
Recession or Depression?

There's an interesting piece in today's Wall Street Journal titled [Tomorrow's Recession Recovery Is Today's History Lesson](#) (you need to be a subscriber to read it). The WSJ interviewed 52 economists and the consensus view was that the economy would 'begin growing again by August'. Only five saw GDP contracting throughout 2009.

They might be right but, as the author pointed out, no one had the faintest idea at the start of the Great Depression that it was going to be a great depression. Herbert Hoover told the people in 1930 'I am convinced we have now passed the worst and with continued unity of effort we shall rapidly recover.' The recovery was still three years away.

Then there's [Reactions of the Wall Street Slump](#) published by [The Economist](#) on 23 November 1929 (the article is available to all and sundry). It's a fascinating insight into the mood at the time: 'If we are justified in assuming that the setback in American industry will only be temporary, we may look forward to steady development in 1930, free from the incubus that has of late been hampering world conditions.'

What today's economists should be telling you is that they don't have the faintest idea. The quantum of fiscal and monetary stimulus is unprecedented, the level of government involvement is unprecedented and the consequences of the attempted rescue are unknown. They should also tell you that, being human and full of hope like the rest of us, they are likely to err on the optimistic side.