Talking About Recovery, Talking About Recession

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During an appearance on Face the Nation this past Sunday, Lawrence Summers, economic advisor to President Obama, remarked "Six months ago, when the president took office, we were talking about whether recession would become depression...Today we are talking about when recession is going to end." These comments only make sense if taken in the most literal sense. Summers is right. The administration is certainly speaking about the economy differently than it was six months ago. This statement, unfortunately, reveals more about what the government is saying, rather than what the economy is doing.

Although it may be encouraging for some that the Summers and others are discussing when the recession will end, for most Americans the recession is still unmistakably present. The economy has not yet begun, in any real way, to reverse the damage that the recession has done, and continues to do. Jobs have not come back. The collapse of the housing bubble is still wreaking new havoc. There is still a shortage of cash in the economy making it hard for businesses and individuals to borrow money.

The recession has not, Summers' comments notwithstanding, gone away or begun to turn around, but something has changed. The recession is not new anymore. The sharp downturn in the economy last fall created something of a governmental adrenaline rush as people on both sides of the aisles rushed to assign blame for the downturn and craft strategies for recovery. There was talk of the need for dramatic government action, the potential for widespread political instability around the world due to the recession, even the end of capitalism. Gradually this talk, although not the underlying conditions, slowed down. The major government response to the recession turned out to be the economic stimulus package which President Obama passed in the early days of his presidency. This stimulus package was an impressive legislative success for the new president, but it has not exactly succeeded in jump starting the economy as some, probably unrealistically, thought it might have.

Therefore, as Summers might put it, we are not talking about the recession because there is not really all that much new to say about it. On the human level we all either experience or hear the stories about people losing their jobs, or being unable to find work. These stories have not receded at all in recent months. Similar stories about retirement funds and investment portfolios shrinking and friends who depending on their age, either have to postpone retirement or move back in with their parents have become the normalcy for most Americans.

It is good that the initial shock of the recession has worn off and that, while there may be a long recession, we now may have some grasp of how bad it will get. However, as the newness of the recession wore off, an opportunity was lost. The events of last fall could have, and probably should have, forced us to ask some big picture questions about our economic arrangements—even bigger than how we were going to inject capital into the system and whether or not we should
cap Wall Street bonuses. The recession was an opportunity to examine whether, rather than find ways to get consumers spending again, it might make sense to create an economy that did not need to be driven by irrational and environmentally damaging consumer behavior. We might have taken a more serious look at how the financial sector has gotten so far from its original function and question what the real value of our current finance sector is.

The question of what the next American economy would look like was at least as significant as how to get out of the crisis itself. None of these issues were ever sufficiently addressed because the immediacy of the situation was too great. Instead efforts were made to limit the damage and to try to get the country back to its pre-recession economic state. Thus, while there were calls for greater regulation of the financial sector and a few high profile criminals like Bernie Madoff were shamed and imprisoned, it is likely that within a few years the financial system will not look radically different than in its pre-recession incarnation.

The efforts made by the government, while helpful were not able to yank the economy out of recession. The stimulus wasn't big enough; the money could not get spent fast enough; and the recession was too severe. Allowing that urgency to dominate policy making was politically unavoidable, but by failing to think clearly about the economic future, and what a sound recovery might look like, an opportunity to lay the groundwork for, or at least explore the possibility of, a more productive, responsible and less cyclical economy was missed.