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'Hysteresis': An ugly word for an increasingly ugly economic situation

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You may not know the term "hysteresis." It's the "lagging of an effect behind its cause," and it's an ugly word that sounds like a foot fungus. It's also an ugly thing to have happen to your economy. And it may be what's happening to ours.

We understand that our economy is [growing too slowly](#) and that our labor market is taking too long to recover. We lost 95,000 jobs [in September](#), and though the Obama administration tried Friday to focus attention on the 64,000 jobs the private sector created - it was the ninth straight month of private-sector gains - that's still well below the 100,000 jobs we need to add just to keep up with population growth. What gets less attention is the way that slow job growth begets slow job growth. What gets less attention, in other words, is hysteresis.

[Adam Posen](#) is a member of the Bank of England's Monetary Policy Committee, an adviser to the Congressional Budget Office, a senior economist at the Peterson Institute for International Economics and a leading expert on Japan's lost decade. He doesn't think we're taking the threat of an extended period of crummy growth nearly seriously enough.

When people worry about what comes next for the economy, he said in a speech to the Bank of England, they worry about a double-dip recession or a temporary period of deflation. Those, he explained, are not close to how bad things can get. "The risks that I believe we face now are the far more serious ones of sustained low growth turning into a self-fulfilling prophecy," Posen said, "and/or inducing a political reaction that could undermine our long-run stability and prosperity."

To see what he means, consider a Michigan construction worker laid off in early 2008. He didn't lose his job because he was bad at it but because his firm lost access to credit. He hasn't been able to find another job, because no one is hiring in his area, and he can't sell his house, because it's now worth less than what he owes on his mortgage.

Right now, he's an example of what economists call "cyclical unemployment." He's unemployed because of the business cycle. But if his stretch of joblessness lasts for too long, that might change. His skills might deteriorate, and so too might his confidence. He might join an altogether more troubled group: the "structurally unemployed" - the out-of-work who can't get jobs because they're not suited for the jobs that employers are offering. The long-term unemployed, Posen warns, can become "de facto unemployable over time."

Then there's the political consequences of extended economic distress. Troubled countries do not always make wise decisions. Financial pain empowers demagogues and opportunists. Trade wars are begun, and borders closed. And we're beginning to see signs of this in our own polity.

It's not just that this year's crop of challengers for Congress - notably Christine O'Donnell, Sharron Angle and Rand Paul - have more extreme views than you'd normally find in the two major parties. It's that the voters are

drifting as well. In 1999, only 30 percent of the country thought free trade had hurt America. Now it's 53 percent - and among both tea partiers and union members, it's above 60 percent.

You can tell a similar story on immigration. Even as the recession has sent many illegal immigrants home - the number living in the United States actually declined from 2007 to 2008, according to the conservative Center for Immigration Studies - the anger at illegal immigrants rose, culminating in the raft of xenophobic laws passed by Arizona earlier this year.

Remember that we're only three years into this economic crisis. [Goldman Sachs Group](#) chief economist Jan Haltzius is projecting that we'll see growth in the range of 1.5 to 2 percent next year and that unemployment will rise above 10 percent. If this sort of pain persists over several years, the anger and frustration will only grow, and the political consequences could well be tragic for our economic policy and thus for our economy. And make no mistake, this sort of pain will persist for many years. Even if we started adding 200,000 jobs a month, it would take us about 12 years to return to full employment.

But even if we recognize that slow growth is an overriding problem that requires an aggressive response, what's there to do about it? We stumbled into a world war last time, and the resulting fiscal stimulus got our economy back on track. Happily, there doesn't appear to be any such conflict in the offing. But Congress seems to have given up on fiscal policy, as the insufficient stimulus spending it authorized in 2009 hasn't done the trick. And though the Federal Reserve [seems likely](#) to mount another round of quantitative easing after the election, it's coming late, and it's not likely to be enough.

Of course, the way to get our policymakers to do more is to get the people they represent to tell them to do more. And that brings us back to the mostly unknown dangers of hysteresis. It's time to spread the word.