

The Crisis of No Crisis: The Post-Recession Blues

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August 13, 2009

When the global economic crisis began nine months ago, we were told that this crisis was like no other and would destroy the global financial architecture, and perhaps capitalism itself. It was not uncommon to read about the end of globalization and the likelihood of worldwide political instability because of impending economic doom. Now, according to most of these same pundits, the worst is over and, while the global economy may not be getting better yet, it is at the very least getting worse more slowly.

The celebration of the recovery is a little premature, but it reflects the reality that most financial pundits and reporters have only two settings regardless of the economic conditions. One might be called the Jim Cramer setting, where we are told that talk of recession is nonsense and that we should keep buying. The second might be called the Nouriel Roubini setting, where we are told that things are much worse than we think. Accordingly, first the recession itself, and later the overstated claims about how bad it was going to be, have discredited most of the financial punditry.

Nonetheless, the damage done by the recession was, and remains, quite serious. Millions of people lost their jobs; the economies of many country's were disrupted; governments were, in some cases, unable to provide adequate support for those hit hardest by the downturn; prices went up for many goods; and many saw their life savings evaporate. Recovery from this damage, even as we are told we have turned a corner on the recession, is and will continue to be slow. Some will probably never recover.

As bad as the recession was, it did not lead to the radical disruption of the global economy that many anticipated last fall. Global financial institutions such as the World Bank and the IMF are still standing. While international trade is still down, it is certainly not out. Economies reliant on the export of fossil fuels are still suffering, but prices have already begun to show signs of recovering. In general, reports of the death of capitalism, as Mark Twain might have said, have been greatly exaggerated.

It is certainly good news that the recession was not as devastating as many thought it would be. However, because the worst case scenario did not come to pass and the global economic system was battered, but not destroyed, some of the important questions about this system were not, and will not be, asked. The wisdom of building so much of the global economy around the American consumer, the environmental impact of a global consumer economy, how to build structures to better contain future economic downturns, the consequences of widespread dependency on fossil fuels are all questions which global and political leaders did not address during this crisis. Additionally, the seeds of political instability, large pools of vulnerable workers, unmanageable personal debt and anger at national governments and multi-lateral organizations for failing to address these issues have not gone away.

The recession provided a good opportunity to address these questions, all of which were important before the recession, and will remain important even if the recession is really over, but these questions never were addressed. The question of what post-recession global economic structures would look like was, predictably, lost in the hurry to stop the meltdown from being too devastating. This may have made sense in the short term, but the underlying problems have not gone away. The post-recession, if that is truly where we are, framework of the global economy looks too similar and has too many of the same weaknesses as it did a year ago. The consequences of missing this opportunity are serious, as very little was done during the last nine months which will help prevent another recession or ensure that the next recession will not be more devastating than the one we are told is now ending.