Signs point to hitch in nation's recovery

Craig Wolf • Poughkeepsie Journal • May 26, 2010

Three developments emerged Tuesday that cast a shadow on the economy that has only recently begun to scratch and claw its way back after a prolonged recession.

• A Marist College report said more people are moving out of the Hudson Valley than are moving i n, apparently in search of lower housing costs.

• The Dow Jones industrials dropped below 10,000, digging deeper into the current correction. The index dropped as low as 9,774.48 before recovering enough to close down 22.82 at 10,043.75.

• The chances of a double-dip recession — a global one — have risen because of the European debt crisis, consumer retrenchment and rising resistance in the United States to government spending that has sustained the recovery. So says the Jerome Levy Forecasting enter in Mount Kisco.

Migrating for money

A study of housing moves from 2006 to 2008 was issued Tuesday by the Marist College Bureau of Economic Research in Poughkeepsie.

All but two counties saw net migration inbound, those being Ulster and Sullivan. But Dutchess, Putnam, Westchester, Rockland, Orange and Columbia all saw more moves out than in.

Many who moved remained in the region, which means they moved to cut housing expenses rather than to be closer to work, according to analysis by Christy Huebner Caridi, the professor who heads the bureau.

"Dutchess County remained the epicenter of intraregional migration," she wrote. "Dutchess gained population from the southernmost counties and lost population to Columbia County in the north and Ulster County to the west."

Net migration favors counties with lower relative housing costs, Caridi noted.

The economic impact can be gauged because the data come from the Internal Revenue Service complete with aggregated incomes. This allows a look at where the money is moving.

In the 2006-08 period, Dutchess lost a net of 377 households but gained $137.6 million in family income. That was due to in-state migration, which means mostly people coming in from New York City, the source of nearly 41 percent of the net intrastate inflow.

In Dutchess, the big flow in was from Westchester, a net of 870, and the big flow out was to Ulster, a net of 282.

For moves in and out of state, the big destinations outbound remained Florida and Connecticut. The most active inflows included those two states along with New Jersey.

Ominous trends seen

With European debt problems mounting, the world now faces a rising potential for a recession, say the forecasters at the Jerome Levy center.

The latest report from the center says the risk that the recovery will slip into renewed recession has moved from 50 percent to 60 percent.

"There now appears to be a real possibility of a worldwide decline starting in late 2010 or 2011 that will prove more damaging to the international economy than the 2008-2009 contraction," David A. Levy and S. Jay Levy wrote in the bulletin.

Despite Tea Party calls for fiscal restraint, that's the last thing the economy needs from the federal government, they said. On the contrary, more stimulus may be needed, especially to help bail out state and local governments, whose budget-cutting measures "are a serious weight on a still fragile economic recovery" and pose the potential of freezing municipal debt markets, Levy economist Robert C. King wrote.

Caridi, at Marist, said economic opinion is still out on the subject of whether the first recession is really over. The National Bureau of Economic Research has not declared an end, she noted. Many economists say it should, but others say unless the household sector recovers, you can't truly have an end to the recession.

Households, housing and small businesses are still facing issues, she said.

Other economists are less worried that European debt will drag the world down.

The turmoil "will probably fall short of becoming a worldwide recessionary shock," James Bullard, president of the Federal Reserve Bank of St. Louis, said in a speech in London. Similar troubles in the past, such as the Russian default in 1998, created turmoil but did not go so far as to throw the global economy into a downturn, Bullard said.

Dow down again

Stocks fell Tuesday, with investors seeing more concerns globally, especially the fiscal stress in Europe plus more tension between North Korea and South Korea.

The stock markets have been off since late April when a correction began to set in. The Dow Jones industrials passed 11,000 midmonth but as of this week managed a decline of close to 1,000 points. A 10 percent drop is widely accepted as a "correction."

News was out Tuesday that national home prices are

still slumping.

Prices fell half a percent in March from February, according to the Standard & Poor's/Case-Shiller 20-city index, making six straight months of declines.

The Associated Press contributed to this report.
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