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To V or not to V

By [Christina M. Mitchell](#)

Economist Brian Wesbury sees the letter V everywhere.

It's there, he said, pointing to GDP figures, copper prices, retail sales and manufacturing orders, to name a few examples.

"I dream about V's," the First Trust Advisors chief economist told attendees at this week's ABA National Conference for Community Bankers. "Everywhere I look, every piece of data has a V-shaped recovery in it."

If you can't see it, Wesbury said you might be suffering from a condition he termed economic hypochondria. "The recovery is happening right before our very eyes, and because of a hypochondria ... what we're seeing is that people don't want to believe it."

Wesbury told conference attendees that many of the issues cited by the economic pessimists, from trouble in Greece to commercial real estate vacancy rates, are not as bad as people believe.

But what about unemployment? "Well, yeah, you're right; it's really high," Wesbury told the crowd. "But have you ever seen a recovery that didn't start with high unemployment?"

The economist, who recently authored a book titled "It's Not as Bad as You Think," said he blames the Federal Reserve for creating the housing bubble and subsequent crisis by holding interest rates too low in the early 2000s. Capitalism did not fail, Wesbury said, but monetary policy did. "The reason the market was unstable is because the Federal Reserve created an unstable market in the first place," he said at the conference.

Despite that, panic has subsided, and current policies, including low interest rates and a key mark-to-market accounting rule change, are driving V-shaped growth, Wesbury said. "In the end, I think this year is going to be a very strong year, with rising inflation, which is a little bit of a problem, and some rising interest rates. But it's going to blow a lot of people away, and all that hypochondria is going to be forgotten in the dust of a growing economy," he said.

Community bankers who listened to Wesbury's speech said later that they would like to have heard more from him — a time crunch prevented the economist from taking questions — but some still expressed concern about the economic future. Later in the conference, another speaker, Donald Musso, president and CEO of financial institutions consulting firm FinPro Inc., presented a contrary view, telling bankers that they should prepare for a possible double-dip recession.

Based on his company's analysis of economic data, Musso predicted sustained high unemployment rates, falling real estate prices and declining consumer credit demand. While interest rates might rise in the short term, Musso said he believes that out-of-control government spending will help send the economy into a double-dip recession, likely by this time next year.

"I keep hearing that we're in this recovery. I just don't see it," Musso told SNL later. "Do I believe that we're stronger than we were a year ago? Yes. Do I believe that we're now in a recovery? I just don't see it."