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Experts say recession may hit Valley

One professor says rising inflation, state budget shortfall are concerns

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Experts at Friday's Sequoia Valley Economic Summit in Visalia offered the following assessment of the troubled economy: This too shall pass. In about three years.

Two guest economists warned that the Valley and the rest of the country are tipping toward an inevitable recession. Christopher Thornberg, former University of California, Los Angeles, economist and adviser to the state Controller's Office, blamed a decade-long spending spree on housing and mortgage-backed securities.

Now, with homeowners strangled by high mortgage payments and rising food and gas prices, the economy is at its weakest level since the mid-'70s, Thornberg said.

"The one thing we know about bubbles is that they will come to an end," he said. "Up until 2005 we saw the greatest increase in home values we have ever seen, and there was no reason for it."

He dismissed recent reports that the housing market may be improving.

"There's no bounce in this market," he said. "They're still not doing well."

Two million excess homes remain on the market, he said.

"We're not going to burn through our excess inventory in six months," he said. "We've never done that — and this is worse than normal."

Abbas Grammy, an economics professor at California State University, Bakersfield, said two forces will affect economic growth in the years to come: rising inflation and the state's estimated \$16 billion budget shortfall.

"I worry for all of us about the prices we will pay in 2008 and 2009," he said.

Rising prices for agricultural commodities will help limit economic losses locally, Grammy said.

"The biggest advantage is having dirt," he said.

More optimistic than the university representatives was Visalia Industrial Park developer, Richard Allen. His company has a successful Midstate 99 property on the western fringe of Visalia and another large development in Dallas.

"Trade trends have been truly phenomenal," he said. "We passed \$84 billion in trade in the first week of January. Trade has been an incredible driver of the economy."

Allen touted Visalia's central location as a unique selling point. Destinations throughout the state

can be reached within 24 hours.

"Ten years ago the Wal-Marts and Ikeas were in the Inland Empire," he said. "Now they're in the Central Valley."
