

## **1. As election approaches, pundits ponder state of nation's economy**

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As the November election approaches, voters and analysts make evaluations of various topics important to them to reach a critical personal choice: Who, or which party, is best suited to lead the country over the next four years by occupying the White House?

And while international relations play a large part of that reasoning process, concern about domestic issues -- from the economy to health care to crime and taxes -- also come into play.

With that in mind, the Delaware County Daily Times is taking a look at each of these national issues each Monday, seeing where we are as a country now compared to where we were four years ago.

Today, the economy gets appraised.

In the 1990s, the financial health of the country was robust. The stock market was bullish. Employment figures were high and the good times seemed like they might not ever end.

"2000 and the few years preceding it are years we are not going to repeat for a while," said Dr. William C. Dunkelberg, an economics professor at Temple University.

And, although the records kept hitting highs -- like the stock market close of 11,497 on Dec. 31, 1999 -- a turnaround was inevitable.

"The first half of 2000 was pretty good," Dunkelberg said, adding, "the economy really fell out of bed in the second half of the year. That led us into the so-called recession in March 2001."

Despite the downturn, not all of the economy is bad.

A look at housing appreciation and interest rates points to a strength in the market, although unemployment figures and a growing deficit show where work needs to be done.

In the last few years, the surge in the housing market has been astounding, according to Michael McGee, president/CEO of the Realtors Legislative Alliance, covering Chester, Delaware, Bucks and Montgomery counties.

"The last four years, the market's been incredibly hot," he said. "Values are going through the roof."

Houses that go on the market aren't there long, he said.

It's something both McGee and Paul Finley, president of the Home Builders Association of Chester and Delaware Counties, equate with an investing change.

"People are looking at their homes or their vacation homes as a more sound investment than the stock market," McGee said.

Finley agreed, saying, "The stock market has done O.K. but it hasn't had the run it did in the '90s."

The real-estate market has become more attractive, and accessible, Finley said, thanks to low interest rates, propelling housing starts to register at near-record levels.

"Low interest rates are clearly the foreground of why," he said.

Based on statistics provided by the Home Builders, new housing starts in Delaware County have actually dipped from 895 in 2000 to 718 in 2003, compared to slight change of 2,899 in 2000 to the 2,828 in 2003 in Chester County.

Officials say that difference has more to do with availability of land here than any slowdown in the economy.

"They're going through their boom and they're seeing what we saw 20, 30 years ago," Jeff Vermeulen, the local Home Builders executive vice president, said, adding, "The resale market in western Delaware County continues to do well."

Overall, Finley said, the market is OK, maybe even a little more enhanced than four years ago.

"I think things were good," he said of that time, adding, "I think things have improved. I think that things are doing better. Sometimes, we tend to look at the 'glass is half empty, not half full' scenario."

Dunkelberg agreed that generally, the economy is faring fine.

"We're doing pretty well," he said. "On average, the GDP (gross domestic product) growth will probably be better than 2000."

Yet, he added, there is room for improvement.

Consumer spending is a little less, just as investment spending has been growing, Dunkelberg said.

And other economic indicators, such as unemployment figures and the deficit, haven't shared the same vibrancy as interest rates.

"I'd like to have the employment numbers we had then," he said.

In August 2000, the national unemployment rate was 4.1 percent, marking the 29th consecutive month it was below 4.5 percent. At the same time, Delaware County's rate was 3.4 percent.

In August 2004, Delaware County had a 5.3-percent unemployment rate, equaling about 15,200 people out of 287,400 eligible without jobs. The national unemployment rate was 5.6 percent.

The professor said the deficit and government spending could also use a curtailing.

"It's the biggest deficit in modern times," Dunkelberg said, speaking of the \$422 billion projected to be spent this year alone that exceeds what revenues the government takes in.

In 2000, the government experienced a surplus.

That's separate from the national debt, which is a combination of all the deficits from each year throughout the country's history. This year, the debt is about \$7.3 trillion; four years ago, it was \$5.6 trillion.

Those numbers could become more dire, according to the nonpartisan Congressional Budget Office, if current spending levels remain the same.

Dunkelberg himself said recent governmental spending represents "the fastest increase in spending since LBJ."

