

You Decide: Is Another Recession Around the Corner?

By Dr. Mike Walden, North Carolina Cooperative Extension: Much of the economic news has been rather gloomy recently. There have been wild swings in the stock market, with multi-hundred point losses on some days. The Chinese economy may be in free-fall, while Europe is dealing with thousands of refugees from the war-torn Middle East. Canada is officially in a recession. And although jobs are being created, more than 10 percent of individuals in the labor force either don't have a job, have given up looking for a job or are working part-time because they can't find full-time work.

Does this mean the nation is headed into another recession? Some say the last recession, which officially began in late 2007, never ended. I understand that attitude. If your personal economic world hasn't been improving – either because you don't have a job, your paycheck is shrinking or you've just been hit with a big expense – then to you economic times are still not good. But we measure changes in the economy by the sum of economic activity for all people and companies. More than 12.5 million jobs nationally and 418,000 jobs in North Carolina have been added since early 2010. The broadest measure of the unemployment rate is down 40 percent during the past five years. Consumer sentiment about the economy has been steadily improving.

So, yes, the economy has been improving – albeit slowly compared to previous recoveries from recessions. But by definition, economies do grow before a recession hits, because the lack of growth – or negative growth – means a recession is here. So just because the economy has been improving for the last six years doesn't mean it will continue to do so.

Recessions can be caused by a number of factors or events. Among them are a build-up of private debt, the spike in the price of a key commodity in the economy, a move by the Federal Reserve to reduce high inflation, or the emergence of an investment "bubble."

Let's look at the current situation for each of these factors. Private debt today is low, not high. The debt load of households – measured by the percentage of households' after-tax income devoted to loan payments – is at a three decade low. Business debt is also low. Even government debt – relative to the size of the economy – has stabilized.

Recessions in the 1970s were triggered by big jumps in oil prices. Today, oil prices have gone in the opposite direction – down. Most other commodity prices – like metals and crops – have also trended down. Gold is cheaper today than it was a year ago. So there doesn't seem to be any pressure on the economy from commodity costs.

The deep recession in the early 1980s was induced by the Federal Reserve in an effort to reduce the double-digit inflation rate prevailing at the time. The Federal Reserve raised interest rates and restricted credit growth. As a result, private sector spending slowed and a recession resulted. The inflation rate did plunge, but at the cost of higher unemployment and lower incomes.

Again, the situation is entirely different today. All the gauges of inflation – from government and private sources alike – show the average of prices rising at modest rates. The Federal Reserve may raise the interest rates they control, but mainly because they are now effectively zero – and that doesn't give the Federal Reserve any room to reduce rates if some economic crisis occurred. Furthermore, the increase in interest rates should be modest – maybe one-quarter of a percent.

This leaves the development of an investment "bubble" as the last potential cause of a new recession, and this is actually the factor that may now have the greatest risk of happening. The attention is to two possible bubbles – one in the bond market and the other in the stock market. The value of long-term bonds is related to changes in interest rates. Increases in rates lower the value of existing long-term bonds, because new bonds would then pay more than existing bonds. Thus there's a concern the value of existing bonds is too high (they're in an "investment bubble") because interest rates are so low. So when rates rise, some analysts say to look out for a possible crash in the multi-trillion dollar bond market.

A similar argument is made for stocks. Low interest rates make investments like CDs (certificates of deposit) and money market funds much less attractive than stocks. But some say stock values are artificially high (a "bubble") today because, again, interest rates are artificially low. So – just like bonds – the worry is what happens when rates are raised.

I find the "bubble" concerns about bonds and stocks the most compelling for worries about a new recession. But still, I think interest rates will rise moderately, leading to, at most, a moderate drop in bond and stock values. However, that's just my judgment, which certainly isn't flawless. Like all investors, you decide what happens!

Dr. Mike Walden is a William Neal Reynolds Distinguished Professor and North Carolina Cooperative Extension economist in the Department of Agricultural and Resource Economics of North Carolina State University's College of Agriculture and Life Sciences. He teaches and writes on personal finance, economic outlook and public policy.

Civitan Club Duck Races at People Fest

Enter for your chance to win \$500!

Rubber ducks will be racing on Saturday afternoon behind the Civitan hot dog booth at this year's People Fest. Heat races start at 1:30, and all tickets must be purchased prior to 12:30. The top prize will be \$500! Also, there will be prizes of \$20 for each heat.

No more than 900 tickets will be sold so that the final race can be run before 4:00. If you don't know a Civitan member who has tickets, you can call Woody Pliescott at 704-694-7853.

The duck races are a Wadesboro Civitan Club fundraiser to support student activities in Anson County such as scholarships, textbooks, travel funds for field trips, supplies for student clubs, and other educational opportunities.

It's really just a more exciting way to hold a raffle, with winners decided by who holds the tickets matching the winning ducks. Here's how it works - about 50 ducks will line up for each heat. The winning duck in each heat pays \$20 and is automatically entered in the final race for the \$500 prize. Each ticket costs \$5, and you can buy more than one ticket.

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SC Jazz Festival Chalk Competition

Madonnari, anyone? The Cheraw Arts Commission is looking for teams to participate in a Sidewalk Chalk Competition on Saturday, October 17 at the 10th South Carolina Jazz Festival. Returning to this year's festival will be "Madonnari-Southern Style."

This sidewalk chalk competition is based on the 16th century Italian art form called "Madonnari" or Italian Street Painting. In Italy street painters or chalk artists were named Madonnari as their creations were of the Madonna. The artists were employed to create art for the city cathedrals. Upon completion of their work, the street painters replicated the church paintings onto the pavement especially during holy days and festivals. They hoped passersby would toss coins upon approval of the street paintings.

For the last several years teams have created masterpieces during the South Carolina Jazz Festival. Teams of at least 4 people will once again display their Street Painting talents on the sidewalk located at the Theatre on the Green. Monetary prizes will be awarded to the winning teams. Teams can consist of families, friends, organizations, schools, churches, or businesses.

Contact the Cheraw Arts Commission at 843-537-8420 ext 12 for registration forms and information.

The deadline to register is Monday, October 5. For additional information about the 2015 South Carolina Jazz Festival (October 16-18) visit www.scjazzfestival.com. This year's Chalk Competition is sponsored by Edward Jones- Office of Stephen Fowler.



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Anson County Farm Bureau Annual Meeting Monday, October 5th

Location: Lockhart-Taylor Center
514 North Washington Street • Wadesboro, NC

Time: **Doors will open at 6:15 p.m.**
Dinner starts at 6:30 p.m.
Business meeting starts at 7 p.m..

Admission: **\$2 per person**
We can only allow 2 people per membership.
You must be present for your guest to come.
*Please present your membership card at the door.

You will be electing officers, directors and delegates to the state convention.

We look forward to seeing you there. Ronnie Mills, President

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2 FAMILY YARD SALE
Friday, Oct 2 from 7am-1pm at Whit's Convenience on Morven Rd in Wadesboro under the shelter. Lots of glass housewares, Halloween decorations, Scentsy products & more

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