U.S. economy stronger than housing, job markets show

By Daniel Gross, Newsweek

On Aug. 5, 2011, when Standard & Poor's stripped the United States of its AAA credit rating, it was the latest in a string of economic humiliations for the U.S. After the failure of Lehman Brothers in the fall of 2008, the globe's longtime economic leader suffered its deepest and longest economic contraction in 80 years. Its markets were scythed in half, and Washington's political paralysis spooked investors. Most distressing were the numbers: annual deficits over $1 trillion, 8.75 million jobs lost, $4-per-gallon gasoline.

Given the magnitude of the economic fall, it's no surprise that declinism quickly emerged as the time's chic intellectual pose. Left and right, highbrow and lowbrow, ideological and pragmatic, historians and futurists—all came to an agreement: the U.S. had a very slim hope of recovering from its self-inflicted blows. The lion was now a lamb, shorn of aggression and vitality, unable to compete with rivals like China. Much like Japan, which has endured two decades of stagnation and misery since its real-estate bubble popped in the late 1980s, the U.S. had fallen and couldn't get up.

As is frequently the case, however, the conventional wisdom is wrong. The U.S. economy suffered a wipeout in the Great Recession of 2008–09, much like 1970s icon Steve Austin. Austin, played by Lee Majors, was an astronaut who crashed to Earth and then was rebuilt with typical American optimism. "We can rebuild him," the voice-over for the opening of The Six Million Dollar Man intoned. "Better than he was before. Better, stronger, faster." Like the world's first bionic man, the U.S. economy has come back—better, stronger, and faster than most analysts expected, and than most of its peers.

In fact, the lows of March 2009 marked the beginning of an unexpected recovery—not the beginning of an era of irreversible stagnation. The U.S. economy went from shrinking at a 6.7 percent annual rate in the first quarter of 2009 to expanding at a 3.8 percent annual rate in the fourth quarter of that year—a turnaround unprecedented in modern history. The stock market has doubled since March 2009, while corporate profits and exports have surged to records. The U.S. economy has regained its 2007 peak, and is now growing at a 3 percent annual clip—a more rapid pace than any other developed economy. The crucible of the recession forged an economic structure that is more resistant to shocks than the brittle vessel that shattered in 2008. Meanwhile, Europe continues to grapple with insoluble banking and sovereign debt crises, and developing-economy juggernauts like China and Brazil are showing signs of cracking.

It's clear that the story of America's recovery—unsatisfying and problematic as it has been—isn't a Hollywood tale. Rather, it rests on an understanding of its core competencies and competitive advantages: attitudes and capabilities that, even in this age of globalization, remain unique. Contrary to the declinists' view, global growth has not been a zero-sum game for America's economy.

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