

**DAILY-NEWS RECORD ONLINE****Big Government  
The Cure For Recession?**

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July's clearly discernible albeit decidedly modest spike in consumer spending — new home sales increased 10 percent and purchase of durable goods jumped 5 percent — has liberal economists salivating. "Look, look," they are saying, "bigger government prevented a bigger recession, or even outright depression."

The New York Times' Paul Krugman is indicative of this breed. Earlier this month, Mr. Krugman wrote, "What saved us? The answer, basically, is Big Government ... [W]e appear to have weathered the worst: utter catastrophe no longer seems likely. And Big Government, run by people who understand its virtues, is the reason why."

As ESPN football commentator Lee Corso might say, "Not so fast, my friend." First of all, the complete book has yet to be written on this latest prolonged economic downturn. Yes, many economists, of all philosophical stripes, seem to agree the worst is over. But, after 21 months — December 2007 has been pegged as the recession's starting date — our question is this: Isn't it about time?

You see, history — and Christina Romer, now chairing President Obama's Council of Economic Advisers, in a 1999 study in the Journal of Economic Perspectives — tells us it should be. If the present downturn were to end right now, in August 2009, the average duration of recessionary periods since World War II would be 11.3 months.

Does this speak to the effectiveness of a Big Government remedial approach? Not exactly. Between 1887 and 1929, when the stock market crashed, triggering the Great Depression, recessions lasted an average of 10.3 months.

Of course, this begs the question, tendered last Friday in The Wall Street Journal by the Cato Institute's Alan Reynolds: "If the U.S. economy [now] could not recover without a big 'jolt' of federal spending, then how did the economy recover from recessions in the distant past, when the federal government was very small?"

The answer should be obvious. Government back then refused to tinker, and instead allowed, as Mr. Reynolds said further, "the mistakes of business and banking to be fixed by those who made them." This, to be sure, commenced a-changing in 1913 with the establishment of the Fed.

But it is interesting, and instructive, that ever since the federal government began taking a more activist role in such matters, casting aside the markets' recuperative powers in the process, recessions have tended to last longer. And, thanks to Ms. Romer, you can look it up.

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Returning solely to the present, Mr. Reynolds further skewers the notion that Big Government is either an antidote or panacea to recession.

None of the major economies — save those of China and India, which are going like gangbusters, downturn or no downturn — have been immune to the recessionary tide. But some have weathered the eddies and ripples slightly better than others.

Which countries have been most affected? By and large, those nations whose governmental spending is highest relative to Gross Domestic Product. During the last four quarters, economic contraction, ranging from a 6.2 percent loss in GDP to 5.6 percent, has been witnessed in four countries where the government spending/GDP ratio exceeds 40 percent — Sweden (52.6 percent, as of 2007), Italy (48.5 percent), Germany (43.2 percent) and the United Kingdom (41.8 percent). That speaks volumes.

And what of the United States? Again, in 2007 numbers, government spending relative to GDP came in at 36.6 percent. This ratio undoubtedly has changed, given the massive \$787 billion "stimulus" package and Mr. Obama's \$3.6 trillion budget, both approved earlier this year. And it's liable to change even more — if cap-and-trade and health care legislation are signed into law.

And, needless to say, when you factor in the nation's growing-like-Topsy debt and deficit numbers — and the inflationary pressures contained within — the future looks somewhat less than roseate.

Hence, a final question: Has Mr. Krugman taken any of this into account as he shills endlessly for Big Government?

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