

**Business Bullet ~**  
**Effects of Latest Political Activity on the U.S. Economy & Your Business**  
*Domestic ABCs (the 2008 Political Version)*

This month, I wanted to talk about this subject, but felt it would be much better for you to hear it from an expert. That expert is Jeff Thredgold, CSP, President of Thredgold Economic Associates. I have been enjoying his newsletters for years, and especially enjoyed this one. So, I would like to share it with you. From this "Tea Leaf" newsletter, he gives us his semi-annual alphabetic view of the U.S. Economy, with a political twist. Enjoy!

**A**rrogance—the perils of power for the Republican Congressional leadership during 1994-2006 made a mockery of prior Republican values. Such arrogance cost them dearly in the '06 and '08 elections. Will the Dems fare better in '10 and '12?

**B**ush—very low approval ratings limited his ability to "lead" the past 2-3 years. He will soon join Carter, Bush Sr., and Clinton in "retirement"

**C**ongress (Democratic)—extending a hand across the aisle to the minority party will be critical to making progress under the Obama banner. Congressional leaders must not forget that their public approval rating is even worse than W's

**D**emocrats—the good news for the Democrats?...Stronger majority control in both the House and the Senate. The bad news? Dems are likely to fall a few seats short of the 60 needed to overcome Republican filibusters

**E**urope—I have no doubt that earlier this year European politicians and business leaders were laughing at the financial mess the U.S. had gotten itself into. Today? Their financial challenges exceed our own

**F**ederal Reserve—last week saw the 9th and (perhaps) final interest rate cut by the Fed in this cycle, with the federal funds rate returning to 1.00%, matching a 50-year low. The impact of stronger Democratic control of the Congress on the Fed?...somewhere between zero and none

**G**lobal Economy—tough economic and financial challenges being faced across the U.S. are matched and exceeded by challenges around the globe. Global recession in '09 is a real possibility

**H**ealth Care—reform is high on Obama's agenda, although deficit realities may slow it down. Complete government control over health care is not the answer...just ask the Canadians

**I**raq—a lesser U.S. role is likely over the next 6-12 months. However, greater military needs in Afghanistan still remain, to which Obama agrees

**J**obs—nine consecutive months of declining U.S. employment "helped" the Democratic cause. Now the pressure will be on them to turn the tide

**K**nowledge—and the Ability to Think—the key to individual success in an increasingly sophisticated economy. Perhaps the two national teachers' unions, some of the strongest Democratic supporters, will allow greater experimentation with vouchers and charter schools. Don't hold your breath

**L**eadership—one major issue to watch. Many of the newly-elected Democrats are politically moderate in nature. In contrast, Democratic leadership in the House of Representatives, including Pelosi, Rangel, Frank, Dingell, and Waxman, are the poster boys (and girls) of liberalism

**M**oney (as in Campaign)—more than \$2 billion was spent on the latest Presidential go-round, another record. If it makes you feel any better, that is one-third of what we spent on Halloween.

**N**ational Debt—our gross national debt nearly doubled over the past eight years. The budget deficit for the current fiscal year will be near \$1 trillion, easily the largest ever. Keep in mind, however, that (with a little luck) enormous U.S. Treasury spending now to stabilize financial markets, banking, housing, etc. could lead to a return of most of these funds to the taxpayer over the next few years

**O**il Prices—the Democrats talk of oil/energy independence for the U.S. while at the same time blocking access to major new sources of oil and natural gas in Alaska and off the nation's coasts. You can't have it both ways

(Continued on next page)

**P**rotectionism—various Democrats will promote much more restrictive trade policies with other nations. God forbid you put a roomful of economists together. The ONLY thing we will agree on is any legislation that promotes bridges to trade is positive...any legislation that promotes barriers to trade is negative

**Q**uiet—no blaring campaign ads. No billboards. No lawn signs. Enjoy it while you can. The 2010 campaign starts tomorrow

**R**epublicans—more conservative leadership will emerge during the next 2-3 years. As one pundit put it, “When Republicans run for office as Reagan conservatives they win. When they run as Democrats they lose.”

**S**tocks—likely to do well over the next decade as millions of Baby Boomers save more aggressively for their Golden Years, especially after seeing home values decline. The stock market WOULD NOT look favorably on returning capital gains and dividend tax rates to much higher levels

**T**ransition—the reality of the domestic/global financial crisis and U.S. recession makes it clear that the next Administration will need to hit the ground running on January 20 next

**U**neemployment—currently at 6.1%, the highest in five years. The rate could approach 7.5% in 2009, placing enormous pressure on “the new kids on the block” to get the economy moving again

**V**ictory—the Democratic position during recent years was to be anti-anything proposed by the President, with few new ideas. Real leadership requires something quite different

**W**omen—between Hillary and Sarah, the glass ceiling came crashing down

**X**ports—at record levels during 2008. However, a stronger dollar and much weaker global economic performance will crimp exports for some time to come

**Y**ork (New)—will the Empire State’s junior senator (Hillary) lead the ticket in 2016 at age 69? Many Democrats (and Republicans) hope so

**Z**eal—Charisma...Passion...Inspiration. Whether you supported Obama or not, his greatest strength is to inspire people, especially the young. A leader in the mold of Kennedy and Reagan would come in real handy these days

Many thanks to Jeff for this interesting perspective.

"Reprinted with permission  
from the "Tea Leaf" by Jeff Thredgold. Copyright, 2008,  
Thredgold Economic Associates, LLC. To subscribe to Jeff's  
free weekly email update, visit [www.thredgold.com](http://www.thredgold.com)."

Thredgold Economic Associates  
The "TEA" Company  
1366 S Legend Hills Drive, Suite 150  
Clearfield, Utah 84015

801-614-0403  
801-614-0218 fax  
888-THREDGOLD (847-3346) toll free

