The Daily Dish

The Recession Is Over!!!

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Eakinomics: The Recession Is Over!!!

It is now official: The recession is over. So sayeth the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER): "The committee has determined that a trough in monthly economic activity occurred in the US economy in April 2020. The previous peak in economic activity occurred in February 2020. The recession lasted two months, which makes it the shortest US recession on record." It is a relief to have the burden of recession removed from our collective shoulders, even if it actually occurred over a year ago.

As everyone is well aware, this announcement does not mean that the economy has fully recovered. Per the Committee, "In determining that a trough occurred in April 2020, the committee did not conclude that the economy has returned to operating at normal capacity. An expansion is a period of rising economic activity spread across the economy, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales. Economic activity is typically below normal in the early stages of an expansion, and it sometimes remains so well into the expansion."

While there is a rule of thumb that a recession is two successive quarters of economic decline, the NBER has always used monthly data to identify peaks and troughs of business cycles. And, perhaps surprisingly, the NBER has always been the official arbiter of business cycles in the United States.

The NBER itself is the product of a need for better data. According to its history, "The National Bureau of Economic Research was founded in 1920, largely in response to heated Progressive-era controversies over income distribution. The two leading figures in its launch — Malcolm Rorty, an executive at the American Telephone and Telegraph Company, and Nachum Stone, a socialist labor organizer with a PhD in economics from Columbia

University — had widely different views on many economic policy issues. They agreed, however, that there was little data on which to base discussions of these issues. With the support of a group of business and labor leaders, as well as university-based economists who were committed to uncovering and disseminating important facts about the economy of the United States, they created the NBER to address this information gap."

Among the initial projects of the NBER was the publication of Wesley Mitchell's *Business Cycles*, which put it in the business of providing the dates for business cycle peaks and troughs. It has stayed in that business ever since. In doing so, it makes no attempt to judge turning points in real time. This announcement follows that norm: Well after the fact and when the data are (more) clear, business cycle peaks and troughs are announced.