

Can the Economy Take Chemotherapy?

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Andy Friedman passed this way last week, a rare occurrence.

Pat Mercardante of Morgan Stanley Smith Barney in Athens extended an invitation to join clients of the firm at a gathering at the Indigo Hotel, where incidentally there was food.

The food was just fine if you like jumbo boiled shrimp and savory hors d'oeuvres.

I had to admit to Mercardante that I was not familiar with Friedman.

“Google him,” he said.

Well, there is Andy Friedman the “hard scrabble singer/songwriter,” as described by Time Out New York, an “erudite redneck,” says the Boston Globe.

Somehow, I kind of doubted that was the fellow who was to be at the Indigo.

Then there is Andy Friedman, the cartoonist, whose work has appeared in The New Yorker and Utne Reader. Wait, it is the same guy? Is it possible that this renaissance man is also an expert in all things financial?

There was Andy Friedman, whose wedding to Patti Stanger had been called off, as reported at thehollywoodgossip.com. I guess I'm out of touch. Who are these guys and what is the Millionaire Matchmaker? Well, it seems this Andy Friedman was a 51-year-old real estate executive.

Then there was Andy Friedman, the artist and astronomy student at Harvard; and an Andy Friedman who has posted some nice acoustic guitar riffs. Somehow I missed the Andy Friedman who is general manager of the Tampa Bay Rays baseball team.

The right Andy Friedman resided at thewashingtonupdate.com. He's a lawyer, and he's an expert on all things to do with taxes.

Bingo.

He was a very nice gentleman too, both in person and on the telephone later.

What he pointed out to the crowd at the Indigo is that the American economy is between a rock and a hard place. He didn't exactly put it that way, but he said it.

Looming on the horizon is the expiration of the Bush tax cuts. If Congress does nothing, the cuts will expire at the end of the year, raising taxes for all Americans. President Obama favors that end for families with income over \$250,000. But can the fragile economy stand another hit?

That is the short-term view.

But what to do about the deficit?

While we were focused on foreclosures and credit crises and various and sundry other economic storms, the federal deficit has reached unprecedented peaks, as in \$1.4 trillion this year. Yikes!

Well, when the outgo exceeds the income around the whole homestead, we cut spending. The problem is that only about 12 to 15 percent of the federal budget is touchable, and nearly 60 percent is dedicated to entitlements, such as Social Security, Medicare and Medicaid.

Friedman's conclusion is that taxes will have to go up. But when? The medicine needed for long-term health of the economy will be like chemotherapy and radiation for a cancer patient. It might cure the disease, but you are not going to feel better in the process.

Friedman had a few suggestions. If you can take income now as opposed to next year, do it. Now might be the time to sell some assets and take the gains. It could be a good idea to convert IRAs to Roth IRAs.

Of course, he offers the disclaimer, consult with your personal financial advisor.

And then he went off to draw, play his guitar, and trade for another relief pitcher.