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Slump Over, Pain Persists

Bureau Calls End to Recession, Longest Since 1930s; Jobs Recovery Still Slow

By Sara Murray

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It's official: The 2007-2009 recession, which wiped out 7.3 million jobs, cut 4.1% from economic output and cost Americans 21% of their net worth, marked the longest slump since the Great Depression.

The end of the recession occurred in June 2009, 18 months after the economy began sliding into a downturn in December 2007, said the National Bureau of Economic Research's Business Cycle Dating Committee, a group of academic economists that determines the widely accepted benchmarks for U.S. recessions. The next-longest postwar slumps were those of the early 1970s and the early 1980s, both of which lasted 16 months.

But while the declaration marks a milestone, the economy still faces stubbornly slow growth and thus persistently high joblessness. That point was driven home by a report Monday from the Organization for Economic Cooperation and Development in Paris, which said it doesn't expect the U.S.'s unemployment rate to fall to prerecession levels until at least 2013.

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Yet the economy is also showing signs that it has at least avoided a swoon back into recession, including a recent string of better-than-expected data on housing, manufacturing and employment. Another upbeat signal is that companies have notched strong earnings in recent quarters—and are expected to do so again when they start reporting third-quarter results next month—raising hopes that firms might soon crank up hiring.

Stocks continued their recent rebound yesterday, with the Dow Jones Industrial Average rising 145.77 points to close at 10753.62. Stock-market investors have taken heart from the good signals, pushing up the Dow nearly 7.4% this month.

Monday's close was the highest for the Dow since May 13, just one week after the May 6 "flash crash." At the time, the Dow was on its way to a 14% tumble from its highs for the year. The Dow has since erased most of those losses, as the market's worst fears of the spring and early summer —including the risk of a European financial crisis, another computer-driven stock-market debacle and a double-dip recession in the U.S.—have gradually faded.

Applicants wait at Miami's Community Redevelopment Agency this month for work on the Port of Miami Tunnel. GETTY IMAGES

The market has also gotten a lift recently from a rising tide of corporate merger activity, which promises big payoffs for shareholders. Companies have been luring investors to buy stock with dividends and share buybacks.

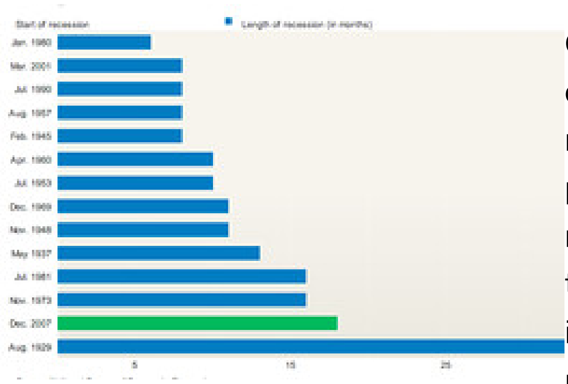
But the uncertainties that haunted investors earlier this year haven't entirely faded, and the stock market is still off its highs for the year, and even further below the levels of before the Lehman Brothers bankruptcy in 2008.

News of the recession's official end point was greeted with near silence in Washington. Republicans weren't keen to say the economy has been growing for more than a year now. And Democrats, with ordinary Americans feeling little relief, weren't trumpeting the findings either. The White House has taken considerable heat for launching "recovery summer" in June and aren't about to hoist a "Mission Accomplished" banner now, White House officials say.

Popular frustration with the economy was on display at a town hall meeting in Washington, aired by CNBC, where President Barack Obama was peppered with questions. The chief financial officer of AmVets, a veterans organization, stood to tell him, "quite frankly, I'm exhausted. I'm exhausted of defending you, defending your administration, defending the mantle of change that I voted for and deeply disappointed with where we are right now."

A man who described himself as a 30-year-old recent law-school graduate struggling to make interest payments on his student loans asked: "Is the American Dream dead to me?"

THE END OF THE GREAT RECESSION



Compare this most recent downturn with past U.S. economic slumps.

The president was careful to express more sympathy than confidence. "Even though economists may say that the recession officially ended last year, obviously, for the millions of people who are still out of work, people who have seen their home values decline, people who are struggling to pay the bills day to day, it's still very real for them," President Obama said.

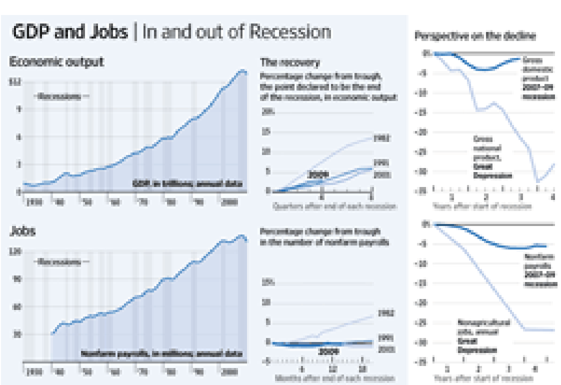
The NBER acknowledged in its announcement that the end of the recession doesn't signify a healthy economy, only that the period of declining economic activity, measured by indicators such as economic output and incomes, has come to an end.

Robert Hall, chair of the NBER committee and an economics professor at Stanford University, said the group was conscious that announcing the recession ended over a year ago could be confusing. Many people "think recession means bad time, and there's no question we're [still] in bad times," he said.

The economy has a long way to go to regain the levels it hit before the downturn.

The U.S. only recently began adding jobs, at a very low rate, which means the country has lost 7.6 million positions since the start of the recession in December 2007. That's about 300,000 more than were lost by the recession's June 2009 end point.

GDP AND JOBS



Meanwhile, real gross domestic product has made up only 2.9 percentage points of the 4.1% lost during the recession, while household net worth has recovered only 4 percentage points of the 21% lost.

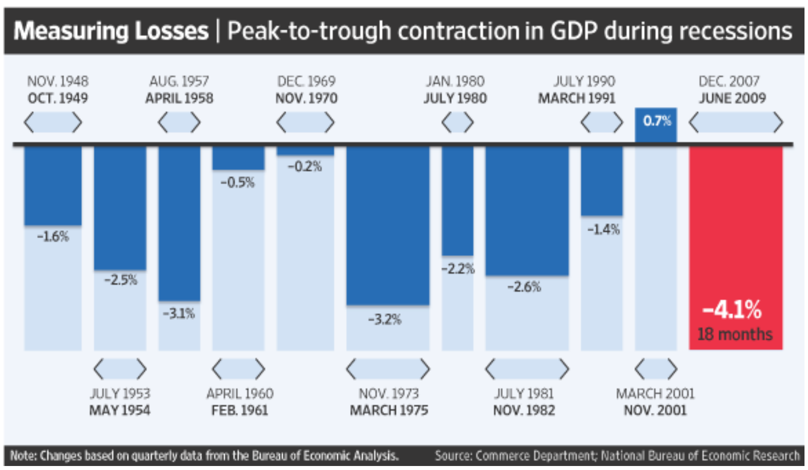
"We see low growth and high unemployment and high deficits for a few years to come," Angel Gurría, secretary general for the OECD, said in an interview, "a rather mediocre scenario in the absence of policy intervention."

That means the government may need to continue providing extraordinary support for the labor market, according to the OECD's recommendations, contained in the group's report on the U.S. economy. Steps would include additional job training and education programs to better match workers' skills to business needs and to update the skills of the long-term unemployed, the OECD wrote.

Some 6.2 million unemployed American workers have been out of a job for at least 27 weeks. The longer they're unemployed, the more their skills can degrade and the more difficult it can be for them to rejoin the labor market, presenting a long-term employment problem.

"Previous U.S. recessions have exhibited no long-term damage to the economy or long-term increase in unemployment, but it is possible this recession will trigger these effects," the OECD report states.

—Jonathan Weisman, Jonathan Cheng and Mark Gongloff contributed to this article.



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