

# ECONOMIC REPORT

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## National

In mid July, amidst the passing of the "King of Pop" as well as the fantasy of a generation or two of American males, the recession winds up its 19th month. The late spring was marked by a plethora of headlines regarding data that suggested the recession was abating, but the excitement gave way to the realization that recessions end not with a bang, but rather with a process that will be apparent long after the bottom. Politicians passed a huge Stimulus Bill in February and it is after all now July-why didn't it work? Some are already calling for another round. We must remember that tax cuts have only recently made it into paychecks, some state and local spending has been supported and "shovel ready" implies a speed of action not often seen in public projects. (We always forget that the money has to come from someplace.)

Actions by the Federal Reserve started in September of 2007 and have continued. Other financial actions by the Treasury, the Financial Accounting Standards Board, and government sponsored entities are also in place. The policy changes have been accompanied by decisions made by millions of individuals and firms as they face a different world in which behaviors that were rampant such as taking on debt, low savings, and lack of attention to risk are no longer appropriate. Sterile terms like deleveraging or savings in the short run mean less spending. Values such as those of homes or Lehman stock adjust to the new reality, and career paths change. Entities from the distant past that were unable or unwilling to change struggle to survive. Behind the numbers are

people whose employment, income and esteem are impacted-testing the safety net.

The "green shoots" of spring are still there. Initial unemployment claims continue to decline, inventories of unsold homes are dropping, car sales have bounced off the bottom and the tone of the Beige Book (The Fed's collection of anecdotes on the economy) has improved. Leading indicators from a variety of sources are rising. Kopin Tan, writing in Barron's said that recessions are like bald spots and beer bellies; it is hard to pinpoint the start until the evidence becomes overwhelming. The same might be said of recoveries. It will be a slow process that will unfold irregularly over the balance of the year.

## Region

In the region, all the states continue to experience employment declines and some headline disappointments such as the additional delays of the 787, and the ending of most chip production in Boise. The last legislators have gone home (This does not cover California!) tired from the budget balancing efforts, but they will be back with a similar problem. We are not unlike the rest of the nation in this cycle.

Stepping back, now from the vantage point of being over 65, the issues beyond the recession loom ever larger. The CBO anticipates a string of deficits in excess of a trillion-this year the recession, the stimulus and revenue declines particularly from the 20 percent of the population who pays the vast bulk of the revenues will send the deficit to nearly \$2 trillion. This is separate from the aging population (I have my Medicare Card.) and the issue of unfunded liabilities-promises made, but not funded. This was a distant problem for the last half century, but not anymore. Fire up the barbeque, watch the greenhouse gases, and enjoy the summer, the recovery is coming.