Recession is Over?

With a straight face, the National Bureau of Economic Research (NBER) announced that the Great Recession ended last June. June of 2009, that is. This made the current recession the longest one since the Great Depression.

The NBER is a private research group hired by the government to determine when recessions begin and end. Located in Cambridge, Massachusetts, its staff includes "leading economists in business, academia and trade unions." In its statement, it was careful to note that its findings "bear no relation to the current state of the economy and do not represent a forecast about the future."

> In determining that a trough occurred in June, 2009, the committee did not conclude that economic conditions since [then] have been favorable or that the economy has returned to operating at normal capacity….

The committee decided that any future downturn of the economy would be [declared to be] a new recession.

The "macroeconomic indicators" used by NBER are "subject to substantial revisions and measurement error [and so] the committee refers to a variety of monthly indicators … includ[ing] a measure of monthly GDP that has been developed by [a] private *forecasting* firm…." (Emphasis added.) But don't dare call the committee's statement a *forecast*. Besides, says the statement, "There is no fixed rule about what weights the committee assigns to the various indicators, or about what other measures contribute information to the process."

In the real world, where real people live and work and pay bills, however, there are indicators that are much more relevant. Such as GDP growth declining from 5 percent annually during the last quarter of 2009, to 3.7 percent in the first quarter, down to 1.6 percent in the second quarter. And jobs in the real world where real people work, unemployment (promised never to reach above eight percent by the Obama administration in selling its failed stimuli to the public) remains at a government-estimated 9.6 percent. And that number has been so widely discredited that every public utterance about the unemployment rate is hedged, as the report today was, with…"and more than 16 percent of working-age Americans lack a good job when the data include people who have given up looking for work or who can only find a part-time position."

The Federal Reserve reported last Friday that large companies are maintaining substantial cash and equivalents balances because of perceived uncertainty in the economy. According to Jeffry Bartash at MarketWatch, "American companies are still holding onto record sums of cash stored, a decision that reflects their anxiety about the health of the U.S. economy and at the same time contributes to the [continuing] weakness." Even an increase in mergers and acquisitions has a downside, according to Bartash: "In most cases acquiring companies tend to eliminate jobs instead of adding them. Most companies won't reduce their rainy-day funds until the economic picture brightens." Bartash also said that the Fed's report showed that "net household wealth … tumbled almost 19 percent from [its] peak in the second quarter of 2007."

Homebuilders also work in the real world, and their world reflects continuing declines in economic activity. The NAHB/Wells Fargo housing market index remained at a dismal 13 in September (with 50 considered to be neutral). There hasn't been a reading above 50 since April, 2006. But true to form, the NAHB economist tried to put on the best face possible, suggesting that "the home front could show improvement by the end of the year." NAHB Chairman Bob Jones was more forthright: "In general, builders haven't seen any reason for improved optimism in market conditions over the past month." Lennar Corporation, the nation's third largest homebuilder, said that their new orders in the quarter ending August 31 had declined by an astounding 15 percent.

Ruth Mantell, also writing for MarketWatch, reported that U.S. consumer sentiment fell in September to the lowest level since August 2009, and was down nearly 20 percent from its high just before the recession started in 2007. This was confirmed by Rasmussen Reports which noted that "twenty-five percent (25%) of adults say the economy is getting better, compared to 32% of investors. Fifty-three percent (53%) of adults say it is getting worse, and 50% of investors agree … at 72.8, overall levels of economic confidence are significantly lower today than they were in the aftermath of the 9-11 terrorist attacks."

By now, readers know that some numbers are "government numbers for government purposes," and often differ widely from those in the real world. As G. K. Chesterton once put it:

> He uses statistics as a drunkard uses a lamppost, for support, not for illumination.

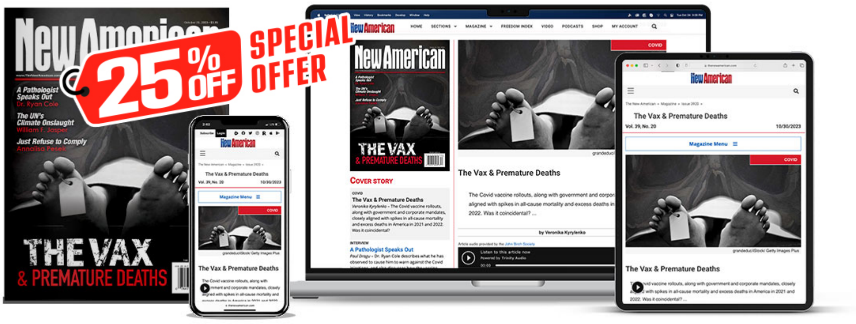
Photo: Martin Feldstein, former president of the National Bureau of Economic Research, speaks at the Council on Foreign Relations on Nov. 19, 2007: AP Images

Subscribe to the New American

Get exclusive digital access to the most informative,
non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



Subscribe

What's Included?

24 Issues Per Year
Optional Print Edition
Digital Edition Access
Exclusive Subscriber Content
Audio provided for all articles
Unlimited access to past issues
Coming Soon! Ad FREE
60-Day money back guarantee!
Cancel anytime.