



A Perspective on the Current Recession: It's Not the "Worst Case" Yet

Daniel L. Thornton, Vice President and Economic Adviser

Rhetoric in the popular press and by many policy-makers might lead the public to believe that we are in the midst of the worst recession since the Great Depression. Given this often alarming rhetoric, putting things into perspective is important. For example, [533,000 jobs were lost in November 2008](#)—the largest single-month loss since the mid-1970s—and 1.9 million jobs were lost during the year ending in November. But how do this loss and other measures compare with previous postwar recessions?

"The current recession actually looks relatively mild, so far, when we look at the decline in industrial production."

The two charts show the levels of nonfarm payroll employment and industrial production during the postwar period (November 1947–November 2008). They also show each postwar recession and the percent decline in these measures from the month before the beginning of the recession to the last month of the recession. Because the 2007–08 recession is not over yet, the percent declines are from the onset of the current recession to November 2008.

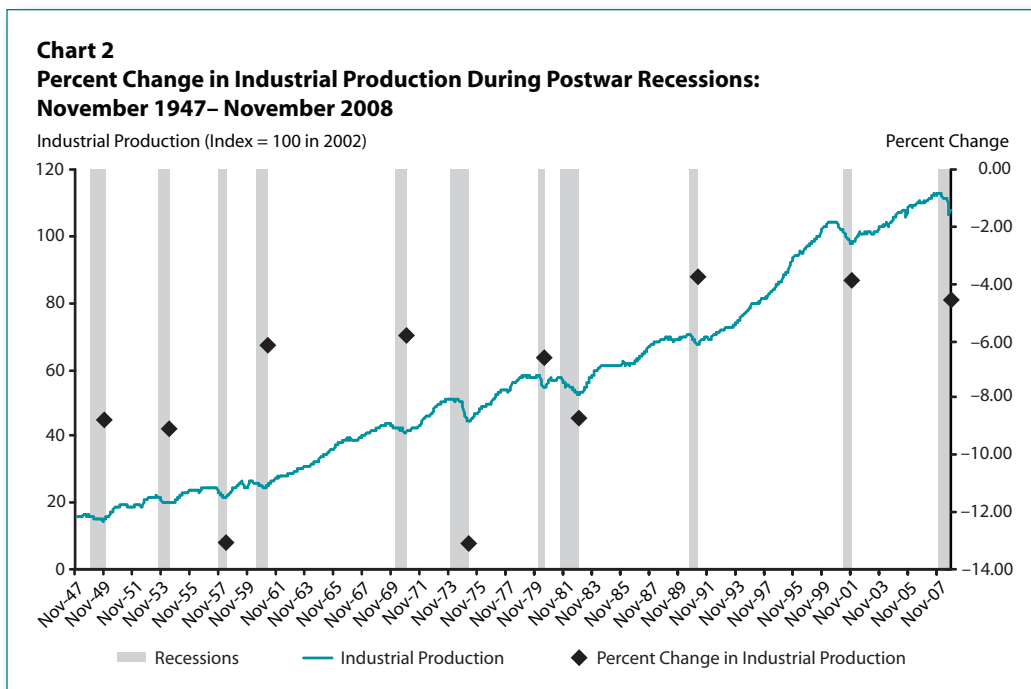
From a jobs perspective, to date, the current recession is the second most severe since 1970. Nevertheless, the economy would have to surrender an additional 2.34 million jobs to match the percentage of jobs lost during the 1981–82 recession. If this were to

happen, the unemployment rate would jump from its current level of 6.7 percent to about 8.2 percent—well below the 10.8 percent level of the 1981–82 recession.¹ To match the severity of jobs lost during the 1957–58 recession, the economy would have to lose an additional 3.6 million jobs. These downturns would make the current recession the most severe during the postwar period in terms of jobs lost; however, it would still be small by Great Depression standards.

The current recession actually looks relatively mild, so far, when we look at the decline in industrial production. Although industrial production has declined 4.5 percent from its pre-recession level, this decline is considerably smaller than any previous postwar recession except for the 1990–91 recession. Further, the current decline is about half that of the 1981–82 recession and about a third that

Chart 1
Percent Change in Employment During Postwar Recessions:
November 1947– November 2008





of the 1974-75 recession. Consistent with this analysis, the [decline in real gross domestic product](#) has been extremely modest compared with previous recessions.

The current recession is relatively severe in terms of jobs lost; however, the economy would have to lose considerably more jobs to become the worst-ever postwar

recession. And extremely large additional declines in output and industrial production would be needed for this recession to match the 1981-82 recession. ■

¹ This estimate of the unemployment rate assumes that the labor force will remain at its November 2008 level.