

## *Double-dip recession fears linger*

*Experts say recovery, growth depend on private sector jobs*

By Sara Foss  
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The data indicate that the recession is over.

But Mike Saccocio, the executive director of the City Mission of Schenectady, has yet to see any signs that things have improved.

The Mission's residents are staying longer, largely because they are unable to find jobs. The organization's Freedom Academy, a long-term program that helps men become self-sufficient, is "twice as full as it's ever been. People are saying to me, 'There isn't anything for me out there. But I can get ready for when things to get better.' "

"I get worried," Saccocio said. "The economy doesn't seem to be breaking through."

The U.S. economy is growing, but unemployment remains stubbornly high. And the relative weakness of the recovery has caused some economists to ask whether the country is headed for a rare doubledip recession — that the economy will slide back into a recession after a brief period of growth. Others predict that the weak recovery will continue, but that it will be long and painful, and that many of the jobs lost during the recession will never return, resulting in years of high unemployment.

"If you took a poll, most economists would say that a double-dip recession is unlikely to happen, but that it could happen," said Donald Siegel, dean of the school of business at the University at Albany. "Personally, I don't think it's likely." He said that certain economic indicators, such as low interest and mortgage rates, are still strong. "The economy is pretty sound," he said.

Frank Mauro, who heads the Fiscal Policy Institute in Latham, said, "There's a big debate going on both internationally and in the U.S. as to whether we've turned the corner and we can switch from worrying about the downturn to worrying about government deficits." He said the country's high unemployment is a drag on the economy, and that "if the recovery isn't solid and we put on the brakes, there's a chance of a double-dip recession. ... I don't think the recovery is solid enough for us to begin retrenching."

### **BAD SIGNS**

One big sign that the recovery might be faltering is the slow rate of job growth.

In June, private employers added 83,000 jobs — a number considered low — and reduced the average work hours and earnings of all employees. Meanwhile, thousands of

temporary census workers were laid off, bringing the number of Americans who lost jobs last month to 125,000, and reversing five straight months of gains, according to a report issued by the U.S. Department of Labor. The unemployment rate declined from 9.7 percent in May to 9.5 percent in June — down from a peak of 10 percent in October.

Also sobering are recent data indicating that housing, manufacturing and car sales are weakening.

A Siena Research Institute poll released last week showed that New York consumer confidence decreased by 4.6 points in June, while the nation's confidence increased 2.4 points. Douglas Lonnstrom, founding director of the institute, said that there's scant evidence that consumer spending in New York will recover anytime soon, and that a double-dip recession is a possibility.

June's employment numbers, he noted, were dismal. "People who have jobs are worried," Lonnstrom said.

Even the oil spill is having an impact on consumer habits, Lonnstrom said. "It's a psychological factor. It's not a major thing. But it's a depressing story, and depressing stories don't encourage optimism, and you need optimism to spend."

In New York, recessions have tended to be significantly longer than their national counterparts, and this trend has become more pronounced over the past 20 years, according to the state Department of Labor. The last three recessions in New York have averaged more than two-and-a-half years, compared to less than one year nationally. This is partly due to the decline in the state's manufacturing base, particularly upstate.

Michael Moran, spokesman for the Business Council of New York State, said that the council is concerned that New York is moving in the wrong direction, implementing policies that will make it difficult for the state's businesses to grow and thrive. At a time when "every state is trying to scramble and compete," he noted that New York has raised taxes, deferred 50 percent of tax credits for 2010-2012 and replaced the Empire Zone Program with a smaller economic development effort, the Excelsior Jobs Program.

"Companies are being cautious about hiring," Moran said. "There's hiring in some sectors, but private sector job growth has not turned around yet. Most of the job growth we've had lately were Census jobs. . . . New York has traditionally lagged other states coming out of recessions, and in this recession New York has done nothing to make itself more competitive."

The Empire Zone Program has been criticized for lax oversight and inability to stimulate job creation.

New York has one of the highest tax burdens in the country, second only to New Jersey, according to the Tax Foundation, based in Washington, D.C.

## CAPITAL REGION

In the Capital Region, jobs in government and education have long been a stabilizing force, and the area has tended not to suffer as much as other parts of the state during recessions.

“It’s pretty clear that the economy of the Capital Region is one of the strongest in the state,” Siegel said. Unemployment is lower, and the area’s growing high-tech industry is attracting public support and corporate investment. But he said that New York as a whole suffers from excess regulation, which makes the state less attractive to businesses and investors.

While some, such as Mauro, support another round of federal stimulus funding to ensure that a double-dip recession does not occur, others, such as Siegel, believe more stimulus funding would be a mistake.

Inspired by the work of British economist John Maynard Keynes, the \$787 billion federal stimulus funding enacted in 2009 was intended to increase government spending and thus stimulate demand. The idea was that combining increased government spending with decreasing tax rates could lay the groundwork for economic recovery and full employment; resulting deficits would be paid off during the economic boom that followed.

“Short-term deficits for the purpose of stimulating the economy are necessary,” Mauro said. “It makes sense to cut taxes and spend more. There’s incredible long-term unemployment now. ... We want to be on more solid footing before we say that there’s no need for more stimulus funding.”

Congress has balked at approving another extension of unemployment benefits. Mauro said extending benefits would put more money in people’s pockets, and into the economy. “The problem with people becoming unemployed is that it takes demand out of the economy.”

Siegel said he was opposed to the first round of federal stimulus funding, and believes that it delayed the recovery because it “choked off private investment. . . . There’s a general sense that [the stimulus funding] hasn’t worked, that it hasn’t reduced unemployment and that it hasn’t improved the economic outlook.” He said the stimulus funding has had a small impact, largely because economic expansion is dependant upon growth in the private sector, not the public sector. Small firms are responsible for most new job creation, but credit markets have remained tight, and so it’s been difficult for small firms to borrow the money they need to hire and grow, he said.

“There’s also a lot of uncertainty about the future direction of government policy, about mandates on health care, about regulation,” Siegel said. “If uncertainty is high, firms are going to wait and see what’s happening before they hire new workers ... The economy

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grows when the private sector grows. Companies are somewhat reluctant to invest in this environment.”

What’s needed, Siegel said, are tax cuts and incentives for private businesses to hire workers.

Double-dip recessions have occurred before. The severe recession of 1981 and 1982 began just a year after the 1980 recession ended, and the Great Depression ran from 1929 to 1933, and from 1937 to 1938.

In the first six months of 2009, the City Mission of Schenectady provided 14,542 nights of lodging; in the first six months of 2010, the mission provided 16,441 nights of lodging. Demand, Saccocio said, has never been higher. But he sees an upside, because residents are much more focused on preparing for the workplace.

“When the economy does get better, people are going to be able to compete,” he said. “I’m not seeing despair, but optimism.”