

Who Is Recovering? Has The Economy Been Pulled Back From The Brink?

Obama's Speech Raises Issues He Doesn't Really Address

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President Obama's highly anticipated health care speech started on a totally different subject: The economy.

"When I spoke here last winter, this nation was facing the worst economic crisis since the Great Depression, he told Congress and the people at home. "We were losing an average of 700,000 jobs per month. Credit was frozen. And our financial system was on the verge of collapse."

But," he went on, "thanks to the bold and decisive action we have taken since January, I can stand here with confidence and say that we have pulled this economy back from the brink."

Applause. Applause. Applause.

Are we back from the brink? And what brink is that? On Labor Day night, HBO featured a powerful documentary about a GM Plant in Ohio that was shutting down. It showed the workers, teary eyed and forlorn, making the last truck on "their" assembly line. Their faces told the rest of the story as they asked themselves and each other, 'what do I do now? What happens to my family and my life?"

They had no answers, and neither, alas, does Barack Obama.

A "jobless recovery" will not give these workers the money to buy into even the cheapest health care option, public option or not.

Look around Mr. Obama: the unemployment rate in real terms is over 16%. The consumer economy is shattered. The commercial real estate market is imploding, and, yes, more foreclosures are on the way according to the Washington Post:

"A new report foresees another wave of foreclosures, as option adjustable-rate mortgages—an entire class of specialized home loans—will soon reset to higher payments. Estimated to jump by 63 percent on average, the higher rates will likely push many of the already-strained loan recipients over the brink. The loans, also called pick-a-pay loans, are a prime example of the risky lending techniques that created the housing crisis: Borrowers were allowed to pay back the loan with as little as they wanted each month, though that meant many paid less than the interest due...the report says the fallout from the loans could be felt for years, especially in states already hit hard by foreclosures."

Just who is back from the brink?

If you listen to the Fed, the glass is more than half full; if you listen to economists like Simon Johnson, it's way more than half empty, as he wrote on Baseline Scenario:

"In the absence of effective financial regulation – i.e., both during the 1920s and again since 1990 – the Fed has operated in a manner that encourages the formation of sequential bubbles. This destabilization of our financial system is not a minor matter; the damage caused – human, financial, social – is already enormous."

"And we are very far from being done."

"Don't take my word for it. Lou Jiwei, the chairman of China's sovereign wealth fund [said recently](#), "It will not be too bad this year. Both China and America are addressing bubbles by creating more bubbles and we're just taking advantage of that. So we can't lose."

Yes, We Can —lose, that is, Mr. Lou. And Yes We Are, Mr. Obama. The problem is that we are still in some Bernanke fantasyland, thinking that if we keep saying everything is ok, it will be.

Here's Washington's blog on real unemployment as opposed to what the Bureau of Labor Statistics is saying:

"... Paul Craig Roberts – former Assistant Secretary of the Treasury and former editor of the Wall Street Journal – and economist John Williams both said in December 2008 that – if the unemployment rate was calculated as it was during the Great Depression – the December 2008 unemployment figure would actually have been **17.5%**."

Williams says that unemployment figures for July 2009 rose to 20.6%. According to an article summarizing the projections of former International Monetary Fund Chief Economist and Harvard University Economics Professor Kenneth Rogoff and University of Maryland Economics Professor Carmen Reinhart, ... unemployment could rise to **22%** within the next 4 years or so."

Hello, Mr. President? Why can't you bring to the discussion of the economy the same passion and fact-based arguments that you brought to the health care debate?

Why can't you propose serious reforms on the financial sector? Why can't we jail the financial criminals?

The answer seems to be that Wall Street will be a far more tenacious and resourceful enemy than the health care industry perhaps because they already own much of the Congress.

Remember Senator Dick Durbin's comment, "the bankers run the place."

Alan Blinder a former vice-chairman of the Fed fears that pressure for financial reform is losing steam in part because of the power of what he calls "The Mother Of All Lobbies." He writes, "in the case of financial reform, the money at stake is mind-boggling and one financial industry after another will go to the mat to fight any provision that might hurt it."

Obama acknowledged we are not out of the woods yet. (What woods?) But what are the likely consequences? How long can people live without anything coming in? How long can we live on upbeat projections?

"There is no doubt class antagonism is stewing," says the editor of the blog *Naked Capitalism*. He expressed a fear of a reaction that will go way beyond flag-waving tea parties.

"... I am concerned this behavior is setting the stage for another sort of extra-legal measure: violence. I have been amazed at the vitriol directed at the banking classes. Suggestions for punishment have included the guillotine (frequent), hanging, pitchforks, even burning at the stake. Tar and feathering

appears inadequate, and stoning hasn't yet surfaced as an idea. And mind you, my readership is educated, older, typically well-off (even if less so than three years ago). The fuse has to be shorter where the suffering is more acute."

One is reminded of the title of that movie, "There will be blood." Rather than show contrition or compassion for its own victims, Wall Street is hoping to jack up its salaries and bonuses to pre-2007 levels. The men at the top are oblivious to the pain they helped cause. They are getting away with the crime of our time.

And the people—THE PEOPLE—who potentially can challenge all this by action on the ground are being mesmerized by the false hope that recovery is here or right around the corner. How long before they realize you can't eat optimistic speeches?

Mediachannel's News Dissector Danny Schechter's new book and film on Wall Street's "Crime of Our Time" is coming soon. See Newsdissector.com/plunder. Comments to dissector@mediachannel.org

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