

Richard Bonnin

rbonnin@uh.edu

713-743-8155

November 13, 2008

Barton Smith Symposium Addresses Economy Driven by Fear and the Unknown

During his much-anticipated biannual forecast on Thursday, Barton Smith, University of Houston economics professor and director of the Institute for Regional Forecasting, focused on the future of the national and local economies during these times of great stress and fear.

Smith's sold-out presentation, "A New Administration/An Old Economy," held at the Hyatt Regency Houston Hotel in downtown Houston, offered his assessment of the severity and longevity of the current national and global economic crises, what policy options President-elect Barack Obama will have, and how Houstonians will be affected in terms of the value of their homes, the value of their stock-oriented retirement plans and the security of their local jobs.

Smith recapped the changing state of the U.S. economy since May, noting the continuing rise in foreclosures and fall of home prices, which led to panic, the federal bailout and the stock market plunge.

On the upside, Smith noted, the plummeting commodity prices will save the average family approximately \$2,250 per year in gasoline prices alone. That's as good as another tax rebate, he said.

Smith warned that the housing market's woes are not yet over. He discussed how long it will take for the problems in the housing and stock markets to dissipate and, perhaps even more importantly, how much weaker the national and regional labor markets are likely to become before they begin to recover.

The losses have only just begun, he said, because the global spread of recession will produce a snowball effect, in which each country's woes add to the rest.

Today's U.S. economy is dominated by fear and the unknown, he said.

Here in Houston, Smith said, many believed the positive media coverage this summer led many to believe that Houston was immune to the nation's economic woes, even though job growth had already begun to slow, foreclosures continued and energy prices towards the end of summer had been their historic collapse.

Smith said he believes Houston's energy industry boom will soon come to an end, pulling the rug out from under the regional economy's most important leg.

While rejecting the notion of a depression, Smith examined a variety of more likely scenarios, all of which will have implications for Houston's economic growth and prosperity. They included:

- The U.S. will fall into a serious recession

- The U.S. recession will spread to the global economy

- The recessions will keep downward pressure on energy prices

Smith offered a bit of advice for the next presidential administration. He said it would be misguided to pile on more fiscal stimulus, tax cuts or bailouts. Instead, he said, Obama's team should "fix what's broken," aiming at policies for the long run including regulatory and tax reforms, a rational energy policy, a plan for balancing the budget, rethink how America should handle the new world of globalization, promote savings, and carefully balance environmental and economic objectives.

He also stressed that the Federal Reserve must be put back on course, calling the Fed of Ben Bernanke "slow and directionless."

To put the brakes on foreclosures, Smith said, buyers must be qualified; rates must be set at market value; loans must be set at current market value; payments must be ballooned when sold; and all mortgages must be federally insured.

Smith has conducted numerous studies on urban issues, housing, transportation and the environment. During the past 20 years, he has gained national recognition for his analyses of the Houston economy and real estate markets. Smith wrote "Handbook on the Houston Economy" and continues to present and publish two symposium reports a year on Houston's economy and real estate markets. For more information, go to <http://www.uh.edu/irf/index.htm>.

About the University of Houston

The University of Houston, Texas' premier metropolitan research and teaching institution, is home to more than 40 research centers and institutes and sponsors more than 300 partnerships with corporate, civic and governmental entities. UH, the most diverse research university in the country, stands at the forefront of education, research and service with more than 36,000 students.