

February 2013

Introduction

As March approaches, some areas of the U.S. economy show continued renewal while other areas show either stagnation or decline. The Bureau of Economic Analysis' first revision of fourth quarter GDP shows a meager increase of 0.1%, with January unemployment up 0.1%, to 7.9%. For December 2012, a 2.6% increase in personal income and a 2.7% in disposable personal income mostly reflect special dividend payments for investors, and bonus payments and other irregular year-end pay for private workers largely due to higher tax rates set for 2013.

Key January/February Data

Positive and Negative Signs

U.S. housing is beginning to keep the solid foundation it had before its fall in 2007-2008. The S&P 500/Case-Shiller Home Price Index reported a significant 6.8% increase from December 2011- December 2012, the largest month-over-month gain since July 2006. With increasing homeowner's equity nationally, we saw a strong increase in new home sales of 16% for January, the highest in 4 ½ years. The January Conference Board Leading Economic Index for China increased by 1% due to an increase in consumer expectations and real estate activity, while the Eurozone increased by 1%, which represents three consecutive months of gains.

The European Commission also reported a fourth straight month of higher economic sentiment for the euro zone, citing an increase in factory orders. The Conference Board reported a 0.2% increase in U.S. factory orders with an

impressive 11.2 point gain in consumer confidence, the first time in 3 months.

During his State of the Union Address, President Obama proposed raising the federal minimum wage to \$9.00 per hour, sparking mixed reactions at best from politicians, consumers, and employers. Manufacturing showed a moderate uptick with the ISM index rising to 53.1% in January, a 2.9% increase from December. But with the threat of sequestration, automatic spending cuts in defense and domestic spending on March 1st, near, new orders for durable goods showed a moderate decline of 5.2% for January to \$217 billion, which can be partly attributed to a drop of defense aircraft orders. The U.S. national debt is now \$16.4 trillion and growing or 104% of current GDP.

The national average for a regular gallon of gasoline increased substantially up 44 cents in February, to stand at \$3.78 as of February 25th. The price of gold declined by 5.13% for February to \$1,578, while the three major stock indices closed near historic highs for February. U.S. auto, SUV and light truck sales were up 4.3% in February 2013 from February 2012.

Current Issues

Here is an old story with an important message. It is titled: "I'm for people, Not for Profit."

Once upon a time there was a Little Red Hen who scratched about and uncovered some grains of wheat. She called her barnyard neighbors and said, "If we work together and plant this wheat we will have some fine bread to eat. Who will help me plant the wheat?"

“Not I,” said the Cow. “Not I”, said the Duck. “Not I” said the Goose. “Then I will”, said the Little Red Hen and she did.

After the wheat started growing, the ground turned dry and there was no rain in sight. “Who will help me water the wheat?” asked the Little Red Hen.

“Not I,” said the Cow. “Not I,” said the Duck. “Not I,” said the Pig. “Equal rights,” said the Goose. “Then I will,” said the Little Red Hen and she did.

The wheat grew tall and ripened into golden grain. “Who will help me reap the wheat?” asked the Little Red Hen.

“Not I,” said the Cow. “Not I,” said the Duck. “Out of my classification,” said the Pig. “It is not in my contract,” said the Goose. “Then I will,” said the Little Red Hen and she did.

When it came time to grind the flour, “Not I. said the Cow. “I’d lose my welfare benefits,” said the Pig. “I’d lose my unemployment compensation,” said the Duck.

When it came to bake the bread, “That’s overtime for me,” said the Cow. “I’m a dropout and never learned how,” said the Duck. “I’d lose my welfare benefits,” said the Pig. “If I’m the only one helping, that’s discrimination,” said the Goose.

“Then I will,” said the Little Red Hen and she did. In fact, she baked five loaves of fine bread and held them up for her neighbors to see.

“I want some,” said the Cow. “I want some” said the Duck. “I want some,” said the Pig. “I demand my share!” said the Goose.

“No,” replied the Little Red Hen. “I can rest awhile and eat the loves myself.”

“Excess profits!” cried the Cow. “Capitalistic leech!” exclaimed the Duck. “Company fink!” grunted the Pig. “I will call Michael Moore!” screamed the Goose and they hurriedly painted picket signs and marched around the Little Red Hen, singing, “We shall overcome.”

And they did. For when the Farmer came to investigate the commotion, he told the Little Red Hen, “You must not be greedy. Look at the oppressed Cow. Look at the disadvantaged Duck. Look at the underprivileged Pig.

Look at the less-fortunate Goose. You are guilty of making second-class citizens of them.”

“But – but – but – I earned the bread,” said the Little Red Hen.

“Exactly,” said the wise Farmer. “That is the wonderful free enterprise system; anybody in the barnyard can earn as much as he or she wants. You should be happy to have this freedom; in other barnyards you would have to give all five loaves to the Farmer. Here you only have to give four loaves to your suffering neighbors.”

The Little Red Hen obliged and walked away in silence...

It has been some time since the Farmer’s lecture. The barnyard is now dilapidated, the animals are always hungry, and the Little Red Hen, well, she left some time ago.

The hostility toward the Little Red Hen’s success was based on greed and ignorance. Today, those who defend the profit motive face the same obstacles. Too many people are envious of a profitable business and/or just don’t understand profit. The U.S. now has the second highest corporate income tax rate in the industrialized world and the top 1% of income earners pay nearly 40% of all personal income taxes...will America’s little red hens keep investing in the U.S.?

Contact Us

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