

We could be just like Greece

Written by Bruce Enberg

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Initial jobless claims were unchanged for the week, suggesting that jobs continue to be produced albeit at a slow pace. We have recovered more jobs than were lost in private sector from the Bush crash, even in “slow” months. Obama can take credit for half again what was Bush’s average month before the crash. If you include the jobs Bush lost at the end (including the early months of Obama’s term), Bush’s average month was zero new jobs created.

The problem is that Red States have laid off 700,000 teachers, social workers, cops, firefighters and bridge inspectors. This probably killed another two million more private sector jobs that would have produced supplies used by these government workers, or would have benefited from the workers’ spending. Trickle down from the top doesn’t work, but you can drain the economy from the bottom.

Amid much bluff and bluster, House Speaker Boner announced his plan to sink the economy by refusing to authorize any new government borrowing in September without a trillion in new cuts, and with no new taxes of course. If this were actually done, it would kill a minimum of 1.8 million jobs just in time for the election. Fortunately it’s just noise, - the Treasury Dept. having seen this nonsense before has laid plans to keep the government operating until the new Congress is sworn in 2013. Even if Boner hangs onto his seat, he will likely be watching Speaker Pelosi swing the gavel.

Obama’s Commerce Dept has announced a 31% tariff on Chinese solar panels based on a product dumping complaint. Obama put two major tariffs in place on tires and steel pipe three years ago. The American tire industry has built new plants and hired more workers as a result. There are potentially thousands of such tariff complaints to act on, but Obama had been halted in this activity by a right wing court ruling tying his hands.

With the election year underway, the Dems in Congress were able to shame enough Republicans into voting through a bill freeing up Obama to act on tariffs, and he is. The Bush Adm did not bring even one tariff action in eight years, no matter how egregious were the Chinese trade practices. The resulting tariff on tires under Obama was 99%, Republicans did nothing.

For those keeping score, Jamie Diamon’s gambling losses at JP Morgan Chase have gone past three billion USDs and counting. The Facebook IPO seems to have fizzled, with stock barely

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trading over the issue price. It was supposed to be a multi-billion dollar boondoggle for the fat cats that were allowed to buy 90% of the new stock at the issue price. Only 10% of the stock was actually offered to the common peasant during the IPO with the expectation that everybody would run out and buy when actual trading began, and pay double the price. So far people have been smarter than that.

Conservatives are still screaming about the looming threat of inflation from government debt. The fact is that we still need to be worried about deflation. They always point to the Weimar Republic's runaway inflation after WWI as the historical precedent, and how that allowed Hitler to come to power. The small problem with that version of "history", is that Germany's inflation came and went while Hitler was still practicing his speeches in a beer hall. It was the massive deflation of the early 30s that brought Hitler to power.

The fact is that our government can borrow money for 10 years at 2%, and Ten Year Inflation Indexed Bonds are selling at what amounts to a negative interest rate. They still scream that with all this debt we are becoming like Greece. The problem for Greece is that the IMF and the bankers are forcing deflation onto the Greek public (they call it austerity). Austerity is what the Republicans want to force the middle class here to swallow. Then we would be just like Greece.

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