

Economic recovery has hit many bumps in road

Economists — while hopeful that the recovery has more zip ahead — point to a variety of reasons why things aren't roaring right now. First, the severity of the downturn makes the Great Recession one of those economic shocks that one cannot forget.

"It was very close to the brink," said Mark Zandi, chief economist for Moody's Analytics.

Major corporations couldn't issue new debt — and many consumers saw their credit lines slashed.

Zandi maintains that the economic recovery has been sidetracked by more shocks — including \$4 gasoline, the Japanese earthquake, bad weather at home and weak federal spending.

The earthquake and tsunami disrupted production in the auto industry, a key driver of growth.

Severe budget-cutting by state and local governments as federal stimulus money ran



LACK OF CREDIT, HIGH GAS PRICES AMONG THEM, SUSAN TOMPOR NOTES

out hit us hard, too, Zandi noted.

While credit is more available now, many still cannot borrow based on tighter lending standards.

Diane Swonk, chief economist for Mesirow Financial, said that in the wake of the financial crisis, much of the credit-generating capacity was lost. Without as much access to credit, no matter how justified, the U.S. economy can't grow as fast, she said.

Borrowing fueled too much spending in the years leading up to the recession.

After this recovery began two years ago, many people

did not go on a buying spree because they were paying down their debt, said Donald Grimes, senior research specialist for the University of Michigan Institute for Research on Labor, Employment and the Economy.

Grimes said consumers had more savings on the sidelines during the recessions in the early 1980s and 1990-91.

Personal savings as a share of disposable personal income, for example, hit 10.9% in 1982 and 7% in 1991.

So once the economy improved then, people had some money to spend.

The savings rate had fallen to 2.7% during the short recession in 2001 and it was 2.1% in 2007.

The Great Recession officially ran from December 2007 through June 2009.

Demographics may also have come into play.

During the 1980s and 1990s, baby boomers were still buying plenty of stuff — second and third cars, new homes,



Mark Zandi is chief economist of Moody's Analytics, where he directs research and consulting.

second homes.

They were filling those houses with lots of toys.

Now the boomers have lost a great deal of wealth as they move closer to retirement.

The desire to spend may be replaced by worries about how they're going to make it through retirement, Grimes said.

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If home values recover and the stock market sees more improvement in the years ahead, boomers could be more willing to retire and spend. They might be more optimistic if the stock market doubles in five years or so, Grimes said.

Despite the bad news of late — such as disappointing job growth — the U.S. economy is expected to grow at an annual pace of 3.5% during the second half and almost 4% in 2012, according to Moody's Analytics.

That would be up from an annual rate of less than 2% in the first half of 2011.

Payrolls, which grew by almost 1 million last year, are expected to add 1.5 million jobs in 2011 and 2.5 million in 2012, based on forecasts from Moody's Analytics.

Zandi and other economists say corporate profitability and balance sheets are very strong and household debt burdens are easing, all of which can boost job growth.

Even so, he said the odds of a new recession in the next year have risen to one in four.

If anything goes wrong, we're still on the economic edge.

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ANDY KING/Associated Press

There are an estimated 90 million U.S. frequent-flier members with 2 trillion unused miles. The first program was created 30 years ago.

ARE FREQUENT-FLIER PROGRAMS A HASSLE?

Airlines reporters argue the pros and cons of rewards plans

By **SAMANTHA BOMKAMP** and **SCOTT MAYEROWITZ**
AP AIRLINES WRITERS

NEW YORK — They lure millions of travelers each year with the promise of free vacations, first-class upgrades and a chance to cut the security line. But are frequent-flier programs really worthwhile?

Miles programs sound simple enough. Passengers typically earn one mile or point for every mile flown. Those miles can be redeemed for free trips, usually starting at 25,000 miles for a domestic, round-trip flight.

Loyalists say not participating is like leaving free money on the table. Free flights are the most obvious perk. Miles can also be traded in for things like magazine subscriptions.

Others argue the programs are difficult to maintain and aren't of much value to travelers who fly only once or twice a year. And they say there's no guarantee of getting the flight you want.

It's been 30 years since the first frequent-flier program was created. Today, airlines make more than \$4 billion a year combined from program partnerships — topping the reported revenue from baggage fees. There are an estimated 90 million U.S. frequent-flier members with 2 trillion unused miles.

As families head out on their summer vacations, they're once again debating

the merits of signing up.

Here, Associated Press Airlines Writers Samantha Bomkamp and Scott Mayerowitz argue the programs' worth:

Mayerowitz: It's a no-brainer. Travelers taking only one or two trips in a year can benefit with minimal hassle and no cost. You won't be upgraded to first class, but there are still plenty of perks. Just one round-trip flight between Washington, D.C., and Orlando, Fla., earns enough miles for a magazine subscription.

Bomkamp: Most travelers don't care about getting a free Sports Illustrated or Entertainment Weekly in their mailbox. They're lured to the programs by upgrades that are hard to snag and free tickets that can be impossible to redeem. And if they focus too much on racking up miles, they may miss out on cheap flights.

Mayerowitz: Hey, free is free. And loyalty doesn't only pertain to the airlines. Some hotel programs are particularly generous to even the lowest-tiered members, giving away mini-bar credits or free Wi-Fi. With car rental companies,

the perk is precious vacation minutes: you can skip the check-in counter and walk straight to a car.

Bomkamp: What's your time worth? With the sheer number and

complex nature of frequent-traveler programs, they're too much trouble to keep track of for too little gain. There are at least a dozen airline programs in the U.S. alone, and more than 20 hotel loyalty plans. Who wants a wallet full of cards and three dozen extra usernames and passwords?

Mayerowitz: Free sites like AwardWallet, MileTracker and Points.com keep track of login information, point balances and provide warnings about expiring points.

Bomkamp: Sure, that helps — unless you have lots of time between tallies. If you travel twice a year like the average American, it would take you at least six years to be eligible for a free flight on most U.S. carriers.

Mayerowitz: There are plenty of ways for those average Americans to earn miles without traveling. Many credit

cards offer a generous signup bonus — often large enough for a free domestic flight — and waive the annual fee the first year. For online shoppers, airline and hotel shopping portals allow you to earn points at retailers such as Best Buy, Gap and L.L. Bean. Linking your credit card to a Rewards Network account could get thousands of extra miles just for eating out. Banks such as BankDirect and stockbrokers including TD Ameritrade and Fidelity offer signup bonuses for new accounts.

Bomkamp: Most airline credit cards have higher interest rates and annual fees than traditional cards, making them a lousy deal and not worth the possible "free" trip down the road.

Mayerowitz: I will admit that if you can't pay your credit card bill in full each month, branded cards aren't a good option. You are right; the high interest rates aren't worth the free trips.

Bomkamp: Here's another problem: Miles and points with some programs expire in as little as a year.

Mayerowitz: It's easy to keep miles alive. Even without stepping on a plane. For example, miles with American expire after 18 months of inactivity. But just one 99-cent song purchase at iTunes — through American's shopping portal — keeps your miles active for another 18 months.

Giving back



Former NBA player Greg Kelsner, center, is shown June 20 at Renaissance High School with eighth-graders who took part in his basketball camp to prepare for ninth grade.

Helping youths shoot for stars

TODAY'S SUBJECT: Detroit-based Powerlink Facilities Management, a provider of building management services, including housekeeping, groundskeeping and general facilities maintenance for business customers, provided support of Winning Futures and the Gregory Kelsner Detroit Basketball Camp.

THE CAUSE: Winning Futures, a nonprofit organization based in Warren, provides goal setting, mentoring and scholarship programs for teens. More than 20,000 students have been helped, and \$15 million has been awarded in scholarships since 1994. This year, the organization will collaborate for the first time with Gregory Kelsner for the basketball camp to work with eighth-grade boys and girls enrolled in the program in Shoot for your Goals sessions to help them set goals, enhance teamwork and attitude, and prepare for ninth grade.

BACKGROUND: Powerlink became involved with Winning Futures first as a supporter of its golf outing in 2008 and now principal Scott Rice is on the Winning Futures board of directors. The company is now a major sponsor of the organization.

RESULTS: Powerlink and its Detroit partner Sodexo funded the camp and Shoot for your Goals program, investing more than \$25,000 into the camp and creating a partnership for Winning Futures with Greg Kelsner. The camp provided 79 eighth-graders from

Detroit Public Schools with the opportunity to work directly with Kelsner to improve their basketball skills while stressing the importance of education through the Winning Futures life skills and mentoring sessions. Volunteers at the event included 12 Powerlink employees, including Link Howard, president and CEO and Scott Rice, chief operating officer, and 55 additional volunteers. 100% of the students set an academic goal during the program for their ninth-grade school year and mapped their way to achieving that goal. In addition, the company recently sponsored the Winning Futures Golf for Kids Classic and its Corks & Forks events adding another \$2,500 in contributions to Winning Futures.

ON GIVING: "We planned the camp to give eighth-graders more of the skills they will need to succeed in that first year in high school," said Howard. "What Greg Kelsner can teach about focus and discipline from an athletic perspective will be supported and applied to academics and everyday life through the Winning Futures curriculum. It's a powerful combination."

INFORMATION: To learn more about Winning Futures, visit www.winningfutures.org. To learn more about Powerlink, visit www.powerlinkonline.com.

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