

Real Estate and The Future by Al!
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December 2003

The year was 1993 and Wayne Wedin, then chair of the program committee for the Orange County Chapter of Lambda Alpha, asked Al to give the chapter a poignant, hard hitting, talk on the economy, and if he didn't know what to say, then Wayne said to "just make it up!"

Ten years ago the economy was in the tank. The main economic and political problems were education, law enforcement, budget deficits and health care. These problems manifested in high taxes, over concentration of power in the hands of government at too high a level and unfavorable regulatory environment. Effective tools to solve the problems and to mobilize the market system were stated by Dr. Gobar as follows:

- 1) Legalize drugs: it would allow law enforcement to go after the real criminals(!) and by taxation, the money generated could go to the schools. It may even help with the current budget deficits.
- 2) Encourage development of casinos in Barstow: Dr. Gobar pointed out that while development of this type has not started in Barstow, they have sprung up all over the state.
- 3) Raise fee's on old cars: They are polluters and it would get the old cars off the highway and get people onto the public transportation that we really didn't need. It would also clear up congestion and pollution. What actually happened was that the fees on all cars were actually reduced. Dr. Gobar said that he reconsidered his position on this issue after receiving his bills for his "old" cars, and is happy now that the fees have been reduced!
- 4) Other suggestions were to allow the write off of capital expenditures in the year they are occurred to encourage investment; to eliminate tax on dividends and interest.

The tax rate has been reduced from 38% to 15%, but there is no deed to eliminate taxes on interest because with interest rates so low, the interest income generated is so small that the tax rate doesn't much matter!

His forecast is for a vibrant economy through next year. More employees work for small companies than large ones. He foresees no housing bubble. New home prices are increasing at a slower rate than resale housing. With low interest rates and high economic stimulus from Washington there is no reason to be afraid of a bursting bubble. There can be economic growth without hiring a lot of people because of productivity increases. One reason for this is that small businesses are growing rapidly.

The unemployment rate. Economists used to say that at 6.0% unemployment the economy was at full employment because the 6.0% that were unemployed were actually unemployable. In relation to the rest of the world our unemployment rate is low. Some examples that were cited were Japan, 5.1%, Denmark, 6.3%, France, 9.7%, Germany 10.5% and Belgium, 13.2%.

Due to innovation, manufacturing jobs are disappearing all over the world. To show the impact that innovation has on the workforce, he cited an article that looked at the number of workers working for the telephone company per million phone calls per day 30 years ago. If the ratio held true to today, the entire workforce would be working for the telephone company.

A question for the audience asked "if you were governor, what would you do with the state budget? The response was to make cuts and tuff it out. He wouldn't rely on economic growth to bail us out. Another question was posed about housing prices, and what he sees in the future. His suggestions were to lock in a low 30 year fixed rate loan. As for housing prices and interest rates 17% of all orange county home owners do not have mortgages, hence housing prices or interest rate changes do not interest them! He stated that when banks take control of real estate then prices fall, otherwise hope springs eternal with homeowners and developers!