Recession over? Sort of, economists say

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DURHAM -- Economic experts weighing in on some Friday morning pronouncements that the recession likely ended this summer agreed with the assessment, but said high unemployment and job losses will also likely continue.

The U.S. Bureau of Economic Analysis announced that gross domestic product increased by an estimated 3.5 percent in the third quarter on Thursday largely a result of productivity in the automobile industry, which added 1.66 percentage points.

"Technically, yes, the recession is over," said John Graham, a professor of finance at Duke University's Fuqua School of Business.

Mark Vitner, a senior analyst for Wells Fargo in Charlotte, said -- with just a touch of facetiousness -- that the recession probably ended right at midnight, June 30.

Meanwhile, Campbell Harvey, an international business professor at the Fuqua School, said, "It technically might be over, but that's not the point. We don't want the exact date. We want a healthy economy."

The National Bureau of Economic Research, a nonprofit research group, is in charge of determining cycles in the U.S. economy. It had stated last year the recession began in December 2007 but did not officially call an end point on Friday.

Still, one of the officials on the bureau's Business Cycle Dating Committee was quoted by The Wall Street Journal on Friday as saying the recession is likely over: "My best guess is that we will end up declaring the trough [of the recession] was in the middle of the year sometime," said Jeffrey Frankel, a Harvard University professor.

The bureau defines a recession as a period of contraction in the economy, starting with the last peak in the current cycle to the trough. In other words, once the economy has reached the bottom and begins to grow again, the "recession" has ended.

By that technical definition, the experts all said that yes, the recession is very likely over.

The problem though, is that unemployment is still high, consumer confidence is still shaky and much of the boost to the economy in the third quarter could be attributed to government spending in the Cash for Clunkers program, which increased auto sales significantly.

That raises the question of whether the private sector has been pumped up enough by government resources to maintain growth through the fourth quarter and into next year. The first time homebuyers tax credit, another important consumer spending catalyst throughout the summer, will expire at the end of November.

Harvey said what would provide for long-term growth is if the federal government would turn its focus to small and medium-sized businesses, in particular making it easier for such businesses to get loans.

"They are the driver of revenue and employment," he said. "You want to get the most bang for your buck. To do that, we should be focusing on small to medium-sized businesses, not putting money into the black hole of GMAC."

Gross domestic purchases increased 1.6 percent in the third quarter, compared with an increase of 0.5 percent in the second. However, personal income decreased by 0.5 percent in the third quarter, in contrast to a gain of 0.6 percent in the second quarter.

Meanwhile, the national unemployment rate remained high, at 9.8 percent for September.

Like the previous two recessions earlier this decade and in the early 1990s, this recovery will likely be a "jobless recovery," the experts concurred.

"I think we're actually probably in worse shape this time around," said Graham. "There's an old rule of thumb that if the GDP picks up above the long-term trend by a couple points that unemployment should fall, but... I think [companies] are going to strive for as much productivity out of their current workers as they can."

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