This is not a recovery 28-29/8/2010

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At this writing, it's not known what Ben Bernanke, the Fed chairman, will say in his big speech Friday in Jackson Hole, Wyoming? Will he hint at new steps to boost the economy? Stay tuned.

But we can safely predict what he and other officials will say about where we Americans are right now: that the economy is continuing to recover, albeit more slowly than they would like. Unfortunately, that's not true: This isn't a recovery, in any sense that matters. And policy makers should be doing everything they can to change that fact.

The small sliver of truth in claims of continuing recovery is the fact that G.D.P. is still rising: We're not in a classic recession, in which everything goes down. But so what?

The important question is whether growth is fast enough to bring down sky-high unemployment. We need about 2.5 percent growth just to keep unemployment from rising, and much faster growth to bring it significantly down. Yet growth is currently running somewhere between 1 and 2 percent, with a good chance that it will slow even further in the months ahead. Will the economy actually enter a double dip, with G.D.P. shrinking? Who cares? If unemployment rises for the rest of this year, which seems likely, it won't matter whether the G.D.P. numbers are slightly positive or slightly negative.

All of this is obvious. Yet policy makers are in denial.

After its last monetary policy meeting, the Fed released a statement declaring that it "anticipates a gradual return to higher levels of resource utilization" — Fedspeak for falling unemployment. Nothing in the data supports that kind of optimism. Meanwhile, Tim Geithner, the Treasury secretary, says that "we're on the road to recovery." No, we aren't.

Why are people who know better sugar-coating economic reality? The answer, I'm sorry to say, is that it's all about evading responsibility.

In the case of the Fed, admitting that the economy isn't recovering would put the institution under pressure to do more. And so far, at least, the Fed seems more afraid of the possible loss of face if it tries to help the economy and fails than it is of the costs to the American people if it does nothing, and settles for a recovery that isn't.

In the case of the Obama administration, officials seem loath to admit that the original stimulus was too small. True, it was enough to limit the depth of the slump — a recent analysis by the Congressional Budget Office says unemployment would probably be well into double digits now without the stimulus — but it wasn't big enough to bring unemployment down significantly.

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Now, it's arguable that even in early 2009, when President Obama was at the peak of his popularity, he couldn't have gotten a bigger plan through the Senate. And he certainly couldn't pass a supplemental stimulus now. So officials could, with considerable justification, place the onus for the non-recovery on Republican obstructionism. But they've chosen, instead, to draw smiley faces on a grim picture, convincing nobody. And the likely result in November — big gains for the obstructionists — will paralyze policy for years to come.

So what should officials be doing, aside from telling the truth about the economy?

The Fed has a number of options. It can buy more long-term and private debt; it can push down long-term interest rates by announcing its intention to keep short-term rates low; it can raise its medium-term target for inflation, making it less attractive for businesses to simply sit on their cash. Nobody can be sure how well these measures would work, but it's better to try something that might not work than to make excuses while workers suffer.

The administration has less freedom of action, since it can't get legislation past the Republican blockade. But it still has options. It can revamp its deeply unsuccessful attempt to aid troubled homeowners. It can use Fannie Mae and Freddie Mac, the government-sponsored lenders, to engineer mortgage refinancing that puts money in the hands of American families — yes, Republicans will howl, but they're doing that anyway. It can finally get serious about confronting China over its currency manipulation: How many times do the Chinese have to promise to change their policies, then renege, before the administration decides that it's time to act?

Which of these options should policy makers pursue? If I had my way, all of them.

I know what some players both at the Fed and in the administration will say: They'll warn about the risks of doing anything unconventional. But we've already seen the consequences of playing it safe, and waiting for recovery to happen all by itself: It's landed us in what looks increasingly like a permanent state of stagnation and high unemployment. It's time to admit that what we have now isn't a recovery, and do whatever we can to change that situation.