

## THE DISMAL STATE OF AFFAIRS

### WEB BUZZ 2010.12.13

Consider these numbers for the past decade, stated in millions of 2005 dollars:

<u>Year</u>	<u>GDP</u>	<u>Gov't Spending</u>	<u>Net GDP</u>
2001	\$11,371.3	\$2,056.4	\$9,314.9
2002	11,538.9	2,186.6	9,350.2
2003	11,738.7	2,303.3	9,435.4
2004	12,213.8	2,377.7	9,836.1
2005	12,587.5	2,486.0	10,101.5
2006	12,962.5	2,578.5	10,384.0
2007	13,194.1	2,570.1	10,624.0
2008	13,359.0	2,753.3	10,605.7
2009	12,810.0	3,210.8	9,599.2
2010	13,191.5	3,470.0	9,721.5

Adapted from Strategic Investment

As noted above, Real GDP has advanced 16% over this period, government spending has advanced 69%, and the net of the two, which basically represents the private economy, has advanced 4%. 4% over nine years. How is that private sector working out for you?

The above is the bad news. The good news is that we believe the welfare state of the last 70 years or so is probably coming to a close. For the first time in our memory the general public is catching on to the difference between investment (job creation) and consumption (maintains the status quo). Europe is the classic result of such and its debt problems and riots are giving us a view of our future just a very few years ahead unless we change course. After two years of "recovery," the GDP of 2008 has still not been equaled. The net GDP after government spending topped out in 2007. This, of course, cannot go on forever. The private sector, after all, pays for the public sector.

We certainly hope that we are not being pollyannish about all of this. If we are right, GDP growth will be weak and if we are wrong, GDP growth will be weak. However, in the first instance, the future will be bright. In the second instance, just the opposite.