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Economy experts optimistic after attacks

By *Jennifer Charney*, OU Staff Writer

The American economic situation is not so good in the wake of the Sept. 11 terrorist attacks on the United States, but the forecast is positive in many ways.

That's the assessment from panelists at the Tuesday, Oct. 30, Oakland University forum, "The Economic Impact of Terrorism — Locally and Globally."

The event, in the Oakland Center's Fireside Lounge, was the **Center for Student Activities'** fifth program on the Sept. 11 attacks.

About 25 OU students, faculty, staff and friends attended the presentation featuring Addington Coppin and Ronald Tracy, associate professors for the **Department of Economics**, and **Robert Fish**, a member of the OU Department of Economics Board of Advisers and chief economist for CSM Worldwide, which provides sales and production forecasts to automotive manufacturers and suppliers.

"We are not in a good situation now," Tracy said. "Prior to the attacks of Sept. 11, the economy was sluggish. Consumer confidence was holding the economy up. Right after the incident, obviously consumer confidence waned considerably."

The stock market also dropped, Tracy added.

"Given how weak the economy was going into the Sept. 11 attacks, I would say that good betting would be on a recession occurring," he said.

The American economy is growing at about a half to 1 percent, Tracy said — a "very mediocre" rate that spurs unemployment.

He said such slow small growth would create expectations for a recession, but it's too early to make that assessment.

"What has to happen before you're really in a recession is that the economy has to decline for over a six-month period," Tracy said. That means the recession won't be declared until after March 2002.

Tracy stressed that it's unclear whether America is headed into a recession because there are many positive signs in the economy. "Every single recession we have had in this country after World War II was led by a major fall in housing starts," Tracy said. "Prior to Sept. 11, housing remained strong in this country."

"Housing starts" is the total number of single-family dwellings on which construction has begun in a given month. A monthly increase in housing starts is an early sign that the economy is expanding, while a decrease is a signal that the economy is slowing down.

September housing starts numbers from the federal government were down about 5 percent, Tracy said, which sounds like a lot, but when housing usually plummets, it falls a lot more — often by 10 percent. That could show that the American public hasn't given up yet on the economy, he said. Tracy also noted that the stock market has rebounded almost to its value before the attacks.

"We'll just really have to wait and see," Tracy said. "We'll have a much better idea of what's going to happen in the next couple months. I would be shocked, however, even if we go into a recession, if it's a very deep recession."

Fish cited organizations' faith in the economy as other reasons for optimism.

General Motors Corporation, for example, started its zero interest rate financing to increase auto sales because consumers are concerned about unemployment and thereby might cut back on their spending, he said. The **Federal Reserve**, he added, is trying to help by lowering interest rates, and Congress and President Bush are trying to help through increased government spending and lower taxes for businesses and consumers to boost business and consumer spending.

In the international arena, forecasts for most developed countries are for growth in the year 2002, Coppin said.

"Compared to 2001, the numbers are mixed, but not seriously down. So the forecast looks as though we are going to recover pretty well from this particular tragedy," he said.

In the developing countries, the forecasts are a little less optimistic, Coppin said. Exchange rates in developing countries have fallen.

"This potentially means that their exports would become more attractive and that should help their economies to pick up," he said.

"Unfortunately, the exchange rates are low partly because of uncertainty. When there's uncertainty, people do want to invest as much abroad."

Back in America, Tracy said he predicts unemployment will rise in the next two or three months. It won't be easy for recent college graduates to get jobs, so it'll be a good time to go back to school.

OU alumna Jill Greimel, MAT '69, of Oakland Township, attended the forum to ask why the U.S. government defends tax cuts when it has unexpected military expenditures.

Fish said that special times call for special measures such as tax cuts and more government spending in that they can boost demand for goods and services and help assist in getting the economy rolling again.

All factors considered, Tracy expects more economic growth by August of next year.

SUMMARY

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