



## **Hussein's Capture Caps a Great Week for the Economy**

December 17, 2003

The capture of Saddam Hussein caps a great week for the U.S. economy. Stocks rallied in Europe and in Asia on the news, and the dollar recovered a bit from its record low against the Euro. Oil prices fell sharply by 2.5 percent, dropping below \$30 a barrel. Tellingly, the price of gold also dropped by almost 2 percent, and gold is a traditional safe haven during times of uncertainty.

Hussein's capture without a shot was a most humiliating end to his tragic rule, and ultimately it will diminish resistance to the U.S. occupation and enhance the prospects for an Iraqi democracy. In the near term it will boost confidence around the world, particularly for NGO's and firms doing business in Iraq.

The economy has had a great run. Last week the Federal reserve's open market committee voted to leave interest rates unchanged, which was not a surprise. What was surprising was that the Fed left in place its pronouncement that "policy accommodation can be maintained for a considerable period." Given the accumulating strength of the recovery, I expected the Fed to warn that it will soon raise rates, but not yet. This is because the Fed still sees no risk of inflation. So rates are likely to remain low at least through the spring.

Indeed, inflation is not a problem, based on the data from the producer price index. Producer prices retraced October's large gains, and the November report documented a loss. Despite some gains in crude oil prices in October and November, there is little sign that these pressures are translating into increases in consumer prices. In addition, retail sales rebounded strongly in November, rising 9/10<sup>th</sup> of a percent, and the revised data now show that the retrenchments in September and October were far less than originally reported.

Even the recent drop in the dollar is a two-edged sword. While it is true that this drop will boost the price of all imported goods, including oil prices, it also makes

U.S. products much more competitive on world markets. The exceptions are some Asian countries, especially China, which peg their currencies against the dollar. But at least at current levels the cheaper dollar is a good thing.

So it was a great week for the U.S. economy, and this will translate into further gains for Florida this winter season.

This is Hank Fishkind for 90.7 FM, WMFE news.

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