USC econ professor is optimistic

Business leaders told to expect strong economy

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University of South Carolina economics professor Doug Woodward brought plenty of numbers and optimism Wednesday to the Anderson Area Chamber of Commerce luncheon.

Woodward, anauthor and member of the Darla Moore School of Business faculty since 1997, told 90 local business leaders to expect a significant rise in interest rates as early as this month — but to nonetheless expects the local, state and national economy to thrive.

He believes that higher interest rates, long feared in the face of a sluggish national economy, will be offset by job growth and a revival of private investment spending.

"This will be the month of the end of easy money. We're going to see rising interest rates," Woodward said. "We've got to get back to an economy that doesn't depend on an easy-money policy.

But, Woodward said, he doesn't expect any rate hikes to "derail expansion."

"We are not going to see a recession in 2017. What we see right now makes that almost impossible," Woodward said. "We are going to have another recession some day. It just isn't going to happen next year."

Woodward also expects a change in corporate tax policy to give the economy a boost.

"The private sector has been reluctant to invest. The corporations are sitting on their money," he said. "Even spending on software is pretty tepid. The economy is not where it should be. I think that will change and be the story of 2017."

Woodward pointed to anticipated cuts in tax rates for the middle class and corporations as changes that could have an immediate impact.

"There are going to be tax cuts," he said. "Will that stimulate consumption? It could happen fairly quickly. When consumers get money, they spend it."

Woodward believes the same is true of corporations, who are aware that President-elect Donald Trump campaigned on a reduction of the corporate income tax rate, which is now 35 percent.

"Will it spur real productive investment? We don't know. Before the election, nobody anticipated a corporate tax cut from 35 percent to 15 percent," he said. "Now that it's possible, it makes sense that the stock market is up."

Another factor in the market growth and general optimism, Woodward said, is Trump's suggestion that he will renegotiate North American Free Trad Agreement in an effort to help American manufacturers.

"Companies are now under scrutiny for offshoring (jobs). We've never seen that before," he said.

Woodward said the Upstate, especially with its auto-related industry, "is tied into the global supply chain," and could benefit immediately by a change in the 23-year-old NAFTA, which eliminated tariffs on Mexico's exports to the United States.

Woodward compared a change in NAFTA to the trade restrictions imposed by President Ronald Reagan in the 1980s, which encouraged manufacturers of cars and other automotive products, such as BMW and Michelin, to open or expand plants in the U.S.

Tire-production jobs in South Carolina that have increased from 2,300 jobs to 10,500 in recent years, Woodruff said.

"We (in South Carolina) benefited more than anyone else."

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