PRESIDENT'S MESSAGE

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More than two years after it officially ended, the Great Recession still casts a long shadow. Although the economy has been growing, the pace of the recovery has been painfully slow, and reaching a full recovery is going to take far longer than most people had expected. The country is just now returning to the output levels we reached before the recession began in late 2007—and that has not been enough growth to put Americans back to work at the levels we desire. Many of us have family members or friends who are still contending with the impact of a job loss or a financial hardship. However, despite this discouraging pace, I firmly believe that eventually we will make a full economic recovery. American businesses and their employees have a long track record of adapting to meet the evolving needs of the economy.

Against that backdrop, a question that we at the Federal Reserve Bank of Cleveland have been thinking about is whether this experience has changed us—and what it might mean for the country going forward. More specifically, we are wondering whether this recession will induce any long-lasting adjustments in economic behavior, such as the spending, saving, and work decisions for an entire generation of people. Most people alive today have no memory of the Great Depression, and the latest recession has no recent comparison.

Mainstream media has already dubbed those Americans who are living through the Great Recession as "Generation Recession." In this special issue of *Forefront*, we examine the most critical trends that—if enduring—will have great significance to that generation and to our economy going forward. For example, people have been spending less and saving more: How long will that dynamic persist, and will it hinder the recovery or help long-term growth? Participation in the labor force is shrinking: How many people over the age of 50 who lose a job will decide it is futile to search for new work, and if so, what further strain will those decisions put on our nation's already fragile social safety net? Newly minted college graduates can't find work matching their training: Will that alter how people view the value of a college education, to the detriment of the long-run path of skill building and innovation in this country?

It is too soon to make the call on whether the behaviors currently being exhibited will be a lasting fixture of the American economy, but in culling out the critical issues, we hope to better evaluate the economic implications.

A useful perspective on these issues comes from economic historian Price Fishback, whom we interviewed for this issue of *Forefront*. As a scholar of the Great Depression, Fishback reminds us that America has been through much worse than the recent recession and bounced back considerably stronger than before.

As an economic policymaker, I can assure you that the Federal Reserve will do all it can to move us past the Great Recession once and for all. Most recently, we have indicated that economic conditions are likely to warrant keeping the federal funds rate—our short-term policy interest rate—low until at least mid-2013. We have also announced plans to alter the composition of our asset holdings to put even more downward pressure on longer-term interest rates. Low interest rates can help persuade businesses to invest and consumers to spend. In turn, those activities should lead firms to pick up the pace of their hiring. It is my strong belief that these and accompanying policy efforts are playing an important role in promoting a full economic recovery, in a context of price stability. ■