Is Double-Dip Hyphenated?

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Double-dip has many meanings and can be a verb or noun. One meaning of double-dip is illustrated when George Costanza from “Seinfeld” takes a chip from the bowl, dips it, takes a bite, and then dips again, prompting Timmy (the brother of George’s girlfriend) to exclaim, “You double-dipped the chip.” Double-dip also can be used as a noun meaning something that happens twice in a cycle. In economics this term is used to describe when a recession is followed by a short-lived recovery that is followed by another recession. A double-dip (or even triple-dip) is a worst-case scenario. Fear that the economy will move back into a deeper and longer recession makes recovery even more difficult.

Double-dip is a compound noun, and in general, compound nouns can be written in different ways. Some compound nouns are written as one word (doubleheader, nightclub, trademark), some are written with a space, (double take, air conditioner, cash flow), and some are hyphenated (day-tripper, double-dipper, trade-off). Unlike compound adjectives, which require hyphens for clarity, compound nouns adhere to no such certainty. In general, it is all about consistency within a document.¹

Is the U.S. Economy Headed for a Double-Dip?

During the first quarter of 2011, GDP growth slowed considerably from the end of 2010. The Bureau of Economic Analysis (BEA) reported recently that the economy expanded 1.8% in the first quarter on an annualized basis, compared to 3.1% in the fourth quarter of 2010.² Relative to the fourth quarter, federal government expenditures recorded a very sharp drop while personal consumption expenditures and nonresidential fixed investment grew, but at a much reduced pace. Consumer spending slowed to an annual rate of 2.2% in the first quarter from an annual rate of 4% in the fourth quarter of 2010, but that was partly offset by an increase in business spending in the first quarter.³ The slowing of consumption is a sign that consumers are being squeezed by higher energy and food prices and are pulling back on discretionary spending. While the economy continued to grow in the first quarter, there are many headwinds slowing the economy, including a still-elevated unemployment rate, continued weakness in the housing market, and a political appetite for fiscal tightening at a time when the economy remains weak.

¹ Merriam-Webster, m-w.com.
² Bureau of Economic Analysis.
³ Ibid.
Still-Elevated Unemployment Rate

While some job growth has resumed, the labor market remains a weak spot in the economy's recovery. There are 13.7 million people still unemployed, and 26.9 million part-time workers, with a subset of 8.6 million part-time workers who would prefer full-time jobs. In addition, there are 2.4 million people who are marginally attached to the labor force, meaning these people want a job but have become discouraged about their prospects of securing one. Also, 43.4% of people who are unemployed have been out of work for over six months; the average since 1950 has been 14.1%. If the number of people who applied for a job in the last six months were included as unemployed rather than just those who applied in the past four weeks, and if the count included discouraged workers and people working part-time who wished to work full-time, the real unemployment rate would not be the headline rate of 9% but would be closer to 18%.

The impact of unemployment on recovery is also understated as a result of the decline in the labor force participation rate from 66.9% 10 years ago to the current rate of around 64.2%. This is a level not seen since 1984. The lower participation rate means that the economy has to generate fewer jobs to bring down the unemployment rate. With real unemployment close to 20%, coupled with high gas prices and declining home values, the American consumer, who has been the engine of growth in the post-World War II economic period, cannot be counted on to support the economy.

A Double-Dip Is Already Present in the Housing Market

Home prices peaked in April 2006, according to the 20-City S&P Case Shiller Home Price Index, and new single family housing starts peaked in 2006. The housing crisis that followed wreaked havoc on the economy as it became evident that many people bought homes that could not be supported by their incomes. This has resulted in a huge number of foreclosures and short sales in the housing market. While the home-buyer tax credits that expired last year assisted the housing market, that support is now gone, and home values have begun to fall again. The glut of foreclosed homes threatens to keep the housing market depressed and create a further drag on the economic recovery. U.S. banks own more than 872,000 homes as a result of the huge number of foreclosures, almost twice as many as when the financial crisis began in 2007, according to RealtyTrac. In addition, banks are in the process of foreclosing on an additional one million homes and are likely to foreclose on several million more in the coming years. Although sales have picked up in some regions, banks and other lenders remain overwhelmed by the wave of foreclosures. In Atlanta, for example, lenders are repossessing eight homes for each distressed home they sell, according to March data from RealtyTrac. In Minneapolis, they are foreclosing on six homes for each home they sell, and in once-hot markets like Chicago and Miami, the ratio still hovers close to two to one.

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7 S&P/Case Shiller Home Price Index.
Housing has been a significant source of growth during past economic recoveries. This is not the case now. The housing market was boosted by the home-buyer tax credit, but there is currently no political appetite for additional federal government stimulus programs because of increased pressure to reduce the government’s fiscal deficit. With the housing sector already weakened, consumers impacted by high food and gas prices, and the government sector contracting due to increased emphasis on reducing government spending, there are no obvious drivers of growth.

With weak overall U.S. economic growth, the economy continues to be at risk of a double-dip. In addition, U.S. exports may be negatively affected by economic weakness in Europe and the problems in Japan as it attempts to rebuild after the earthquake and tsunami. Furthermore, while many large banks and firms have returned to profitability, credit remains tight for smaller businesses, which have bigger impacts on the labor markets than large firms. The headwinds buffeting the economy and the recent global economic trend towards economic austerity may negatively impact growth at a time when the labor market remains weak, with 5.8 million people officially out of work for over six months\textsuperscript{9} and an estimated additional 5 million\textsuperscript{10} people who are considered “99ers,” a term referring to people who have exhausted the maximum 99 weeks of unemployment benefits available in some states and now are no longer counted as unemployed. The slack in the labor market and the weakness in housing will continue to weigh on growth, keeping the risk of a double-dip present in the economy – no matter how you hyphenate it.

\textit{This document contains forecasts, estimates, opinions, and other information that is subjective. Statements concerning economic, financial or market trends are based on current conditions, which will fluctuate. There is no}

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\textsuperscript{9} Bureau of Labor Statistics.

\textsuperscript{10} Opencongress.com
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