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## Slow going ahead in 2010 economy

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Before housing hit the skids, credit got crunched and the unemployment rate shot into double digits, the market for recreational vehicles started to plummet.

Economists view RVs as an early indicator of where the economy is going, and, as it turned out, the rest of the planet followed motor homes and travel trailers right over the edge.

Now comes word that RV sales have started picking up. Airstream Inc. is boosting production of its iconic caravans and expanding its work force by 50 percent.

"Airstream is back on the road to recovery," Chief Executive Bob Wheeler declared. "We can expect to see significant growth."

As decades go, the 2000s ended with such a bust that the 2010s almost can't help but look good in comparison.

With the economy lurching from housing crisis to credit crisis to its ongoing job crisis, it might seem premature to declare a recovery in the offing.

Yet most forecasters expect at least some growth ahead. And by a few measures, the good times already have started rolling again.

Just look at a chart of stock market performance since the bottom in March: Megabucks are being made, and no matter how hard a sheepish Wall Street tries to hide it, bonuses will be enormous.

Conventional wisdom holds that the rich will get richer -- surprise! -- and everybody else in a winner-take-all economy will be downwardly mobile.

But if the assembly workers at Midwest RV plants can stage an unlikely comeback, anybody can. It's just going to take time.

In fact, some of the most optimistic economic experts expect only a slow turnaround in the job market. James Smith, chief economist at Parsec Financial Management Inc., predicted at the low point last winter that the recession would be over as of May 15, a prediction that could turn out exactly on target in the final analysis.

Yet, Gordon believes the U.S. economy will be "really lucky," he said, if it can create enough jobs by the middle of 2013 to equal the level of December 2007.

In other words, catching up will take five and a half years.

"When you lose 7 million-plus jobs, it takes a long time," Smith said. Any economist who expects much better would have to be "a raving maniac," he said.

At the American Seed Trade Association conference in Chicago this month, J&D Construction set up a booth in the hopes of attracting new customers for its agriculture-related building services.

A few years ago, Minnesota-based J&D had more work than it could handle as orders poured in from the ethanol boom. At one point, building biofuel plants accounted for half its business.

"We were spoiled," noted Scott Mitlyng, a veteran sales manager.

Then the ethanol market crashed, projects were canceled, and the economy sank. J&D had wisely maintained its grain-storage and handling business, but that got hurt, too, forcing the company to shrink through attrition and by bidding farewell to subcontractors.

Now, J&D is working on a pair of grain-storage projects, and Mitlyng believes ethanol will start picking up again, too, as government mandates kick in for greater amounts of renewable fuel.

"Unless they change the mandates," he said, "they have to build the plants."

The government, in fact, has rarely taken such a central role in the economy, and taxpayer-funded efforts to prop up the financial system and boost growth promise to shape the next decade.

Good thing the government was there to help, said Randall Kroszner, the University of Chicago economist who served as a Federal Reserve governor from March 2006 through January 2009, which was the heart of the crisis.

"It's all my fault," he jokingly told Booth School of Business alumni during a meeting in Chicago this month, then defended the Fed's actions in the face of disaster.

If the economic meltdown has a hero, Kroszner's vote clearly goes to a certain gray-bearded ex- Princeton University scholar.

Discussing the Bankers' Panic of 1907 in the office of Ben Bernanke as Bear Stearns Cos. collapsed last year, Kroszner marveled at the Fed chairman's "analytical, empirical approach," he said. "I never once heard him raise his voice or get upset."

Momentous decisions followed: arranging the sale of Bear Stearns, letting Lehman Brothers Inc. dissolve, pumping trillions of dollars into the economy. Taken together, they kept the Great Recession from turning into another Great Depression, Kroszner told the group. To the extent the economy is "starting to stabilize and come back, it's largely due to actions the Federal Reserve took."

Not everyone sees it that way, of course.

"Thank God for the government? I'm completely skeptical," said Brian Wesbury, chief economist at First Trust Advisors LP in Wheaton and author of a new book on the economy called "It's Not As Bad As You Think."

"We weren't close to Great Depression 2," he said. "It's a story manufactured to make the government look good."

Should Congress approve health insurance reform and cap-and-trade energy policy, he said, look out below. "If our government continues to grow and raises taxes and regulations, we're going to look like the 1970s."

Even without additional legislation, Wesbury said, "There's no doubt inflation is coming back."

Yet, Kroszner said the Fed "has the tools" to manage inflation while keeping the economy moving.

The bigger risk is the challenge to Fed independence if Congress obtains oversight of monetary policy. That political influence over the central bank would "make it much more difficult to do the job they need to do," he said. The result? Over time, higher inflation.

As the die is cast for the economy's future on Capitol Hill, watch for a sputtering, choppy performance along Main Street.

In the RV business, shipments are expected to make a strong comeback in 2010 from the left-for-dead levels of 2009, but a lot has changed, said Airstream's Wheeler.

Less-expensive towable RVs will sell better than motor homes, and the top-of-the-line, gas-guzzling buses mostly will sit idle, he said. "There's been a cultural shift away from conspicuous consumption."

Business in the 2010s may never match the boom times of 2005-06, or plunge again to the depths of the

current bust. A less-volatile decade may not exactly feel like a smooth ride, Wheeler said, but at least the nation should encounter "much gentler ups and downs."

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