Growth figures

Six years into a lost decade

WASHINGTON, DC

The numbers keep being revised inexorably downwards

"WELCOME to the recovery", crowed the headline on a New York Times op-ed last August. Its author was Timothy Geithner, the treasury secretary. Mr Geithner hailed the government's bold efforts to lift America's economy out of recession and into a strengthening recovery. Even then, with growth uncertain and unemployment rising, he seemed too bullish. Now things look much worse. A new trove of G D P data reveals America's recession to be much deeper than previously understood, and the recovery much more tenuous.

America's economy shambled forward at a 1.3% annual pace in the three months to June, according to a preliminary estimate of growth. But that wretched statistic passed for good news compared with the rest of the report. Activity quickened from a miserable first quarter in which the economy flirted with a return to recession, growing by only 0.4% at an annual rate. For the year to June, the second full year of the recovery, it grew by just 1.6%. Over the same period after the 1982 recession, the economy leapt forward by 5.6%.

The rough news did not end there. The Bureau of Economic Analysis (B E A) revised its numbers back through the recession, revealing a downturn more serious than previously understood. The BEA'S first estimate of output in the fourth quarter of 2008, published in January of 2009, showed a contraction of 3.8%, later revised to a 6.8% drop. The new numbers change the figure yet again, to a shocking 8.9% fall in G D P . For 2009 as a whole, the American economy shrank by 3.5% rather than the previously reported 2.6%. American output has yet to reattain its 2007 peak. On a per-person basis, inflation-adjusted G D P stands at virtually the same level as in the second quarter of 2005. America is six years into a lost decade.

Such tardy and substantial changes to the basic picture of the downturn have left many perplexed. The fault lies in the grindingly slow process of government data collection. The B E A pieces together its G D P estimates from a range of monthly economic surveys. Those data, themselves subject to annual revisions, are fed into calculations of national output. Delays plague each step of the process. The 2009 Annual Survey of Manufactures, for instance, was published at last in the fourth quarter of 2010. Its impact on G D P was not revealed until this July, however, because the B E A reports annual revisions just once a year.

A longer and longer search

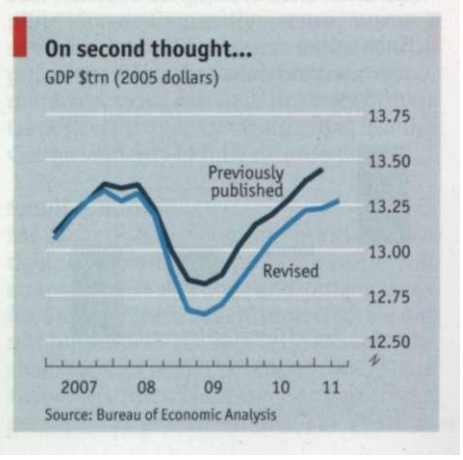
Other indicators pointed to a darker economic picture than the pre-revision numbers showed. Employment figures have long suggested serious, ongoing economic weakness. So, too, has an alternative gauge of national output computed from income statistics. This gross domestic income (G D I) measure, arguably more accurate than G D P , suggested a deeper recession and weaker recovery than the pre-revision G D P numbers. Over-rosy views of the economy in 2009 probably made policymakers too cautious in their proposals. Had the new Obama administration seen that the economy was shrinking at close to 9% per year, it might well have pushed for a much larger stimulus plan, and might reasonably have expected Congress to agree to it. Federal Reserve officials might also have been quicker to scale up their interventions. Washington was left navigating the crisis through a rear-view mirror, and a smudged one at that.

If government was too thrifty before, it looks downright stingy in the light of new information. The American consumer kept growth near trend last year, but seems exhausted in 2011. Temporary factors may have winded him. Supply disruptions associated with the Japanese earthquake boosted prices for cars and other durable goods, trimming purchases of big-ticket items, while petrol prices soared. These factors should pass; but personal consumption spending fell in June for the first time in over a year, even though petrol prices had fallen back again.

Against this backdrop, fiscal policy is tight and growing tighter. Government consumption and investment has dragged growth down in five of the last seven quarters, thanks to cuts at the state and local level and falling defence spending. More cuts are coming. The spending curbs in the debt-ceiling deal will not dampen growth much, but the expiry of previous stimulus will. A JPMorgan Chase analysis projects that the federal-government deficit will fall by 2.6 percentage points from this year to next, trimming 1.7 percentage points off expected growth. At current growth rates, that would leave the economy dangerously close to recession.

America's jobless can scarcely afford a "double dip" back into decline. Some 6.3m workers have been off the job for more than six months, and the average duration of unemployment has grown to nearly 40 weeks. There is mounting evidence of employer discrimination: with over 16% of the labour force jobless or underemployed, some firms are advertising that the long-term unemployed need not apply. The Bureau of Labour Statistics estimates that workers recently laid off have a 30% chance of finding work in a given month. For workers off the job for more than six months, that chance is no better than 10%.

Meanwhile, an already threadbare safety net keeps thinning. Growing ranks of the unemployed are exhausting the available 99 weeks of unemployment insurance. When the current emergency benefits programme expires, the maximum duration of benefits may drop to just six months-a quarter of the current time span-although the Obama administration says it will fight for a new extension. Further attempts at fiscal stringency may hack away at other support programmes, including food stamps and Medicaid, a health-care entitlement for the poor. Unemployment is getting no easier. Unfortunately, it is also getting no less common. •



Fonte: The Economist, London, v. 400, n. 8745, p. 28, 6 a 12 August 2011.