All That Talk of Depression is Depressing

Economy still sinking As Obama Announces New Team and Plan

By Danny Schechter

Global Research, November 25, 2008
25 November 2008

Region: USA
Theme: Global Economy

In this Thanksgiving week, a majority, perhaps, of all Americans will give thanks not only for a bountiful table but for a transition of power in which so much hope is invested.

As, the new Administration translates its campaign's lofty vision of change into a new team and concrete plans, we find that the new change-makers are largely a throw back to the old centrist Clinton Administration that took its marching orders from the corporate interests funding the Democratic Leadership Conference.

Barack Obama is now calling for a major stimulus and job creation effort but outlining it and getting it done will be quite different and difficult. Creating two and a half million new jobs by 2011 is a good goal but seems far off in a country where official unemployment now stands at ten million and so many need relief now. Ditto for debt relief, a topic no one is even talking about.

In the interim, as the snows come and the season turns colder, many a family will face an uncomfortable choice: "heat or eat. This could be the worst shopping season ever. 36 Million families have or are close to maxing out their credit cards.

The Democrats have always sung "happy days are here again" but it doesn't seem to be the right song for these hard times. It's taken a full year for the punditocracy to even accept that we are in a recession. Last November, the economists at investment banks (that no longer exist in their old form) had proclaimed the recession, "the R word, " was already here. The press held off with constant references to a "possible recession" or the government is trying to "stave off a recession."

Part of the confusion can be attributed to how recessions are defined. The Oakland Tribune looked into this and concluded,

"The truth is, nobody knows. The responsibility for declaring the stages of the business cycle is informally held by that most dreaded of concepts — a committee of economists. The Business Cycle Dating Committee of the National Bureau of Economic Research uses several economic indicators, including personal income, unemployment, industrial production and sales and manufacturing volume, to determine the health of the economy. It's not true that they declare a recession if economic growth is negative for two quarters in a row. If it were that simple, we wouldn't need a committee.

If you want to know about the state of the economy in real time, you can't rely on the NBER.

If the NBER did the D.C. weather forecast, here's how it would work. The bureau would gather precipitation data from every neighborhood, then interview residents to make sure the data are accurate. After much deliberation, it would tell us whether it had rained last month.

Same with recessions: The NBER's pronouncements historically come long after recessions have begun, a whopping seven months on average. By the time the bureau announced the recession of 1991, it already had ended."

Back then, a year ago, the people who were living the financial crisis, and those that saw it coming acknowledged the slow down and freeze up of the economic order. They saw the dominos falling but were still seen as alarmists, not alarm sounders. They called the recession. Today many if these same seers are using the D word, depression

And once again no one can agree on what that would look like either, writes Michael Panzer, author of Financial Armageddon.

"There is, in fact, no agreed-upon definition of what a depression is. Economists are unanimous that the Great Depression was the worst economic downturn the industrial world has ever seen, and that we haven't had a depression since, but beyond that there is not a consensus. Recessions have an official definition from the National Bureau of Economic Research, but the bureau pointedly declines to define a depression."

At the same time economists like Nobel Laureate Joe Stiglitz says the current credit situation may be even worse:

> "This is clearly the most serious problem since the Great Depression and in some ways worse in terms of the financial institutions." Stiglitz commented, referring to the fact that lenders are unwilling to take risks to finance each other because they no longer have complete access to their own undertakings let alone those of other institutions."

As economists debate the likelihood of a depression most of our media highlights sunnier forecasts, perhaps to boost confidence and the sales pitches of their advertisers. They rarely offer the insights of third world analysts like Samir Amin:

"Behind it, a crisis of real economy is standing out, since the financial drift was continuously asphyxiating the growth of the production basis. Solutions brought to the financial crisis can just lead to a crisis of the real economy, i.e. a relative stagnation of the production with its side effects: regression of wages, growth of unemployment, growing precariousness and aggravation of poverty in the Southern countries. We must speak now about depression and no more about recession."

And some are suggesting, not to scare us, that a depression is already here, depressing as that might sound, and hitting some parts of the country hard.

Here are twenty indicators that could lead us ever downward side comes from Paul Ferrell who called the dot com crash that so many experts did not see coming:

1. America's credit rating may soon be downgraded below AAA
2. Fed refusal to disclose $2 trillion loans, now the new "shadow banking system"
3. Congress has no oversight of $700 billion, and Paulson's Wall Street Trojan Horse

4. Henry Paulson flip-flops on plan to buy toxic bank assets, confusing markets
5. Goldman, Morgan lost tens of billions, but planning over $13 billion in bonuses this year
6. AIG bails big banks out of $150 billion in credit swaps, protects shareholders before taxpayers
7. American Express joins Goldman, Morgan as bank holding firms, looking for Fed money
8. Treasury sneaks corporate tax credits into bailout giveaway, shifts costs to states
9. State revenues down, taxes and debt up; hiring, spending, borrowing add even more debt
10. State, municipal, corporate pensions lost hundreds of billions on derivative swaps
11. Hedge funds: 610 in 1990, almost 10,000 now. Returns down 15%, liquidations up
12. Consumer debt way up, now at $2.5 trillion; next area for credit meltdowns
13. Fed also plans to provide billions to $3.6 trillion money-market fund industry
14. Freddie Mac and Fannie Mae are bleeding cash, want to tap taxpayer dollars
15. Washington manipulating data: War not $600 billion but estimates actually $3 trillion
16. Hidden costs of $700 billion bailout are likely $5 trillion; plus $1 trillion Street write-offs
17. Commodities down, resource exporters and currencies dropping, triggering a global meltdown
18. Big three automakers near bankruptcy; unions, workers, retirees will suffer
19. Corporate bond market, both junk and top-rated, slumps more than 25%
20. Retailers bankrupt: Circuit City, Sharper Image, Mervyns; mall sales in free fall

When you review these 20 developments—and there are far more– you have to ask yourself, realistically, what can an Obama Administration do about this multi-faceted disaster? Can token reforms by government stem the tide and solve systemic problems?

Are we expecting too much from our politicians?

Just thinking about all this leads to another kind of depression—a personal bummer at a time when so many of want to feel good about the change that is said to be coming to America. At the same time, we know that joyous events can be followed by awful letdowns—some women go through childbirth experience post-partum depression, for example, because of hormonal changes. In their case, joy turns to sadness.

The first step avoid being disillusioned is abandon illusions and recognize this is a "system problem." Am I wrong?

*News Dissector **Danny Schechter** is the author of PLUNDER: Investigating Our Economic Calamity (Cosimo Books) available at Amazon.com. Comments to dissector@mediachannel.org*

Comment on Global Research Articles on our Facebook page

Become a Member of Global Research

Articles by: **Danny Schechter**