

“A Recession is a Terrible Thing to Waste”

By [Ric Urrutia, Co-Founder and CEO, Taos](#)

In January of last year, I predicted that while a serious and large recession was in store for the United States, the impact on Silicon Valley would be significantly less severe due to our global footprint, in terms of both our client and employee base.

While it's true that it's been less painful here in the Bay Area, the recession has been global; deeper and broader than anyone could have anticipated. The subsequent meltdown of financial markets rocked the confidence of both enterprises and individual investors.

Investors are panicking, the “experts” are giving wrong answers, there is no transparency into government stimulus, we now have to pay the bank to keep our money, and suddenly there is a surplus of just about everything with the exception of jobs. In a short six months, we've gone from fears of hyper-inflation to fears of global recession and deflation. On the flip side, commodities have corrected in dramatic fashion, bringing food and energy prices spiraling downward, and our dollar has gained significantly against world currencies giving us even more buying power.

It's obvious that we are in the toughest global recession since 1980, and locally, the first one since our nuclear winter of 2001. But recessions come and recessions go. In my experience, they tend to be short and painful, lasting one to two years. For example, you'll hear people speak of the “recession of 74” or the “recession of 80” or the “dot com meltdown of 2001.”

Historically, on the other side of the recession, we experience several years of very nice and steady growth, usually lasting six or seven years, peaking with a short one- or two-year period of extravagance, which then leads to the next cycle with a new downturn.

As CEO of Taos, I thrive during recessions. We started Taos during the recession of 1990 and grew. In 2001 we survived the worst recession I've ever personally witnessed, and here we are yet once again. This time, more than ever, it is my intent to use the current situation even more to our advantage and to thoroughly exploit it. I know that Taos will rise to a new level and be better and stronger on the other side.

I predict that by the second half of 2009 we will start to see real signs of economic recovery. We might even be in economic recovery today without yet realizing it, but definitely by July, when all of the economic stimuli and powerful effects of real government leadership are in full effect, we will begin to recognize the pattern of being in an economic upturn.

By July, the credit markets and the money supply, which are already beginning to thaw, will be much more fluid, interest rates will remain extremely low, and home purchase and refinance activity will improve significantly. Enterprises will borrow money at cheap prime lending rates of about 3.5%, enabling them to approve capital projects and create net new jobs. Consumers with jobs will have more discretionary dollars to spend thanks to deflationary conditions. With little incentive to save money at extremely low interest rates, these additional moneys will be spent by consumers who will once again flock to retailers, thus creating the need to hire new workers. Sooner or later the Fed will have to start worrying about inflation, and possibly further down the road, fears of hyperinflation. Before you know it, we are off to the races once again for several years ahead.

Accelerating this recovery will be our new President Barack Obama's willingness to invest in technology. Unlike the past administration, the mere fact that he understands why technology is so important in an economic recovery is encouraging. I'm delighted and proud that Silicon Valley's own Eric Schmidt is an advisor to Obama and was part of his transition team, and I am very confident that over the course of this next economic cycle, Silicon Valley will play an even bigger role in high-tech job creation. New jobs will be generated via products that will make America even more competitive, further cementing our insurmountable lead as the dominant technology center on the face of this planet.

Here's to a healthy, and dare I say, prosperous 2009, and remember that a recession is a terrible thing to waste!