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EDITORIAL

A Week in the Life of the Economy

For all the recent talk about recovery, the economy's vulnerability was on full — at times stomach-dropping — display this week.

Job growth was up sharply in April, but unemployment also rose, as the number of out-of-work job seekers overwhelmed the number of jobs on offer. The stock market, which had surged most of this year, gyrated and sold off steeply, driven down mainly by fears of contagion from the Greek debt crisis.

For several minutes on Thursday, the market went into a tailspin, apparently accelerated by computerized trading strategies. By the end of the day on Friday, it had suffered a 771-point drop over four days and was down 5.7 percent for the week, its worst weekly decline in more than a year.

Political leadership also was put to the test this week, with uninspiring results. European leaders finally agreed to a rescue package for Greece, but there are serious fears that it may be too little and too late to stop the crisis from spreading.

In the United States, senators began a series of votes on a bill to reform the financial system; more votes are to come and a strong bill could still emerge. But for now it's not clear if lawmakers will do all that is needed to protect the taxpayers from another meltdown or bow to the banks and their lobbyists.

Both Congress and the White House need to show strong leadership. Congress has yet to make good on its promise to pass broad legislation to boost employment. What is needed is bolstered aid to states and an extension of unemployment benefits through the end of the year, as well as programs targeted on small-business lending, infrastructure projects, green technology and summer youth jobs.

Without a concerted job creation effort, recovery cannot take hold. The economy added an impressive 290,000 jobs in April, but job losses from 2008 to 2010 were so deep that it would take more than four years of monthly growth of that magnitude just to fill the hole.

On the Greek debt crisis and the threat of spillover damage, Europeans must take the lead. But Washington must use its considerable influence, as well as the strength of its example.

Bailouts and stimulus are contentious here. Republicans are determined to play their faux deficit hawk role — despite the utter hypocrisy and destructiveness — through the November polls. Expansionary policy, and its corollary, higher inflation, are especially distressing to European powers given their dark history. The potential alternatives — renewed, deep recession and rifts in the euro-era — would be even worse.

Market regulators must also act quickly to monitor and rein in trading techniques that may provoke the kind of volatility seen on Thursday. So-called high-frequency trading, flash trading and dark pools all employ a combination of speed, privileged information and opacity — violating principles of market fairness, transparency and efficiency. That is unacceptable under any circumstances, but especially dangerous now, when nervous markets are prone to panic.

And, yes, all this must occur against the backdrop of debate on financial reform. The past week provided more evidence, if any more were needed, that the system is still in need of repair.