

Date - November 30, 2012

"Thought I'd send a greeting and ask a question . . . do you think we are perched on a fiscal cliff, or just waiting for the sky to fall?"

Marky

ANSWER:

Not to worry, Marky. the underlying numbers look much better than the "BS" that is going on in Washington. My sense is that even if there is no immediate legislation and the fiscal cliff goes into effect, the economy is strong enough to continue to grow rather than follow the models that say there will be a recession.

Pretty good examples of what I am referring to are the numbers that came out in the 11/29 release of 3rd Quarter GDP revisions. However, these results are more directly related to the energy that is building in the underlying economy - specifically, the growth in the monetary aggregates while the Fed is sitting in limbo. The private sector is investing and reinvesting in our economy.

3rd Quarter GDP revisions:

Gross national product -

Real gross national product - the goods and services produced by the labor and property supplied by U.S. residents - increased 2.7 percent in the third quarter, compared with an increase of 2.1 percent in the second. GNP includes and GDP excludes, net receipts of income from the rest of the world, which increased \$1.3 billion in the third quarter after increasing \$27.4 billion in the second; in the third quarter, receipts decreased \$1.6 billion and payments decreased \$2.8 billion.

Current-dollar GDP –

Current-dollar GDP - the market value of the nation's output of goods and services - increased 5.5 percent, or \$211.8 billion, in the third quarter, to a level of \$15,797.4 billion. In the second quarter, current-dollar GDP increased 2.8 percent, or \$107.3 billion.

Gross domestic income -

Real gross domestic income (GDI), which measures the output of the economy as the costs incurred and the incomes earned in the production of GDP, increased 1.7 percent in the third quarter, in contrast to a decrease of 0.7 (revised) percent in the second. For a given quarter, the estimates of GDP and GDI may differ for a variety of reasons, including the incorporation of largely independent source data. However, over longer time spans, the estimates of GDP and GDI tend to follow similar patterns of change.

Dick