

Editorial: Why Can't We Get The Economy Just Right?

By Dr. Mike Walden: My wife is a great cook, and she makes fabulous varieties of soups. My favorite is her lentil soup. It's both tasty and healthy! Sometimes my wife and I disagree over the temperature of the soup. Remember the Goldilocks saying about the soup not being too hot or too cold, but instead being just right? Well, my wife and I don't see eye-to-eye over what is the "just right" temperature for soup since she likes it hotter than me.

There's a parallel between the Goldilocks story, my wife's soup and the economy. It's that we'd like to get the economy "just right" for everyone but usually appear to fail. One of the frequent questions I'm asked in my many public presentations is, "Why can't smart economists and public policymakers get the economy 'just right'?"

As a way of answering this question, consider five big changes in the economy during the last 40 years, and how the changes have impacted groups of people differently. The five changes are the plunge in inflation, the drop in interest rates, the re-birth of the US energy sector, the spread of information technology and globalization. When I was hired by NC State University in 1978 the comprehensive (meaning it covers everything consumers buy) inflation rate was nine percent, and it would rise to almost 13 percent in 1980. Last year the comprehensive inflation rate was 1.4 percent. Although everyone's personal inflation rate differs based on what they buy, there has been a definite downward trend in the rate at which prices are increasing.

A lower inflation rate is certainly good news for many people. It's easier to budget future paychecks knowing the rise in the cost-of-living will be slower. It also means workers don't need as much of a boost in their pay to keep pace with higher prices. But for debtors there's a downside to lower inflation. Usually loans are paid back with a fixed dollar amount payment each period – typically each month. Inflation reduces the purchasing power – or value – of future dollars. So higher inflation allows debtors to repay loans with cheaper dollars.

Paralleling the drop in the inflation rate has been a similar reduction in interest rates. In 1981 the 30-year fixed mortgage interest hit 18 percent! Today it is a little over four percent. Other interest rates have followed a similar path. Clearly lower interest rates make it easier for people to borrow money and fulfill their dreams of a home, a new vehicle or financing a college education.

Are there no downsides to lower interest rates? Yes there are, for savers. What if you're afraid of the stock market and want your money in a safe government or high-grade corporate bond. Good luck – the interest earnings are paltry with rates today barely above two percent – maybe four percent if you take some risk.

OK – I'm sure many you are thinking there's no way I can argue about a downside to low oil and gas prices resulting from the almost unbelievable surge in U.S energy production. Counted by many as knocked-out 40 years ago, U.S. energy production (mainly oil and natural gas) has skyrocketed in the last decade, thereby allowing the share of our oil usage that is imported to be cut in half and for pump prices to hover around \$2/gallon this summer. Lower gas prices help the family budget and give us more freedom to travel. But (you knew it was coming) low gas prices motivate many to buy larger vehicles and to avoid alternatively-powered vehicles that may be kinder to the environment. We're simply not as motivated to conserve when prices are low.

Likewise, who could find anything wrong with the IT (information technology) revolution? How could any of us function at work or at home without our smart phone, laptop, tablet and other techy-gadgets? Entire industries and new occupations – many of them in North Carolina – have sprung up around IT. But what if you work in the traditional bricks-and-mortar retail industry, or you're a cabbie or you work in food service? Each of these industries are being threatened by IT competitors. Some economists expect up to half of today's jobs will be downsized in coming decades as a result of technological innovations.

Once considered the wave of the future, there is now a robust debate about the pluses and minuses of globalization. In general, it is thought those with more advanced education (four-year college and beyond) have benefitted from the economic opportunities from greater international trade and interactions. It's also documented large metro areas have also gained. But individuals without college degrees, and small town and rural regions, are perhaps worse-off than before the push to economically tie the world together.

The major reason – in my view – that we can't "get the economy right" is that "right" for one person, industry or region may be "wrong" for another. As hopefully illustrated with the five examples, one size doesn't fit all in economics. Economic conditions and outcomes have varying impacts.

This is why economics is so interesting – but also challenging and frustrating at the same time. For any economic situation, each of us has to decide if it's a plus or a minus!

Walden is a William Neal Reynolds Distinguished Professor and Extension Economist in the Department of Agricultural and Resource Economics at North Carolina State University who teaches and writes on personal finance, economic outlook and public policy.

Town of Wadesboro Noise Ordinance

The Town of Wadesboro has a noise ordinance prohibiting noise from radios, tape players, loudspeakers, sound amplifiers, vehicle mufflers and tractor trailer compression brakes. The ordinance reads as follows:

"No person shall play, use or operate, or permit to be played, used or operated, any radio, tape recorder, cassette player or other machine or device for reproducing sound if it is located in or on any public property, including any public street, highway, building, sidewalk, park, thoroughfare, or public or private parking lot; or any motor vehicle on a public street, highway, public space, or within the motor vehicular area of any public or private parking lot or park; and if at the same time the sound generated is audible at a distance of thirty feet from the radio, tape recorder, cassette player, or other player, or other machine or device that is producing the sound.

Possession by a person or persons of the above stated shall be evidence that such person operates, or those persons operate the sound devices for reproducing sound.

No person shall operate a vehicle not operating with original manufacturer-provided muffler, or equivalent, in good working order, or a vehicle using compression release engine or transmission braking systems in non-emergency circumstances."

This noise ordinance is more enforceable than a previous ordinance that required special decibel readers which were very expensive, making the ordinance difficult if not impossible to enforce. *By Melanie Morse*

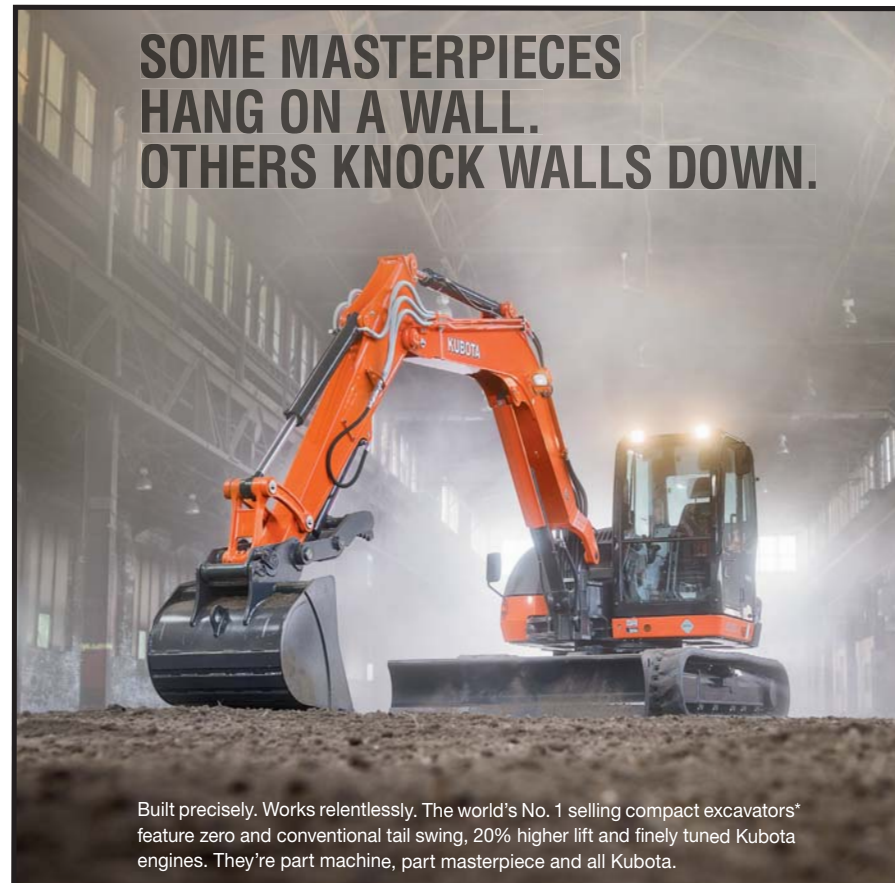
LOST DOG



\$500 REWARD

Sox is a full blooded Boxer. He is missing his left back leg. He was last seen on Ingram Mountain Road in Lilesville, wearing a red shock collar.

If found, please contact Sharon Morton at 704-690-2097 or Rodney at 704-690-0239.



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Community Medical, PA of Marshville and Dr. Gary Henry would like to announce the addition of Brandi Thomas, FNP-C, Family Nurse Practitioner to the practice.

As a Union County native, Brandi looks forward to meeting the healthcare needs of her community. Dr. Henry will continue to serve his community, providing the same quality care he has for over 26 years.

Brandi's background is in primary care, chronic disease management, diabetes management/education, hypertension, long term care and aesthetics. She is a Business Management graduate of Wingate University, and has a Masters in Nursing, Family Nurse Practitioner from UNCC.

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