Washington. International developments and natural disasters play their part, of course. We simply cannot predict reliably what the next year holds for any of these items because, as someone has said, the only constant is change. The countless variables have unimagined connections and consequences.

The Predictables (from the capitalistic perspective) include the ever-present growth in population and the need for more goods and services. Research develops new products, which in turn create more demand and foster greater productivity. At the same time, taxes increase and the buying power of our dollars continues to decline.

Only because of the collective short-term memory are all the grand and confident predictions even tolerable. Rarely does anybody actually get it right. As Ellen Goodman puts it in a recent column, the research demonstrates that "experts are no better at making [accurate] predictions than dart-throwing monkeys." In spite of this we love the predictions, not only because they are fun to read but because they provide us some comfort as well. In addition to our desire to know what is going on, we certainly feel better after reading about the good things the future has in store for us. In the end, however, the future remains largely unknowable and predictions remain chancy. It is the present we can discuss with some assurance.

Currently, the economy and financial markets are stable, manifesting some improvement over the calendar year. Corporations are doing well but business is not booming. Holiday retail sales were "mixed." Changes in the housing market make us wary, and the upward pressure of energy costs promotes daily volatility in the financial markets. Still, the New Year is full of opportunity and promise as well as the prospect of change. We are in a much better position than we were a year ago. The process of growth in capitalist economies is not always a pretty thing. To paraphrase Churchill, it can sometimes seem to be the worst economic system there is . . . except for all the others. It feeds, and feeds on, growth. And we shall have growth—that's my confident prediction.

I have enclosed two reports with your December statement to help prepare your 2005 tax returns. Please review these and call me if you have any questions. Then the reports go into your tax folder for future reference. We shall send a copy of these to your accountant if you gave us that information.

Happy New Year!