



**Essay**

## The myth of the quick fix

*Politicians think reviving the economy is a snap. But what does the economy think?*

**I**F THE U.S. ECONOMY were a person, you can be sure it would have serious emotional problems. For well over a year now, it's had to weather one withering insult after another. Academics have dubbed this poor guy "underperforming." Pundits have argued that he needs "strengthening." Politicians keep waiting for the hapless fellow to "bounce back." Even President Bush, following his party's sweep in the November election, showed frustration that the luckless sap was just "bumping along." Yep, it seems that this \$10 trillion thing we used to call the envy of the world is going to need help working up to its potential. The problem is what to do about it—or, more precisely, whether Washington can do something quick and efficient to set things right. Politicians seem to have no crisis of confidence about their powers to rev up the country's engines. Yet the last time we tried a stimulus package was back in the summer of 2001. And, you might ask, did it work? As it turns out, probably not. A recent study by two University of Michigan economists showed that only 22% of the households who received a tax rebate were inclined to increase their spending—a far smaller percentage than the government had hoped or expected.

All of which makes you wonder whether any quick fixes make a big difference. In a dizzyingly interconnected financial system,

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proof of what works is hard to come by. Any administration can screw up the economy, says William Gale, an economist at the Brookings Institution. "Improving it much in the short term is trickier." Indeed, an economic rebound may have little to do with pulling various political levers and much to do with the business cycle and the time needed to work off bull market excesses.

Of course, no politician wants to be seen standing idly by. But those of us assuming that Washington can prod a weak and lazy economy into action might consider whether this guy just needs a little time alone—you know, a period of self-discovery. After all, he's had a tough year. And Lord knows, everybody has such high expectations. —JON GERTNER

**THE TICKER**

► **EQUAL SPENDING** Income inequality has grown dramatically in the past quarter-century. But economists Dirk Krueger and Fabrizio Perri find that inequality of consumption has barely increased at all—in part because growing credit markets let us spend even if we have little cash.

► **I WANT TO THANK THE ACADEMY...** The first American Business Awards (nicknamed the "Stevies," after the Greek word for crowned) will, according to a press release, honor "all that is right in American business" at a "star-studded" April ceremony. The deadline for nominations is Jan. 21.

