



NEVADA STATE BANK

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A Positive Outlook

Understanding the Why

Our nation's economy has grown for 125 consecutive months, the longest expansion in United States history. This Great Expansion, however, has been tepid. It is not only the nation's longest expansion; it is also its slowest.

This has led to a fair amount of skepticism relative to the sustainability of our current growth trend. Experts routinely tell us that a recession is just around the corner. Sooner or later I suppose they will be right, but their track record is only slightly better than that of the Buffalo Bills in the Super Bowl or Susan Lucci at the Emmys. In fact, a recent International Monetary Fund working paper found that a consensus of private-sector economists correctly predicted only five out of 153 recessions across 63 countries, nine months in advance of downturn, between 1992 and 2014. For the mathematically inclined, they got it right about 3.3 percent of the time.

Earlier this year, a senior economist with the Federal Reserve Bank of Philadelphia published a paper entitled "Why Are Recessions So Hard to Predict? Random Shocks and Business Cycles," in which he concluded, "Economists are like doctors, not soothsayers. They can't predict recessions, but they can help us understand why one is happening. And that can make all the difference for policymaking."

Precisely. Understanding why can help us narrow the space between information and action. Understanding why can help us make better economic decisions that can prevent or delay future economic downturns. And, understanding why can help us better prepare for the inescapable realities of the business cycle.

Too often, we focus on what is happening and completely ignore why it is happening. This can lead to misguided, stopgap solutions that concentrate on alleviating a symptom rather than eradicating the virus.

I would respectfully submit that better understanding why also requires us to expand our definition of "expert" and to rediscover the lost art of listening. If you want to understand why so many of our schools are failing, ask a teacher (morale,

overcrowded classrooms, no curricula, reform fatigue). If you want to understand why access to quality healthcare remains such a challenge in our community, ask a doctor (low Medicaid reimbursement rates, limited graduate medical education). If you want to understand why homelessness is on the rise, even during a period of relative economic prosperity, ask a social worker (untreated mental illness, drug addiction, systemic poverty).



Jeremy Aguero, Principal Analyst

Some of the most meaningful insights I have ever received relative to our community's economic potential have come from patrol officers, paramedics, front desk workers, food servers, cab drivers, flight attendants and construction workers. These, and countless other frontline experts, experience the unvarnished reality of our economy every day.

Economists have proven time and again that no one can see the future. Our best opportunity for sustained progress and prosperity is not to react to prognostication—positive or negative—but rather to monitor the pulse of our community; to harness the wisdom of our collective experience and expertise; and to take deliberate, thoughtful actions aimed first at preserving our strengths and then addressing our challenges at their root.

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