

moneybox

## Bush's Bushwa

The president and his aides keep lying about when the recession started.

By Daniel Gross

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President Bush opened his final radio address of the year this way: "In 2002, our economy was still recovering from the attacks of September the 11<sup>th</sup>, 2001, and it was pulling out of a recession that began before I took office."

Bush concluded 2002 with the same dishonesty that defined his economic policy throughout the year—a mendacity that ranged from denying the tax cut had anything to do with the re-emergence of the deficit to [arguing](#) that the terrorism insurance bill would create 300,000 construction jobs.

In fact, there is no evidence that the economy was in recession when President Bush took the oath of office on Jan. 20, 2001. Yes, growth was slowing, and the longest expansion in American history was running out of steam. But the U.S. economy did not go into recession until Bush's presidency, according to both of the most accepted definitions.

One definition of recession is two consecutive quarters with a declining gross domestic product. By this measure, the economy was explicitly *not* in recession when Bush took the oath of office on Jan. 20.

According to the Commerce Department, the economy grew (albeit slowly) in both the third quarter and the fourth quarter of 2000, by 0.6 percent and 1.1 percent, respectively. GDP did decline in the first three quarters of 2001. So Bush would have been accurate in saying that "when I was inaugurated, the economy was three weeks into the first of three consecutive quarters in which GDP declined."

That definition of recession is a pretty blunt instrument. It doesn't indicate exactly when a recession begins, which is why economists rely on the more precise measurements of the National Bureau of Economic Research, the official arbiter of recessions and expansions. (Read this ["Explainer"](#) to learn how NBER works.) NBER has been run since 1977 by Harvard economist Martin Feldstein, an architect of the Bush tax cut and an intellectual mentor to many prominent Republican policy-makers, including Glenn Hubbard, chairman of the White House Council of Economic Advisers.

According to NBER's definition, the recession did not begin until after President Clinton left office. NBER's most recent ["recession dating procedure"](#) says, "A recession begins just after the economy reaches a peak of activity and ends as the economy reaches its trough." In other words, a recession begins as soon as the economy starts shrinking. And according to NBER, the economy peaked and started shrinking in March 2001, two months after the Bush presidency began. "The determination of a peak date in March is thus a determination that the expansion that began in March 1991 ended in March 2001 and a recession began in March." So according to NBER, the most recent recession did *not* start during the Clinton administration. (Nor did the expansion begin under Clinton; rather, it launched during President Bush the Father's term.)

Did the economy go into recession because President Bush came into office? Of course not. Had Al Gore become president, would the economy have entered a recession in March 2001? Certainly. In hindsight, it's clear we were heading for a recession in late 2000. President Bush caught the wrong end of the business cycle. This air of retrospective inevitability, combined with the bursting of the stock bubble and the sense that 2000 signified the end of one era and the beginning of another, lends credence to the false claim made by virtually every Republican—from Bush down to congressional backbenchers—that the economy was in recession when Bush came into office.

The U.S. economy is a mighty, complex beast. And because it frequently takes a long time for economic perceptions to catch up with economic realities, politicians can exploit the idea of recession unfairly. Remember, even though the recession during the first Bush's term ended in March 1991, the perception that he wasn't sufficiently attentive to an ailing economy helped turn Bush out of office 18 months later. It can feel like a recession when an economy's growing and feel like the economy's growing when we're in a recession. That's all the more reason why people, especially presidents, should take care when throwing around such loaded terms.

The current President Bush is probably not conversant with NBER's "recession dating procedures." But it's a sure thing his economic and political advisers are. So shame on them for feeding him dishonest lines.

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