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Broadway & 17th: Fog of gloom envelops JeffCo EDC audience

Denver Business Journal by Neil Westergaard, Editor

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Two economists and a journalist talk about the economy in front of 250 eco-devo and chamber of commerce types Thursday.

The journalist (me) tries to be upbeat about prospects for the Colorado economy going forward, emphasizing the state's entrepreneurial economy, energy development, the airport, light rail and political symmetry all focused on job creation.

Then the economists get up and give extremely sobering assessments for the national and local economies next year. They risk of recession next year, one says, is still "unacceptably high." Then there's danger from European debt contagion, shaky consumer spending, housing prices still headed south and a range of government spending cutbacks from the federal, state and local governments looming that is sure to blunt what little recovery we've had this year.

The master of ceremonies, CBS4's [Greg Moody](#), is prompted to remark: "It's a good thing they only have butter knives on the table this morning."

Isn't it the media that's always supposed to be negative? Not on Thursday morning when I joined **Wells Fargo** economist [Scott Anderson](#), Colorado economist [Patty Silverstein](#) and Moody for the Jefferson County Economic Development Corp. annual economic breakfast.

I noted that the Denver Business Journal tries to find stories about businesses that are successful but we also report on the negative stuff, too. You can't be accurate otherwise, because the truth is, even in challenging times like these, there are people out there working and innovating and making money. In fact, it's the majority of people.

And Colorado has a lot of things going for it. People still want to move here, we've got infrastructure development in things like FasTracks and Union Station, we've got both sides of the energy equation covered with oil and gas and alternative fuels, a younger population, knowledge-based workforce.

Sure, times are shaky, but there's a lot positives out there if you just look for them.

Maybe. But here's what the pros said:

Anderson: "I wish I could stand up here today and say that all is well, but the U.S. and international economic challenges are daunting."

He's forecasting a 30 percent chance of the U.S. falling back into recession next year. While 2011 will close out in positive territory in terms of GDP growth, the first half of 2012 remains.

Another big concern: While consumer spending (which makes up two-thirds to three-fourths of the U.S. economy) is trending better, it's mostly because upper income brackets are spending more. If the stock market tanks because of European sovereign debt issues (and it might) that pop in consumer spending will be over because it is closely correlated to how good the rich feel about their investments.

"The potential for a pullback in consumer spending is very real," Anderson said.

And, finally, Anderson said don't underestimate the damage that's being inflicted, and will continue to be inflicted by government spending cutbacks. Thirty-eight states last year had a budget deficit and they cut spending instead of raising taxes. While that may turn out good in the long run, it's horrible in the short run because it's taking money out of the economy.

One semi-bright spot in the fog of gloom wafting over the audience: Business to business spending is up 18 percent. So, it appears some companies, while not hiring more workers, are spending on new computers and other equipment to make workers more efficient.

Silverstein, who always tries to highlight any evidence of hope, no matter how faint, was only slightly more upbeat. She said we ought to forget about the idea that Colorado is somehow insulated from the effects of the national economy. In fact, we're in lock step. Nor will we recover much more quickly than the national economy.

One of her slides, showed every employment sector but one losing jobs in 2011 — so-called cleantech industries. Housing is one area where Colorado has fared better than a lot of areas in the country.

"There is life to the market ... we see some activity out there, but it is still slow and steady."

This is the season for economic forecasts. We'll be watching for a consensus to develop on

the key numbers and we'll get back to you when we find it.

In the meantime, as they say on Wall Street, stay very nimble.

Neil Westergaard is editor of the Denver Business Journal and writes for the "Broadway & 17th" blog.