

Economic Street Talk: Superficial Strength

BY GEORGE GENDRON

A CEO takes a real-world look at the economy and feels that businesspeople had better plan for bleaker times ahead.

After reading the umpteenth article second-guessing whether the Fed will opt for yet another round of interest-rate hikes, we turned for our monthly dose of real-world economics to Tom Golisano, founder and chief executive of Paychex, based in Rochester, N.Y. "For the last half of 1993 and the first quarter of 1994, we enjoyed superficial strength in the economy," says Golisano, "spurred by the large numbers of home refinancings. The result has been excess cash in the hands of consumers, who have promptly gone out and spent it. But I think we're about to see a real softening in consumer spending."

Golisano goes on to say that this temporary upsurge in consumer spending has distracted us from very large economic issues -- for example, the federal deficit and corporate downsizing -- that are still at work out there. "I'd be very careful about buying into false economic enthusiasm right now," says Golisano. "If I were a car dealer, for example, I'd be watching overhead, keeping a close eye on inventory, and doing a reality check to make sure I'm not gearing up for sales volume that's just not going to be there."

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