



Written by [Bob Adelman](#) on January 31, 2018

Americans Expect Booming Economy to Continue, Says Conference Board

The Conference Board's January survey of consumer confidence [came in at 125.4](#), beating December's number and outperforming predictions of economic forecasters. Additionally, December's number had to be revised upward as the original index of 122.1 understated consumer confidence that month as well.

As a measure of the strength of the economy, the Conference Board, which has been conducting similar surveys since it was founded in 1916, established its "baseline" for its consumer confidence index at 100 in 1985. Put another way, January's survey of 5,000 households showed a confidence far above that in 1985, the first year of President Ronald Reagan's second term, when the economy was well into recovery from the previous recession.

Another of the Board's surveys — that which measures consumers' future expectations — saw its score jump from 100.8 in December to 105.5 in January. In addition, the percentage of those polled saying that jobs were "plentiful" in January rose to the highest level seen in 17 years.

{modulepos inner_text_ad}

The Board's surveys were confirmed by numbers coming out of the Commerce Department that showed consumer spending (real dollars, not just feelings) expanding at an annual rate of 3.8 percent during the fourth quarter of 2017, when tax reform was nothing more than a political conversation.

The fact that much of the spending came in advance of salary increases or bonuses announced in January set off alarm bells among those looking for reasons to be bearish about the future of the economy. While spending was up 3.8 percent in the last quarter, consumers' savings rate dropped to 2.4 percent, a level not seen since September 2005. The implication, of course, is that consumers are getting ahead of themselves, setting themselves up for a fall if the economy stumbles.

Others are more sanguine, pointing out that many households were able to defer income from 2017 into 2018 to take advantage of tax reform's lower rates, while other households increased their year-end spending in anticipation of the expected salary increases and bonuses. As Stephen Stanley, chief economist at Amherst Pierpont Securities, which specializes in investment-grade bonds exclusively, said, "If the savings rate is still down in the 2%'s by mid-2018, then you can begin to worry, but any anxiety over this now will almost certainly prove to be misplaced."

Others looking for reasons to worry are focusing on household debt levels but they also aren't seeing much. Those debt levels aren't much higher now than they were in the middle of the mid-2000s boom.





Written by [Bob Adelman](#) on January 31, 2018

And low interest rates are making it easier for those households to service those debts.

Those worrying about the national debt, currently at \$20.6 trillion, are pointing to the federal deficit, which last year added \$666 billion to that debt. Others, pointing to the accelerating economy, the salary increases and bonuses that are already improving the financial condition of more than three million U.S. workers, and the repatriation of billions of dollars in profits currently held overseas, are doing the math. Apple, for instance, just paid \$38 billion into the U.S. treasury as it “re-shored” nearly \$250 billion. But that leaves more than \$2 trillion abroad that could potentially be repatriated, with additional revenues into the treasury that would dwarf that of Apple’s.

In the meantime, homeowners are enjoying “paper profits” on their homes, giving them increasing confidence about their financial futures. Economists call consumer spending driven by that confidence the “wealth effect” — or, more colloquially: “if you got it, spend it!” And those paper profits are enormous. The combined U.S. household net worth at the start of the Obama years was \$56 trillion. By September 30, 2017, that number had jumped a breathtaking 73 percent to nearly \$100 trillion. What’s notable is that few of those households are turning those paper profits into ATMs (through home equity loans), as they did during the housing boom leading up the Great Recession.

And then there’s the stock market. The Standard & Poor’s 500 Index — which measures the price performance of the stocks of 500 of America’s largest companies — has gone more than 400 days without so much as a five-percent pullback. This is the longest streak going all the way back to 1929. And the selloff earlier this week was reversed on Wednesday following the president’s State of the Union address, during which he reminded citizens of what has been accomplished during just his first year in office.

If there is one warning sign to watch, it is this: The average return of that S&P 500 index is 7.5 percent a year. Through the end of January it is up nearly five percent. If that continues through 2018, the index would be up 60 percent, mathematically possible, but historically off the charts.

An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at [LightFromTheRight.com](#), primarily on economics and politics. He can be reached at badelman@thenewamerican.com.



Subscribe to the New American

Get exclusive digital access to the most informative, non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



What's Included?

- 24 Issues Per Year
- Optional Print Edition
- Digital Edition Access
- Exclusive Subscriber Content
- Audio provided for all articles
- Unlimited access to past issues
- Coming Soon! Ad FREE
- 60-Day money back guarantee!
- Cancel anytime.

Subscribe