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PROLONGED SLUMP IN GROWTH AND JOBS DEFIES TREND OF PREVIOUS RECESSIONS, NEW LEVY ECONOMICS INSTITUTE PAPER SAYS

ANNANDALE-ON-HUDSON, N.Y.—Prompted by a wave of discouraging economic data, there has been a lot of commentary over the past few weeks forecasting a return to negative growth for the U.S economy. In a new policy paper from the Levy Economics Institute of Bard College, Levy President Dimitri B. Papadimitriou and Research Scholar Greg Hannsgen argue that the recession that began in 2007—compared to other recessions over the past 40 years—has turned into a prolonged and very unusual slump in growth that has prevented a labor-market recovery.

“The government has barely begun the task of creating the new jobs needed to deal with this disaster,” write Papadimitriou and Hannsgen. “Considering the already severe slump in job creation, it hardly matters whether such a downturn would constitute the second dip of a ‘double-dip’ recession, a continuation of the ‘Great Recession,’ or a confirmation that the economy has entered a Japanese-style ‘lost decade.’”

In their paper “Not Your Father’s Recession,” Papadimitriou and Hannsgen find a consistent growth trend prior to the start of previous recessions that is absent from the current one. Using an illustration charting real GDP and its prerecession growth trend, the authors show that GDP growth was very consistent between 1967 and 2007, when there was a marked departure—leaving real GDP 11.9 percent below what one would expect based on the 40-year trend. Furthermore, the authors show that average GDP growth rates began declining in 2000. Looking at employment, they compare the current recession to five previous recessions in terms of the path of the employment-population ratio starting at the beginning of each recession, and find the current recession’s path to be much deeper and more prolonged. As of July, the employment-population ratio was 4.6 percent less than it was at the recession’s start, 43 months earlier.

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One-Pager No. 12: *Not Your Father’s Recession*

To read the full text of this policy paper or to learn more about the Levy Economics Institute of Bard College, please visit www.levyinstitute.org.

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