

Expert expects U.S. to recover

Economist sees brighter 2010

Matt Wrye, Staff Writer

Created: 03/22/2009 01:51:37 AM PDT

POMONA - California's economic doomsayer had a bit rosier tone than before in his most recent trip to the Inland Empire.

The prophet's message: "We're going to survive this."

Even though Chris Thornberg's forecast is grim, he brought some level-headed logic to an intellectual mix of real-estate agents, appraisers and business owners who are trying to transition from economic shock to acceptance.

Thornberg, owner of San Rafael-based Beacon Economics, spoke at last week's quarterly luncheon of the Cal Poly Pomona-based Real Estate Research Council of Southern California, a group that aggressively monitors home prices, sales, defaults and foreclosures.

He's forecasting the nation will be "on the path" to economic recovery by mid- to late 2010, but his words of consolation brought perspective to the economic chaos engulfing people's minds.

"It's amazing the same group of people who

denied there was a recession are now screaming 'depression,'" said Thornberg, who's also an economic adviser to state Controller John Chiang. "Hyperbole vastly outweighs what's realistically going on. Everyone is saying things like, 'This is a total meltdown.' Again, it's all about perspective."

Some other views from Thornberg:

Wall Street is the "13-year-old daughter of the U.S. economy - the drama queen," he says. It's best to ignore those day-to-day swings in the Dow Jones Industrial Average index, which people can easily blow out of proportion. If you're not a day-trader, look at it once a month, he says.

"All this crap about the credit markets ceasing to operate - it's not true," Thornberg said. "There is still credit flowing out there." In fact, credit isn't flowing to companies who shouldn't have received credit lines in the first place. "Wake up - it's not 2006 anymore," he said.

The best dose of medicine for the real-estate industry is for home prices to keep plunging. "As prices continue to fall, it's getting easier for low-income families to buy homes," Thornberg said. "It's a matter of working through the inventory."

For those thinking Wall Street's crisis has ruined their early retirement, "Wall Street's sin was making that person think they could retire early in the first place," Thornberg says.

As for the now-popular principle of saving

Advertisement



Loan Modification DVD + Software

as seen on     

MODIFY YOUR MORTGAGE YOURSELF
A COMPLETE STEP BY STEP GUIDE

Visit GetYourLoanModDVD.com Now!

Print Powered By 

money, "people are doing what they should've done all along," he said.

He offered an optimistic outlook, saying California will emerge out of this recession "beautifully" based on how it recovered from prior downturns.

"Is it a nasty downturn? Absolutely," Thornberg said. "Is it going to be a good, solid recovery? Absolutely."

In certain areas, home prices will probably drop an additional 20 percent, he added.

Michael Carney, executive director of the real-estate research group, keeps a sharp eye on home values and said after the event that home prices aren't just falling - they're dropping faster than ever since the housing boom's peak.

Carney also said the economy might rebound by mid-2010, but he has his doubts.

"The recovery is going to be much slower compared to if the government hadn't got involved at all," Carney said. "If you look at a lot of the details of the stimulus package, it's a stimulus for the government.

"The California and U.S. economies clearly will come out of this just fine - eventually. When will this be? And what other trauma will we go through until we get there?" Carney added.

"History shows ... that (the U.S. economy) is able to rebound from problems. We have a vibrant

private system. It's able to recover beautifully. But the more the government gets involved, the more difficult the private sector is going to have in recovering."

Advertisement



Loan Modification DVD + Software

as seen on     

MODIFY YOUR MORTGAGE YOURSELF
A COMPLETE STEP BY STEP GUIDE

Visit GetYourLoanModDVD.com Now!

Print Powered By 