

## **Perspectives - On Business**

Volume 1, Issue 44

July 21, 2003

"You've got to be careful if you don't know where you're going,  
because you might not get there."

Yogi Berra

Today we are faced with headlines telling us everything from 'we're in the middle of a recession' to 'the Recession has already passed and we're in the recovery phase'. What are we to do?

"You gain strength, courage and confidence by every experience in which you really stop to look fear in the face...you must do the thing you think you cannot do."

Eleanor Roosevelt

We stay our course. We research the history. We ask advice of people we truly trust; and we take calculated and progressive steps, in the direction we should be going. Steady, calm, firm foundations...

"Life can only be understood backwards; but it must be lived forwards."

Soren Kirkegard

"Don't confuse foolishness with bravery".

After all, it's only money --- but when you look at it this way, maybe it's just life.

~~~~~

## **Future Finances' Market Update**

By Max Larsen

-----

Monday, July 21, 2003

"The economy is beautifully aligned for takeoff... We've got companies tight as a drum with their inventories, and we've seen this enormous cost takeout from our businesses, which means that when the economy comes back there will be high

profitability."

-Treasury Secretary John Snow

"I happen to be optimistic about how this process is going but I must tell you I do recognize ... the difference between economic reality and a forecast. We're not quite up to where we're getting clear indications that the forecast is coming out but we are moving in that direction. Statistic by statistic tends to be coming in somewhat better than we expect and that's usually a sign that things are changing."

-Federal Reserve chairman Alan Greenspan in his testimony to Congress Wednesday

As stocks went sideways and bonds took a little tumble, Fed Chairman Alan Greenspan said the economy has reached a turning point and appears ready to shake off this sluggish growth. We also heard that it is official: The U.S. is no longer in a recession - it ended back in November 2001 - 20 months ago (It makes me proud to be an economist). You have to remember that being out of a recession and having a booming economy are two different things. What we need is much better growth (3.7% to 4% in GDP) to start creating jobs!

THE DEFICIT - Here comes Chicken Little

The politicians and the news media are now bombarding us about the expected budget deficit of \$455 billion. Like you, I'm reading claims that it is "the largest in history", "a crisis, or record"! Don't believe it. You can't compare the price of the car you bought 20 years ago with what they cost today. We have to look at the percent of GDP (Gross Domestic Product) as the most meaningful way to measure spending gaps. \$455 billion is 4.2% of GDP. That doesn't even make the top five since 1980.

As was stated in a Wall Street Journal editorial: "Start with the fact that if there ever were a time for Washington to run a deficit, the past couple of years have been it. The government has increased military spending to fight a war on terror, and it has cut taxes to lift the economy ... Taken together these explain about a third or more of the deficit, yet the U.S. would be far worse off had we not done either one." (Note: the biggest chunk of the deficit is from falling revenue - taxes - which will increase again once the economy picks up).

What we are seeing is normal. Since 1980, the deficit has averaged 4.5% of GDP in the year after the economy bottomed - just about where it is now. What is the record? Back in 1943, during WW II, the deficit hit 30.3% of GDP. So next time you hear a politician crow about the "record deficit", please be so kind to send them an economics 101 book (or a copy of this Update). Now, if we can only get these same politicians to curb they're spending...

That is it for today, my friends, have a GREAT week!

*Thanks to friends like you who refer new business to us, our practice continues to grow.*

As always, your comments and reactions are welcome. Please feel free to share this newsletter with others you think may find it interesting or useful. We respect your privacy and will not share your address with others. Click [here](#) to send a comment, to subscribe, or unsubscribe.

Sandra Heusinkveld, President  
Financial Planning Perspectives, LLC  
1333 Clubview Blvd. North  
Columbus, OH 43235  
614-785-0156 tele  
614-485-0176 fax  
[sandra@fpperspectives.com](mailto:sandra@fpperspectives.com)  
[www.fpperspectives.com](http://www.fpperspectives.com)

*Solutions for your approach to life.*

Securities offered through FSC Securities Corporation, a registered Broker/Dealer, member NASD & SIPC.