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The Future of the Economy: 3 Questions for Dr. Claes Fornell

The most cited scholar in market research, University of Michigan Professor Claes Fornell answers the biggest questions for the new year.

Fornell is the founder of the American Customer Satisfaction Index, CFI Group and Foresee Results, and is the author of *The Satisfied Customer: Winners and Losers in the Battle For Buyer Preference*.

Q. Can you predict consumer spending for the beginning of 2009?

A. It will depend greatly on what kind of stimulus package the government puts together. I think we need not only a very large fiscal stimulus, but also some quick monetary action on money supply. There is good news with respect to the ability to increase money supply; basically it is this: prices are coming down across the board, suggesting a deflationary period. Deflation is usually not something that is welcome because it can have a serious negative effect on economic growth – as we have seen in Japan. But at this time, it actually provides an opportunity, especially since the value of the dollar is strengthening. What the U.S. can do is simply provide more money to the economy by printing it. The US government officials may or may not announce that they will actually do this, but I consider it to be a very viable option.

Q. When will we see a positive change in the U.S. economy?

A. I think there is good reason to expect a change in the U.S. once the new administration takes over and when the stimulus package is put into effect, which would be sometime during the first quarter of 2009. This is not to suggest that the recession will end then, but its back may well be broken and things might improve.

Q. When is Europe going to come out of the crisis?

A. If the U.S. – and to some extent China – act as economic locomotives, Europe will come out of the crisis later than the U.S. – but not much later. What China has to do is (a) stimulate domestic spending and (2) maintain its financing (but at a declining rate) of the US consumer.