

This May be as Good as it Gets

Do you agree more with President Bush that our economy is strongly moving forward or do you agree with the author of this article that there may be problems brewing in our macro economy?

"Gas is guzzling toward \$3 a gallon. US troop casualties in Iraq are at their highest levels since the invasion. As Donald Rumsfeld conceded yesterday, "The lethality, however, is up." Afghanistan's getting more dangerous, too. The defense secretary says he's raising troop levels in both places for coming elections." (My Private Idaho, *Maureen Dowd*) As good as it gets, or never as good as it once was? These are obviously not the characteristics of an economy strongly moving forward.

When Bush stated that the economy was strongly moving forward, was it just coincidence that he made this remark directly after the end of one of the largest shopping periods of the year? I think not. Timing is everything and Mr. Bush has this down to a science. Yes, the economy is very thriving at the moment—it's the holiday season. The reason we call the biggest shopping day of the year "Black Friday" is because stores move from the Red to the Black. They are profiting ridiculously and merchandise is flying out everywhere. Families are traveling and everyone is enthralled that the holidays are nearing. In other words: perfect timing to mention the economy and set the big picture aside.

The president has neglected the big picture and has taken what he could get by disguising ridiculous tax cuts and inflation with "the economy is strongly moving forward." Yes, of course it's thriving right now, it's the Holidays! The economy is strongly moving forward—right into a wall. "...the House passed yet another tax bill a day later that would drain the Treasury of \$56 billion of additional revenue over the next five years." (Tax Cut Showdown, *NYT Editorial*) This is absolutely absurd for such a tax cut when the House and Senate are moving toward an agreement to cut as much as \$45 billion over five years from programs such as Medicaid, food stamps, student loans and child-support enforcement. Ouch. These tax cuts look great to the average American who thinks that he/she will have to pay less taxes on material things and that they will not have as much taken out of their paycheck, but how are government funded programs supported if there are no taxes to cover their expenses? They're

not; they're reduced and eventually abolished. The rich are getting richer and the poor are getting poorer.
(*fiscal policy*)

As the article sums up, everything looks peachy keen to the eye, but it's what lies beneath that will eventually catch up to us all. Inflation is up 4.3% by October from the previous year. "At the estimated inflation rate for 2005, a dollar would lose a quarter of its value in 10 years." (This May Be as Good as It Gets) Interest rates were so low the past few years that an extraordinary amount of money was loaned out to Americans. What are Americans going to do with cash in their pockets?—spend it of course. This, in turn, boosts the economy because of so many goods being purchased. Consequentially, this then leads to full employment and tons of supply. The supply is meeting the demand, therefore, a price equilibrium is established and manufacturers are receiving top dollar for their products. This all seems just great, doesn't it? However, the ugly truth that lies beneath all of this wonderful spending is that our dollars are being thrown all over the place; more and more of it is being produced and dispensed out into the system. Inflation soars and what seemed so great isn't that great in the long run. (*monetary policy*)

The Real Estate market has made achieving the American Dream literally a "dream." With land availability decreasing and people taking out so many loans, real estate has almost tripled over the past years. Arbitrageurs are not ones to complain; they're enjoying every minute of receiving a ridiculous amount of money for a small 2/2 tucked away in poor zoning. Although many houses are being built and sold, there is a huge amount of loans piling up and consumer debt is on the rise. Americans are borrowing against their high value homes through home equity loans. This encourages a thriving economy, but what happens when the value of the house no longer matches up to the amount borrowed against it? Everything in economics comes back around full circle and when this circle finally closes, who knows what turmoil will erupt.

One of the main concerns of many Americans is the rising cost of oil. Of course, it is almost an inelastic product that every working American needs in order to carry out a full day—whether it be driving to work or running heavy machinery to drive the work process; oil has become a basic necessity

of everyday life. The price of gas per gallon has always been on the rise, but the amount increased on average 21% per gallon since last year. Exxon Mobil recently stated, "By 2020, we expect that the world will require about 40 percent more energy than today. By then the world's consumption is likely to approach 300 million barrels of oil-equivalent energy every single day. We expect that 60 percent of this 2020 demand will continue to come from oil and gas as these primary sources of energy are available in sufficient quantity to meet the world's growth and are, at the same time, the most economical. Sizable increases in energy demand are projected despite likely continued improvements in energy efficiency." In other words, we're screwed, because we won't have enough oil to meet the demand, and we won't have developed alternatives to make up the shortfall. (*rational expectations*) So, who's really getting the better end of the stick? According to The Civil Society Institute, who commissioned a poll by the Opinion Research Corporation, nine of ten Americans feel that we're getting gouged by big oil companies.

Does Bush really think that for one second—if the whole world knew and comprehended all of this information at hand—that our economy is thriving and progressing forward? Obviously, he didn't get an A in "Monetary Policy 101." Even though full employment is prevalent and the economy seems to be booming at the moment, inflation will most definitely catch up to us and take all it can out of our economy. As it was mentioned in the article, it is the "unhappy task of economists to look for whatever clouds might float over this rosy scenario"—and thank goodness for them.

Although our economy looks and proves to be stronger than previously, not all that glitters is gold. The economy is moving forward—but at what kind of a pace—progressive or regressive, and when will it stop? Can we truly say that our economy is thriving with all extenuating factors taken into consideration? Is this truly the America that once proved to be one of the most powerful nations in the world? Just as behind a great man is an even greater woman, behind every great country is an even greater economy and government. It seems as though Bush has been dealt a hand of cards that he can no longer play; unfortunately, the truth of the matter is: America is getting played.