

The Tonge Telegraph

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Election Year Economy

You gotta love these guys. Isn't it amazing that the price of gasoline moderates significantly six to eight weeks before an election? There are few other items that have such a direct impact on almost every voter in America. What better way to make everybody feel good and think that all is well. Wouldn't it be great if we could all revote in January when the prices of fuel and gasoline have both rebounded?

I don't mean to say that the economy is in trouble because I don't think it is. I just don't like the pervasive lying and misleading that is going on in our nation's politics and corporate offices. We've pretty much maxed out the notion that the end justifies any means. There are plenty of problems facing America today and it's high time that something starts to get done about them. Then again, there are lots of good things about the current balance of power. Primarily among them is that nobody gets enough power to change things so radically that would be detrimental to our long-term economic and political stability. Vote carefully my friends because it does matter.

Our economy continues to tick along with most reports showing positive progress at this time. The housing market is a primary concern and that is a work in progress. We really don't know how far prices may drop, how long this "housing recession" will last or what the ultimate consequences will be. We also don't know how quickly this whole situation could reverse when the Federal Reserve starts reducing interest rates which, some predict, may happen before the middle of next year.

There are several problems a housing situation such as this can create for our economy. The first is spending, the second is jobs and the third is the economic calamity we saw last time with the savings-and-loan crisis. Spending: people have become accustomed depending on the "wealth" created by their home. This perception of increased wealth has buttressed spending for many years. Unfortunately this situation has allowed some people to spend well beyond their incomes and it is very difficult to reverse that pattern when the situation changes. Jobs: the real estate industry employs many people directly related to home sales including mortgage companies, brokers and lawyers. Economic calamity: no one is expecting this housing recession to develop into something that is detrimental our way of life. There is no banking crisis or depression in the offing.

Whatever the effects of the housing situation are I expect them to be short-term nature. Of more importance to us and our economy are the long-term factors that are coming into play: the graying of America including health care costs and the increasing economic/political strength of China, India and other heretofore less developed countries. The landscape is going to change in the years ahead. No, I do not see America losing its dominant position in the world. I do however see a time when these other countries have a much bigger piece of the worlds economic pie. These changes are taking place and I just wish our political leadership would start looking at the big picture instead of worrying about who's in control.