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THE CONSUMER-IN-CHIEF

President Obama challenged his fellow statesmen at the G-20 by stating that the world could no longer depend on the buying habits of the American consumer to drive the global economy. It was a boast as well as a warning. President Sarkozy was so moved that upon his return to France, he declared the death of "Anglo-Saxon Capitalism". Two days later, Floyd Norris' column in *The New York Times* cited Federal Reserve data noting that household leverage in the US is falling. While the decline as a per cent of GDP is modest, it suggests that a change in habits may be the motivating force, not the absence of credit.

The dramatic increase in savings rates from negligible to about 5% of disposable income confirms the altered psychology of the US consumer. For critics of American culture, including the President, such a reversal is heartening. Americans are becoming responsible, abandoning their spendthrift ways, reducing debt and providing savings to fund investments America needs or, at least, help fund the over trillion dollar budget deficit.

While this trend to saving should be applauded, we don't view this data as favorably as others. As a result, we have some advice for the President.

1. While you castigate "consumerism", remember the success of your policies to reignite the economy depends on the resurgence of consumer spending. Seventy percent of the GDP comes from consumer spending. Given the multiplier effect, a dollar of consumption translates into a lot more than a dollar of stimulus.

Despite the ebullience of the stock market, retailers stare at a bleak future. Retail employment is 25% of the US workforce. Since March 2008, retail unemployment has risen by 825,000 to over 1.6 million. Compare this misery to the domestic automobile industry where a special task force is focused and unemployment has risen by 272,000, or financial activities which includes finance, insurance and real estate, where the increase is 316,000.

2. Be more positive about consumer spending. Cars aren't the only product your Administration should be promoting. Retail spending should also be encouraged. You can change America's agenda without picking on consumption.

Indeed, on the contrary; without a resurgence in spending not only won't our economy improve, neither will the G-20. For example, China, over the longer term, may be worried about the dollar as a reserve currency but the hundreds of closed Chinese factories and rising unemployment are a direct result of the plunge in US consumption.

3. Follow your wife's example. The Country would be well served if you and your family went on a shopping trip to a mall. The First Lady, frankly, is doing as much for the economy as some of your programs. She was a big hit in Strasbourg, standing toe to toe with fashionable Carla Bruni Sarkozy. The J. Crew outfits for your children, her comments about missing the ability to shop at Target and her regard for fashion are positive notes for your Administration. You are finding, as President Kennedy did, that a chic wife with good tailoring is a big help.

Trillions of dollars spent to prop up our credit system and more billions to aid the car industry will help America. But the effects of Government spending will be transient unless these funds rekindle consumer spending. Try being the Consumer-In-Chief for a day!

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