

Falling off the Fiscal Cliff...

Written by James Clingman
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(TriceEdneyWire.com) ...Or will we be jumping from the cliff? Congress along with the President will determine whether we fall, jump, or back away from the cliff. While I trust they will get together and make the right decision, I think we should be prepared for the worst case scenario. How do we prepare? First of all, learn what the fiscal cliff and its implications are for your personal economy. Too often we put ourselves in a position of having to react to things that have taken place while we were sleep, literally and figuratively. We had better stay awake on this one, folks.

In general, the fiscal cliff refers to \$7 trillion in tax increases and spending cuts that will take place on January 1, 2013. For most of us, on a personal level, it means that we can say, Adios, Sayonara, Cheerio, Ciao, and Goodbye to that increase in take home pay, called the Obama payroll-tax holiday that we have been enjoying for the past year or so. Most workers would see a 2 percent tax increase instead because the “holiday” was at the expense of the Social Security tax.

The broader impact on the economy would be dire as well. The Congressional Budget Office (CBO) estimates it would cut gross domestic product (GDP) by four percentage points in 2013, sending the economy into a recession. It also predicts unemployment would rise to 9 percent with a loss of 2 million jobs. Neither individual workers nor the economy as a whole can absorb that kind of hit.

With a little less than two months to prepare, you probably should be doing what the big corporations have been doing for a while now: Holding on to your cash. They have also been converting their financial instruments to cash. Have you checked out the stock market for the

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past few days? If the big boys and girls are scared of falling off the fiscal cliff, what should our position be?

We have heard for the past three years or so that big companies have trillions in cash sitting on the sidelines waiting to see what will happen with the economy. They want to be fairly certain of the long term strategies being put forth by the government. They are refusing to spend or invest or lend that money until they feel comfortable. We are complaining about it but that will not get them to release their money back into the marketplace. We complain; they retain.

Our position should mimic theirs, however. We should not plan to sleep out all night and get up at 3:00 AM to stand in line on the Friday after Thanksgiving (and this year starting at 9:00 P.M. on Thanksgiving Day!) to spend money we don't have, to buy something we really don't need, to impress someone who really doesn't care. We should not use the upcoming "holiday" season to be an excuse for frivolous purchases, and a way to satisfy our instant gratification mindset. We should put off buying all the stuff we usually buy during this time of the year, until we are in better position to do so.

Offers of credit cards, layaway plans, rent-a-couch or a Big Screen TV, and other schemes to get money out of your pocket will intensify over the next few days. Watch out! You may get into that debt now and regret it later, especially if Congress and the President do not solve the fiscal cliff issue. On January 31, 2013, you will find yourself with more month than money if you are not careful.

While I sincerely do not believe the boys and girls in Washington will allow us to fall, jump, or be pushed off the fiscal cliff, I do believe that whatever they decide and agree upon will hurt those at the bottom tier of the economy. Whether it's a regressive gasoline tax, the elimination of tax deductions such as home mortgage, medical, and contributions, or whether they choose to put an end to cost of living increases for social security recipients, folks at the bottom will be negatively impacted the most.

No, it's not fair. No, it's not the right thing to do. No, it's not moral. But, after all, it is always about the money, and you know who wins that fight. So until Black people learn how to refrain from being the best consumers in the entire world, and produce goods and services to a much greater degree than we do now, we had better learn how to respond appropriately to national and international fiscal issues. Keep your money in your pocket, the same way big corps are keeping their cash on the sideline, and hold it until you see what direction this nation will be

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taken by those in charge of it.

You can get that big screen TV, that new car, and that entertainment system later. Believe me, the manufacturers will be waiting for your dollars next year, and as Jay Leno used to say in his Doritos commercial, “[They’ll] make more.”