Are We Headed Toward Economic Recovery?

by JOHN YDSTIE



Enlarge AP

Monica Eaves, with her daughter Sophia, shops for gifts at The Grove outdoor mall in Los Angeles on Tuesday. A strong start to the holiday season is raising confidence that the consumer is back, and 2011 could be a better year for the economy than expected.

December 18, 2010

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Government data suggests consumers are emerging from their shells: Layoffs are declining, and the bulls on Wall Street are snorting that the stock market is poised for a long upward charge.

And this week, President Obama signed an $859 billion package extending Bush-era tax cuts and jobless benefits.

But, the jury's still out on whether we've reached a tipping point to a self-sustaining recovery.

John Silvia watches the economy like a hawk from his perch as chief economist for Wells Fargo. He says reports on industrial protection and retail sales for November that came out this week are encouraging.

"Both of them suggest the economy actually is doing quite well. So in the fourth quarter of this year we're probably going to have growth of around three-and-a-half percent," Silvia says.

For him, the figures indicate we are in a sustainable recovery, though he admits for many people it's not the traditional economic recovery or economic boom.

"You know I think it's still tough," says Christmas shopper Jeanine Bachman. "I mean, you hear where things are getting better, but then you turn around and hear somebody's lost their job, so, you know."

Many holiday shoppers are going for sales items and looking for the best bargain.

"We're definitely more conscious of things," says shopper Kate Redenbaugh. "You know we're shopping sales and making sure we get the best pricing and, you know, if you have to make one more stop instead of doing it all in one place we might make multiple stops if it saves us some money and stuff.

"I think it's still shaky."

But for Brant Pierson things aren't quite as tight.

"Last year we cut back, but this year we're sittin' a little better. So, we're going to open up a little bit this year to make up for last year," he says.

Pierson is an example of Americans who are doing better and spending more. Many of them are well-off Americans who patronize luxury shops.

"The high-end retailers are knocking it out of the park," says Patty Edwards, chief investment officer and a retail specialist at Trutina Financial in Bellevue, Wash. "And they are having one heck of a good time right now."

Edwards says high-end stores are doing better because well-off shoppers are seeing the value of their investments and 401(k)s rise as the stock market moves up.

Things are different for middle-class and lower-income Americans, she says.

"The consumer can't come back fully with 9 or 10 percent unemployment. The consumer can't come back fully if they can't get a loan, and right now they can't get a loan," Edwards says.

Those issues, along with the foreclosure crisis, were on the mind of Federal Reserve policymakers this week. After their regular meeting Tuesday they called the recovery "disappointingly slow." And they surprised some of the economic optimists by saying they'll continue injecting extraordinary amounts of money into the economy.



Obama, Like GOP, Wins, Loses In Tax-Cut Deal

In signing the tax-cut extension into law, Obama failed to keep a key campaign vow. So did the GOP.

That's fine with Dyke Messinger of PowerCurbers Inc., in Salisbury, N.C. The company builds machines that make curbs and gutters for streets and highways.

"We're still down about 50 percent from where we were; the drop being mostly U.S. residential and commercial construction," he says.

With construction in the dumps, the U.S. demand for Messinger's machines has largely come from federal stimulus spending for infrastructure. He's worried about what will happen to orders when that fades in the next few months.

But, there is one bright spot: foreign sales.

"Our hopes for international business this coming year are really quite high. We think we can put another 20 percent on the top because of what's going on in the rest of the world," he says.

Foreign sales have been good for a lot of big U.S. multinationals, too, from MacDonald's to Hewlett Packard. That's behind the recent big jump in the stock market, which has seemed somewhat out of sync with progress in the U.S. economy.

Whether the U.S. recovery is self-sustaining remains in question. But the new tax package, with a couple hundred billion dollars in added stimulus, should help it gain traction.

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