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August 1, 2010

Defining Prosperity Down

By PAUL KRUGMAN

I'm starting to have a sick feeling about prospects for American workers — but not, or not entirely, for the reasons you might think.

Yes, growth is slowing, and the odds are that unemployment will rise, not fall, in the months ahead. That's bad. But what's worse is the growing evidence that our governing elite just doesn't care — that a once-unthinkable level of economic distress is in the process of becoming the new normal.

And I worry that those in power, rather than taking responsibility for job creation, will soon declare that high unemployment is "structural," a permanent part of the economic landscape — and that by condemning large numbers of Americans to long-term joblessness, they'll turn that excuse into dismal reality.

Not long ago, anyone predicting that one in six American workers would soon be unemployed or underemployed, and that the average unemployed worker would have been jobless for 35 weeks, would have been dismissed as outlandishly pessimistic — in part because if anything like that happened, policy makers would surely be pulling out all the stops on behalf of job creation.

But now it has happened, and what do we see?

First, we see Congress sitting on its hands, with Republicans and conservative Democrats refusing to spend anything to create jobs, and unwilling even to mitigate the suffering of the jobless.

We're told that we can't afford to help the unemployed — that we must get budget deficits down immediately or the “bond vigilantes” will send U.S. borrowing costs sky-high. Some of us have tried to point out that those bond vigilantes are, as far as anyone can tell, figments of the deficit hawks' imagination — far from fleeing U.S. debt, investors have been buying it eagerly, driving interest rates to historic lows. But the fearmongers are unmoved: fighting deficits, they insist, must take priority over everything else — everything else, that is, except tax cuts for the rich, which must be extended, no matter how much red ink they create.

The point is that a large part of Congress — large enough to block any action on jobs — cares a lot about taxes on the richest 1 percent of the population, but very little about the plight of Americans who can't find work.

Well, if Congress won't act, what about the Federal Reserve? The Fed, after all, is supposed to pursue two goals: full employment and price stability, usually defined in practice as an inflation rate of about 2 percent. Since unemployment is very high and inflation well below target, you might expect the Fed to be taking aggressive action to boost the economy. But it isn't.

It's true that the Fed has already pushed one pedal to the metal: short-term interest rates, its usual policy tool, are near zero. Still, Ben Bernanke, the Fed chairman, has assured us that he has other options, like holding more mortgage-backed securities and promising to keep short-term rates low. And a large body of research suggests that the Fed could boost the economy by committing to an inflation target higher than 2 percent.

But the Fed hasn't done any of these things. Instead, some officials are defining success down.

For example, last week Richard Fisher, president of the Federal Reserve Bank of Dallas, [argued](#) that the Fed bears no responsibility for the economy's weakness, which he attributed to business

uncertainty about future regulations — a view that’s popular in conservative circles, but completely at odds with all the actual evidence. In effect, he responded to the Fed’s failure to achieve one of its two main goals by taking down the goalpost.

He then moved the other goalpost, defining the Fed’s aim not as roughly 2 percent inflation, but rather as that of “keeping inflation extremely low and stable.”

In short, it’s all good. And I predict — having seen this movie before, in Japan — that if and when prices start falling, when below-target inflation becomes deflation, some Fed officials will explain that that’s O.K., too.

What lies down this path? Here’s what I consider all too likely: Two years from now unemployment will still be extremely high, quite possibly higher than it is now. But instead of taking responsibility for fixing the situation, politicians and Fed officials alike will declare that high unemployment is structural, beyond their control. And as I said, over time these excuses may turn into a self-fulfilling prophecy, as the long-term unemployed lose their skills and their connections with the work force, and become unemployable.

I’d like to imagine that public outrage will prevent this outcome. But while Americans are indeed angry, their anger is unfocused. And so I worry that our governing elite, which just isn’t all that into the unemployed, will allow the jobs slump to go on and on and on.



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