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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 November 5

Anxiety—in great abundance across the global community

Budget Deficits—at record levels as the U.S., the English, the Europeans, and governments around the world spend \$\$ like there's no tomorrow seeking to stabilize their respective economies and financial systems

China—don't look now, but the Chinese just announced their own \$586,000,000,000 economic stimulus package

Dollar—rising against the euro, the British pound, and various other currencies in recent months as their problems rival our own



Europeans—no doubt laughing at the U.S. earlier this year for the enormous mess we got ourselves into. No more jollies at our expense as Europe now deals with its own recession and financial market stress

Finance Ministers (and their U.S. Treasury Counterpart)—perhaps more critical than presidents/premiers/rulers at this point in time. Who's on the tube more than Paulson?

Global Economy—facing possible recession in '09. The U.S., Europe, and Japan are now in simultaneous recessions for the first time since following WWII

House of Cards (Financial)—excesses regarding exotic financial instruments, subprime loans, skyrocketing home prices across the U.S. and Europe, and a never-ending accumulation of debt by domestic and global consumers/corporations got us into this mess. The deleveraging of this house of cards is a painful and scary process

Interest Rates—moving lower around the world in an effort to stimulate economic growth. More cuts are coming in Europe and the U.K., with one more cut a possibility in the good ol' US of A

Japan—in recession again, following “the lost decade” of the 1990s. They just can't seem to get their act together

Korea (North)—massive failure of this centrally planned economy is without question. Meanwhile, Korea (South) has enjoyed solid long-term growth

Libor—(the London Interbank Offered Rate). A formerly nondescript global interest rate is now newsworthy in the U.S. as trillions of dollars of adjustable rate loans are tied to it

Media—in my view, simply making a bad situation worse. Constant negativity by the *Business Weeks*, the *Newsweeks*, and similar publications around the globe have raised fear levels higher and higher

News (as in Bad)—see **M**. “Bad news sells newspapers” has been pushed to a new art form during the past year. If your only source of info was *The New York Times*, you would never get out of bed in the morning

Oil—A moment of silence please for oil producers such as Venezuela and Iran, dealing with severe financial stress tied to the plunge in oil revenues. Then again, maybe not

Poverty (Global)—one in three global citizens lived on the equivalent of \$1 a day in 1993. Today, it is one in five. Progress, yes...acceptable, no

Quagmires—as before, there never seems to be a shortage. Today’s list still includes Afghanistan, Chechnya, Georgia, Iraq, the Sudan, and the Middle East

Russia—sky-high oil prices and strong oil production led standards of living higher for millions of citizens in recent years. The recent plunge in oil prices (and Russian stock values) has spoiled the party

Stocks—under pressure around the world. More pain is likely. However, if you buy the eventual global economic stabilization view, tremendous opportunities are (will soon be) available

Taxes—the President-elect has talked of raising income, capital gains, and dividend tax rates on the wealthy. Doing so in recession might not be a real good idea

Unemployment—rising around the world as thousands of U.S. and global companies trim payrolls

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

WWW—the World Wide Web continues to be both amazing...and cluttered with junk. Still, estimates suggest we have tapped only 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 few American economic stalwarts during the past year. However, a stronger dollar and global economic weakness will hurt

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

Zero Sum Game (which global trade is not)—any trade restrictions (protectionism) we impose on another nation are soon matched or exceeded by that nation. Democrats must be very careful



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