Numbers Crunching at The Union League

JLL Leadership: Michael McCurdy, Philadelphia Market Director; Roger Staubach, Executive Chairman; Peter Roberts, CEO Americas; and Ron Cariola, Managing Director.

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It was a scrambling of numbers and good humor recently at the Union League when well over a hundred people gathered for the "2011 Philadelphia Market Forecast."

The opening bell sounded at the crack of dawn (or 7 a.m.) when attendees munched on fruit, yogurt, coffee and carbs. This was networking time, before the various panels of experts cast their sights on the future of the U.S. and global economy. Sponsored by the Philadelphia Market of Jones Lang LaSalle, the session began with comments by JLLS's Michael McCurdy, and then relaxed into sports casual mode with JLLS's Executive Chairman, ex-football great Roger Staubach.

Data began to flow when JLLS CEO Peter Roberts said that global recovery will start from the east and flow westward. "In the United States, it will move inward from the coast, while Asia Pacific countries will lead the way in terms of high growth." Roberts sees credit tightening in India and China. "This year we will see the peak of new construction in Asia Pacific although vacancies will inch up."

In Europe he predicted slow growth, with Spain and Italy in the very low categories while he saw Eastern Europe as "growing strong." In the United States, he sees two recoveries, a 10 percent growth of the GDP in the next 4 years while in the real estate market there will be a definite vacancy decrease in 2011. Unfortunately, Philadelphia will go through a slower recovery than other U.S. markets, despite the numbers of seemingly healthy health care agencies in the city. "These have no big effect on the bigger market in Philadelphia," he said.

Mr. Roberts does see an office vacancy reduction in the city in the upcoming quarters. "It's a much happier picture than 15 months ago. We really can see the general effects of economic recovery in the United States."

Richard Weiss of American Century Investments avoided a dry recitation of numbers by periodically slipping into SNL-mode. He indicated that in a nation of high unemployment, when consumers are not buying and companies not hiring, that investing in the stock market is about as smart as going to the corner newsstand and buying a lottery ticket. He might as well have called the stock market a ponzi scheme.

Economic solutions, of course, depend largely on whom you talk to. While it would have been interesting to have Michael Moore on the panel, a week before the panel Mr. Moore did in fact tell Amy Goodman on Democracy Now that "America is not broke. Contrary to what those in power would like you to believe, so that you’ll give up your pension, cut your wages, and settle for the life your great-grandparents had, America is not broke. Not by a long shot. The country is awash in wealth and cash."

So where’s the money? "It’s not in your hands," Mr. Moore continued. "It has been transferred, in the greatest heist in history, from the workers and consumers to the banks and the portfolios of the uber-rich."

Mr. Moore pointed out that just 400 Americans have more wealth than half of all Americans combined. "Four hundred obscenely wealthy individuals, 400 little Mubaraks, most of whom benefited in some way from the multi-trillion-dollar taxpayer bailout of 2008, now have more cash, stock and property than the assets of 155 million Americans combined."

It’s doubtful whether Mr. Moore’s comments would have gone over well at the Union League, although Hahnemann University Hospital’s CEO Michael Halter’s comments surprised me. A not-so-bad humorist himself, Mr. Halter, who followed Mr. Weiss at the podium, began by acknowledging Mr. Weiss’s penchant for comedy with, "I don’t know where he’s getting his marijuana, but it must be on the black market."

Mr. Halter, in serious mode, reminded the audience that the nation’s health care reform changed to health insurance reform when the insurance industry refused to support the former. He explained that with the new system those who currently do not have health insurance will be required by law to purchase health insurance through a state exchange. Mr. Halter asked, "But how do you set up these health exchanges? It will be entertaining as we go forward to see how this operates."

The underlying message here, of course, is this: If you don’t buy any kind of health care insurance, the government is going to penalize you. That would happen through a tax penalty provision, although Mr. Halter maintained that it is "illegal to tax someone for not getting health insurance."

But how can someone get health insurance if existing insurance rates are still too expensive for the working poor?

It’s almost like asking people on long term unemployment to go out and find a job. While that may be impossible because there are no jobs, long spells of unemployment often lead people to lose hope. "They lose their connection to the labor market," writes Wharton public policy professor Justin Wolfers. "When the growth returns, those people really aren't job-ready and so they're left out of the recovery."

In 2010, 4.4 million people nationwide were out of work for a year or more, something that Mr. Wolfers sees as potentially causing the unemployed to "suffer the stigma of sitting around because they don't really want to work."

Like the uninsured, who may never purchase insurance because of the option to use the ER as their primary care physician, the long-term unemployed may, at least by default, opt to withdraw from their work force. "If you are subsidized to stay out of the workplace, many people will," says Alan Reynolds of the Cato Institute.

If I were to solicit opinions outside the Union League about the 2011 market forecast, I might hear comments like, "GDP results don't mean much to the average worker," or "Why isn't anyone talking about the number of jobs that this country still continues to outsource to other countries?" Or even: "Who really trusts these guys anyway? None of them saw the current situation coming. They are all fools. Send your kids to school to study a real science like physics and biology. Don't let your kids become economists." (With apologies to Mr. Weiss, of course).

One can always go back to Mr. Moore, who maintains that the few who have the most money don't want to pay their fair share of the taxes.

The very "un-Union League," Mr. Moore continued:

"They'd rather invest it in a gambling casino known as Wall Street, betting for or against the stock market or against your home mortgage. And the entire population suffers, because that wealth has been removed from circulation. What's so cynical about this is that the very people who don't pay their taxes crashed our economic system. They created the unemployment, which has caused less tax revenue, and states like Wisconsin have ended up with a so-called "budget crisis."