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THERE IS NO GOOD ECONOMIC NEWS

Edward J. O'Boyle, Ph.D.
Mayo Research Institute

The bad economic news from Washington this week comes in three sets: an anemic first quarter real GDP growth, a first quarter drop in real compensation per hour, and no improvement in unemployment from March to April. Coupled with a federal debt that grows day in and day out, these three important economic indicators taken together point to a stalled economic recovery. *There is no good economic news.*

First set. Even though it is just an advance estimate that is subject to revision as more information becomes available, real GDP in the first quarter increased by an annual rate of only 1.8 percent or roughly 50 percent below what economists regard as normal. According to the Bureau of Economic Analysis that compiles and releases this information, a "sharp upturn" in imports had a restraining influence on GDP because in the international trade portion of the estimating process imports are subtracted from exports. Digging through the BEA data indicates that the real culprit was a 5.9 percent rise in imported goods. Imports of services, on the other hand, fell by 2.7 percent.

Second set. First quarter 2011 nonfarm business productivity increased by only 1.6 percent on an annualized basis. The gain first quarter 2010 to first quarter 2011 was even smaller -- just 1.3 percent. The gain in nominal hourly compensation of 2.6 percent was wiped out by a 5.3 percent in consumer prices resulting in a *decline in real compensation per hour of 2.5 percent* in first quarter 2011.

Third set. The news from the unemployment front was even more disappointing. The increase in the jobless rate from 8.8 percent in March to 9.0 percent in April is statistically significant. Moreover, none of the following segments of the labor force showed any improvement in joblessness: adult men and women; whites and blacks; Hispanics; teenagers; persons with less than a high school education; persons with a high school diploma; those with some college; college graduates; married men and women; those who usually work full-time and those who typically work part-time.

In addition, there was no improvement in the number of discouraged workers. Further, and more importantly, there are 6.5 million persons not counted as unemployed whom the Bureau of Labor Statistics classified as currently wanting a job. Their numbers have increased by nearly 600,000 since April 2010.

The tiny increase in the number of persons employed April 2010 to April 2011 -- less than 300,000 -- is so small that it probably is not statistically significant.

The federal government for some time has been operating like a runaway freight train. More precisely it's like a runaway engine pulling a long string of cars behind that represent the U.S. economy. There is no one at the controls. Perhaps we should say that the Washington elite are so engaged in their 2012 re-election campaigns and their mind-numbing partisan bickering that no one among them seems to have noticed that there is no engineer at the controls. Standing by the side of the track, the American public is waiting for someone to step forward and take control before the freight train derails and crashes. And then what?

The problem is not so much that we are still stuck in the Great Recession. Or that there are signs of stagflation setting in. The center of the problem is in a Washington that simply doesn't get it. The partisan politicians and their strategizing toadies are just too busy blaming one another for our problems and raising millions of dollars – in the case of the president, a billion dollars – hoping that they can convince us that they have earned the right to hold on to their jobs for a few more years instead of committing themselves as public servants to bringing the runaway federal government engine under control even if it costs them their treasured sources of political power and influence.

To put it bluntly, America has a crippling shortage of political courage, a crisis in governance. Surely Thomas Jefferson must be distressed to see what we have made of "the world's best hope."

Edward J. O'Boyle is Senior Research Associate with Mayo Research Institute.
Offices in New Orleans, Lake Charles, and West Monroe
www.mayoresearch.org 318-381-4002 edoboyle@earthlink.net
