

Economics In Focus

I have made it a holiday tradition to write a "review and outlook" for the economy set to the verse of Clement Moore's classic, "A Visit from St. Nicholas." This, my 23rd composition, acknowledges a debt to Charles Dickens as well.

'Twas the Night Before Christmas

(A Review & Forecast)

by

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December 19, 2005

'Twas the night before Christmas, the hearth fire's blazing,
As into my lead crystal ball I sat gazing
Hoping to find the forecast I had been seeking.
I jumped with a start when the floor started creaking.

And from my globe of crystal I looked up to see
A Dickensian ghost creature staring at me.
I knew right away it was the ghost of the past,
Who diverted me from the unfinished forecast.

We went back to a time less than one year ago,
When fears 'bout inflation were just starting to grow.
The former Fed Chair had just relinquished the helm
Mister Bernanke now ruled the policy realm.


We saw the new Chairman, a scholar and teacher,
Stating the Fed's case like a most righteous preacher.
But to the markets does every word matter
Even those said in idle party-time chatter.

Like any rookie he did once or twice stumble
But quickly learned to be both cautious and humble.
And soon he had in place today's near-neutral stance
Believing inflation would slow if given the chance.

When that apparition without a trace disappeared
The Present-day spirit in his place next appeared.
He said that the data -- both the weak and the strong
Would show why investors are so happily long.

Profits are soaring, the job market is healthy
It is a world where everyone hopes to get wealthy.
We looked at the facts but on none did we linger
Then the ghost left with just a flick of his finger.





Then did appear in a robe wholly enshrouded
A ghost who said he'd show an outlook unclouded.
I felt most relieved that we have little to dread,
In this forecast laid out for the year just ahead.

Consumers, with income and wealth, surely will spend
So that means the expansion is not near an end.
Business will spend on new plants and equipments
Generating lots of capital goods shipments.


Exports should finally win the trade balance race
With oil prices stable, imports will not keep pace.
Though growth overall doesn't quite meet its longer term norm
It's strong enough for still larger profits to form.

This future too showed that price pressures would cool
And the Fed would invoke soon the John Taylor rule.
'Cause when inflation's no longer a source of diversion,
The Fed can take heed of the yield curve inversion.

While this future is bright and ever so cheerful
The ghost of tomorrow warned of matters more fearful.
Among other risks of which he made me aware
Was the chance that oil prices might up again flare.

But topping his risk list that was blessedly short
A weak house market could the expansion abort
If housing's so-called "substantial correction"
Pulled other sectors in a downward direction.

Then with the sun rising this last ghost slipped away
And I woke to the dawn of a new Christmas day
Cheered by the visions revealed through this night
I wish your future too will be rosy and bright.



Happy Holidays and Best Wishes for the New Year!



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