



Fed Reserve speaker addresses Cass EDC

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WALKER - Business markets will right themselves best. Internationally, governments that tried to intervene messed it up. The U.S. recovery will be gradual, but is on track to succeed.

These are among the messages Terry Fitzgerald brought to about 110 people attending the Cass County Economic Development Corporation annual meeting Friday night at Chase Hotel in Walker. Fitzgerald is a senior economist and assistant vice president on the board of the Minneapolis Federal Reserve Bank.

He titled his comments: "Is the Economic Tank Half Empty or Half Full?"

Minneapolis is the center for part or all of seven states comprising the ninth of nine regional Federal Reserve districts in the country. The Federal Reserve is much more than its chairman, Ben Bernanke, and more than Washington, D.C.

It draws its policies from the regional boards and from their advisory committees. Large and small business owners, local bankers, agriculture and labor all are represented on the boards and committees in addition to the economists, Fitzgerald said.

The Federal Reserve hears the pulse of the country, he said.

Would Fitzgerald have taken the actions Bernanke did, including bailing out large companies in this recession? "Probably," he said. But, he said the long-term strategy now should be to put in place measures that minimize future risks for failure and that will allow troubled businesses to fail in the future.

Bondholders take a risk, he said. At some point, someone has to say, "No," he added.

Historically, it really has not mattered whether Democrats or Republicans were in office if the business markets were free enough of government controls to work up and down on their own, according to Fitzgerald. Be wary of how much government can do, he recommended.

Typically, government supports like the "Cash for Clunkers" and "First Time Homebuyer" programs work temporarily, but don't affect the long-term recoveries. Japan and South American countries have tried similar stimulus supports without correcting their recessions, he said.

What has mattered is that there has been no shortage of business ingenuity, and the important thing is we're not running out of that, Fitzgerald said.

In 1776, Adam Smith wrote, five years have seldom passed without someone

saying the wealth of nations was fast declining. In today's recession, many people are seeing themselves as worse off than five years ago. They miss the whole picture, Fitzgerald said.

He looked from a different perspective to see the actual progress people have made at the same time as recessions have come and gone.

If you draw a straight line on a graph to represent a 2 percent annual wage growth since 1870 (the last 140 years), actual average wages have tracked remarkably close to that line with only slight dips and rises above and below it, he showed on a screen. The only exception was during The Great Depression in the 1930, where there was a major dip, and immediately following, where there was a major shift above the line.

The last three recessions were in 1982, 2000 and today.

Fitzgerald showed newspaper ads from those years to illustrate that ingenuity really has made American peoples' lives better, despite recessions.

In 1982, people were buying 19-inch color televisions with fancy rabbit ears for \$499; an auto-dial, pushbutton, wall mount telephone with 200-foot cord for \$129; and a desk top computer for \$5,000. They were playing phonograph records on a multi-record turntable and probably had a music tape player.

By 2000, the norm became a 32-inch color television for \$399, portable telephones, notebook computers costing \$1,000 to \$2,000 and a Sony Walkman CD player.

Today, flat screen televisions can be purchased for \$499 and i-Phones with GPS and i-Pods have become a norm. About 91 percent of Americans have cell phones. About 80 percent of the country has broadband Internet today, he said.

The median home size went from a single story 1,500 square foot design in 1982 to a two-story 2,200 square foot design in 2008, Fitzgerald said. Wages for today's jobs are 30 to 40 percent higher than they averaged in 1982, he said.

Life expectancies are up, with more older people staying active longer in life than in 1982, Fitzgerald said. Mortality rates for heart and stroke are way down. More low birth weight and high-risk babies are being saved. There is progress on treating cancer, he noted.

Businesses have made millions of new hires since the recession began, Fitzgerald said, but the layoffs have been an offset to overall job growth. He predicted the gradual net job growth will continue and does not foresee a double dip recession.

A community needs to look at its strengths and find a niche like North Dakota has with its oil to make major economic growth steps and keep local youth in rural areas, Fitzgerald said. He complimented Cass County EDC's record of 80 percent of the businesses it helps succeeding after five years.

The national success average for business startups is much lower, he said.

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