



2018 FEBRUARY NEWSLETTER

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WOW !! IS IT POSSIBLY HAPPENING !?!

IS AMERICA GETTING ITS 'MOJO' BACK !?!

After **16** years of very slow growth ... since **2001** ... stagnation of wages ... economic pessimism ... are we ? can we ? return to the prosperity of the late 1990s ... the late 1980s ... or dare we hope ... the incredible prosperity of the **1960s !!!!**



THE 1960s

Once upon a time ...

The **BOOMER** generation was leaving high school and college ... getting married ...

getting good jobs...which were plentiful...

and earning enough to pay for their first apartment ... unbelievable !

And ... had little to no student loans to pay ... Imagine that !

They got their first car loans to buy those Fords and Chevrolets ...

They got their first charge cards ...

They bought their first dining room table and furnished their first apartments.

We were going to the moon ...

Beginning the War on Poverty and the Great Society.

With the hippie invasion we had **LOVE-INS** ...

experimented with **LSD** ...

had a sexual revolution ...

and challenged the norms of the 'Greatest Generation'.

The 'Beatles' ... Peter, Paul & Mary ...

Bob Dylan ... 'The Times They Are a Changing' ...

and they were ... all to the good !

Financially ... they **WERE** good times. Life was good.

SO ... the big question is ????? Are ... 'The Times They Are a Changing' ... again

Are good times coming again ???? Finally ?

WELL ... where are we now ...

and what would it take to repeat the economic good times of the **1960s**.

Unfortunately ... for the last **16** years ... our economic growth has generally sucked ...

Compare **5%** annual growth in the **60s** with **1.7%** annual growth for the first 10 years of this century.

C'mon ... we are currently only **34%** as productive as the **60s** ... a third ... are you kidding ? ***That sucks.***

And ... if you really want to feel bad ... compare **2016** with a paltry growth rate of **1.6%** ... to a growth rate **of 7.3%** in **1984** !

In other words ... the growth rate in **2016** was only **22%** of the growth rate in **1984** ...

Now that historically REALLY sucks

PERSPECTIVE

GOOD ECONOMIC GROWTH PERIODS (GDP)

THEN

The 1960s ... 1962 to 1969 ... **5.0% growth** (highest year; 1966 at 6.6%)

The 1980s ... 1984 to 1989 ... **4.4% growth** (highest year; 1984 at 7.3%)

The 1990s ... 1996 to 2000 ... **4.3% growth** (highest year; 1999 at 4.8%)

AND NOW

The new Century ... 2001 to 2010 ... **1.7% growth** (highest year; 2004 at 3.8%)

And now 2011 to 2017 ... **2.1% growth** (highest year; 2015 at 2.9%)

.....

More Perspective

The average growth rate for the **50** years from 1950 to 2000 was **3.6%**.

Since 2001 America has had only one year ... one year where we have reached **3.6%**.

The average growth rate for the last **17** years was an anemic **1.8%** ... think of that ...

In the last 17 years we have **barely** reached **half** of the prior 50-year average ...

Not good ... **our long-term standard of living is going down !**

AND NOW THE GOOD NEWS

Merry Christmas ... holiday sales increased **5%** over last year ... yahoo the consumer is back !

Consumer confidence ... has risen from a low of **41** in October 2011 to **129** in November 2017. (Based on a 1985 index of 100) ... a **215%** increase... that's great ! It is at a 17 year high !

Business Confidence ... has risen from a low of **45** in September 2015 to **64** in November 2017. (Based on a 1985 index of 100) ...

AND ... in the year 2017 both indexes increased **17%**. That's HUGE !

AND... business investment in new plants and equipment is strong rising at a **7%** rate in the fourth quarter.

Unemployment

- Has steadily decreased from **9.4%** in **December 2010** to a low of **4.1%** today.
- That is **8.3 million** more people who have gotten jobs in the last 7 years.
- In 2010 there was **15 million** people unemployed ... today **6.7 million** great !
- Hiring has risen for **87** straight months ... the longest period of job growth on record.

California Job Growth

- Unemployment dropped to **4.3%** ... the lowest since **1976** !
- In 2010 the rate was **12.2%** ... almost 3 times higher.
- Employment was strong across most industries .. 9 of the 11 sectors added jobs.
- State and local government added the most jobs ... **10,300**
- In December ... California added **52,000** jobs ... one-third of America's total.

Hourly earnings has picked up the pace after the Great Recession earnings went flat.

- **Before the Recession ... from 2008 to 2009** ... the increase in average hourly wages went up **3.6%** from **\$21.20 to \$21.96** (76 cents an hour) ... not bad.
- **After the Recession ... from 2011 to 2012** ... the wage increase dropped in half ... to only **1.8%** ... 41 cents per hour.
In a normal work year ... that's an underwhelming **\$853** bigger paycheck for the year ... sorry... but that's before taxes.
- **And now ... from 2012 to 2017** ... wages have been on a steady increase with wages in the last two years ... 2016 and 2017 ... going up respectively at **2.5%** and **2.6%**.

New single family home sales ... has skyrocketed in the last year !

- From **548,000** purchases in 2016 to **733,000** in 2017 ... a **34%** increase !!! WOW !! This is fantastic for the construction industry.

Existing single family home sales ... steadily increasing each year since 2010.

- From annual sales of 4.4 million in 2010...to 5.8 million annual sales in 2017.
That is a 32% increase in annual sales from 2010 to 2017... that is great !
- 4% increase in sales from 2016 to 2017.
This is fantastic for the housing industry.

Housing Construction ... another Wow !

- From housing starts of **490,000** in 2009 to **1,236,000** in 2017.
That's an increase of 746,000 more houses being built now than in 2009.
That's an increase of 152% ... 3 times as much as 8 years ago ... now that's a **big Wow !**

New Truck orders ... and another Wow !

- Freight hauling firms are loading up on new trucks to meet strong demand from shippers ... ordering 37,500 heavy-duty trucks for long-haul routes .
- Up 76% from a year earlier ! ... now that's an increase !
- And ... the industry is having a driver shortage ... more jobs available !

Exports ... on a steady increase since 2009 but accelerating since 2013.

- **\$ 440** Billion of product exports in 2013 versus **\$600** Billion in 2017.
This **36%** increase in stuff we sell to the rest of the world makes for lots of American jobs ... yeah !

Stock Market ... has increased steadily the last two years ...

- adding Trillion of dollars of wealth to the economy.
- 401(k) pension plans and retirement plans have increased for the average worker.
- And ... all is very good for consumer confidence and the Economy.

World Economy ... all good for America.

- The Eurozone economy grew by **2.6%** in 2017 ... the most since 2007.
- Projections for the World Economy for 2018 are as high as **4%** ... as good as it gets!
- Monetary policies by World governments remain accommodative and stimulating.

AND NOW THE GOVERNMENT

How much does the government Local, State and Federal really affect the Economy ?

Interesting question ... well ... government policies can significantly affect the Economy long-term ...

Unfortunately ... sometimes government policies do more long-term damage than help. Long-term policies ... or lack thereof ... can negatively affect long-term economics. The National housing shortage and the cost of health care are current examples.

Fortunately however... the American Economy and people are powerful enough to withstand the foibles of our government.

But government policies can help stimulate the Economy on a short-term basis.
That is what is going on now.

Historically ... *The Federal government policies of ...*

- ✓ *Significant decreases in taxes ... both individual and business.*
- ✓ *Significant increases in government spending.*
- ✓ *Slowdown or reduction of Federal regulations.*

have successfully stimulated the Economy under 5 Presidents ... Truman ... Kennedy ... Johnson ... Reagan ... Clinton ... and resulted in above-average economies.

Currently ...

- ✓ *the new Tax Reform Act will reduce taxes ... whether you agree with it or not.*
- ✓ *military spending has increased and Congress is ... hopefully ... considering an infrastructure spending bill.*
- ✓ *the Federal government has been actively reducing regulations passing 20% less regulations in 2017 and a 30% reduction in funding for some agencies.*

SO ... currently ... we are engaging in Federal government stimulative policies that should ... based on history ... add more juice to an already increasing economy. These policies will almost certainly help in the short-term ... but ...

AND THE BIG **BUT** IS ... What about inflation ???

Is this the best time for stimulative policies when the American Economy seems to be improving to a good growth rate ... all on its own ?

AND ANOTHER **BUT** IS ... What about the policies of the Federal Reserve Board ? Could they raise interest rates too fast and jeopardize the strength of the growing Economy ?

PERSPECTIVE

Historically...when a rapidly growing economy is combined with increasing wages, shortage of commodities and government stimulus ... you have **inflation !!**
THEN the Federal Reserve raises interest rates to slow the Economy down ... and thereby reducing **inflation !**

It's all about timing. We'll see this time ... Wish us luck.

GOOD NEWS

Inflation is good for the increase in value of hard assets ... investments that you can pick up or kick ... in other words ... real assets ... like **“real estate”**.
And ... not to worry ... the increase in interest rates would be more than offset by the increase in value of the real estate assets.
We will take the higher interest rates in exchange for asset inflation ... every day of the week.

For example:

Let's take a building worth \$ 1 Million that has loan of \$600,000.
Well ... if the interest rate increased from 4% to 6% ... a very large 50% increase that would increase the annual payment \$12,000 (interest only loan).
Well ... the building would have to appreciate **only 1.2%** to cover this additional interest cost. In other words ... if the building appreciated **10%** in a year ... which is entirely possible in an inflationary environment ... the building value would increase \$100,000 !
So ... let's get this straight ...
We pay an extra \$12,000 in interest ... but ...
the building value goes up \$100,000 ... so ... we are ahead \$88,000 !!
Not a bad deal.

MORE POSITIVES

SINGLE FAMILY HOUSES SOLD - Looks at house sales for the last 10 years since the collapse of the real estate market during the Great Recession.

From a low of **377,000** houses sold annually in **2008** to **733,000** sold in **2017**...
a **94%** increase in **10** years ! ... **LOOKIN' GOOD !**

WAGES PER HOUR - Looks at wage growth for the last ten years. After 2009 wage growth declined from **3.6%** a year to **1.8%** a year by 2012 ... **reduced by half !!** But ...

since 2013 wage growth has been above **2%** a year and since 2015 has shown significant increases.

CRYSTAL BALL INDICATORS

We have tracked **20** indicators of the American Economy for the last 7 years. These indicators include Unemployment Rates; Consumer Confidence; Home sales; Inflation Rates ... et cetera.

The results from these indicators for the first 6 months of the past 7 years are as follows:

	<u>POS</u>	<u>NEG</u>	<u>NO CHANGE</u>	<u>ECONOMY</u>
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

And since June

DECEMBER 2017... 75% 15%10%

Since June, the indicators have continued to steadily and significantly improved.

Since 2011, the Longer-term Economy has been slowly and painfully improving ... and ... since 2015 ... **for the last three years** ... the pace has significantly picked up ... definitely more positive ... momentum is increasing ... looking good going forward.

CONCLUSION

Can we get back to the **5%** great economic days of the **1960s** ... probably not.

How about the good days of the **1980s** at **4.4%** ... maybe.

And....what about the late **1990s** with a **4.3%** growth rate ... now ... this is possible.

For a number of years there was not a lot of optimism to report in the newsletters.

The Economy was improving ... sort of ... but very slowly.

It was ... 'refer to the last newsletter' ... there was not much change.

So ... for the first time in several years ... there **is** good positive change to report:

- ✓ The Economy is improving at a accelerating and steady pace.
- ✓ The data indicates America 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 !
- ✓ How about the “DOO WOP” days of the 1960s ... Hmm ... not just yet.

REGULATIONS

The Code of Federal Regulations passed **178,277 pages** in 2015

In other words ... there is today well over **1 MILLION** Federal regulations.

*(We passed the **1 Million** mark in **2010** ... who knows how many we have today ??)*

In other words ... the U.S. Chamber of Commerce estimates this is costing our economy **\$1.7 Trillion** annually ... and ...

- Consider THAT the tax collections by the Federal Government in 2017 was **\$3.2 Trillion**.
- Consider THAT the current total U.S. Productivity is \$19 Trillion for 2017.

In other words ... if you add these together ... **\$1.7 plus \$3.3 ... equals ... \$5 Trillion** ... which ... compared to our **\$19 Trillion** in productivity means the government costs us **26 %** of our total productivity ... every year.

In other words ... the increasing regulatory environment has been absorbing a greater percentage of our Economy ... and has been one of the major factors slowing the Economy in the last 18 years.

In other words ... is this much regulation worth the price ?

Were we such an out-of-control people that we need over a **MILLION** rules to keep us in place.

And in MARIN

Congratulations ... the City of Novato's **Unity in Marin Church** looks good for approval of a use permit for a proposed Montessori preschool in the Hamilton neighborhood ... hooray ...

But ... whoa ... wait a minute ... we have a problem !!!

☛ the Unity Church began to erect a children's playground set on the 3-acre site

THEN

☛ THE City staff learned a building permit had **not** been secured ... aaahhhhhhhhhhhh

☛ The construction was ordered to be stopped !!! **don don don don** ...oooohhhh

☛ **But ...** have no fear ... **nine months later** a permit was issued and now the playground with slides and a teeter totter stand outside the Church. HOORAY !!

... **but** ... this much trouble and expense over a kid's playground set ??? **Really ?!?!**

MARVELOUS MARIN

A little Marin trivia ...



THE LINCOLN SCHOOL ... a one room schoolhouse in West Marin ... near the French Cheese Factory. Ever heard of it ? Well ... it was built in 1872 ... and it is the longest continuously running one-room schoolhouse in California.

CHECKING THE VITAL LIFE SIGNS

➤ **POPULATION**

In the year ended July 1, 2017 lost 161 residents for a total population of 262,545.

➤ **UNEMPLOYMENT**

Marin County posted a **2.2** % unemployment rate at the end of the year. (one year ago the rate was **3.3%**).

➤ **STILL HIGHEST INCOME**

Marin County was rated the **fifth richest county** ... number 5 ... in America with an average Adjusted Gross Income of \$158,753.

Since 2013 ... the median income has increased \$25,364 ... or 19% ! And ... the highest per-capita income in California at \$108,000.

➤ **STILL EXPENSIVE HOUSES**

- > Median income needed to buy a house in Marin is \$247,130.
- > Median Marin single-family house price in January 2018 ... \$1.3 million.
- > Median single-family house price in Ross ... \$2,987,500.
- > Median single-family house price in Belvedere ... \$2,550,500.
- > 25% of home sales in 2017 were in Novato ... 25% in San Rafael.
- > Percentage of homes selling within 30 days.....49%.
- > 2,655 home sales in 2017... slight increase from 2,573 in 2016.

➤ **REAL ESTATE TAXES**

Marin residents will pay **\$1 BILLION** in property taxes in 2017-2018. This is a first ... whoopi for us. This is almost an 8% increase from the year 2016 ... except for 2014-2015 which was also 8% ... these are the largest increases in tax revenues in 10 years !

➤ **COUNTY BUDGET**

The Marin County Budget is **strong and stable** as revenues from taxes increase This year's budget for 2017 -18 is **\$555 million**.

Last years budget was **\$519 million** ... increase of **\$36 million**
Just for the record that is a 7% increase ...
Haven't you noticed the County is 7% better ?

PERSPECTIVE

Size of local government growing ?

In 2010 ... 1,849 full-time County employees.

In 2015 ... 1,933 full-time County employees.

In 2016 ... 2,257 full-time County employees.

In 2017 ... 2,282 full-time County employees.

433 new employees in 7 years ... average of 62 per year.

That is a 23% increase ... over 3% a year.

➤ **HOMELESSNESS**

- > 1,117 total homeless in Marin County.
- > From 2015 to 2017 the number of chronically homeless in Marin rose 36%.
- > Novato has replaced San Rafael as the town with the most homeless in 2017
- > Novato has 350 ... San Rafael has 318.

➤ **ECONOMIC IMPACT OF INDUSTRIES TO MARIN**

- > BIO/TECH expected 5 year growth ... 1025% .. average salary \$226,958.
- > MEDICAL expected 5 year growth 14% ... average salary \$52,810.
- > FOOD/BEV expected 5 year growth 86% average salary \$42,509.
- > FARMING expected 5 year growth 161% average salary \$17,825.
- > EDUCATION expected 5 year growth 43% average salary \$70,366.
- > TOURISM expected 5 year growth 69% average salary \$20,457.

ARTIFICIAL INTELLIGENCE

Can ANALYZE MASS SUMS OF DATA AT HYPERSPEED

Fast data processing capabilities

HAS DEEPER COGNITIVE ABILITIES

IT CAN TELLYOU WHENYOU ARE GOING TO BE SICK

IDENTIFY YOUR RISK FACTORS AND PRESCRIBE DRUGS

PROVIDE A 3D PICTURE OF THE INSIDE OF YOUR BODY

ROBOT ASSISTED SURGERY

Virtual nursing assistance

Identify fraudulent behavior at banks

Analyze and manage stock and bond portfolios

Provide financial advice

Analyze your behavior and spending patterns

Read your mind and visually show your thoughts

Total voice and face recognition

Self-driving cars and trucks

How about flying commercial airplanes

ORDER PARTS FOR THE ASSEMBLY OF CARS

Calculate machinery and equipment repairs

(Are you ready ?)