

WHAT WILL AN IMPROVING ECONOMY LOOK LIKE?

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There are 4 things that must happen for the economy to begin growing.

1) CREDIT GROWTH – This is how we can fuel economic growth. It is also why the market reacted positively to Bernake's remarks on Friday. If the Fed buys more troubled assets, more dollars will be put into circulation, the banks will be able to reduce their reserve requirements and lend more money. The question to ask: *Is this really a good thing?* Answer: PROBABLY! As long as the credit extended is not more of the sub-prime type that got us into the credit crisis in 2008. If the credit funds growth of businesses with viable products and strong underlying business & marketing plans that serve global needs, this could be just what the doctor ordered.

The Headwinds: (1) Increasing taxes, (2) economic uncertainty, (3) increasing costs associated with health care and other programs, and (4) pending legislation like cap & trade will keep small businesses from expanding.

2) JOBS GROWTH – Subsidizing job growth in the private sector may be the only way to speed up this process. One of the biggest failures in the FDR New Deal was that the jobs created by the NRA (National Recovery Administration), CWA (Civil Works Administration), & WPA (Works Progress Administration) were public jobs. The money to fund public jobs comes from the public. This type of job creation initiates a spiral of needing more taxes to pay for more jobs and ultimately

drains the pockets of the American people. Private jobs, especially those producing globally desirable products, can bring “new” money into the economy.

The Headwinds: We are not creating private sector jobs. Temporary public jobs will continue to elongate the recovery process, drive up the deficits/debt, and fail to induce sustainable economic growth. We are also not providing incentives to entrepreneurs. They will be the business leaders of tomorrow and must be cultivated today.

3) CONSUMER SPENDING – This is a double edged sword. We have been a nation of consumption. Our consumption levels have fueled the rise in the stock market, but the level of growth experienced over the last 50 years of the 20th century are not sustainable today given our birth rate and demographics. Is increased consumer spending possible? Of course! Is it likely? Not until we fix the first two items. These are like building blocks. The need for business credit and jobs must be satisfied before anyone considers spending.

The Headwinds: Jobs, income, housing, and jobs...just to name a few.

4) CONSUMER SENTIMENT – This is pretty obvious. Sentiment will not improve until the public sees that jobs are truly being created, houses in their neighborhood are no longer for sale by the bank. And...they have a reasonable expectation of what the future may bring.

The Headwinds: It’s all about the landscape around them. Consumers need to see improvement and sense stability before their mood improves.