

Economic recovery a 'long slow slog'

Investment strategist says this period in history will be filled with lots of risk-taking

Debra Gruszecki • The Desert Sun • November 13, 2010

America's largest gathering of private entrepreneurs at Desert Springs in Palm Desert on Friday served up this dogged question with its coffee and croissants: "Is recovery (really) ahead?"

Bruce Johnstone, managing director and senior marketing investment strategist for Fidelity Investments, told the Ernst & Young gathering on Day 3 of the Strategic Growth Forum that economic recovery is on the way.

"It'll be a long, slow slog," he said, likening the U.S. economy to an ecosystem as fragile as the Louisiana marsh. "It's not oil that's endangering the shores. It's debt."

The nation is coming off the housing, stock, commodity and profit-margin bubbles, and "we now have a different bubble: It's called government," he said.

"We have borrowed from the future," Johnstone said.

Besides IOUs that are being written in California, mounting trillion-dollar debt in the nation and stocks that are still 22 percent of their highs, Johnstone said two things worry him the most: consumer spending and government involvement.

"We've had huge cyclical improvement in corporate profits" because of extensive cuts in the labor force. Costs are wages, and so the question is: "Where do we go from here?"

Yet, Johnstone said American investment should not be given short-shrift.

William Clay Ford Jr., executive chairman of Ford Motor Co., acknowledged on Wednesday it's been a "white-knuckle ride." But the decision not to accept a federal bailout when the economy sank gave Ford Motor Co. the ability to run its operation without federal control.

After pointing to the nation's work ethic, innovation

and competitive mobile nature of the workplace, Johnstone said this period in history will be filled with unprecedented risk-taking and opportunity for profit.

"The question is where do we go from here?"

Ernst & Young LLP released a report, "Igniting Innovation," that said the best way to foster creative thinking is to tap the resources it already has: its employees. It found that large, established companies are often composed of rigid structures that stifle the entrepreneurial spirit.

"In the face of fierce global competition, companies need to be increasingly agile to drive growth and lasting success," said Maria Pinelli, Americas director of strategic growth markets for Ernst & Young.

"Intrapreneurship is not a feel-good gesture but a sound business strategy that is vital to business success and essential for economic recovery," she said.

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