

MAILBAG

"Our economic recovery has its problems, but housing shouldn't be decisive. We'll recover despite housing woes." JAMES M. CHRISTIAN, Lakeville, Minn.

Buy Low

To the Editor:

I am a long-time reader of *Barron's*, and always look forward to Alan Abelson's Up & Down Wall Street column in particular. His wit is second to none. His dreary view of the current economic environment is justified and resonates with my own view of the world. Yet I cannot understand his similarly dour view of the near-term direction of equity markets, given his long study of the field.

The stock market actually shows very little correlation with economic growth. There is a much higher correlation between investment returns and buying quality stocks when they are cheap.

MICHAEL P. McCLOSKEY
GreensKeeper Asset Management
Oakville, Ontario

Take Another Poll

To the Editor

In the Jan. 30 article "Just Don't Lose It!" Kopin Tan stated that "President Obama ended his third year in office with a 43% approval rating, the lowest of any president since Jimmy Carter."

According to Gallup, in a poll taken

We'll recover, despite housing woes.

Abelson's predictions sound right: Home values will continue to fall, especially for more expensive homes. If anything, he was too conservative about that.

Supply will greatly exceed demand for some time. And mortgage interest rates rising 100 basis points, or 200, which may happen when the Fed loosens its grip on that stretched rubber band, won't help housing prices one bit.

Abelson is absolutely right that single-family home numbers are terrible. But multifamily numbers are very good, and remodeling numbers are excellent. So we are really just seeing a shift. Total housing stats aren't that bad, and housing, as such, won't derail the economy.

STEVE HOULE
Clearwater, Minn.

Markets Rule

To the Editor:

Thank you to Eric Grover for his excellent "Green Stuff" essay (Other Voices, Jan. 30). He nailed it! He succinctly provided rational, reasonable, and accurate examples of market economic superiority versus

inefficient political economics for allocating resources. If I can express the essence of his article in a few short sentences I'll convey it repeatedly to my elected officials!

JAMES M. CHRISTIAN
Lakeville, Minn.

Shining Example

To the Editor:

We all know Greece is in a financial mess ("Greece Edges Toward Deal," Review & Preview, Jan. 30). Due to years of borrowing cheaply and overspending wildly, the public debt of Greece is well over 100%, the budget deficit is almost 10%, its debt rating is in the basement, and unemployment is north of 15%, while more than 20% of the population lives in poverty.

In the face of all of this, Greece is forced by the European Union and International Monetary Fund to implement strict austerity measures to get its finances under control. Many people think it won't work, and argue that Greece will eventually default—with or without the reintroduction of the Greek drachma.

Not too long ago, however, a similarly sunny country—albeit in a different part of

the world—faced the same prospects: Puerto Rico. As Greece does now, Puerto Rico in 2008 faced unprecedented fiscal turmoil. The budget deficit stood at more than 40% of gross domestic product, its public debt was close to 100% of GDP, its credit rating, was near-junk, while the island faced an immediate liquidity crisis. Note that, like Greece, Puerto Rico wasn't using its own currency.

Did Puerto Rico solve its financial crises by defaulting or by introducing a "Puerto Rican peso"? No. It did so by enforcing strict budget austerity measures and by living within its means. Since early 2009, its huge budget deficit has been reduced to less than 11% of gross domestic product. Government-employment payrolls have been cut. Defined-benefit pension plans have been chopped, the number of government agencies has been slashed, and the overall budget has been reduced by 20%.

Unfortunately, one of the results of strict austerity is an increase in the number of unemployed. As it is for Greece, unemployment in Puerto Rico is north of 15%. But the Puerto Ricans didn't resort to violent strikes or the burning of government buildings to show their dissatisfaction with austerity measures. In the face of high unemployment, they left for the States.

The Jones Act of 1917 made all Puerto