



CURRENTS

## KEEPING ONE'S HEAD IN Economic Storms

*Keeping in touch with  
wider economic issues will help  
farm families get a glimpse of the future.*

**A**lan Greenspan, the most powerful man in the world, has recently calmed the economic waters with a soothing placebo. By saying that U.S. interest rates were as likely to go down as go up, he injected confidence into investors made very skittish by the implosion of the Russian financial system. Many interpreted Greenspan's 1998 message as a signal that U.S. interest rates would decline. Stock markets bounced back and the Canadian dollar recovered. All of this occurred in the space of a week.

The U.S. economy, written off a decade ago, continues to grow. The forecast recession is set back as monthly indicators record low unemployment and steady consumer spending. But this will change.

Corporate profits are weakening in the face of weak demand from Asian economies. The stock market plunge in late August showed how easily we get spooked.

U.S. growth will moderate and the first firm sign will be the drop in U.S. interests rates.

In Asia, the weakness in the Japanese financial system rests on official denial and disbelief that they cannot manage their

way out of the economic morass. With each month, the number of homeless increases and throughout the Far East, the economic tigers of the eighties look bedraggled. This too will change and a long view is needed.

The billions of urban dwellers in Asia will not tolerate governments that fail to restore prosperity. The purchasing potential in these populations is immense. As these

prices of the mid-nineties.

Wheat prices will recover – as will hog prices – when inefficient processors and producers are forced out.

Many want government to restore farm safety nets to help manage the short-term.

Despite the long process of eliminating these supports, the pay-outs for the first half of 1998 have actually been higher than for a similar period in 1997. Most unlikely is any

similar to government-backed deposit insurance on savings accounts protects their investments. This ignorance fuels rash reaction and intensifies the booms and busts. Stock markets have always cycled. A long view, coupled with intelligent diversification, is a time-tested approach to managing returns.

The farm family can learn much about their future by studying what happens in the wider economy. Watching the Russian ruble, and understanding the importance of Alan Greenspan's every word, and even the significance of the pauses between the words, are as important as tracking daily wheat prices and soy futures. What Japan's government does or does not do to change its tattered banking system in the next years will surely affect farm families in Boissevain, Rosetown, and Drumheller. ♣

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economies reorganize and recover, as they surely will, this pent-up demand will be unleashed. Canadian farmers will be direct beneficiaries of this recovery.

Twenty years ago, some experts foresaw the year 2000 characterized by famine. In reality, the world agricultural system is churning out food. In agriculture, we are moving to the bottom in wheat and hog prices. The culprit is strong supply from competitors attracted by the high

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