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Your guide to understanding
today's economy and
financial markets

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Global ABCs

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This is the companion piece to *Domestic ABCs* of May 21

America—while many talk of this nation's economic demise, the U.S. share of global economic output has recently been around 29%...and has averaged 25% for the past 125 years

Brazil—the global community's ninth largest economy continues to carve a considerable niche as a global power in agriculture...and given enormous recent oil finds, soon to be in energy

China—this nation's leaders fret about “image” and human rights protests as the Summer Olympic Games start in 10 weeks

Dollar—the national media would have you believe the dollar has been getting absolutely trashed in recent years. The reality? The trade-weighted value of the dollar is back to where it was in 1995 (source: FRB of Atlanta)

Europe—economic growth has slowed (tied in part to the strong euro which has dampened export demand), even as inflation pressures have risen (tied to oil). Not a favorable combination there or here

Fed (the) and Other Central Banks—many around the globe have been cutting their key interest rates in order to stimulate economic growth. The European Central Bank will face enormous pressure to follow. Many central banks continue to provide massive amounts of temporary funding to keep anxious financial markets operating

Global **G**rowth—slowing somewhat in 2008 after five years of impressive performance

Hunger—an estimated 40,000 people around the world starve to death every day...a major travesty. Can't we work together better to deal with *this* reality show?

India—we frequently hear stories of rising living standards for millions in this nation of more than one billion people. We hear fewer stories about the 500 million illiterates who live on less than \$2 a day

Japan—economic growth was stronger than expected during the first quarter as exports to emerging markets and across Asia boosted performance. Still, the Japanese keep a wary eye on China's rising influence in the Far East

Korea (North)—massive failure of this centrally controlled economy is without question. Meanwhile, **K**orea (South) enjoys solid economic growth

Liquidity—more and more global oil revenue will be invested into domestic and global commercial and investment banks. Why? With an extra \$7 billion per week going to oil rich nations, they gotta' put it somewhere

Mexico & **I**mmigration—the illegal immigration issue will share the stage with Iraq and health care as major issues in 2008's U.S. elections. Our Southern neighbor's economy is stable, but needs to grow faster to meet the needs of a rising population

Nighbor to the **N**orth—the Canadian economy has stalled in recent quarters with trade and manufacturing weak. Canadian dollar strength of recent years has hurt exports and tourism

Oil & **O**PEC—bubble stuff. I may end up miserably wrong (won't be the first time), but I expect a major decline in oil and other commodity prices at some point in the next 12 months

Protectionism—we keep hearing more and more about protectionist trade policies from Democrats...a very, very, very bad idea

Quagmires—as before, there never seems to be a shortage. Today's list still includes Afghanistan, the Middle East, Chechnya, Iraq, Sudan, and other parts of Africa. Who's next?

Russia—no-longer-president-but-still-running-the-show-thank-you-very-much Putin continues to strengthen his hand and punish his enemies. He could “officially” return as president in 2012

Social **S**afety Net—we have anxiety in this country about the future affordability of Social Security, Medicare, and Medicaid. The challenges are much greater in Japan and “old” Europe, where birth rates are extremely low and many populations are in decline

Taxes—more and more nations adopt “the Reagan model” of lower tax rates as a way to provide stronger economic growth and investment *incentives* in their economies. Democrats talk of raising many tax rates...lucky us

U.N.—wouldn't it be nice if the U.S. could just be one member of a more relevant, less corrupt, and more effective United Nations?

Volatility—pick any descriptor...political...economic...financial market

WWW—the world wide web continues to be both amazing...and cluttered with junk. Still, estimates suggest we have tapped about 10% of the potential of the Internet. Global companies will save in excess of \$1 trillion in operating costs during the next three years using it

Xports—one of the “keys” to success for global companies. Exports represent roughly 12% of the U.S. economy and are growing at a 15% annual rate...largely offsetting the weakness in housing

Young People (around the world)—facing a rising tax burden in coming decades to finance the retirement years of Baby Boomers (and Boomers' parents) if minor changes are not soon made

Zones (global trade) —we have traditionally talked of three major trading zones around the globe...Asia, Europe, and North America. Sky high oil prices could add one more (the Persian Gulf) to the list



“TEA”ser

You Know You Are Over The Hill When...

You start videotaping daytime game shows

You keep repeating yourself

Your arms are almost too short to read the newspaper

You keep repeating yourself



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