Evidence for Double Dip is Growing

Establishment economists and other economic cheerleaders were disappointed to learn that, despite the government's best efforts to revive the economy through Keynesian interventions and stimuli, the GDP (Gross Domestic Product) for the first quarter of 2011 was half the rate of growth in the last quarter of 2010.

As noted by the *Wall Street Journal*,

> At this stage of recovery after a deep recession, the economy is typically growing by 4% or more as consumer confidence and businesses accelerate investment as their profits revive. Yet in this recovery consumers are still cautious and business investment remains weak….
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> Most striking is that this weak growth follows everything that the Keynesian playbook said politicians should throw at the economy. First came $168 billion in one-time tax rebates in February 2008 under George W. Bush, then $814 billion more in spending spread over 2009-2010, cash for clunkers, the $8,000 home buyer tax credit, HAMP to prevent home foreclosures, the Detroit auto bailouts, billions for green jobs, a payroll tax cut for 2011, and of course near-zero interest rates for 28 months buttressed by Quantitative Easings I and II. [And] we're probably forgetting something.

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Excuses for such poor performance focus not on the measures themselves which were, in every case, provable failures, but on exogenous circumstances such as the weather, high gasoline and food prices, and higher prices for imported goods.

Real estate, which has been the special target of government efforts to reinflate the bubble, continues to decline. According to CNN Money, "investment in homes and housing construction fell at a 4.1% pace in the quarter, while investment in non-residential real estate, such as offices, stores and factories, plunged by 29%." Prices for new homes fell another 3.3% in February, the seventh straight month of declines, and off 32% from the peak in May of 2006. As noted by David Blitzer, spokesman for Standard and Poor's: There is very little, if any, good news about housing. Prices continue to weaken [and] trends in sales and construction are disappointing.

The ripple effect of continuing declines in housing prices extends to homeowners who are watching their own home values fall below their mortgage balances. Once they are "under water," many struggling homeowners decide simply to walk away, putting additional pressure on the market. The Case-Schiller Index is now at 139.27, touching the low of 139.26 set in April of 2009, more evidence of the "double dip" in that market.

New claims for unemployment insurance benefits jumped ("surprisingly," according to CNBC) by 25,000 last week to the highest level since January. Economists were expecting a drop of 11,000. And long-term unemployment hasn't improved either, with more than 4 million people out of work for a year or more. And of course this doesn't count those who have simply given up looking for work altogether.

Part of the problem is that labor productivity is increasing so that businesses don't feel pressure to hire new workers as their existing workforce is increasingly able to meet the needs of those businesses. Economists, of course, had hoped that by now businesses would be hiring new workers to meet increasing demand in the economy.

The latest Gallup Poll confirms all of this in the attitude of American workers:

> More than half of those polled think the economy is either in a recession or a depression, while an astonishing 29 percent think the economy is in a depression. As noted, lack of confidence in the economy is a self-fulfilling prophecy. People do not buy goods and services [because they are] concern[ed] about the future. This drags down retail sales and damages retail firms' profits. Companies … cut costs to maintain [their profit] margins, which means they also cut jobs. The ripple moves to other industries including airlines, consumer products companies, consumer electronics, home improvement and the automakers.

Rassmussen is also reflecting the poor outlook on the economy:

> Twenty-one percent of "likely U.S. voters" say the country is heading in the right direction, the fourth week in a row that that measurement has declined, and represents the lowest reading of the Obama presidency. The Rasmussen Consumer and Investor indices are also showing declines, with only 23 percent of adult consumers saying that the economy is getting better, while 57 percent say it's getting worse.

If the economy had been allowed to heal itself without all the anti-capitalist "attempts to revive" it, there is little doubt that these numbers and outlooks would be vastly different. But because Keynesian and interventionist ideology rules the day, the patient continues to be prodded, injected, manipulated, and "stimulated," all of which is guaranteed to extend the recovery and the pain.