

Economic Recovery: Is The Worst Really Behind Us? by J. Conrad Guest

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LIKE MANY AMERICANS, if not most, I have no head for business or money. I have a low amount of credit card debt, which I'm told is good because it shows fiscal responsibility; last summer I leased a new car and my credit rating was good enough that I wasn't turned down. I balance my checkbook weekly, save a few dollars, and have enough left over to indulge in a few non-essentials like cigars and mid-grade scotch.

According to the Federal Reserve, total U.S. consumer credit rose \$4.96 billion in January, its first rise in a year and the largest for any month since mid-2008, a sign they say proves that the U.S. economic recovery is on track. Good news, right? Good enough to make many Americans think the worst is over, that by the end of the year it will be business as usual in America, and that we'll soon be enjoying unprecedented prosperity.

Hold on. According to Michael Snyder, who writes for *Business Insider*, the U.S. will *never* fully recover from the current crisis. According to Snyder, a second wave of mortgage defaults is imminent. He claims a mountain of mortgages is due to reset this year, resulting in millions more people being unable to pay their mortgages.

I read recently that the number of bank failures in the U.S. so far this year is 26. This, following the 140 brought down last year by growing loan defaults and the recession. Do the math: 2010 is on a pace to see a total 156 failures.

Furthermore, the Federal Housing Administration recently announced plans to increase the amount of up-front cash paid by new borrowers and to require higher down payments from those with the poorest credit. Tighter standards means that fewer people will qualify for loans; fewer *qualified* buyers will result in fewer buyers, and fewer buyers means that home prices can be expected to drop even more.

On the job front, as of December 2009, 6,130,000 U.S. workers had been unemployed for 27 weeks or more, the most since the U.S. government began tracking this statistic in 1948 (this number does not include the nearly 1,000,000 discouraged workers *not* counted as part of the labor force because they have given up looking for employment). When you consider this number is more than double the 2,612,000 U.S. workers who were unemployed for a similar length of time in December 2008, one can see the future is not so bright.

Recession or depression? Consider that some regions of the country are virtually in a state of depression. The mayor of Detroit estimates that the actual unemployment rate in Motown is around 50 percent.

For decades, Washington has pushed for a global economy, claiming it would be good for the country. Yet U.S. workers must now compete with workers the world over, while corporations can pursue the cheapest labor available anywhere on the planet. According to Princeton University economist Alan S. Blinder, 22 to 29 percent of all *current* U.S. jobs will be off-shorable within two decades.

Throw into the mix that 25 state unemployment insurance funds have gone broke and the Department of Labor estimates

that 15 more state unemployment funds will likely go broke within two years; that 37 million Americans currently receive food stamps, with the program expanding at the rate of about 20,000 a day; that 1.41 million Americans filed for personal bankruptcy in 2009, a 32 percent increase over 2008; that nearly all pension funds, private and public alike, are massively underfunded; that with millions of Baby Boomers approaching retirement and with Social Security and Medicare expenses out of control, these retirees will likely never see what they are owed; and that the total federal debt has increased by 50 percent since 2006 to \$12.3 trillion, and that in February Democrats proposed borrowing an *additional* \$2 trillion to pay its bills.

With these statistics, you don't need a head for business or economics to see no light at the end of the tunnel.



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