No Joe, this is Not an Economic Recovery

June 11, 2022 - This past week, the president had an op-ed on the economy published in the Wall Street Journal and then went on the Jimmy Kimmel show, repeating what he wrote, to claim that we're now experiencing the biggest economic recovery in modern history. But actual numbers tell a much different story, and with an 880 point drop on the Dow on Friday, one has to wonder if anyone at the White House is believing the rhetoric they're putting out.

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After last month's interest rate hike by the FED, a lot of people thought that we'd start to see a rapid leveling-off for inflation. But even after a 1/2% increase in rates, inflation still increased. Friday's report pegged it at 8.6%; the largest number in 41 years. (According to ShadowStats.com - a site that tracks and reports on government data - if the inflation rate was still calculated the way it was in the early 1980's, it would actually be over 15%.)

This alone has instilled fear in the market that the FED will continue aggressive tightening and raise rates again this month by another 1/2%. That was enough to send the Dow plummeting yesterday, but it isn't the only indicator that the economy is headed in the wrong direction.

Economist Arthur Laugher was interviewed on Fox Business after the inflation report came out and he made the point that the number of people currently employed nationwide is 800,000 fewer than were employed in February, 2020 just after the inauguration. Yet the Bureau of Labor Statistics insists that unemployment is continuing the fall, currently at around 3.6%. A third grader could tell you that something is off in these numbers.

The U6 unemployment rate tells a little different story. This number tracks both those seeking jobs, and discouraged workers who have given up the job hunt. By the beginning of May, that number stood at 7.1%, and that was before a number of CEOs came out and said that they were curtailing hiring, while others have started to announce layoffs.

Housing is another area that moving the wrong direction. Home sales in April were off by 22%. And more than 16% of homes listed nationally had to reduce their prices.

All of these numbers indicate the same thing. The economy isn't in a recovery. It is contracting rapidly. And that contraction is only going to accelerate with more interest hikes. You can expect real estate prices to fall, job openings the shrink, hiring to dry up. And all of that is happening as prices continue to rise, meaning we're looking at a period of

stagflation that could be worse than the bad old days of the 70's and early 80's.

If this is what the administration thinks a recovery looks like, then we're all in trouble. Someone needs to put the people in charge through some basic economics courses because at this point, it is pretty clear that they don't understand the economy that they are trying to run. Either that or they are trying to ruin it intentionally. If that's the case, then they're succeeding.
by Jim Malmberg
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