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## ECONOMIC NEWS UPDATE

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Hi ho, hi ho, it's back to work we go. Or, will in a few days. Most Americans who will escape home and hearth for the long weekend will be firing up their last barbecues of the season this weekend, Labor Day, the day that marks the informal end of the summer season, the day on which we down our final gin and tonics, or Diet Coke-and-hot-dogs, depending on taste and upbringing, and prepare to face the real world. That form of celebration is somewhat at variance with the original intention of the several state legislatures that established the first Monday in September as a national holiday.

Those ordinances, the first of which were passed in 1886, called for street parades to exhibit "the strength and esprit de corps of the trade and labor organizations." With GM, Ford and other manufacturing companies that are the traditional bastions of the trade union movement laying off workers by the tens of thousands, and membership in unions dropping like a stone, unions are not in a celebratory mood. Not many parades this year.

Some 35 million Americans will travel 50 miles or more from home this weekend, 30 million by car, according to the Automobile Association of America. Both figures are up on last year, although not by much. Whether the increase would have been greater had there not been airport turmoil due to tighter security, and had gasoline prices fallen further, no one knows.

Americans will return to the real world of jobs, school, errands and chores having sent mixed signals about how they view their own situations. No surprise that 73% of Americans say they would be happier if they made more money: 28% tell Gallup pollsters they would be happier with up to \$10,000 more in annual earnings; 17% aspire to between \$10,000 and \$20,000; 14% would have between \$20,000 and \$50,000; and the greedier feel it would take \$50,000 or more to bring permanent smiles to their faces.

This desire for more income does not stop 86% of Americans from professing themselves completely (42%) or somewhat (44%) satisfied with their jobs. Equally important as they face a

return to the daily grind, 69% are completely satisfied with their relations with their co-workers, probably a higher percentage than were satisfied with the relatives they will be visiting this weekend.

That's the good news. The bad news is that a new survey by the nonpartisan Pew Research Center found that 62% of workers feel less secure in their jobs than a decade ago. Fully 77% say that outsourcing hurts American workers in general, and 31% tell the Pew pollsters that their jobs can be handled by workers overseas, an unnerving prospect. And consumer confidence has recently declined at the fastest pace since the days following Hurricane Katrina one year ago.

Happy with the job, but insecure in it. Confusing. And it is not only what consumers say that is confusing. So is their behavior. If workers are feeling as insecure as they claim, they might be zipping their purses. Instead, they continue to spend, and to drive the savings rate further into negative territory. Many retailers are reporting surprisingly good sales results: sales at posh jeweler Tiffany rose 5% last month in the US, high-end retailers Nordstrom and Neiman Marcus posted strong results, and Wal-Mart's August sales jumped 8.1% compared with last year.

These healthy figures probably reflect the fact that the decline in the housing market is not the drag on the economy that so many analysts are predicting. At least, not yet. Industrial production is at a six-year high; the commercial property market is strong, creating construction jobs; second-quarter profits, although not growing as rapidly as in the past, still clocked in at 20% above a year ago; unemployment is low; and last year the median income

of Americans rose in inflation-adjusted terms for the first time in five years.

According to Karlyn Bowman, generally regarded as Washington's most sophisticated analyst of polling data, we should look elsewhere if we are to unravel this mystery. 64% of Americans say that the country is on the wrong track. Bowman attributes this sense of unease to "a hangover from 9/11", the fifth anniversary of which is upon us. She's probably got it right: two out of every three Americans (67%) tell pollsters they are very or somewhat worried that there will soon be another terrorist attack on the United States. And about four out of five (76%) believe the world is more dangerous than at other times in their lives. Only 35% think we and our allies are winning the war against terrorism. Perhaps this gloomy vision of what fate has in store is fostering a *carpe diem* mood that is propelling Americans to continue spending more than they earn.

One thing is certain: the degree of uncertainty faced by Americans is unnervingly high. Consider gasoline prices, which are receding slightly from their \$3+ per gallon peak. Fred Rozell, gasoline analyst at the Oil Price Information Service (OPIS) predicts that "We'll be closer to \$2 than \$3 come Thanksgiving". Recent price drops and exceptionally high inventories support his view. But Thomas LaSorda, Chrysler's CEO, and George Pipas, Ford's chief sales analyst, both say that their companies are now basing future plans on gasoline prices in the \$3-\$4 per-gallon range. That won't contribute to an immediate increase in the output of the fuel-efficient vehicles consumers seem to prefer these days, since it takes America's auto giants three-to-five years

to go from wish to design to production of a new car or truck.

Then there are house prices. Some analysts are reassuring Americans that we are merely witnessing a pause in a long-term upward trajectory of prices, and that this pause will not bring down the economy. Others are advising America's homeowners to batten down the hatches so that they can ride out the storm that is about to descend on the economy.

My own guess is that this uncertainty would prove more tolerable were Americans not upset about our inability to quell the violence in Iraq, prevent the emergence of a nuclear-armed Iran, and reverse the income

trends that appear to threaten the American dream of unending upward mobility for the poor and the middle class. Not a happy set of circumstances for Americans to contemplate as they settle in to their post-summer routines next week. Or for the President's men to contemplate as the November elections approach.



## **THE SUNDAY TIMES**

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