

Is a Recession on the Way?

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Economists and politicians can debate all they want about whether the nation is sliding into its first recession in nearly seven years. To Chuck Rizzo, the picture is clear.

Rizzo was recently laid off from his customer service job at a homebuilder in Sarasota, Fla. His grocery bill is higher nowadays, and he can barely afford his mortgage payments.

"Everything has gotten tremendously more expensive," said Rizzo, 45, who is married with a 15-year-old daughter. "We don't go out to dinner now. We don't take vacations. We've had to make a lot of adjustments to our lifestyle."

Whether an actual recession is on the way -- or already here -- U.S. consumers and businesses are being increasingly squeezed by a downturn that threatens to spread the pain being felt everywhere from the gas pump to the unemployment line.

The official designation often comes long after the recession itself begins. Experts note that the point at which the "R-word" is triggered is mostly an academic debate.

"That's not going to make a great deal of difference to people's economic well-being or their pocketbooks," said Frank Lichtenberg, professor of business, finance and economics at Columbia Business School in New York.

"The idea that if you're on one side of the line you're in a recession and if you're on the other side you're fine -- that's not really the case," he added. "Clearly, we are in a very difficult period."

In the last recession, in 2001, investors took the biggest hit from collapsing technology stock prices. This time, consumers may bear the brunt of the pain as rising inflation and sky-high energy prices boost daily living costs uncomfortably.

The current slide started when the housing market, pumped up with the help of loans that were easier than ever to obtain, went from boom to bust. The real estate and home construction markets collapsed, loan defaults and foreclosures proliferated and damage has continued to spread through the nation's financial system.

The double punch of a punctured housing market and oil that topped \$100 a barrel has slowed the growth of the world's largest economy to a crawl, and tightening credit and other worrisome trends may well make things worse in 2008 before they get better.

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