

Boom or Bust

From July Cape Cod Times

Many of the established business people around today went through the up and down of the late 80's / early 90's boom / bust cycle. Now that they see a boom, they assume a bust is coming. One must follow the other, right ?

After all, the signs are all there - the low savings rate, high credit card debt, expanding consumer confidence...

It's a very interesting time. People seem to have cast aside the notion that business won't always be so strong. Boat sales are a good example - 60 percent of new boats are selling to first time boaters. Homes are being built, upgraded and re-furnished at a rate that has completely absorbed the entire work force of tradesmen. You probably couldn't get your kitchen replaced within 9 months if your life depended on it.

Along came the government and put on the brakes and lo and behold the indicators slowed enough to allow confidence to remain strong.

Confidence even survived the death of the weakest dot coms who were flying high with vaporware products and yet-to-come profits.

So what's happening is absolutely confounding a lot of people. They truly believe that the big bust is right around the corner. They are even stockpiling cash in order to buy property cheap again, like they did in the early 90's. After all, we had a boom so what comes next, right ? It's like the hands of the clock struck Noon but the bells didn't toll.

Some say this boom is different, that it won't run out of steam. They say this is a normal economy and that the days of the swinging pendulum are over. We all like the sound of that and that's the problem.

All it takes to turn overconfidence into 1991 like gloom and doom is one big, bad news event. We are so highly attuned to the daily flow of the news that half the time News Faces and Headline Writers are steering our wheels for us. One hears all about the booming economy and one feels good going ahead to buy more. One reads about the booming economy and one wants to keep up appearances so one buys more.

But all it would take is a few "important" voices to speak negatively in a few books or a few talk shows and then a well publicized financial disaster to turn it around. Confidence is fragile and fickle.

And there are those who are preparing for a downturn. They are laying in wait for it because they have laid up capital to invest in stocks or real estate and remember the last bust which was really a transferal of wealth from the middle to the rich. The people with cash get richer in the downturns.

They are just waiting for Microsoft to drop to 35 or the FDIC and the RTC to come back and sell big buildings for cheap. They are convinced it will happen all over again. Any day now.

Are they going to be proven right or will they wait in vain ? Watch the headlines. Listen to the News Faces.