

## 'It's going to take a long time to dig out' Analyst talks about economy and the region

By Craig Wolf • Poughkeepsie Journal • January 22, 2009

Weakness in the markets is a harbinger of recovery, but it will take a long time to set the nation fully back on track, economist Kent Gardner told the Dutchess County Regional Chamber of Commerce Wednesday.

Gardner, president of the nonprofit Center for Governmental Research in Rochester, traced the history of the descent into a recession that's lasted a year already. It began with the baby boomer generation saving huge sums for retirement, leading to plenty of money around with falling interest rates, leading to schemes of what to do with it, leading to inflated asset prices. The bubbles burst. The dot-com boom went in 2000 and then money ran into realty and mortgage lending.

"They came up with these very complex financial instruments with complex risk profiles we didn't understand," Gardner said. "It turned out they didn't, either." Then that bubble burst, taking home sales and prices down and sending home mortgage foreclosures up.

So we're in recession, and Gardner said the fourth quarter of 2008 won't break it. The Gross Domestic Product data comes out Jan. 30. "I'm sure we're going to see some very significant decline," he said.

"We know that it's going to take a long time to dig out of this," Gardner said. "Great Depression? Nah," he told the chamber's breakfast audience at the Poughkeepsie Grand Hotel.

Gardner believes the \$700 billion federal bailout that was reluctantly approved by Congress was needed and still is, even though its purposes may have changed from former Treasury Secretary Henry Paulson's plans to buy defaulted debt from big lenders.

"We're trying things we never tried before," he said.

### Local job growth found

The local region is doing better than most of the rest of the state, Gardner said. "The Hudson Valley is doing a little bit better than the rest of the metros because you've got a strong base ... companies that we know are going to be there," Gardner said.

In total local jobs, for example, the Poughkeepsie-Newburgh-Middletown metro, which is Dutchess and Orange counties, showed a growth in jobs of one-tenth of a percent from November 2007 to November 2008. The state as a whole was down three-tenths of a percent, citing state Department of Labor statistics. However, when it comes to mortgage foreclosures, the Dutchess-Orange metro is the worst in the state, though not as bad as the national average, Gardner said.

Thomas Martinelli, a business consultant in Poughkeepsie, asked Gardner about how the early federal stimulus didn't get down to the consumers.

"Hopefully, it will filter down," he said.

Gardner said the banks, which got the cash, needed liquidity but added, "They probably don't need our help in a moral sense. They were certainly chasing outlandish profits. But do we really want to own them?"

"Shouldn't you give it to those of us who are innocent bystanders?" he said.

Edward Tucker, a travel consultant in Beacon, commented, "There has to be transparency. We're talking about taxpayers' money, and that means strings."



Kent Gardner, president of the Center for Governmental Research, speaks during a Dutchess County Regional Chamber of Commerce breakfast Wednesday at the Poughkeepsie Grand Hotel in the City of Poughkeepsie. (Karl Rabe/Poughkeepsie Journal)

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