

AN ECONOMIC MALADY

WEB BUZZ 2010.09.13

Unemployment remains our largest problem and it will continue to be so unless there is a change in the mood of the country. President Obama has out FDRed FDR. It's clear that he believes that greedy businessmen are the problem and government is the answer. All the social programs with the exception of lower marginal tax rates, if you consider this social and we do, have been promoted and enacted by Democrats and Republicans alike, almost forever. By so doing, they have left us with debt we no longer can carry and capital which no longer will engage. Labor unions have destroyed and/or are destroying every business sector in which they operate. As we have mentioned many times before, we think it is entirely possible that we have created a permanent underclass of unemployed people, which will drain our treasury for years to come.

It is clear to us that our overconsumption and underinvestment has left Main Street near penniless and the axis of Wall Street and Washington to share the spoils of a broken economy. Unless public policy changes to the point where investment is rewarded and consumption is not subsidized, we are destined to be an economy with little to no future.

Please note the following household data released by the federal government as it pertains to unemployment measures over the last year. A year which has witnessed billions of dollars obtained by debt created spending on primarily consumption items, which has not led to perceptible growth.

HOUSEHOLD DATA						
Table A-15. Alternative measures of labor underutilization						
[Percent]						
Measure	Seasonally adjusted					
	Aug. 2009	Apr. 2010	May 2010	June 2010	July 2010	Aug. 2010
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force.....	5.1	5.8	5.8	5.8	5.7	5.5
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force.....	6.4	6.0	6.0	5.9	5.9	6.0
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate).....	9.7	9.9	9.7	9.5	9.5	9.6
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers.....	10.1	10.6	10.3	10.2	10.2	10.3
U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force.....	11.0	11.3	11.0	11.0	11.0	11.0
U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.....	16.8	17.1	16.6	16.5	16.5	16.7

Adapted from Mish's Global Economic Trend Analysis

If you will note, there has been essentially no relief in the unemployment area. High debt and poor public policy, both monetary and fiscal, are responsible for this economic malady. It needs to be changed. If it doesn't change, the economy won't get better.