



Written by [Charles Scaliger](#) on July 15, 2009

## Recession Far From Over, Says Zuckerman

The economy isn't out of the woods yet, not by a long shot. That, at least, is the conclusion drawn by none other than *U.S. News & World Report's* éminence grise Mortimer Zuckerman, in a July 14 article in the *Wall Street Journal*.

Daring to buck the conventional wisdom of recent months, Zuckerman doubts, in a sobering assessment of the latest economic data, that the recession is anywhere near its conclusion, nor even to bottoming out. "The cumulative job losses over the last six months," Zuckerman notes, "have been greater than for any other half year period since World War II, including the military demobilization after the war. The job losses are also now equal to the net job gains over the previous nine years, making this the only recession since the Great Depression to wipe out all job growth from the previous expansion."



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The "D" word, fashionable during the panic last fall, has fallen out of favor since President Obama's controversial stimulus package passed. But the stimulus package, Zuckerman notes, has had virtually no effect on the economy, since "too much of the money went to transfer payments such as Medicaid, jobless benefits and the like that do nothing for jobs and growth." Not only that, but much of the money intended to create new jobs has fallen prey to the inefficiencies inherent in the political process:

The Recovery Act was a single piece of legislation but it included thousands of funding schemes for tens of thousands of projects, and those programs are stuck in the bureaucracy as the government releases the funds with typical inefficiency.

Another \$150 billion, which was allocated to state coffers to continue programs like Medicaid, did not add new jobs; hundreds of billions were set aside for tax cuts and for new benefits for the poor and the unemployed, and they did not add new jobs. Now state budgets are drowning in red ink as jobless claims and Medicaid bills climb.

Sober minds predicted all of this before the stimulus package was passed, of course, but were, as is the norm in modern Washington, completely overruled, ignored, and drowned out by selfish special interests concerned with self-preservation and venal politicians eager to "do the right thing" with other people's money.

What Zuckerman neglects to mention is that any sort of government stimulus package, no matter how wisely apportioned or efficiently administered, would have been economically disastrous; the only



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possible remedy would have been (and remains) allowing the free market to right the economic ship.

Allowing the free markets to operate with little government hindrance is, unfortunately, not an option that any government bureaucrat would countenance in today's political climate. A more likely scenario is that freeing up the markets, downsizing government, and lowering taxes — the three pillars of a successful economic recovery — will not be tried until every other option is exhausted, the federal and state governments have spent themselves into insolvency, the American public is no longer willing to endure more taxes, the dollar has been destroyed by inflation, and the country is on the brink of economic ruin. Only then, we suppose, and as a last resort, will our citizens and political leadership be forced to reconsider the freedom option.

In the meantime, if Zuckerman's appraisal has any merit, get ready for a rough ride. Among other indications from employment statistics that no end is in sight for the economic trough:

- "No fewer than 1.4 million people wanted or were available for work in the last 12 months but were not counted. Why? Because they hadn't searched for work in the four weeks preceding the survey."
- "The number of workers taking part-time jobs due to the slack economy, a kind of stealth underemployment, has doubled in this recession to about nine million, or 5.8% of the work force. Add those whose hours have been cut to those who cannot find a full-time job and the total unemployed rises to 16.5%, putting the number of involuntarily idle in the range of 25 million."
- "The average length of official unemployment increased to 24.5 weeks, the longest since government began tracking this data in 1948. The number of long-term unemployed (i.e., for 27 weeks or more) has now jumped to 4.4 million, an all-time high."

These are sobering figures indeed, especially considering that the Obama administration is already pondering a second stimulus package (which Zuckerman, to his great discredit, endorses) and state governments, from California to Pennsylvania, are on the verge of collapse as a consequence of the congenital unwillingness of politicians to consider imposing the sorts of austerities on government that the private sector has been forced to adopt.

Zuckerman's prognosis, while probably overly optimistic, is at least nearer the mark than the wistful vaporings of Bernanke and company: "This [recessionary] process is nowhere near complete and, until it is, the economy will barely grow if it does at all, and it may well oscillate between sluggish growth and modest decline for the next several years until the rebalancing of excessive debt has been completed."



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