

## John A. Caslione

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### Time To Redefine Recession

***Today, whatever doesn't seem to mesh or fit with the "old economy" as we knew it pre-September 2008 – gets lumped into what is now called the "new normal." But what is the new normal?***

Think tanks and business talk shows from around the world have written and talked about it relentlessly, but wherever we look there seems to be no discernable definition of the *new normal*. Rather, we've been provided long lists of what may be considered "dysfunctions" of today's *new economy* as compared to yesterday's *old economy*, and not much more.

In September 2008 when it seemed that all hell was breaking loose in the global economy and the unimaginable was becoming our new reality, for our new book my co-author and I crafted the concept of the "new normality", which we defined as, "unpredictable, intermittent spurts of economic prosperity intermingled with spurts of downturn".

In the *new normality*, turbulence is amplified as a direct consequence of new drivers that have never before converged upon us en masse in the history of humankind. **Led by advancing globalization and information technology, heightened and continuous turbulence—spiking high and low similar to a series of non-uniform "W's" in an EKG heart wave—is now fueled by a number of drivers.** These include political tensions and conflicts; the rise of unsustainable public, private and external debt; nationalism, regionalism and protectionism; developing economies now more boldly flexing their new economic muscles; hyper-competition and overcapacity in the global marketplace; shortages of food and water, natural resources and energy; increasing costs and inequities in healthcare; and a world where one angry person can reek havoc on a company or government agency by venting their anger online globally.

With last week's reporting of first quarter 2010 U.S. GDP growth coming in at 3.2%, like it or not, the U.S. is poised for another downturn in the economy in the *new normality* in which we now all live, and even another recession under the traditional definition of a recession, i.e., two consecutive quarters of negative GDP growth. As the U.S.'s GDP growth in 3Q09 was 2.2% and then in 4Q09 it shot up to a whopping 5.7% largely due to U.S. manufacturing firms replenishing severely depleted inventories even as the unemployment ranks remained high, we've been unable to maintain that steep upward trajectory of prosperity into 2010.

Furthermore, given all that we're reading about the continuing uncertainty in the real economy, coupled with what could be the U.S.'s biggest environmental disaster building in the Gulf of Mexico that could easily drive oil prices to above the \$100 per barrel mark again, there may be more economic turbulence and unease on the horizon. We also cannot ignore Iran's president's

increasingly bold defiance that has this week reached a new high in his recent speech to the U.N. attacking the U.S., Israel and the West, even on the heels of the IAEA's finding proof positive in a report earlier this year that Iran is building nuclear warheads—something the U.S. and Israel will not permit to go unchallenged. Convergence of these and other global political and economic unrest will almost certainly create heightened turbulence for the U.S. economy in the short- and mid-term.

The upshot of all this on the back of last quarter's unsustainable 5.7% GDP growth rate is that 1Q10 GDP growth had to come in lower. If GDP growth in the next quarter is less than 3.2%, then we're technically back into another recession—the long dreaded "double-dip" recession. **The effects of the "new normality" as we defined in our recent book, i.e., unpredictable, intermittent spurts of economic prosperity intermingled with spurts of downturn, in which we are now living is with us now, and will become that much more apparent if there is a "triple-dip" recession—something that could arrive as early as 2011 or 2012.**

In February BlackRock's vice chairman and global chief investment officer Bob Doll, stated in his list of "Predictions for the Next [2010] Decade" that, "Recessions will occur more frequently during this decade than only once a decade as occurred in the last 20 years."

**Rather than grappling with how to deal with more frequent recessions in a decade, the U.S.'s Federal Reserve and the world's leading economists might instead seek to redefine *what is a recession*, and moreover to consider that under its current definition in today's uncertain and more turbulent economic environment, the very notion of a recession may no longer be relevant.**

*Dr John A Caslione is Adjunct Professor at Georgetown University's McDonough School of Business in Washington, DC, and is President & CEO of GCS Business Capital, LLC. Together with co-author Philip Kotler, Professor of International Marketing at the Kellogg School of Management of Northwestern University, they have written CHAOTICS: The Business of Managing and Marketing in The Age of Turbulence (2009), in which the authors first introduced the notion of the "new normality".*

*John Caslione speaks on many global business topics worldwide, see: [www.meetcaslione.com](http://www.meetcaslione.com)*

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