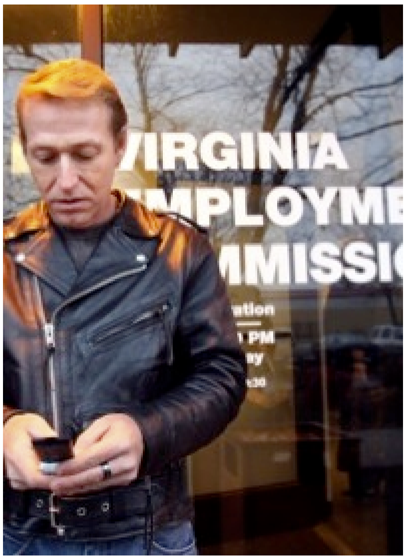
Stimulus Results: Unemployment Soars



So much for President Barack Obama's claim that the "stimulus" bill's would "create or save 3.5 million jobs." Where's the saved jobs if Bloomberg can announce that a growing number of economists expect the economy to "suffer further job losses in the coming months"? Even Federal Reserve Vice Chairman Donald Kohn admits, "Many financial markets remain under considerable stress.... These conditions are not conducive to a substantial and sustained economic rebound."

Obama signed the "American Recovery and Reinvestment Act of 2009," the so-called "stimulus" bill, on February 17 with the grand claim that it was "the most sweeping economic recovery package in our history." Vice President Joe Biden said at the signing ceremony that "you don't need to be an economist to know that jobs are the engine of our economy. And without jobs, people can't earn. And when people can't earn, they can't spend. And if they don't spend, it means more jobs get lost. It's a vicious cycle. And that's the vicious cycle we're in today. And it's one of the reasons that this bill is so desperately needed. We have to reverse that cycle."

But it didn't reverse the cycle, and by all appearances it won't. Indeed, a casual look at economics would indicate that the "stimulus" bill only made matters worse. The recession was started because of Federal Reserve inflation and an orgy of borrowing. You don't get out of a recession started from inflation and borrowing by more inflation and more borrowing.

How much more the federal government will borrow is constantly being revised upward, as Bloomberg.com reported on April 4 that the feds will need "$3.25 trillion this fiscal year, including sales to replace maturing securities, Goldman Sachs Group Inc. estimated." That's up from the estimated $2.5 trillion Goldman Sachs estimated just two weeks ago, before the Treasury Department announced its latest bailout plan.

President Obama and his complaint Congress apparently plan to keep borrowing and inflating until they run out of zeroes.

The crushing debt burden being piled up has already had a tremendous impact on the Wall Street bond markets. The Federal Reserve bailout of federal bonds temporarily lowered U.S. Treasury borrowing rates after the Fed's announced on March 18 that they would buy $300 billion in Treasury bonds over the next six months. But $300 billion is now less than 10 percent of what the federal government will borrow this year. The Fed has already purchased $31.05 billion in U.S. debt, but all of the gains in treasuries have already been lost. The yield on the 10-year treasury note is back up to 2.90 percent, the same as before the Fed purchase. Adjusted for inflation, Bloomberg.com notes, the yields are already double the average for the past five years. "As much as one wants to believe the buyback of $300 billion over six months is going to prevent rates from going higher," John Spinello of the New York-based Jefferies Group told Bloomberg, "all it will do is slow down the process." And it will inflate the currency, driving prices up for all Americans.

Treasury prices, the price attached to adding federal debt, is only going to rise more if a recovery starts and the federal government keeps borrowing, according to financial expert Mark MacQueen of Sage Advisory Services: "Any hint of a real turnaround in the economy, employment or the financial sector is going to be very negative for Treasuries."

That's the economic vice Obama's "stimulus" policy is putting the nation in: the more we borrow, the more funds are diverted from the private capital markets that could be used toward an economic recovery. The more the nation recovers, the more crushing the interest rate on the debt that the taxpayer must shoulder. It's a self-perpetuating cycle of economic misery and unemployment.

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