



# **2018 SEPTEMBER NEWSLETTER**

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**Kenneth J Casey**

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### DID YOU KNOW ?

#### 2019 ... IS THE ... YEAR OF THE PIG ... IN THE ZODIAC CYCLE ?

This is a 12-year cycle ... the last YEAR OF THE PIG ... was in 2007.

And 12 years before that ... it was 1995.

### Remember 1995 ??

(or if you are too young to remember ... this is how it was !)

Buzz Lightyear and Sheriff Woody were starring in the first ever computer animated feature film ... TOY STORY.

And ... BATMAN was battling the RIDDLER in BATMAN FOREVER ...

And ... Tom Hanks played astronaut Jim Lovell in ... APOLLO 13.

And ... Oh Yeah ... Lets not forget the popular dance ... THE MACARENA ...

It was also the year Microsoft released Windows 95 !

And ... O.J. Simpson was found not guilty of a double murder.  
And ... Louis Farrakhan organized the Million Man March.  
A massive civil rights gathering of African-American men in Washington D.C.

OH ... and ... believe it or not ... even then ... we had our Russian conspiracies ... “While visiting Washington D.C., Russian President Boris Yeltsin was found wandering drunk on Pennsylvania Avenue ... in his underwear ... and trying to hail a cab in order to find pizza“.

(You just can't make this stuff up ... fact is funnier than fiction !)

And ... BILL CLINTON was President ... the first “Baby Boomer” president. And ... the average interest rate on a 30-year fixed mortgage was 8%. And ... the San Francisco 49ers won the Superbowl.



## Where were you in 1995 ?

### So why are we reminiscing about 1995 ?

Because ... we are looking for historical similarities to today's Economy. This comparison may help analyze the future direction of the current Economy. And ... if so ... what does history tell us we can anticipate going forward?

**In the last newsletter in February the following observations were made:**

- ✓ The Economy is improving at an accelerating and steady pace.
- ✓ The data indicates the Economy can now move above an average growth rate of 3%.
- ✓ It is possible ... without any unexpected surprises. America could reach a 4% growth rate.
- ✓ It would be back to the prosperous days of the late 1990s, that would be great, great, great !

**NEWS FLASH:** THE GROWTH RATE WAS 4.2% IN THE SECOND QUARTER !!

Are we back to 1995 and the late 1990s again ??

**So ... what was the math of the late 1990s ?**

#### **PRODUCTIVITY INCREASE**

<b>Year</b>	<b>Percentage</b>
1994	4.0%
1995	2.7%
1996	3.8%
1997	4.5%
1998	4.5%
1999	4.7%
2000	4.1%

Notice the 7 years ... **from 1994 to 2000 ? ... a 4.1% average growth**

**IT CAN BE DONE !!!** Imagine that ... lots of 4s !!! Wow !

So ... from **1994 to 2000** the Economy was very good ... and then ...  
on September 11 ... 2001 ... the World Trade Center terrorist attack ...  
our World changed ... and the Economy with it.  
The growth rate dropped to **1%**.



## So what happened before the good years of the late 1990s ??

Unfortunately ... it was not so good.

### PRODUCTIVITY INCREASE

Year	Percentage
1988	4.2%
1989	3.7%
1990	1.9%
1991	-0.1%
1992	3.5%
1993	2.8%

America had good economic years in the mid-1980s with the last good year in 1988 ... when the growth rate was 4.2% ...

BUT, from 1989 to 1993 ... the average growth rate dropped to **just 2.4%** ... a slow period of 5 years.

### Caused by:

- The Federal Reserve Bank increasing interest rates to 10%;
- The Savings and Loan Bank Crisis;
- Major increases in Federal taxes;
- And ... the following Recession

But ... in 1994 ... the growth rate hit 4% again ...

And ... for the next 6 years ... until 2000 ... the Economy averaged 4.3% ! Great !

Is it possible the current Economy could be back to the late 1990s ??

**Could we again have 6 years of average growth above 4% ??**

No you say ... impossible you say ...

things are different now ... blah ... blah ... blah

Well let's look back at the facts of history ... (how inconvenient) Since 1945 ... the end of World War II, **26** of the last **72** years had a growth rate of **4.1%** or greater ... that's **36%** of the years.

IN OTHER WORDS ... FOR A THIRD OF OUR ECONOMIC HISTORY SINCE WORLD WAR II ... (INCLUDING THE LOUSY YEARS SINCE 2000) ... AMERICA HAD AN ANNUAL GROWTH RATE ... ABOVE 4%.

*{ Sooo ... don't be too impressed with the last quarter **4.2%** rate }*

AND ... a BIG reality check.

Since 2000 the Economy has **not** ... not one year... **in 17 years** ... from **2001 to 2017** ... reached a growth rate of **4.1%**. If we took those years out ... in the **55** years ... from **1945 to 2000** ... the Economy surpassed a **4.0% average** ... **47%** of the years.

IN OTHER WORDS ... FOR ROUGHLY HALF (50%) OF THE SECOND HALF OF THE LAST CENTURY AMERICA HAD A GROWTH RATE ABOVE 4%.

**So why can't we have several years of 4% growth?**

Our Economy **after** 2000 has **not** been very good with below par growth ... but ... as history shows ... we certainly **can** have a **4%** Economy.

#### **THE YEARS THE ECONOMY HAS REACHED A 4.1% GROWTH RATE ... OR MORE**

Year	%	Year	%	Year	%
1948	4.1%	1964	5.8%	1983	4.6%
1950	8.7%	1965	6.5%	1984	7.2%
1951	8.0%	1966	6.6%	1985	4.2%
1952	4.1%	1968	4.9%	1988	4.2%
1953	4.7%	1972	5.3%	1997	4.8%
1955	7.1%	1973	5.6%	1998	4.5%
1959	6.9%	1976	5.4%	1999	4.8%
1962	6.1%	1977	5.5%	2000	4.1%
1963	4.4%	1978	5.5%		

## COMPARISON BETWEEN 1996 AND 2017

WELLLLLLLLLL ...

The slow 5 years from 2013 to 2017 ... had an average growth rate of 2.2%. It compares very closely to the 5 slow years from 1989 to 1993 with an average growth rate of **2.4%**.

### GDP INCREASE

Year	Percentage	Year	Percentage
1988	4.2%	2013	1.8%
1989	3.7%	2014	2.5%
1990	1.9%	2015	2.9%
1991	-0.1%	2016	1.6%
1992	3.5%	2017	2.2%
1993	2.8%	2018 (1st qtr)	2.2%
		2018 (2nd qtr)	4.2%

### MORE COMPARISONS -

SO WHAT ARE THE COMPARATIVE NUMBERS BETWEEN 1996 AND 2017 ?

	1996	2017
CONSUMER CONFIDENCE	92.4	96.8
BUSINESS CONFIDENCE	99.0	101.0
UNEMPLOYMENT RATE	5.4%	4.4%
LABOR PARTICIPATION RATE	62.8%	62.8%
CONSUMER PRICE INDEX	2.7%	1.9%

These indices are very close in comparison ... but note ... the numbers for 2017 are a little better than 1995 ... a positive sign.

## LOTS MORE POSITIVES

### ✓ Job growth ...

- ▶ The historically low labor participation rate of 62.9% continues.
- ▶ The healthcare and green energy sectors continue to grow.

### ✓ The Unemployment Rate ...

- ▶ Continues to drop with the historically low rate of 3.9% in June ... the lowest since 2000.
- ▶ The number of unemployed people also continues to decline with 6.5 million today versus 6.9 million a year ago ... continuing the longest period of job growth on record.
- ▶ The number of job openings rose to almost 7 million ... the most on record since 2000.

✓ Average Hourly Earnings ... have increased 3% in the last year from \$26.34 /hour to \$27.05 /hour ... a \$.71 per hour increase.

<u>DATE</u>	<u>PER HOUR</u>	<u>INCREASE/HOUR</u>	<u>ANNUAL % INCREASE</u>
July 2014 .....	\$24.48.....	\$.54.....	2%
July 2015 .....	\$25.02.....	\$.68.....	3%
July 2016 .....	\$25.70.....	\$.64.....	2%
July 2017 .....	\$26.34.....	\$.71.....	3%
July 2018 .....	\$27.05		

✓ Consumer confidence ... continues to remain high with an increase from 93 last July to 97 today. (It was 41 in October 2011) Increased to the highest level since 2000.

✓ Business confidence ... continues to remain high with an increase from 57 last July to 60 today. (It was 45 in September 2015)

✓ Sales of New Homes ... has continued to show continuing strength with increasing sales from 564,000 in the month of July 2017 to 631,000 sales this June ... an increase of 12% ... this is a good trend.

✓ Sales of Existing Homes ... has remained steady at 5.4 Million sales in both July 2017 and June 2018.



✓ **Housing Starts** ... has also remained steady at 1.2 Million starts in both July 2017 and June 2018.

✓ **OVER THE LAST YEAR** ...

Exports ..... increased from \$193 Billion ... to \$214 Billion ... A **11%** increase ... not bad.

Retail Sales .... increased from \$477 Billion ... to \$507 Billion ... a **6%** increase ... also not bad.

Auto Sales ..... increased from 16.8 Million autos ... to 18 Million autos ... a **7%** increase ... all good.

✓ **World Economy** ... all good for America. Monetary policies by World governments remain accommodative and possible 4% economic projections remain very positive. Not great ... but staying ahead of inflation ... sort of ...

✓ **Inflation Rate** ..... 2.3% as of June 2018 ..... 1.7% last July

(just for the record ... that's a **35%** increase)

## **AND SPEAKING OF INFLATION - WHAT ABOUT THE FEDS ?**

Are they worried about the Economy heating up ... ? ... The inflation monster ?

"It has raised rates four times this year, changing tack from a five-year period in which it eased credit to pump money into the Economy and end the last recession.

The Fed has been concerned that the rebounding Economy could cause inflation to pick up down the road. So it began notching up short-term rates in February, sending everything from prime lending rates to mortgages higher".

Sound familiar ... like today's Economy ?

Except ... it appeared in the defunct newspaper ... the 'San Francisco Examiner' ... in **June 17, 1994**.

And then, for 6 years ... from 1995 to 2000 ... there was a **4.3%** average growth!

## **AND TODAY**

"The Federal Reserve Chairman defended the central's bank strategy of gradually rising interest rates against criticisms that the central bank is moving either too quickly or too slowly, jeopardizing the economy's expansion ..... he also pushed back against critiques that the Fed is risking high inflation ... by raising rates too slowly."

– Wall Street Journal ... August 25, 2018.

We are still talking about the same issues as we were 24 years ago.

(Funny how some things never change)



## CRYSTAL BALL INDICATORS

I have tracked 20 indicators of the American Economy for the last 8 years. These indicators include Unemployment Rates; Consumer Confidence; Home sales; Inflation Rates ... etc.

The results from these indicators for the first six months of the past eight years are as follows:

	POS	NEG	NO CHANGE	ECONOMY	GRADE
JUNE 2011	15%	30%	55%	BAD	C -
JUNE 2012	30%	20%	50%	FLAT	C

JUNE 2013	60%	10%	30%	INCREASE	B -
JUNE 2014	50%	15%	35%	FLAT	C -
JUNE 2015	25%	10%	65%	FLAT	C
JUNE 2016	30%	15%	55%	FLAT	C
JUNE 2017	65%	10%	25%	INCREASE	B
JUNE 2018	45%	25%	30%	INCREASE	B

So, the job market continues to improve with positive indices ... consumer and business confidence is good ... the retail industry is definitely improving ... the stock markets are staying relatively okay ... inflation and oil prices are increasing ... interest rates are increasing ... but the housing market is consistent and stable.

## CONCLUSION

The Economy is still steadily improving and continuing to pick up momentum ... particularly in the labor markets ... and regarding some of the negatives indices above ... they came about as a result of an improving economy ... such as rising interest rates.

BUT THE IMPROVING ECONOMY CONTINUES TO ROLL ON ... GO TEAM !

## PERSPECTIVE

The U.S. Economy is like the QUEEN MARY ...

it is a very big huge thing ... and when it turns ... right or left  
it turns that direction for a while ...

its HUGE momentum doesn't normally allow for sharp turns.

When it makes a right turn ... it goes right !! ... for a while.

And ... currently the BIG BOAT ECONOMY is moving in a very positive direction.

✓ It is probable ... without any unexpected surprises ... America can reach an annual 4% growth rate into the next year.

✓ It is possible ... the Economy could be back to the prosperous days of the late 1990's ... that would be great !

✓ Imagine ... several years of annual 4% growth !

✓ The Millennials will actually get to live in a good economy for a while ... maybe they don't have to live at home anymore.

✓ Optimistically, look forward to a much better Economy.

Who knows... maybe another sequel ... TOY STORY 5. And ... of course ... the San Francisco 49ers will win the Superbowl ... again !



# REGULATIONS

## DEFINITION OF REGULATION

- ▶ A law, rule, or other order prescribed by authority to regulate conduct.
- ▶ A rule, principle, or condition designed to control procedure or behavior.
- ▶ A governmental or ministerial order having the force of law.
- ▶ Laws through which government can control privately owned businesses.

[ First recorded regulation in America was in 1665 ]

**CODE OF FEDERAL REGULATIONS** ... is the codification of the general and permanent rules and regulations published in the Federal Register by the executive departments and agencies of the executive departments and agencies of the Federal Government.

As of 2016 ... there were **185,053** pages in the Code !!! (200 volumes) But ... how many actual regulations are there ?

Well ... actually ... nobody knows !!!!!!!

**HUH !! ..... How is that possible ??**

**Here is the problem:**

- ▶ There are many different varieties of rules and ordinances.
- ▶ Many of these are not technically “regulations” ... but ... it depends on individual opinion and researcher’s subjective opinion.
- ▶ So ... what exactly qualifies as a “regulation”. And ... with 185,053 pages of small print to consider ... Wow !
- ▶ Therefore, it has been declared impossible to count the number of regulations ... even the exact number of criminal laws. (3,000 plus)

**REGULATORY DEEP STATE**

Between 1970 and 2008 ... (38 years) ... the words “shall”, “must”, “may not”, “required” and “prohibited” in the Code of Federal Regulations grew from 403,000 to 963,000 ... a rate of almost 15,000 a year !

**FEDERAL AGENCIES**

**(YOU ARE NOT GOING TO BELIEVE THIS ONE)**

So for fun ... believe it or not ... government agencies themselves disagree over how many total government agencies exist ... and the government can’t even define what a government agency is ! Ha ... Ha ... Ha ... sad but true. It gets better ...

- The United States Government manual states there are 316 agencies.
- The Department of Justice states there are 252 agencies.
- The Federal Register Index states there are 257 agencies.
- The Administrative Conference states there are 115 agencies.
- Regulations.gov states there are 89 agencies ... and ...
- The Unified Agenda states there are 60.

SO ... let’s get this straight ... the Federal Government does not really know ... how many regulations we are governed by ? And ... worse ... how many agencies we are governed by ?

**THIS CANNOT BE GOOD FOR THE ECONOMY AND OUR STANDARD OF LIVING.**

(OH ... by the way ... California has over 500 agencies !!! That is ... the one’s we know of)

**COST OF REGULATIONS**

So ... how do all these regulations and agencies affect our Economy ? (In other words ... how much does all this s\*\*\* cost ?)

Well the National Association of Manufacturers estimates:

**Per Employee**

- \$9,991 for the average U.S. company.
- \$19,564 for the average manufacturer.
- \$34,671 for the average small manufacturer (50 or less employees).

Oh ... and by the way these costs to businesses show up in **higher prices** to you.

Oh ... and by the way these costs to the American taxpayer amount to approximately **\$2 Trillion** ..... each year!

Would you believe ... the amount of regulations cost more than the annual collections for the Federal Income Tax ... Really ? ... Yep ...

In 2015 the cost of regulations ... was \$1.9 Trillion ...

BUT the total Federal tax collection ... was \$ 1.8 Trillion.

The breakdown is as follows:

Tax Compliance.....\$159 Billion

Environmental Compliance..... 330 Billion

Occupational Health and safety..... 92 Billion

Economic Compliance..... 1,419 Billion

**TOTAL COST ..... \$2,000 Billion**

**More good news ... Regulations cost more than the Federal Income Tax.**

**How about ... \$15,000 per U.S. household ... per year ...**

**How about that for a hidden tax ?? [ REGULATORY Deep State Tax ]**

## **PERSPECTIVE**

The Federal Register is the Federal government journal that contains government agency rules, proposed rules and public notices.

In 2015 alone ... the Federal Register recorded 82,036 pages. If these were stacked up...they would reach the height of a three-story building.

How about some light reading ?

At one minute a page ... reading 8 hours a day ... 5 days a week ... it would take 34 weeks to read it all ... and then the quiz.

## **SO ... THE REAL QUESTIONS ARE ...**

- ▶ Whether and how much the regulatory atmosphere is affecting our productivity and standard of living ..... positive or negative ??
- ▶ Are all the regulations worth the price we are paying ?

SO ... HOW HAS THE AMERICAN PRODUCTIVITY BEEN DOING OVER THE YEARS ?  
UNFORTUNATELY !! SINCE WORLD WAR II OUR PRODUCTIVITY (GDP) HAS  
STEADILY **DETERIORATED**.

### **AVERAGE PRODUCTIVITY %**

1950s.....4.3%  
1960s.....4.3%  
1970s.....3.2%  
1980s.....3.3%  
1990s.....3.5%  
2000s.....1.8%  
**2011 to 2017.....2.1%**

### **PERSPECTIVE**

From 1948 ... a few years after World War II ... to the current year of 2017 ... 70 years of our economic history the average annual growth rate was ... **3.2%**

**(Keep in mind ... in the last 17 years we have barely hit a 2% average)**

**HIGHEST GDP %..... 13% ..... 4<sup>th</sup> QTR 1950**

**LOWEST GDP %..... -4% ..... 2<sup>nd</sup> QTR 2009**

So ... why has the productivity of America been slowly declining over the years ... and with it our standard of living ... with example such as homelessness and young people not being able to leave home and rent an apartment ... the “NEW HOMELESS”

Could it be possibly related to the reality that for 24 hours a day ...

7 days a week the Federal government is currently issuing a new regulation (?)

every 3.5 hours ... 85 new regs a day ...

### **The REGULATORY DEEP STATE at Work**

In the last 13 years from 2000 to 2013 the Federal government enacted more new laws ... then in the **50 years** from 1951 to 2000 ... almost **4 times faster** !!

And the beat goes on ...

**Watch out ... have you broken a Federal regulation lately ?**





## **WHAT COULD HELP THE ECONOMY ACHIEVE HIGHER GROWTH RATES ?**

How about build some housing ?? Just a thought.

There is a “Housing Crisis” in most major cities across America ...

We certainly can use the high paying jobs in construction ...

We can use the “ripple effect” of additional jobs created by the construction. Historically ... when house building is healthy ... the Economy is also doing well.

## **SO FIRST ... HOW “OUT OF WHACK” IS OUR HOUSING SYSYTEM ?**

**ANSWER:** Very, very “out of whack” !!

**HERE’S THE MATH:** The months used in this analysis are the months in the last **60 years** that had the highest amount of house construction.

	HOUSING BUILT	TOTAL POPULATION	HOUSING BUILT TO POPULATION	GROWTH (GDP) %
JANUARY 1972	2.5 M Units	210 Million	12%	5.3%
FEBRUARY 1984	2.3 M Units	235 Million	10%	7.2%
JANUARY 2006	2.3 M Units	298 Million	8%	2.9%
OCTOBER 2016	1.3 M Units	323 Million	4%	1.6%

The math says ... during periods of good GDP growth ... the percentage of housing being built ... relative to the total population ... is high ... for example:

- look at the 12% and 10% housing production numbers in 1972 and 1984 ...
- then, note the high GDP growth rates of 5.3% and 7.2% !!! WOW !!

**THEN ... Notice the much lower numbers of 2006 and 2016 ?**

- 8% and 4% housing production percentages ... not very good compared to 1972 and 1984.
- And the Economy ... coincidentally ... was also not very good ... GDP growth numbers of only 2.9% and 1.6% ..... **MORE THAN 3 TIMES LOWER !!!!!**

**Would you believe ?**

1.2 million less houses are being built today ... than in 1972 ... 46 years ago ... with 113 million more people in America !!!

Hmm ..... the math does seem “out of whack”. It is not a surprise that many areas of America are in a “Housing Crisis”...

**Not convinced yet that we need to build more housing ?**

- To help provide significant business and financial help to the Economy.
- To provide lots of jobs.
- And help Americans have a nice place to live.

**OK .... MORE MATH**

Lets compare the number of American births ... to the amount of housing being built.

✓ From 1978 to 2007... 30 years ... the amount of housing built ... relative to the annual births ... ranged from 26% to 34%.

✓ BUT ... from 2007 to now ... this percentage has dropped to roughly 50% lower ... down to 15% !!! AND

✓ The amount of housing we build for all of America has dropped from 4.6% to 1.9% ... **ALMOST 60% LOWER !!!**

✓ In the ten years, from 1998 to 2007 America built almost 14 million housing units ...

- ✓ In the ten years from 2008 to 2017 America built roughly 6 million housing units ...
- ✓ In the last 10 years
- ✓ THAT'S 8 MILLION less places for Americans to live !!!!!!!!!
- ✓ Oh ... and by the way ... just for the record ... that's with **40 million more births** !!!

**Talk about going the wrong direction.**

## **FOR THE RECORD**

***(THIS WAS WRITTEN IN THE JULY 2011 NEWSLETTER - 7 YEARS AGO)***

## **AND FUTURE HOUSING IN AMERICA ?**

Building permits, a measure of future construction, has fallen to the lowest level in 50 years !!  
The building of current and future housing is plummeting !!

### **New housing Units built**

2005.....	2.1 million
2006.....	1.8 million
2007.....	1.4 million
2008.....	906,000
2009.....	554,000
2010.....	588,000

✓ The Nation is building approximately 1.5 million less housing units per year in 2011 than in 2005 ..... that is a 75% reduction !!

✓ Currently, to accommodate for new household formation, the population demographics dictate a long-term need for 1.3 to 1.4 million new homes need to be built, **per year** !

✓ **Historically**, the Nation builds, on average, 1.2 million housing units per year. BUT ..... at the current building pace of **under 600,000** new homes each year, the Nation currently is building **50%** of the housing we will need for the future. But, with such a dramatic drop in the construction of new housing, both single-family residence and apartments, are we seeing the beginning of the FUTURE housing shortage ?

## **FINALLY**

### **New housing Unit Starts**

2011.....	694,000
2012.....	976,000
2013.....	1 million
2014.....	1.1 million
2015.....	1.2 million
2016.....	1.3 million
2017.....	1.2 million

### **Results:**

Fortunately ... we are back to what has been an historical average of 1.2 million units a year ... BUT ... **we have a 40 – 50 million, or more, larger population** ! Apparently ... we are still creating a shortage !



## **MARVELOUS MARIN**

### **A DOG'S LIFE IN MARIN**

- ▶ A tail-wagger is the Panama Hotel & Restaurant with spacious outdoor seating for “Yappy Hour” (Tuesday to Friday , 4:00-5:30) , which includes free organic dog biscuits along with discounted drinks.
- ▶ Don't miss DOGVILLE, a boutique shop in downtown San Anselmo, with scores of colorful collars, harnesses, leashes and fleece dog sweaters.

▶ And ... of course ... BAYFRONT PARK ... a soccer-sized field with views of the bay ... features a canine playground with tunnels and hurdles.

▶ And ... the priciest dog food at WOODLANDS PET FOOD & TREATS is the “The Honest Kitchen Fish & Coconut Recipe”... a six-ingredient minimalist dog food that costs \$120 for a 10-pound box.

### **AN EMPLOYEE’S LIFE IN MARIN**

- ▶ Average per capita personal income of \$115,952.
- ▶ Average wage for local government workers is higher than 99.8% of comparable counties nationwide.
- ▶ Median hourly wage in Marin is \$23.80 ...
  - 31% higher than the nationwide median wage of \$ 18.12.
  - 18% higher than the California wage of \$ 20.14.

### **POPULATION**

▶ As of January 1, 2018 the population was 263,886 ... an increase of 624 people (0.2%) from 2017.

### **MARIN’S BEACHES**

▶ “HEAL THE BAY” rates 19 of 23 Marin County beaches an A+ grade for water quality. (remaining 4 were only rated an A)

**RIDICULOUS** ... In Fairfax (of course) the Planning Commission is having a hearing to decide on a 16 square foot expansion to a house ... (a big closet!)