Commentary: Inventing The "Clinton Recession"
The CEA is trying to alter the start date in a way that benefits Bush. 'Tain't fair

No one should be surprised when economic or budget forecasts coming out of Washington are influenced by politics, especially during an election year. But when economic history is rewritten -- with political consequences -- that's going too far. President George W. Bush's Council of Economic Advisers, chaired by Harvard economist N. Gregory Mankiw, is trying to get away with exactly such revisionist history. The CEA's Economic Report of the President, released Feb. 9, unilaterally changed the start date of the last recession to benefit Bush's reelection bid. Instead of using the accepted start date of March, 2001, the CEA announced that the recession really started in the fourth quarter of 2000 -- a shift that would make it much more credible for the Bush Administration to term it the "Clinton Recession." In a subsequent press conference, Mankiw said that the CEA had looked at the available data and "made the call."

This simple statement masks an attack on one of the few remaining bastions of economic neutrality. For almost 75 years, the start and end dates of recessions have been set by the National Bureau of Economic Research (NBER), a private nonpartisan research group based in Cambridge, Mass.

While there have been complaints over the years, this arrangement has been accepted by economists, government agencies, and politicians -- until now. "For the first time, the federal government is intervening in the process," says Robert Hall, an economist at Stanford University and the conservative Hoover Institution who since 1978 has chaired the NBER panel of seven prominent economists who make the actual decision. The NBER's decisions have been dragged into the political arena before, but without impact. In the early 1980s, the Reagan Administration tried, unsuccessfully, to convince the NBER to combine the 1980 and 1981-82 recessions into a single downturn that could be called the "Carter Recession." During the '92 election season, the first Bush Administration kept hoping that the NBER would announce that the recession of 1990-91 was over -- a statement that didn't come until December, 1992.

To be fair, even if the latest recession did begin after Bush took office in January, 2001, no one can say he caused it. And Mankiw is also under attack from Republicans for what they consider his overly tin ear on other subjects, most notably his statement that the outsourcing phenomenon is "a plus for the economy in the long run."
Still, his decision to fiddle with economic convention can't be seen as anything less than manipulation in an election year. In his press conference, Mankiw justified his decision by saying, correctly, that the NBER panel was already considering moving the recession start date forward. Some key data that the NBER watch -- including industrial production and inflation-adjusted business sales -- peaked in mid-2000. On the other hand, the latest revisions from the Bureau of Labor Statistics shifted the peak of nonfarm employment slightly later, from February to March, 2001. That's important, because the recessions of 1981-82 and 1990-91 both started in or after the month that employment fell.

But rather than waiting for the NBER's decision, Bush's CEA jumped the gun. And it made the biggest change possible, despite considerable debate within the NBER panel. The revised date is "very much up in the air," says Hall. Adds Jeffrey Frankel, a member of the NBER panel, an economist at Harvard University, and a former member of Bill Clinton's Council of Economic Advisers: "The way I read the data, there isn't a strong case for moving the date up by more than one month." That puts the start date at February, 2001, after Bush took office. The lack of a clear picture has led the NBER to hold off making a final decision pending more accurate data. There's "no sense of time pressure," says Hall. "We want to do this right."

Economists who go to Washington always struggle to maintain their objectivity against the political demands of the administration they work for. Based on its latest performance, the CEA seems to have lost the battle.

By Michael J. Mandel