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DC: The Myth of Low Unemployment

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WASHINGTON -- Corporate profits have returned to pre-recession levels, but many Americans aren't feeling too "recovered" yet. The recovery that began two years ago, following what was widely believed to have been the worst recession since the Great Depression, has produced relatively few jobs, hardly enough in recent months to keep up with the entrance of new workers into the labor force. Non-financial corporations in the S&P 500 were holding \$1.2 trillion in recent reports, up 59% from third quarter of 2008. That's where your new job is sitting, but why?

"Because of uncertainty," said Michael Tanner, an economist at the libertarian think tank Cato Institute, which opposes almost all government intervention in the economy. "[Businesses] are afraid of what's going to happen in the future. They look, for example, at the amount of debt the United States is incurring and they see that debt as translating to higher taxes down the road. They see a great deal of rhetoric from the President talking about higher taxes. They see the new health care reform law is going to kick in with a host of new regulations."

While many economists fear the 9.1 percent unemployment rate will persist or even increase deep into next year, an ideological divide prevails over how to shake the US economy from its doldrums. To libertarians and many conservatives, another federal stimulus package is anathema. To progressives and liberals, it's exactly the right course for the federal government because private sector businesses and consumer spending are not stimulating the economy.

"What we need is more stimulus," said Heidi Shierholz, an economist with the progressive think tank Economic Policy Institute. "We are in the situation where the government is spender of last resort." Shierholz conceded that Congress and much of the nation are in no mood to see the federal government spend to create jobs, especially after the contentious debt ceiling debate. "All of these things cost money. They would and should increase the deficit."

Shierholz said more important than uncertainty is lack of demand in explaining lackluster economic growth. People have less money to spend because they are poorer now than they were before the recession, she says, and businesses are unable to sell their goods and services at an adequate rate. "When business are asked in surveys, why aren't you hiring? Businesses invariably say, it's because we don't see sales."

Not exactly, said Tanner. "Businesses are doing what's safe with their money: sitting it on it. If you want businesses to expand, that's risky. And you have to guarantee them that they'll have a fair chance at a reward for taking that risk."

The above reflects the current debate now reverberating throughout the country over the role of government in the economy and US society in general. To the average unemployed worker, competing economic theories may mean little. When looking at their monthly household budgets, they see late mortgage payments, mounting credit card bills, and college tuition piling up. Even utilities and grocery bills can become burdensome.

"Companies can't invest in the United States no matter how much cash they have if they don't have customers to buy the products those investments would make," said University of Maryland economist Peter Morici. "With exports being so much less than imports, too many consumer dollars are leaving the country to purchase foreign goods and there is not enough demand for American goods, no matter how much cash an American company has." Morici blasted the Obama administration for failing to pursue manufacturing policies that, in his view, would employ workers with low levels of education. "The single person in the United States in a position of leadership uninterested in manufacturing by virtue of his deeds is the President of the United States."

Regardless of where you stand in the debate over what the federal government should (or should not) do to stimulate the economy, all agree that the unemployment of 14 million Americans (or un- and underemployment of 25 million) is a grand waste of productivity and talent. The share of the working age population that has a job has seen no improvement in the last 18 months, Shierholz said. That's the lowest point since the recession started.

American workers are waiting for an economic downturn few countenanced before the bursting of the housing bubble to relent. The question is, when? The business cycle is under no obligation to answer to the demands of a presidential election cycle.

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