

## RECOVERY IS WEAKEST SINCE WWII

### On all key indicators except profits, 2001-07 expansion ranks at or next to the bottom



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Yesterday's announcement that GDP growth continued to falter in the first quarter of 2008, coming on top of rising unemployment and three straight months of declining employment, makes it all but certain that we have entered a new recession whose starting date, when it's finally declared, will be sometime in early 2008.

A new report issued today by the Economic Policy Institute provides a comprehensive, detailed look at the business cycle just concluded, an important baseline for gauging the health of the economic fundamentals that will define the challenges of a new recession.

The report by EPI economists Josh Bivens and John Irons, "[A Feeble Recovery](#)" reveals that the recovery that began in November 2001, when measured against other post-WWII recoveries on nine key economic indicators, is one of the worst on record.

The November 2001-December 2007 recovery ranks dead last compared to the other nine recoveries on six key indicators: GDP, investment, employment, compensation, wage and salary income, and the employment-to-population ratio; it ranks next to last on consumption and the changes in the unemployment rate. The only indicator where the most recent recovery scored above the basement was in profits, where it ranks fourth out of 10.

A comparison of the complete economic cycle, which includes the recessions prior to the expansions, to the three others of similar duration – more than 27 quarters – shows an even more discouraging performance. In this comparison the 2001-2007 recovery finished last on all indicators except profits, where it scored first out of four.

"The Bush administration's claim that the economic fundamentals are strong may be good politics, but it's poor economics," said Irons, EPI's research and policy director. "The data reveal that the latest recovery has been one of the weakest on record: the looming recession is adding insult to injury for typical Americans."

One inescapable conclusion to be drawn from the data is that the administration's economic policy, which consisted primarily of tax cuts for the wealthy, was the wrong medicine for producing the promised economic health. Restoring economic growth and long-term fundamental health will require a fundamentally different approach.

"The evidence on how well the economy has been managed since 2001 is in, and, it's not pretty," said Bivens. "Contrary to the predictions of the administration and boosters of supply-side economics, slashing taxes on the wealthy has produced historically anemic investment and job-growth."

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The report contains some warning signs for the period ahead. The housing boom, although it reached its peak during this recovery and boosted disposable incomes by 5% throughout the period, was not enough to counter the downward trends. The housing bust now underway will be more severe and protracted amid declining housing construction and consumer spending.

For most working families, the word “recovery” felt like a misnomer for the period from November 2001 to December 2007. Now, with consumers largely cut off from access to home equity as a source of spending and with debt and prices rising, working Americans are now entering a new recession with family income that is, for the first time in any business cycle, lower than it was at the start of the previous downturn.

“Families are facing a daunting challenge to their living standards, and the resources available to them are considerably diminished, and this is bad news not just for them but for the whole economy,” said Irons.