

## Strong, steady recovery the best

**COLIN READ, Everybody's Business**

October 18, 2009 03:24 am

— The Dow Jones Industrial Average has again closed above the 10,000 mark, returning to a level it first hit more than a decade ago.

Many economists and Wall Street wonks are claiming the recession is over.

Is it over yet?

The end of a recession is popularly defined as two quarters of positive growth following a prolonged period of negative economic growth. I have always found that term amusing. Only economists would define a term "negative growth." Everyone else would label that a decline. But, I digress.

While the beginning and end of recessions is a complex determination that takes about six months to sort out, we will likely discover sometime mid next year that the recession ended in the latter half of 2009, after a painful 24 months.

This Great Recession has been the longest and most jarring recession since the Great Depression. And while we may finally be in recovery, we should not get too jubilant quite yet.

You see, the end of the recession has a connotation that we will return to normal. Such an expectation presents many problems.

First, it is hard to imagine what normal is.

If we expect we shall return to a free-wheeling era when those who could not afford homes received big mortgages, when hundreds on Wall Street made billions and cost the rest of us trillions, or when there was no such thing as a good regulation, then this is a normal we can ill afford. The trouble with that normal is it always gets worse.

If we expect that we will return to double digit housing price appreciations or low single digit unemployment, well, there too we will be sorely disappointed.

After all, the end of the recession only means we are falling no more, and are beginning an upward trend. However, we can have two years of very strong growth and still fail to return to the level of output we had been enjoying just over a year ago.

The larger problem, though, is that we are going to experience a prolonged level of high unemployment, for a number of reasons. And, so long as the unemployment remains high, our recovery will not be complete. This revelation suggests to many economists that we may need two hands to count the years until we secure a full recovery.

A slow recovery may not be such a bad thing, though.

A measured and slow upward trend may offer a continual reminder of the folly of basing an entire economy on paper wealth created on Wall Street, rather than real wealth created on Main Street.

The slow recovery may remind us all that wealth should be created slowly if it is to be truly savored.

The present pain ought to leave an indelible memory in our economic minds, and will hopefully foster in all of us greater frugality, an appreciation for the need of us all to work hard and create true value, and a need to plan for an uncertain future.

Only by accepting that our economic times have changed will our economy develop in a way that is more robust and more self sufficient.

Indeed, this greater sense of American self sufficiency is quickly emerging as an imperative rather than merely a good idea. There was an era, lasting for perhaps 50 years, when the world beat a path to our financial markets, our retail markets and to our universities. Now, the combination of 9/11/01 and 9/29/08 has helped close our borders to those who would study here and those who would invest here.

We are finding ourselves, and, knock on wood, China, investing in the United States. We have moved from a very low domestic savings rate to one that is relatively high. At the same time, a weakening U.S. dollar means what we produce here is more attractively priced abroad, leading to an improvement in our trade deficit. We are pulling ourselves up by our bootstraps, and that is a very good thing.

The New York economy is a mixed blessing, though. New York has gone from its usual position of an unemployment rate that is a point or two higher than the rest of the country to one that is actually a point lower. Our unemployment rate is not even as high as we saw in the recession of 1992.

Before this recession began, Albany was in gridlock over how to deal with a looming budget deficit. We did not deal with it then, and it will only be worse this time around.

The tax revenues from Wall Street had allowed our state to reach a level of excess not found anywhere else. When New York spends, it does so in a way that is very difficult to reverse. So, when revenue plummets, we are caught in a bind.

Why did New York not feel the pain over the last year, then? We capitalized nicely on Washington largess.

Much of the bank and financial market bailout money went to Wall Street and New York City. That cushioned some of the blow.

The 40 percent of the federal stimulus money that has been spent so far went primarily to state governments. While some chose to build infrastructure, we used a good bulk of the funds to avoid cutbacks to existing services. Indeed, throughout this terrible period, the two bright spots that actually experienced employment growth in New York have been health and education.

In some sense, this has been an opportunity lost. I will speak more about seizing opportunity from crisis on another day. In the meantime, we must only imagine the delayed and now more difficult decisions facing Albany and our public institutions because of the temporary reprieve. It is now much more likely that the chickens must come home to roost.

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