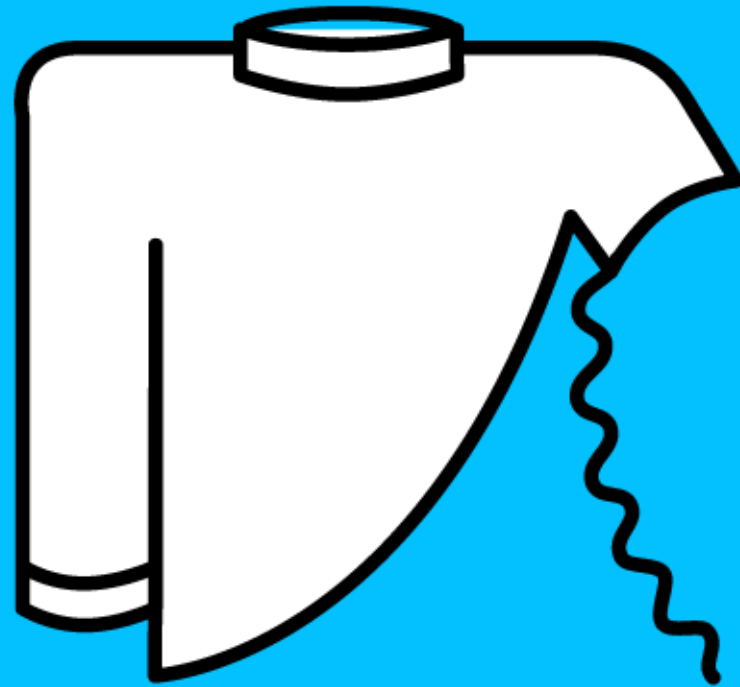


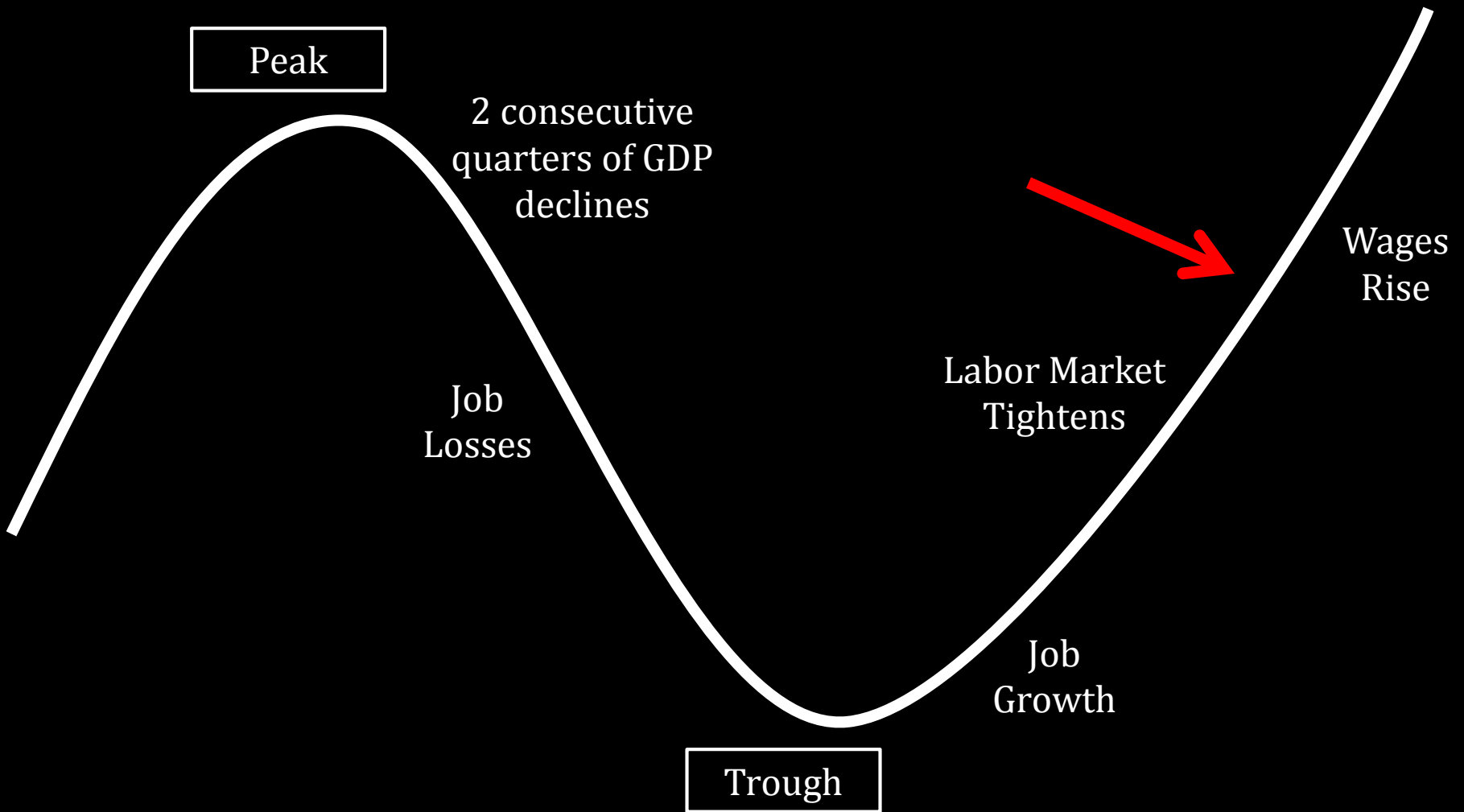
The next recession
will not be...

The Great
Recession



Damon Runberg, Economist
Oregon Employment Department

Simplified Business Cycle



“Us” Economists aren’t very good at forecasting recession

Predicting bad news can be costly and unpopular

10 Reasons Why The American Economy Is Awesome

Eric Platt     
Jan. 1, 2012, 8:24 AM  77,363  35

[FACEBOOK](#) [LINKEDIN](#) [TWITTER](#) [EMAIL](#) [PRINT](#)

Slowly, the U.S. economy has been gaining steam and rhetoric in Washington has seemed a little less painful. Perhaps that's only apathy caused by four years of unease and turmoil. But the picture is definitely not nearly as bleak as in Europe.

Sure, economic data can be spun, and pundits who wish to point that the country's best may be behind it have a ammunition.

But, we see a country that is ready to innovate, get



But, bad news drives clicks

Here's Another Sign a Recession Is Coming

by Lauren Silva Laughlin MARCH 26, 2016, 5:53 PM EDT



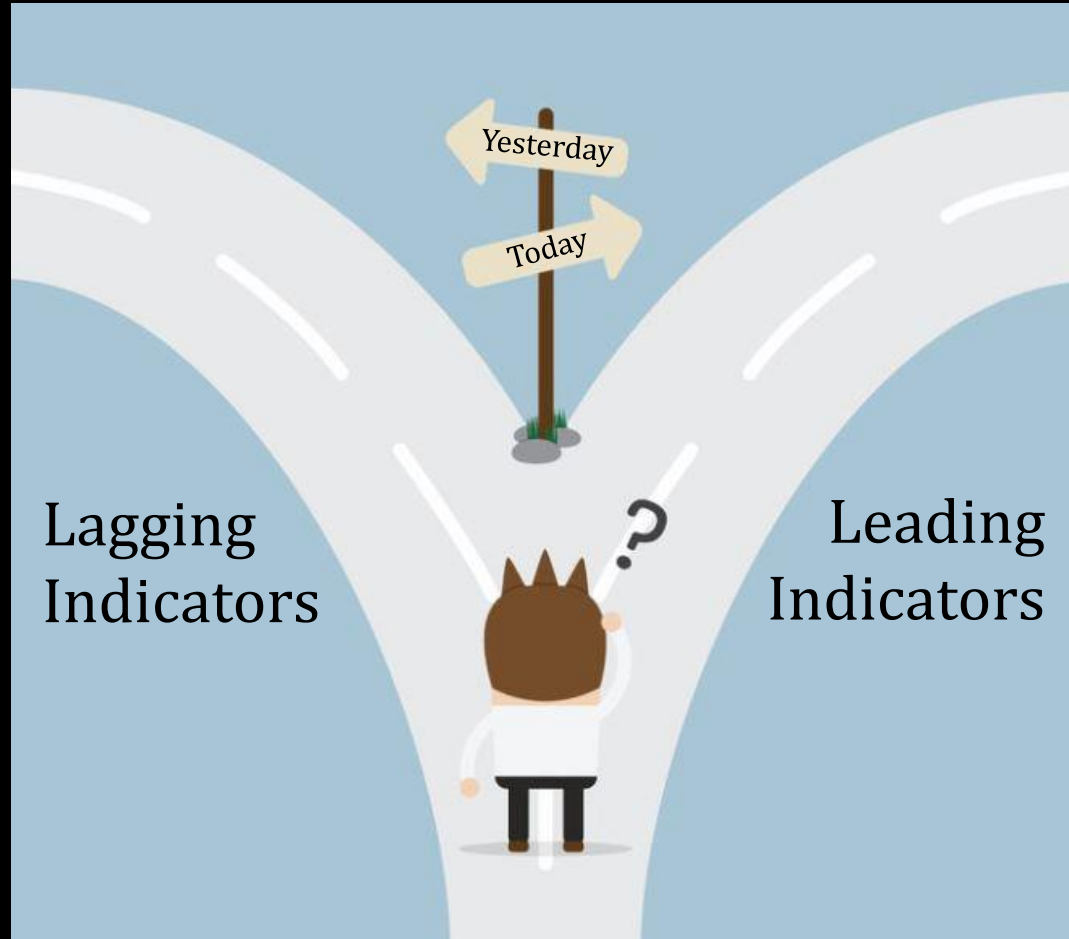
Reliance on Trends

Economists Warn Of A Recession In The Next 4 Years

October 10, 2016 [Share](#)



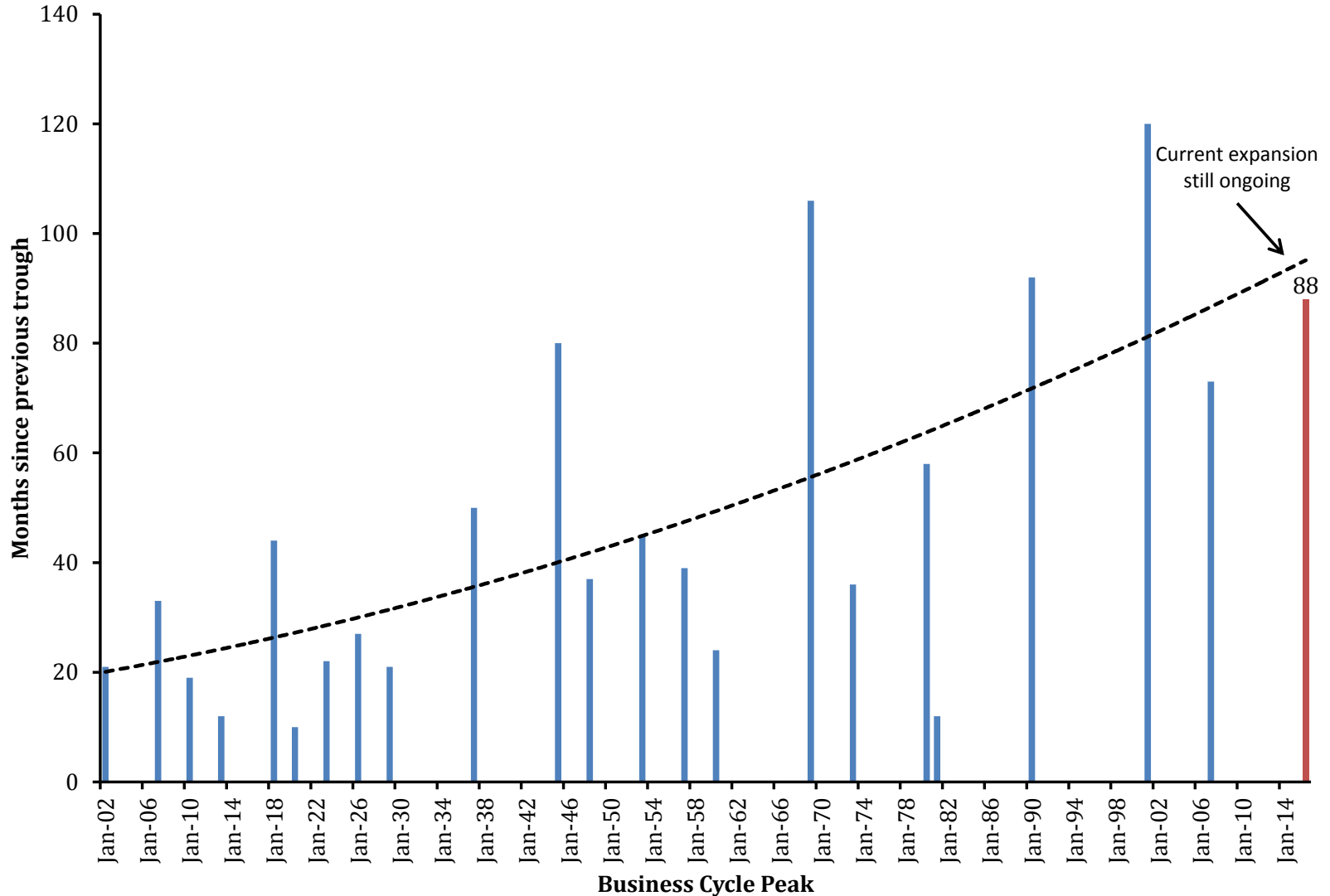
Some models better than others



...Don't pay attention to any long-term forecasts that go beyond a year.

100+ Years of American Recessions

Expansions are trending longer



Expansions don't die of old age

The Post Hoc Argument:

“Recent expansions lasted just over 6 years before another recession began. Our current expansion has continued for more than 6 years, so a recession will happen soon.”



However, most expansions end... Unless you live in Australia

1) A shock

2) Significant policy error

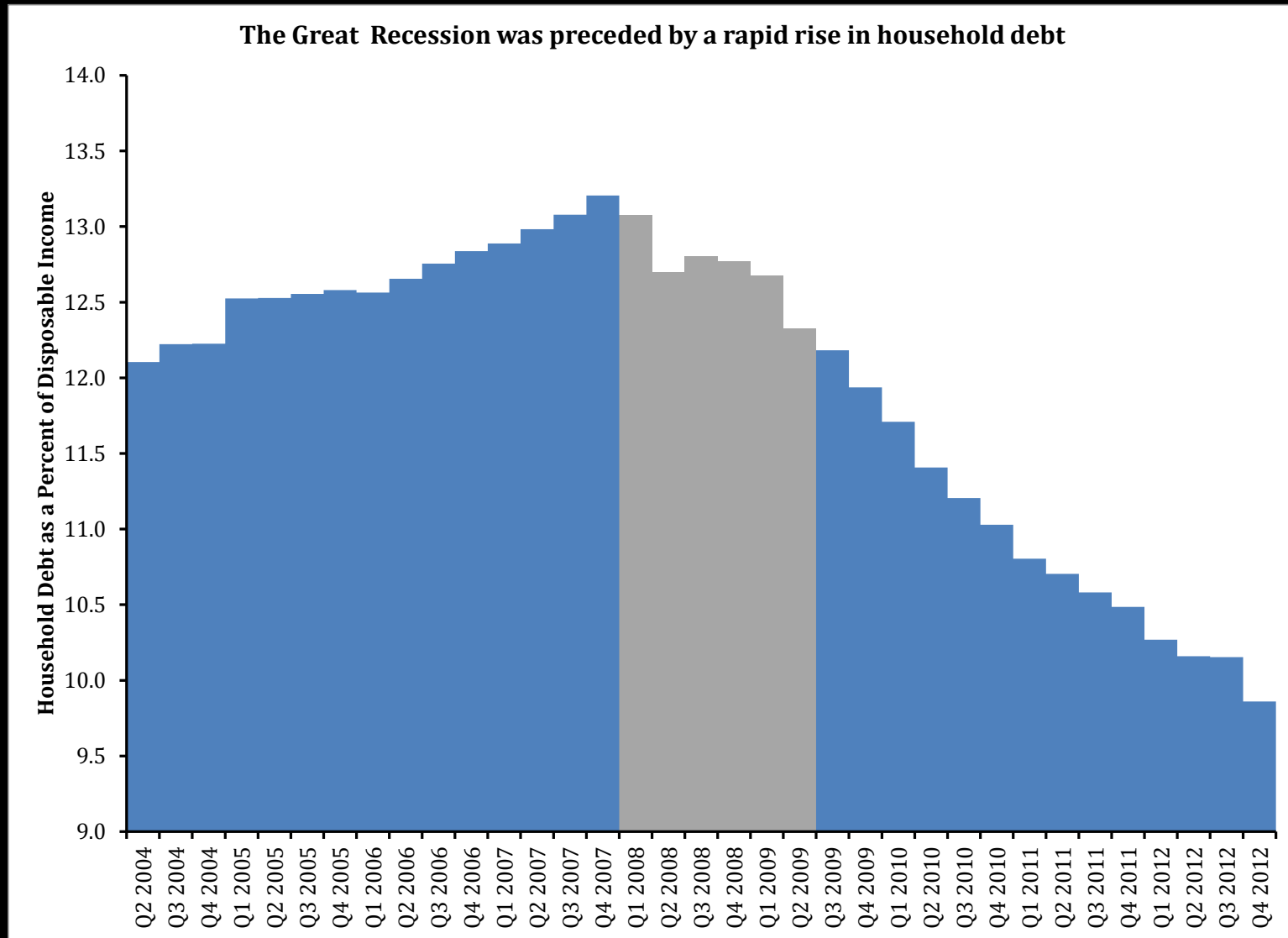
3) Tightening monetary policy to slow inflation



What was the loose thread that
caused the Great Recession?

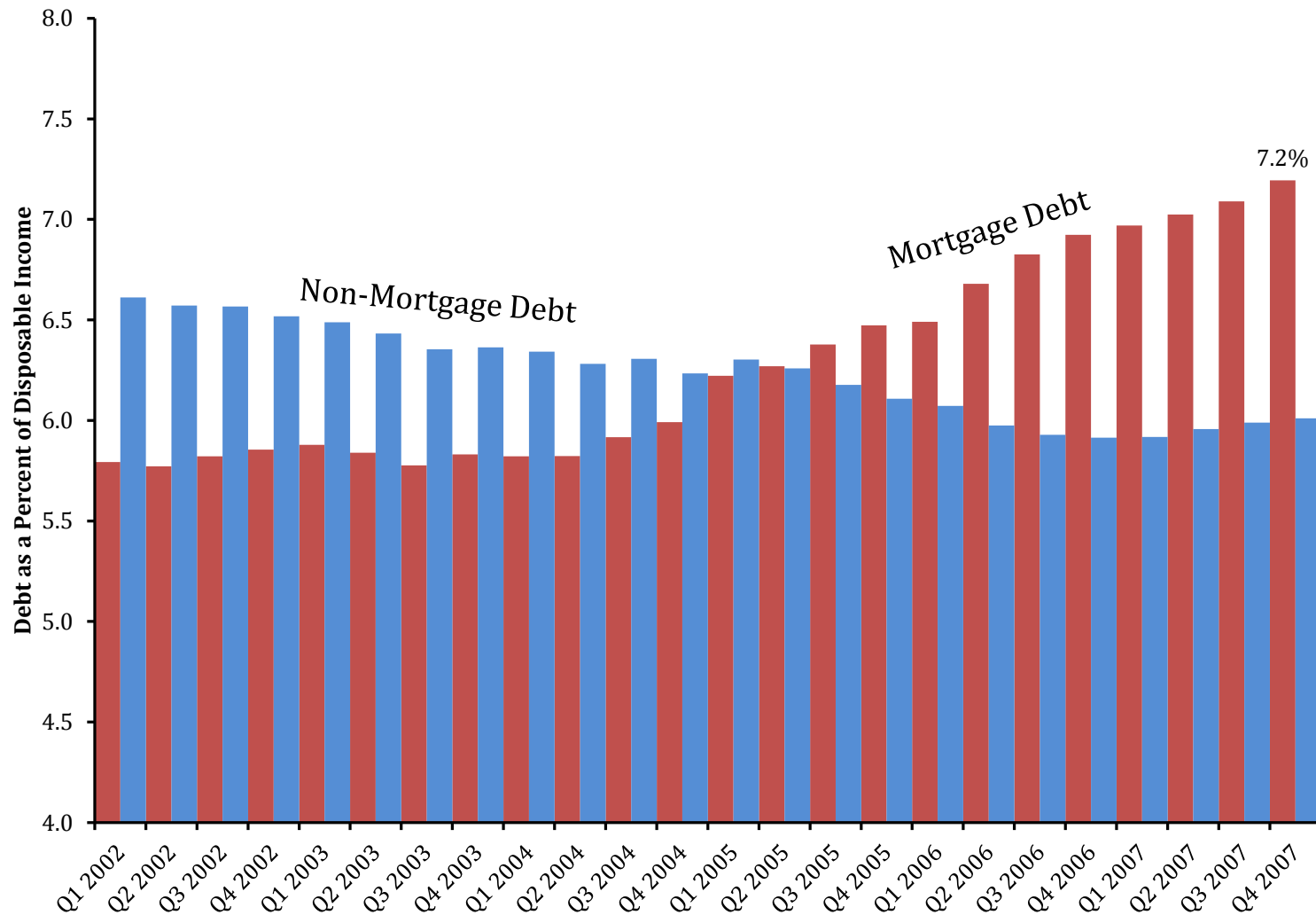
...according to Mian and Sufi.

The economy unraveled when the debt thread was pulled...

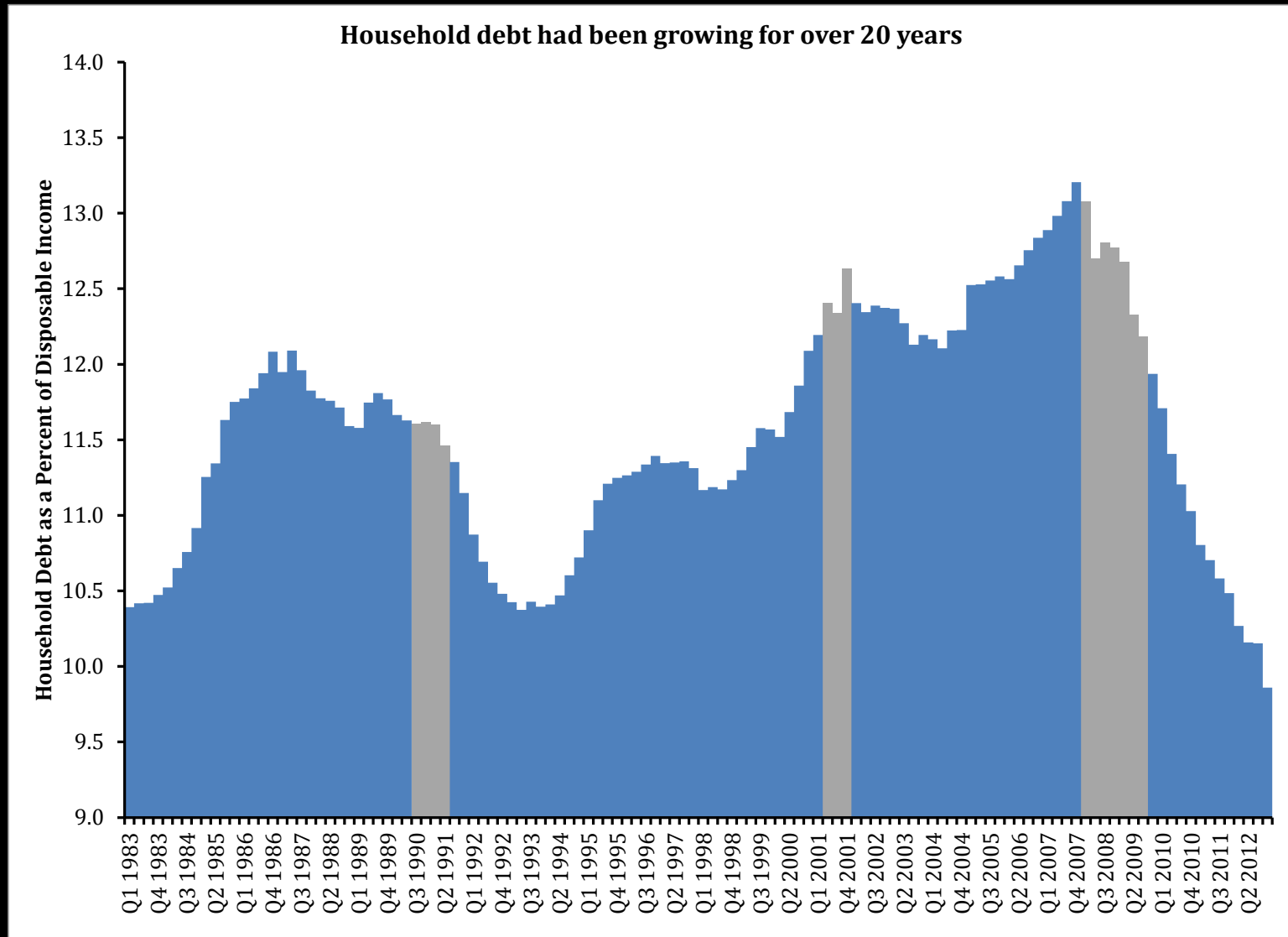


Not surprisingly, people were buying houses

Mortgage debt became a larger share than all other debt combined



Turns out debt is pretty dangerous



The “harshness” of debt



\$100,000 house

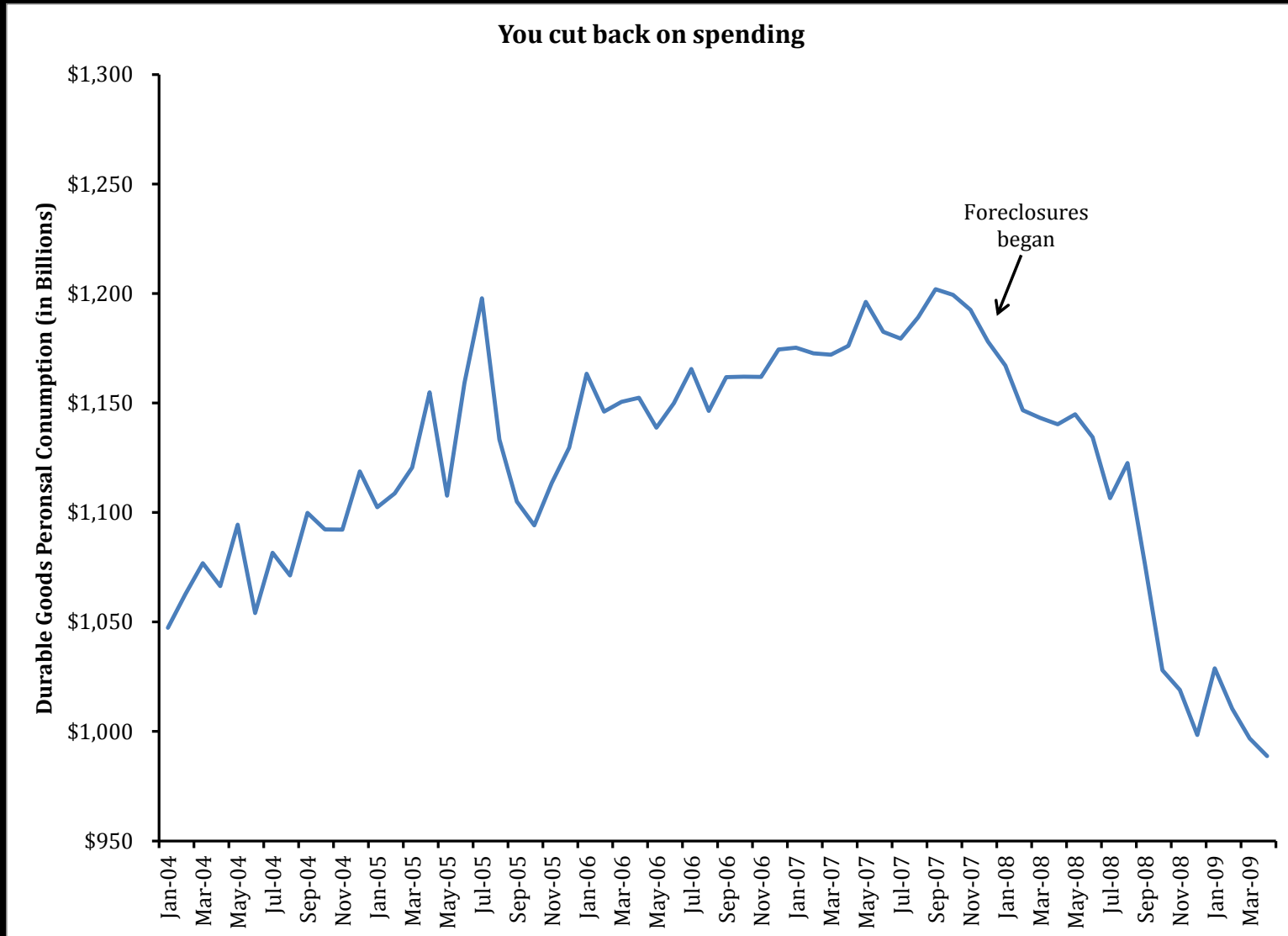
\$80,000 mortgage

\$20,000 Homeowner equity

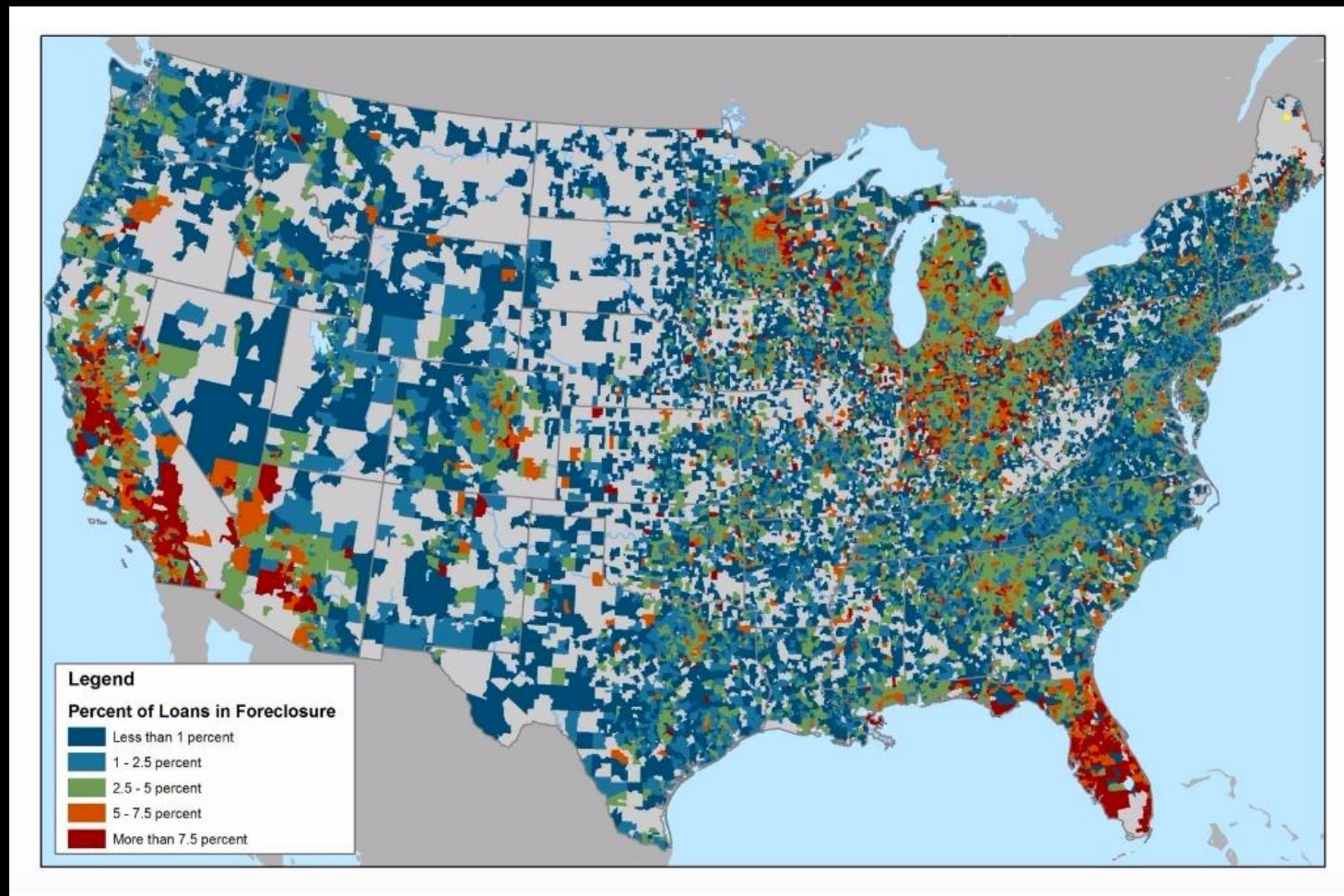
What happens if there is a 20% drop in home prices?

What do you do if...

You have low net worth AND see your net worth decreased further?

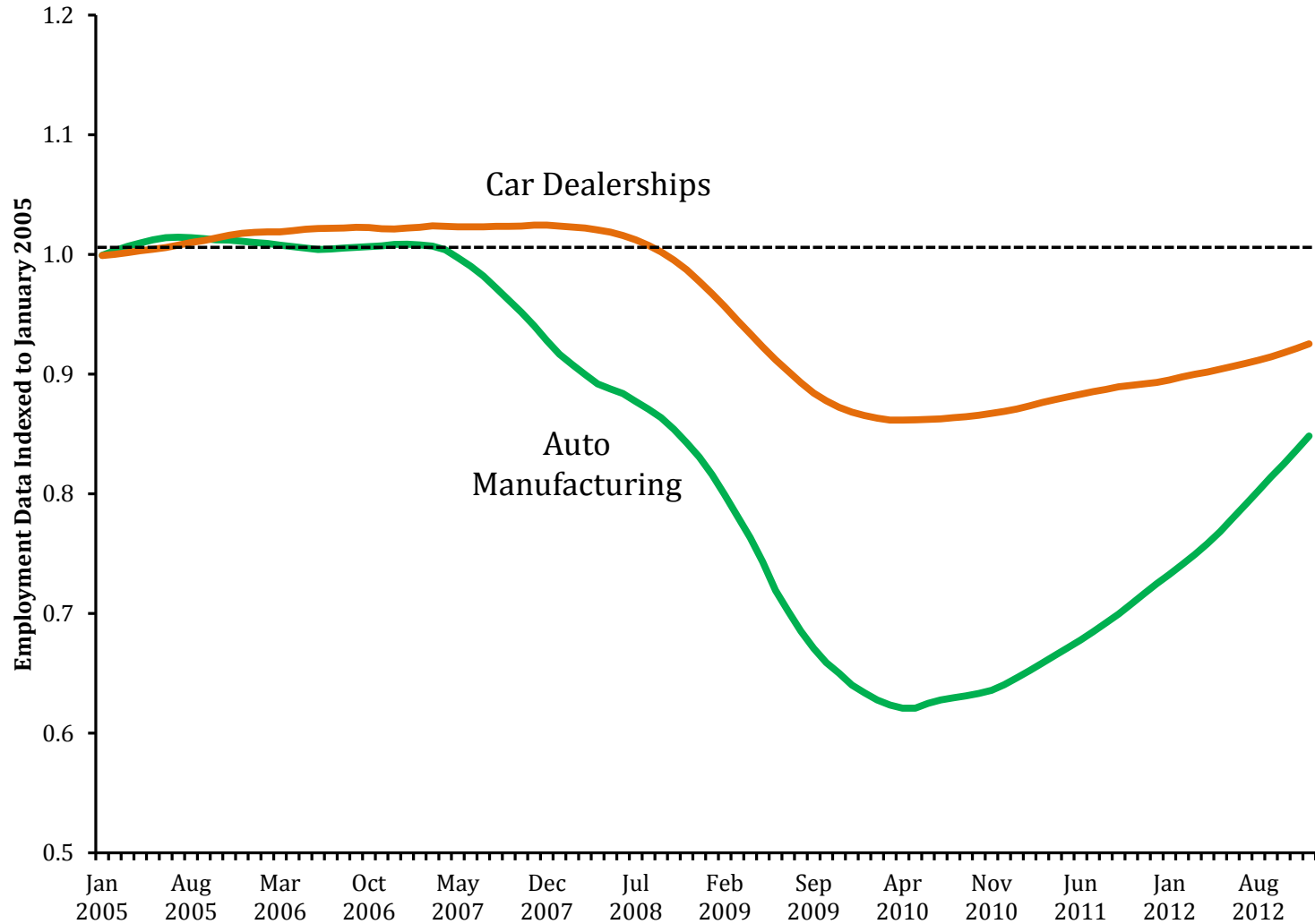


The housing crash was very localized

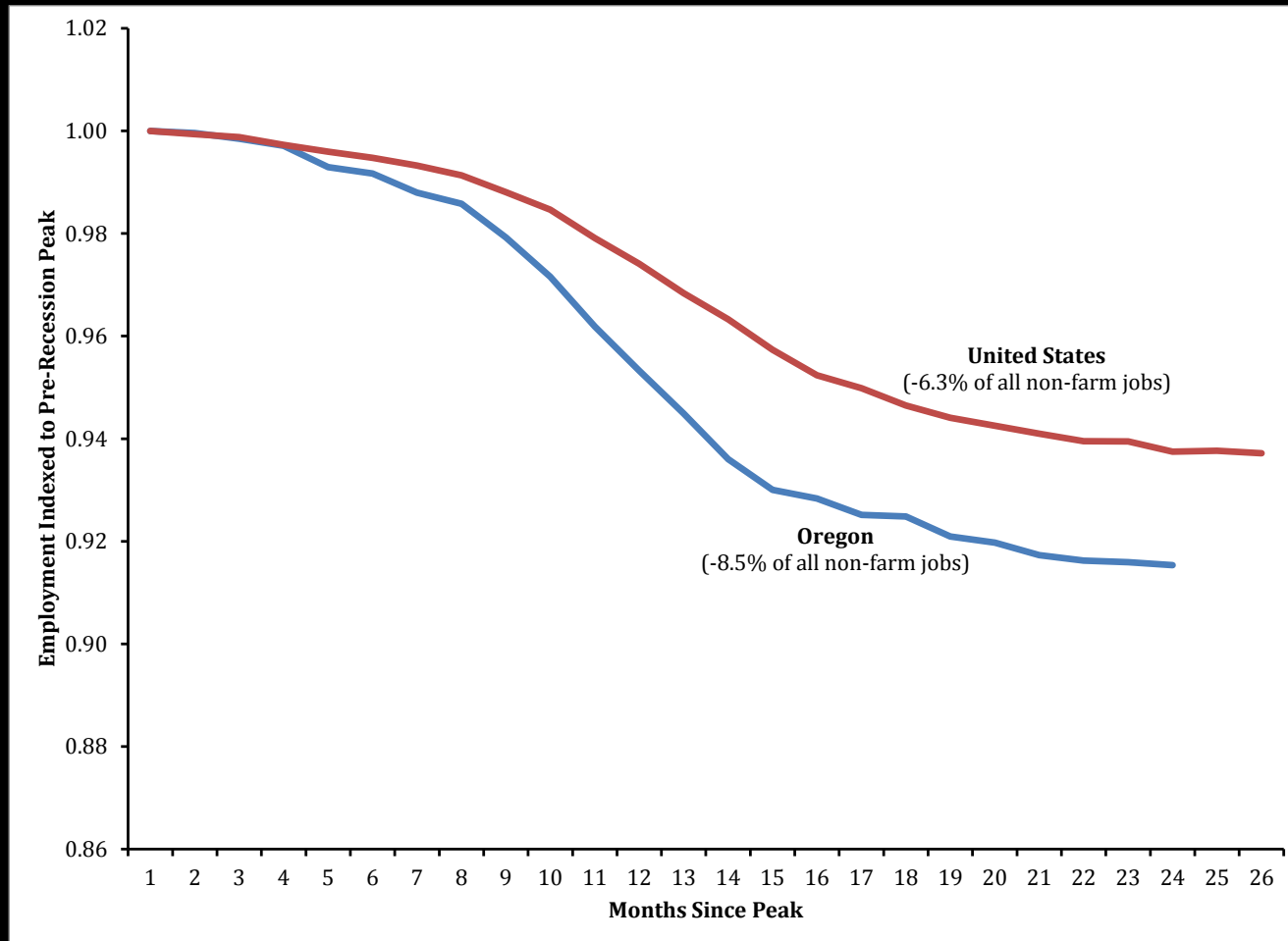


The Tennessee Example

Drop in consumer spending effected non-housing bubble areas



Debt, housing depreciation, spending cuts, then job losses

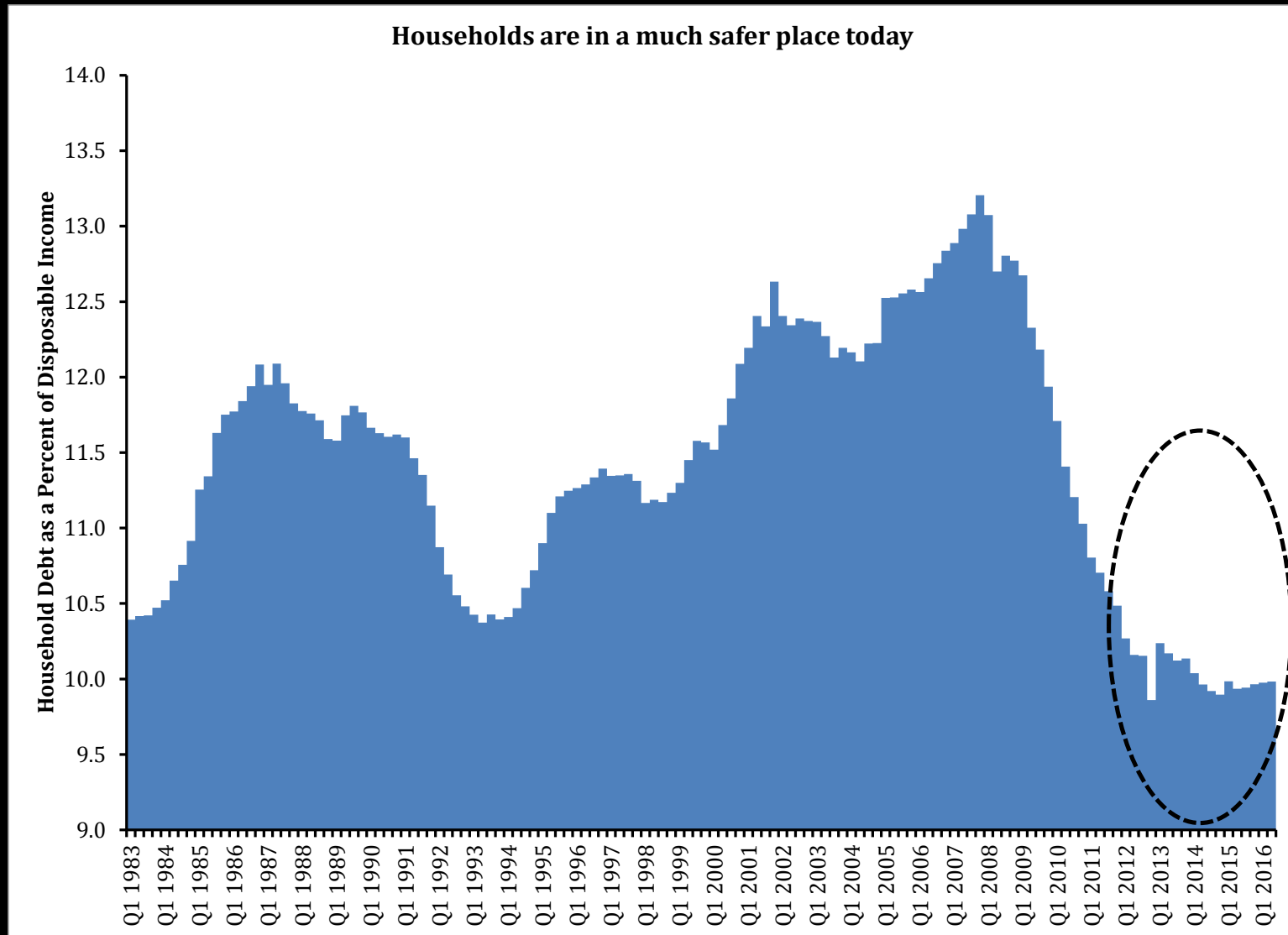


“A worker laid off in a recession loses income equal to **three times their annual pre-layoff earnings** over the rest of their life.”

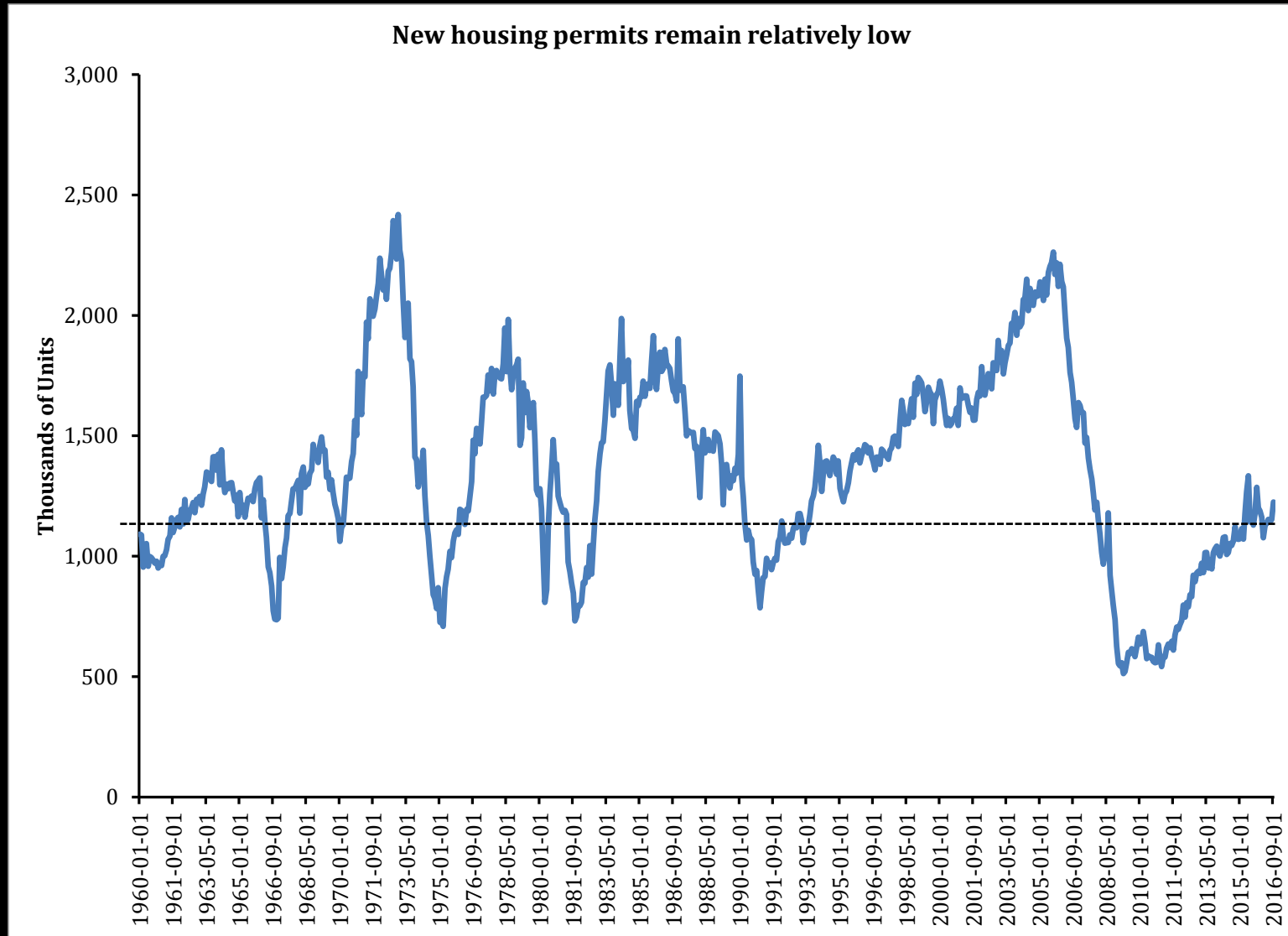
-Davis and Wachter

Why the next recession will
(most likely)
be different

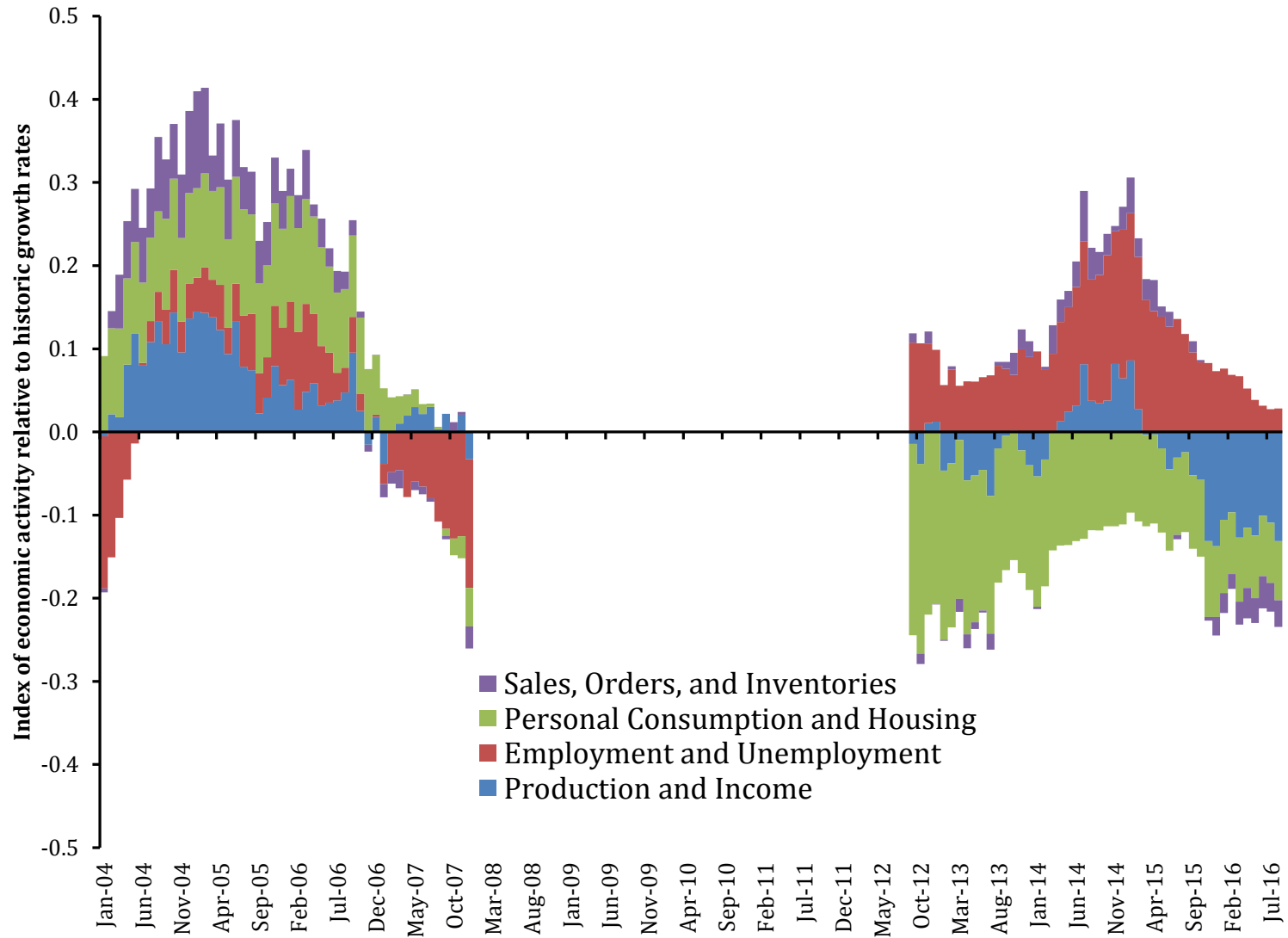
Household debt remains at a 30 year low



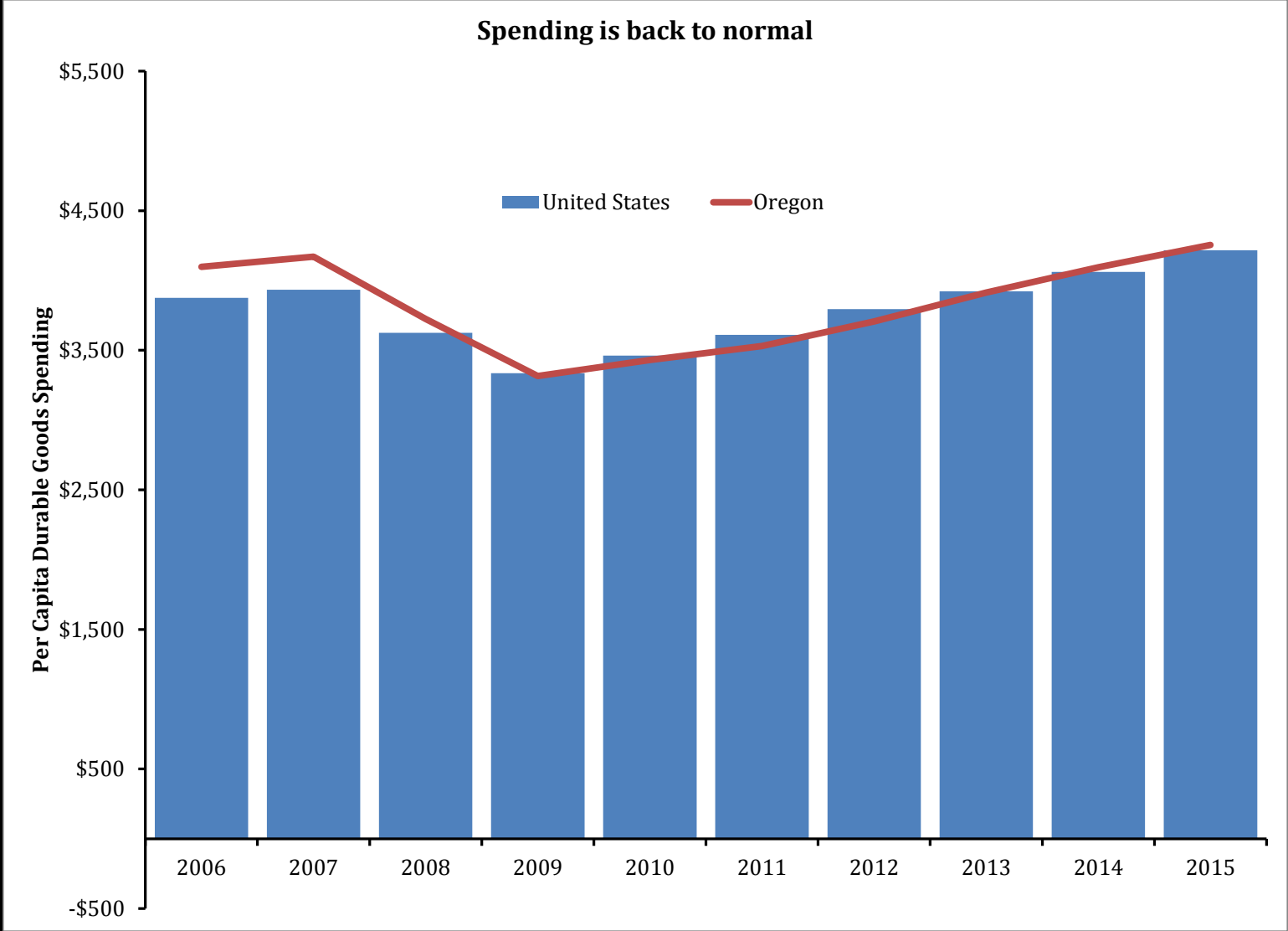
No housing bubble



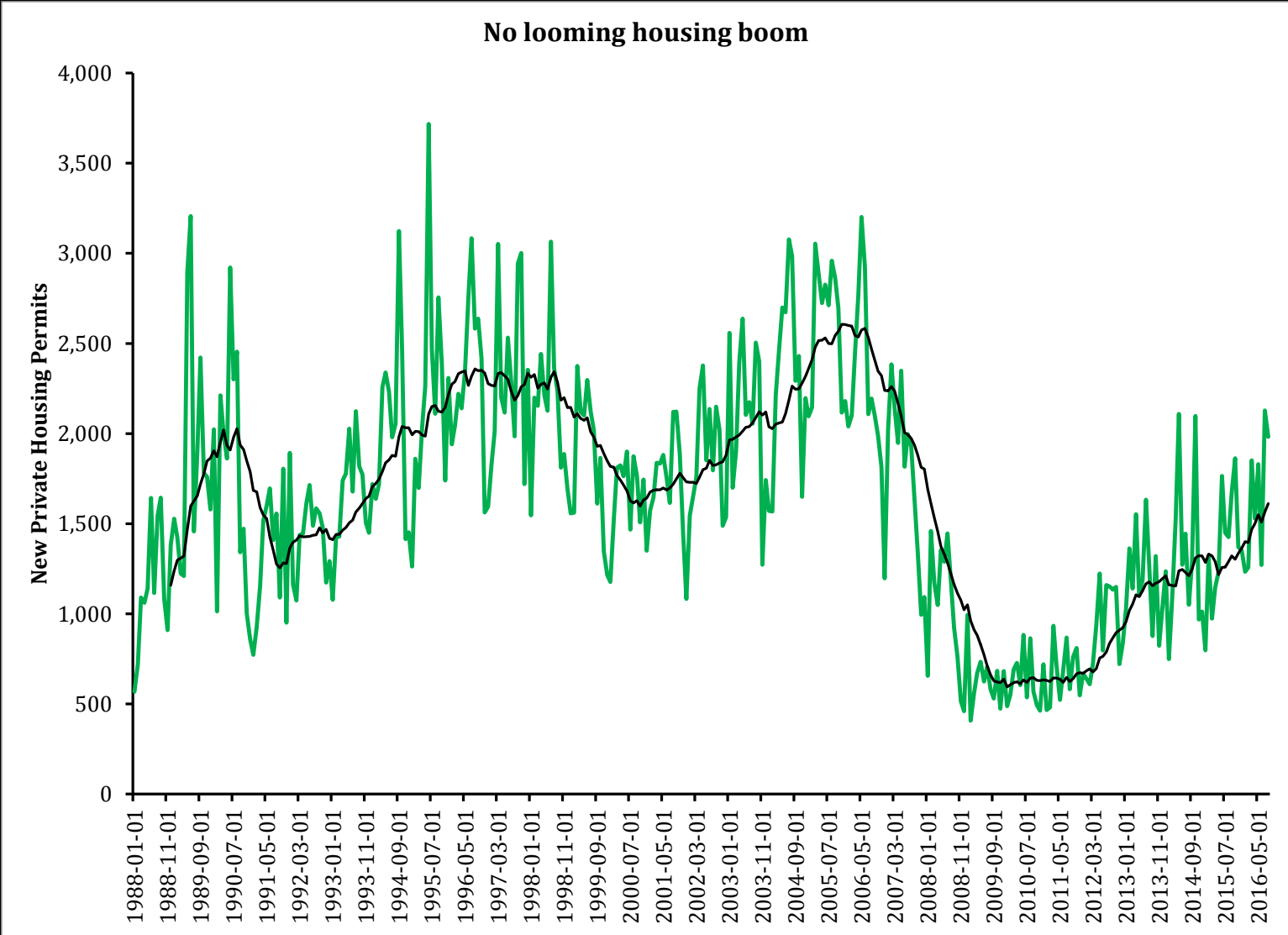
Job growth is fueling today's expansion



What about us in Oregon?

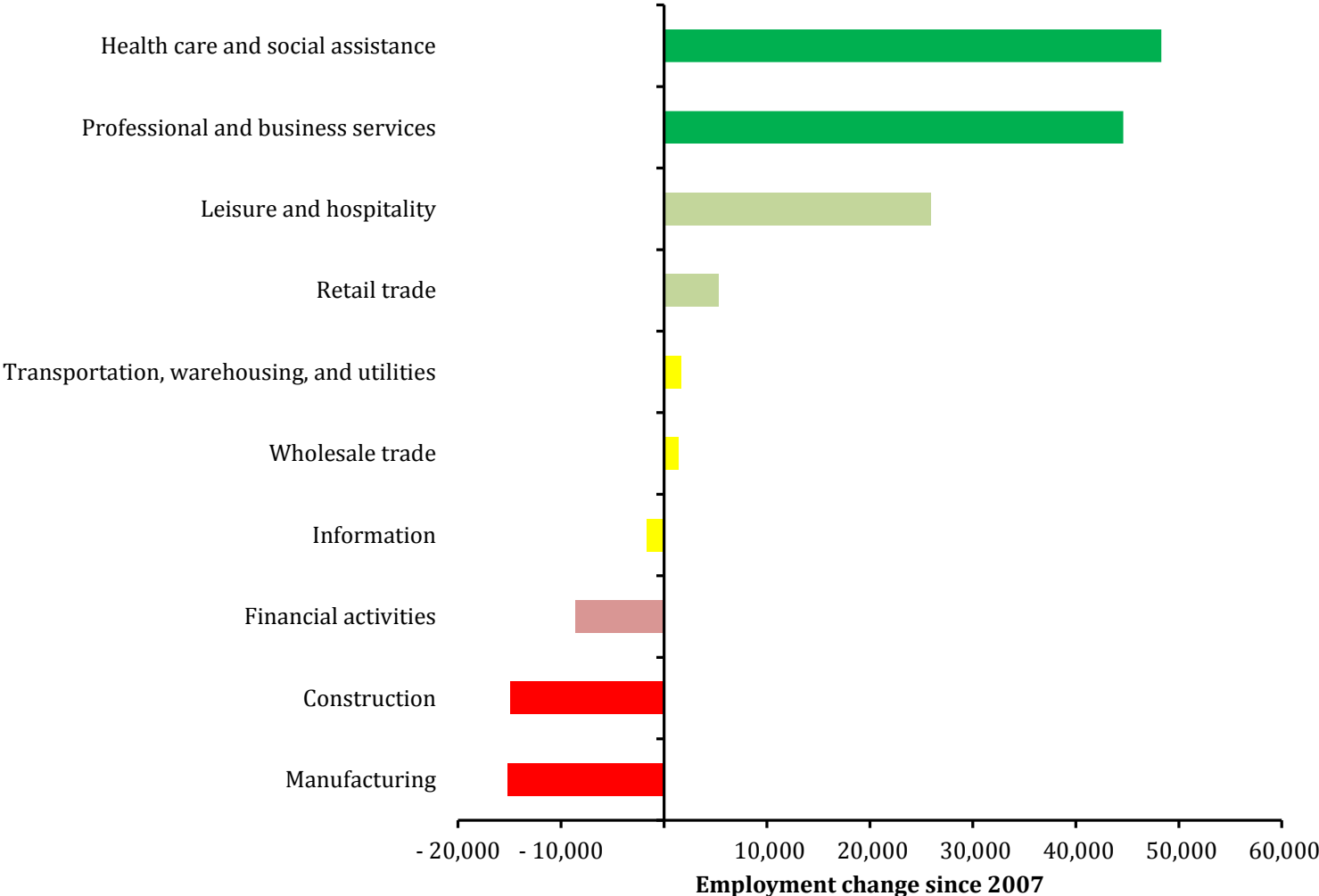


What about us in Oregon?



What about us in Oregon?

A more diverse industry base



So, what?

The economy is a risky place

A recession will happen again

That recession will not be “great”

Keep an eye on out for loose threads

Questions?

Damon Runberg

damon.m.runberg@oregon.gov

541-706-0779