

COMMENTARY

Gary London >> COMMENTARY

Long Time Needed to Right the Economic Ship



Witnessing the strident debate over health care reform initially caught me by surprise. While a major issue for our nation, it's hardly the kind of issue that normally would give rise to rhetoric about "death panels," socialism and even cartoons depicting President Obama with a Nazi swastika.

To be sure, this is a contentious issue, evidenced by 40 years of trying to fine-tune the health care delivery system, yet never succeeding.

But why the angst? I think that the answer is that this is a "proxy" debate. It has less to do with health care and more to do with how people feel about their overall economic security and way of life.

Markers

There are three basic "markers" by which people measure their sense of well-being: employment, savings and health care.

Less than one year ago, our nation was positioned on the brink of a generational economic disaster. Even though we appear to have clawed away from that brink, the general feeling of malaise remains.

Despite the recent stock market run, retirement savings are down. And home values have plummeted.

While I have long argued in this column that these plummeting values are illusory unless you need to sell — they will come back — there's no doubt that people translate the home value decline into a perceived lack of liquidity in an asset already famously complicated to liquidate.

Add to this the utter breakdown of the financial market such that many can't keep their credit, let alone refinance a home or qualify for a line of credit, most do not have access to cash at the very moment they most need it. Even if there's still equity in your home, it is "phantom" because it cannot be

Americans are starting to feel like they are living in a Third World country. Our government, our economic machine, major aspects of our social contract — none of it seems to be delivering for so many people.

collateralized for credit.

This is compounded by a generational high unemployment rate across the nation. The near double-digit national rate has rendered people worried, exhausted, scared and angry.

Touchstone Issue

This thinking factors mightily in how people are acting out right now on other issues. But health care is not just another issue. It has become the "touchstone" issue. While a popular president has decided that now is the time to muscle his considerable political resources to tackle one of the biggest issues of our generation, perhaps his administration has underestimated the climatic conditions this nation is in.

Americans are starting to feel like they are living in a Third World country. Our government, our economic machine, major aspects of our social contract — none of it seems to be delivering for so many people.

We are not feeling like the globe's pre-eminent "First World" country. Our local and state government is broke. Our educational system is broke.

There is a silver lining. The economic news is getting better. At the moment, the proof of this is that the bad news is considered "good" if it isn't as bad as before.

That is where we are:

- Home building is up, if only up from the deep abyss of virtually no starts a year ago.
- Home values may be stabilizing, even if they are way down at the moment.

• Unemployment is still rising, but not as fast.

• The government bailout money seems to be having some impact.

• Stocks and other equities seem to be stabilizing, even though they are not yet back to the level of one year ago.

Inflection Point

It may soon feel like we are in recovery. Before this begins to sound too Pollyannaish, let me warn that I don't believe this will be a quick turnaround. This is a big aircraft carrier of an economy, which will take 10 miles to turn around.

This recovery will be measured in years. The economy has turned down in the last four years, even though we have only officially been in recession for two.

Just last week we heard about a major commercial real estate investment trust turning 20 percent of its commercial portfolio back to its lenders.

Many of these same lenders may be the targets of government takeover as the Federal Deposit Insurance Corp. has apparently now geared up for record bank takeovers in the next year.

Perhaps we are at an inflection point, that magical moment when so many confusing signs start to actually create dramatic change.

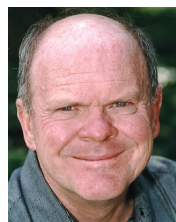
One sign is when the level of angst rises highest — a sensation that's clearly being expressed in the health care debate — a breakthrough moment may be at hand. It's entirely possible that we will get some kind of health care reform that is formed in the middle of the debate and actually beneficial without all of the scary stuff.

This nation may now be poised for recovery. The aircraft carrier may be beginning its long turnaround.

Gary H. London is president of The London Group Realty Advisors, which provides real estate consulting and economic analysis. Check him out on the Web at londongroup.com.

Tom York >> EDITOR'S NOTEBOOK

Las Vegas Business Recruitment Ad Stirs the Pot



Yes, the cash for clunkers program is a big success. But who pays? Well, the answer is obvious. We pay.

Washington now owns more than 50 percent of GM, so when the government pays \$4,500 for a

clunker, that money comes out of our pocket in the form of tax dollars.

To be sure, Ford and the foreign automakers and dealers benefit, too. But should we be using tax dollars to boost the bottom line?

Of course, the connection between what the government brings in in taxes and what it spends is now disconnected.

The Treasury Department just prints the dollars it needs, and deposits IOUs in a vault somewhere, or sells the debt to the Chinese.

We don't really have to repay those tax dollars. Or do we?

Obviously, one can make an argument that the clunker program benefits the environment, as well as the economy.

It replaces gas guzzlers with high-mileage new cars, which has a positive impact on the air, not to mention the monthly trade balance — we'll need a bit less imported oil.

And our local dealers are greatly benefiting. So it's all for a good cause. But is this really free enterprise?

Meanwhile, have you heard about the flap over display ads from the Nevada Development Authority touting Las Vegas as the ideal location for struggling Southern California businesses to relocate?

Lipstick Smear

One ad features a prominent red lipstick smear and a headline that reads: "Keep Your Business In California And Kiss Your Assets Goodbye," with the tag line: "When you're ready to ... start making a profit again, give us a call."

Several media outlets in the region rejected the ads and related television commercials, one of which appears on Page 3 in the Aug. 10 issue of the Business Journal.

What's interesting is that state and regional economic development agencies from as far away as Michigan were also heavily advertising a few years ago during the boom in this and other publications and media outlets. Not much was said about it at the time.

After all, we have agencies here reaching out to businesses in other cities and states.

Yes, it works both ways. Businesses here

are free to pick up and move to competing cities in the West, where operating costs (including taxes) are lower. And businesses elsewhere are free to move here, which they do with some frequency.

Nevertheless, with the steep drop in economic activity, everyone's getting a little bit more concerned about retaining — as well as attracting — business. How ironic. Or shall I say, how hypocritical?

Why weren't we concerned three years ago, or more recently when we boosted old taxes and added new ones, and basically increased the burden of business at a time when many businesses are at a breaking point?

We've deliberately worsened the climate. So, in Las Vegas, it looks like easy pickins. *Tom York is editor of the Business Journal.*

Business Journal Seeking Commentaries, OpEds

The San Diego Business Journal is seeking authors interested in writing exclusive commentaries and OpEds of regional economic, political and social importance, as well as national and international issues, as long as they have direct connections with the area's business community. Please contact Editor Tom York at tyork@sdbj.com.

SAN DIEGO BUSINESS JOURNAL

Armon Mills • amills@sdbj.com
President & Publisher

Reo Carr • rcarr@sdbj.com
Associate Publisher

EDITORIAL

Editor

Tom York • tyork@sdbj.com

Managing Editor

Brad Sondak • bsondak@sdbj.com

Asst. Managing Editor

Julie Gallant • jgallant@sdbj.com

SENIOR REPORTERS

Mike Allen • mallen@sdbj.com
Finance, Int'l Business, Port, Public Companies, Sports Business

Connie Lewis • clewis@sdbj.com
Construction, Hospitality, Real Estate, Retail, Tourism

REPORTERS

Heather Chambers • hchambers@sdbj.com
Agriculture, Biotech, Law, Health Care

Brad Graves • bradg@sdbj.com
Indian Gaming, Web Editor

Kevin Black • kblack@sdbj.com
Research Director

Andrew Schweizer • aschweizer@sdbj.com
Research Assistant

Molly Pappas • mpappas@sdbj.com
Newsroom Assistant

Photographers

Melissa Jacobs
Stephen Whalen

ADVERTISING

Vice President of Advertising

Karen Mullen • kmullen@sdbj.com

Sales Manager

Dale Ganzow • dganzow@sdbj.com

Sales Development Manager

Jim LaMarca • jlamarca@sdbj.com

Internet/National Advertising Manager

Trina Mills • tmills@sdbj.com

Sales Administrator

Kathi McArthur • kmcArthur@sdbj.com

Account Executives

Lisa Elrod • lelrod@sdbj.com

Erin Mullooly • emullooly@sdbj.com

Lauren Rubinstein • lrubinstein@sdbj.com

Events Manager

Sara Brown • sbrown@sdbj.com

Events Administrator

April Edelston • aedelston@sdbj.com

Supplements Editor

Tara Sharp • tsharp@sdbj.com

Production Artist/Photographer

Michael S. Domine • mdomine@sdbj.com

ART DEPARTMENT

Director of Production

Darlene Allain • dallain@sdbj.com

Pagination

Marta Klass • martak@sdbj.com

CIRCULATION

Director of Circulation & Marketing

Linda Olander • lolander@sdbj.com

Director of Circulation Sales

Lawanda Ashworth • lashworth@sdbj.com

Circulation Assistant

Casimira Lavala-Martinez • clavala@sdbj.com

ADMINISTRATION

Controller

Mark J. Misiano • mmisiano@sdbj.com

Executive Assistant

Cindi Tyburski • ctyburski@sdbj.com

Receptionist

Dorothy Blanchard • dblanchard@sdbj.com

4909 Murphy Canyon Road, Suite 200
San Diego, CA 92123
(858) 277-6359
Fax (858) 277-2149
E-mail: sdbj@sdbj.com
Web site: www.sdbj.com

