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## **The Journalist's Recession**

Looking beyond the media smokescreen.

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by Neal Frankle, CFP

Something fascinating happened to me the other day.

A journalist contacted me and asked me to comment on the current recession. I explained that I wasn't sure if I could, because I wasn't entirely convinced our economy had entered a recession. I explained further that even if we **were** technically in a recession, it didn't necessarily mean doom and gloom.

While I admit the sudden increase in oil and food prices have been a shock to many people, it doesn't mean our economy is all washed up.

What part of our conversation do you think the journalist published? Right! The negative? The only thing she wrote about was how bad things were and she used my quote about the sudden increase in oil and food prices as her proof.

I wasn't angry about being misrepresented. That sometimes happens. But I just started wondering if most "news" articles are twisted in a similar way.

I bring this up because I think it's important to look at the facts when we try to determine the overall health of the economy rather than be swayed by journalists who obviously have their own agenda.

### **Just the Facts**

Certainly, the economy has seen better days. Home sales have fallen off a cliff — down 42 percent in April from the previous year. This is the biggest yearly drop in the number of home sold since 1981. Nationwide, home prices are down 21 percent as well.

Of course, I don't need to tell you what has been happening to the price of oil. The price has breached \$130 a barrel. This alone is a strong enough force that could bring us into a recession

— it just hasn't yet.

If that weren't enough, consumer confidence is weak and mortgage defaults are rising. Taken altogether, it's no wonder that two out of three Americans believe a recession is looming. Nine out of 10 think things are going to get worse.

### More Facts to Consider

Gross Domestic Product increased 2.5 percent last year. Thanks to a weaker dollar, our factories (except for automobile manufacturing) are busy. Believe it or not, we are actually in an export boom. Despite the overall slowing, our industrial output is still up 1.3 percent so far this year. This is not the sign of disaster.

When we talk about jobs, it's true that we've lost quite a few this year — 220,000 so far. But the losses may be turning around. For example, in April experts expected nearly 80,000 jobs to be lost but only 20,000 jobs were actually cut. And year over year, employment is rising. This is important because we've never had a recession when jobs rise.

I admit that unemployment is up to 5.5 percent, but it's just a bit above the 5.4 percent average of the last 20 years.

And some of the most troubled parts of our economy are showing strength. New-home sales actually rose last month (even though they are sharply off from a year ago) and core inflation is still two percent.

Disposable income — what you keep after taxes — grew at 1.6 percent and the stock market looks like it hit a bottom two months ago. Of course, the jury is always out on that.

### What's Next?

Now please don't misunderstand me. Many people are struggling in our economy for good reason. We do face difficult challenges. But the reality is that our economy is still in an expansion now, even though it is a weak expansion. But we are not in recession and certainly not in a depression as the journalist who quoted me indicated. Later this year, the tax rebates and low interest rates could do a great deal of good to kick-start the economy. Of course, the economy could slip into a recession and the market could weaken. But it's important to rely on facts rather than speculation and opinions. As difficult as it may be, it's important to take an objective view of our economy and markets when making investment decisions. I'm not sure that mainstream media helps anybody do that. When your clients call to ask about how "terrible" the economy is, you will be doing them a favor by reminding them of these facts.

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**Neal Frankle**, CFP, is the author of *Why Smart People Lose a Fortune: 5 Steps to Restoring Your Wealth and Sanity*. He helps affluent clients establish and implement a safety-net strategy to protect their wealth. He also helps other professionals, such as CPAs, do the same for their clients. If you would like a free monthly e-newsletter (written especially for CPAs to use with their clients so they make better investments) please e-mail [Neal](#).

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