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JUST LISTED! 4928 La Gama Way

Panoramic views of the mountains from the backyard highlights this family's four bedroom two bath home near Turnpike, sunny spacious living room with brick fireplace, kitchen area has room for formal dining or den. Roof solar panels reduce electric bills.

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Don't Blame Our Democracy...

By Harlan Green

Please don't blame our Democracy, old as it is—in fact, the oldest in the modern world—for the slowness of this recovery. Winston Churchill on hearing his Labor Party had been defeated in 1947, said in the House of Commons, "Democracy is the worst form of government, except for all those other forms that have been tried from time to time."

In fact, our Democracy is working, as economic growth is predicted to rise above 3 percent for the rest of the year, and job growth will get better, in spite of the worst downturn since the 1930s. Even real estate is showing signs of life with new housing construction up 14 percent in June.

The Conference Board's index of leading indicators rose 0.3 percent in June on top of May's outsized gain of 0.8 percent, which equates to approximately 3 percent growth for the rest of the year. The top factor for June was an increase in money supply with the second factor once again the yield spread between long rates and short rates with the latter being kept near zero by the Federal Reserve.

Housing construction is continuing to move up—but from near rock bottom, says Econoday. Housing starts jumped

14.6 percent in June, following no change in May. And this actually helps growth, since it means more jobs. June's annualized pace of 0.629 million units came in higher than the consensus projection and is up 16.7 percent on a year-ago basis. The boost in June was led by a 30.4 percent surge in the multifamily component. The single-family component rose 9.4 percent after gaining 0.7 percent the prior month.

Sure, Republicans and Democrats are locked in a struggle that mirrors the eternal struggle between the old and the new. Republicans want every tax break they can get for their wealthiest constituents, while Democrats want every benefits' break for all the other income classes plus the elderly. And this is preventing both the private and public sectors from stimulating more than tepid growth, in spite of record corporate profits since the end of the Great Recession.

The problem is neither party can agree how to pay for those benefits. Democrats want to close tax loopholes, while Republicans believe putting more money into the pockets of investors and the largest corporations by lowering tax rates further will somehow generate more growth, without spelling out how that might happen. The tax cuts in fact increased the

federal deficit in both the Reagan and Bush Administrations

In fact, preserving those Bush tax cuts has increased the deficit some \$3 trillion, and will increase it another \$7 trillion by 2017, according to the non-partisan Center for Budget Policies and Priorities, if not allowed to lapse.

Even "Read My Lips: No New Taxes" Grover Norquist, leader of those Republicans who have signed his Taxpayer Protection Pledge—which says that he or she will vote against all tax increases—said in a recent New York Times' Op-ed it doesn't mean opposing sunset clauses that allow the Bush tax cuts to expire in 2012. "If there were no vote in Congress and taxes rose automatically," said Norquist, "then no politician would have voted for higher taxes, and no elected official would have broken his or her pledge."

New York Times Op-ed columnist Charles Blow cited a recent Pew Research poll that said a thin majority of whites are now registered Republicans, while a majority of minorities such as Blacks and Hispanics are registered Democrats. So the line between the past and future is being drawn ever more sharply for the upcoming 2012 presidential election.

As we now know, the debate isn't really about the deficit, as we said last week,

which occurred largely under GW Bush. Else Republicans would be interested in paying down the deficit, which can only be done by closing the tax loophole that have increased the deficit. The federal deficit has been broken down by many, including the non-partisan Center for Budget and Policy Priorities.

New Bush Administration policies accounted for \$5.07 trillion of the \$14 trillion in Federal debt, while Obama Administration policies such as ARRA accounted for \$1.44 trillion. The rest has come from lost revenues of the 2 recessions since 2001. We are now at the lowest level of revenues as a percentage of Gross Domestic Product since WWII.

That is why the debt ceiling agreement has to be 'balanced' between cost-cutting and deficit-cutting—i.e., slowing the growth of government programs while closing the tax loopholes that are taking monies away from projects that would stimulate higher growth rates.



Harlan Green is a syndicated columnist and the owner of Bankers Pacific Mortgage, Inc. Questions and comments are welcome, please email Editor@populareconomics.com

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