

Alabama pension fund chief David Bronner predicts more economic trouble

Posted by [mperrin](#) July 02, 2009 05:45AM

Alabama pension fund chief **David Bronner** said Wednesday the Alabama economy will face a steep cliff in January when it comes time to settle on the next year's budget.

He said the poor economy has decreased tax collections, and \$3 billion in federal government stimulus money will no longer be part of the revenue stream.



Jerry Ayres/Birmingham NewsDavid Bronner, shown in a 2008 photo, is concerned that Alabama's budgets in the years ahead are in big trouble.

"The problems will start in January with discussion about the 2011 budget and continue into 2011 and the 2012 budget," said Bronner, director of the [Retirement Systems of Alabama](#), the pension fund for 320,000 active and retired public employees.

In an interview, Bronner said a host of other dangers threaten the U.S. economy and what he calls "the baby recovery" that is just starting to give some people a glimmer of hope:

>> **California.** He said the nation's most populous state is broke and the repercussions will reverberate nationwide. "It accounts for one-third of the U.S. gross domestic product," Bronner said.

>> **International troubles.** Bronner said he has never seen so many "flying bullets" that threaten peace and prosperity. He cited everything from North Korean nuclear weapons to the prospect of an Israeli invasion of Iran to a global viral pandemic. "Any could strangle a baby recovery," Bronner said.

>> **Real-estate woes.** Bronner said about \$500 billion of commercial real-estate loans will require refinancing within 18 months because cash flows from rents and leases aren't sufficient to pay the mortgages. Problem is, he said, most of that strip mall and shopping center property is now worth less than it used to be, making it unlikely lenders will extend more credit.

>> **Inflation will run rampant** in three years to five years, he said, after \$2 trillion of government payouts for troubled banks and stimulus spending. It will be worse if \$1 trillion is spent on nationalizing the health-care system, he said.

Bronner acknowledged it would be a good investment strategy to bet against the U.S. economy and currency in the short-term. He said the RSA's more than \$30 billion in assets is mostly in financial instruments such as stocks and bonds, but that as much as 30 percent is in hard assets such as office and resort real estate and loans to profitable companies.

"It has been important to us to diversify enough to not be total captives of Wall Street," Bronner said.

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justlenny says...

His responses seem measured and balanced. The thing that I believe will stall any real recovery will be asset balances of banks holding mortgage securities which have not been accounted for yet. In essence we still have 300 to 900 billion in residential mortgages that will either need to be refied or go into default. Some say that we have "V" shaped recovery in the making. Others argue that it will be a "U". It would be my esitimation that we face something of "W" with the additional heartache of being a "jobless" recovery. I'd say 2013 before anything substantial happens. The stimulus didn't help. Not because it was inflationary as some argue. I think nothing was going to stop the tide of what we'll need (on the order of 17 trillion which we don't have) so we could have held those funds for aid directly to families.

Yes, I am an economist.

Posted on 07/02/09 at 7:16AM

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