

# GLIMMERS OF HOPE ON THE ECONOMY

**A**N odd thing is going on beneath the surface of the economic news. Several odd things, in fact.

There is no question that all, or almost all, of this news is grim. New unemployment claims soared above the half-million mark last week. The housing market shows no sign of recovery, and one government estimate is that the oversupply won't be worked off for several years.

Consumers have holstered the plastic, driving retail sales down by record amounts. Stock prices fluctuate wildly, but always seem to end up lower. The Obama team is leaking plans for tighter regulation of the financial services sector, more costly enforcement of environmental and health and safety regulation.

And the opposition to more intrusive and growth-stifling tax and regulatory policies has been weakened by the sweeping victories of the Democrats in



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the congressional races.

There's more — fill in the blanks with your own favorite bit of bad news.

But in my conversations with economists who've been worth listening to in the past, I detect some skepticism about the consensus that we're in a tunnel with no light discernible. They sense unreasoned panic among consumers, related more to media fixation on stock prices than to an appraisal of their own economic circumstances.

The overwhelming majority are paying their mortgages on time, and quietly but importantly benefiting from the collapse in oil and gasoline prices. They're adjusting by prowling the aisles of Wal-Mart rather than up-market retailers.

That is not to say that there is no real suffering out there. There is, especially among the unemployed. But this isn't the 1930s, or even the early 1980s.

These mavericks don't share the view

that we are in for a long, deep recession. They're predicting that the slide will abate by mid-2009, and a slow recovery begin later that year, or by early in 2010.

The second oddity is the beginning of a fight-back against the idea that there's no limit to what governments can and must spend to turn things around.

Talk of the dangerous impact of trillion-dollar deficits on the value of the dollar has begun to trickle down from think tanks into the minds of some policymakers, resulting in a dawning awareness that somewhere a line must be drawn under new spending programs.

That is part of the reason — the other is the weak case made for relief by the Big Three chiefs — that Congress has failed to dish out the \$25 billion that the auto-



Obama: Will rescue US automakers.

makers claim they need to avoid bankruptcy.

In the end, they will get help: President-elect Barack Obama has promised the United Auto Workers that he won't forget that its financial support and doorbell-ringers delivered the key state of Michigan to him earlier this month.

And the new Congress will concoct another stimulus package. Money will go to the states; eligibility for unemployment insurance will be

extended.

There will be money to bail out some homeowners who are behind on their mortgages. But, after that, the spigot will be turned off, or at least tightened.

Then, it will be wait and see — wait and see whether the optimists have it right and a recovery peeps through the clouds sometime next year.

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