

Stiglitz: America at "Serious Risk of Extended Malaise"

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Day by day, the "the recession is over" crowd continues to get larger and louder.

But the U.S. faces "serious risk of an extended malaise" after the bursting of the credit bubble, says Nobel Prize-winning economist Joseph Stiglitz of Columbia University.

Today's optimistic policymakers (current and former) and economists risk confusing the technical end of recession with a robust recovery, he says. "It would be a mistake to say 'because we're out of a sense of freefall and may have turned a corner [that] we're on the road to recovery.'"

In the short term, there is a "very remote likelihood" the job market will turn around anytime soon, the famed economist says. Therefore, it will still feel like a recession for many Americans even if GDP does produce positive readings.

Stiglitz also cited a number of potential negative speed bumps the recovery may hit, including:

- Weakness in commercial real estate.
- Huge deficits at the state level, leading to more job losses.
- Many Americans at risk of having unemployment benefits expire.
- Weakness in our major trading partners, and overall lack of final demand.

In fact, Stiglitz says the next few years may be characterized by weak growth and false starts on the road to recovery, not unlike Japan in the past 20 years or America during the Great Depression.

As a result, he says the government should plan on additional stimulus packages focused on improving technology, education and infrastructure. While lamenting "there's no appetite" for additional government spending, he says these investments provide a better long-term return than tax cuts or rebates. Best to get these plans ready to go for when the current stimulus package, which Stiglitz called "too small and badly designed" last spring, starts to wane.

In sum, Stiglitz believes we should hope for the best, but plan for the worse.

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