



Recessions' damage lasts years, harms future generations

NEWS FROM EPI

FOR IMMEDIATE
RELEASE

Friday,
October 2, 2009

CONTACT
Nancy Coleman
Karen Conner
202-775-8810
news@epi.org

It was the Iroquois who taught their children that decisions should be made by considering their impact on the next seven generations. That's a useful proverb when considering the long-term effects that recessions—and the costs of fighting recessions—have on families, businesses, and the economy. A new Economic Policy Institute study, [*Economic Scarring: The long-term impacts of the recession*](#), by EPI Research and Policy Director John Irons, examines the potential long-term damage the recession can cause individuals and the economy in the areas of education, individual and family opportunities, private investments and technology, and entrepreneurial activity.

“The scars of this recession will remain for years beyond the official start of the recovery and the costs of fighting it must be considered a long-term investment,” said Irons.

Economic recessions are often portrayed as short-term events, requiring only short-term solutions. However, the consequences of high unemployment, falling incomes, and reduced economic activity can have lasting consequences. Economic hardships for parents will mean more economic hurdles for their children. Job loss and falling incomes can force families to delay or forgo a college education for their children. Frozen credit markets and depressed consumer spending can stop the creation of otherwise vibrant small businesses. Larger companies may delay or reduce spending on R&D.

Are the costs of fighting the damaging effects of recession, like increasing the deficit, worth it in the long run? Although deficits can burden future generations of taxpayers in order to soothe the present economic hurt, this report clearly shows that a temporary increase in federal spending during an economic downturn—with the costs spread out over many years—will lead to an increase in national income in the near term, and will reduce long-term damage.

###

- The Economic Policy Institute (EPI) is an independent, nonprofit, nonpartisan think tank that researches the impact of economic trends and policies on working people in the United States and around the world. EPI's mission is to inform people and empower them to seek solutions that will ensure broadly shared prosperity and opportunity.