Written by **Thomas R. Eddlem** on November 25, 2009

GDP Numbers Revised Downward to 2.8 percent for Third Quarter

The U.S. economy grew slower in the third quarter of the year than initially forecast according to the U.S. Bureau of Economic Analysis (BEA), which revised third-quarter growth down from a 3.5 percent annualized increase to 2.8 percent.

More than half of the "growth" under the new estimate came from the summer "Cash for Clunker" program of the federal government. "Motor vehicle output added 1.45 percentage points to the third-quarter change in real GDP after adding 0.19 percentage point to the second-quarter change," the BEA stated in a press release. But because this growth was the product of a giant $3 billion federal subsidy program that has now ended, the third-quarter growth may become a fourth-quarter contraction.

The possibility of another economic contraction prompted President Obama to bring up the spectre of a "double-dip recession" last week, which could be brought on by out-of-control deficit spending. "I think it is important though to recognize that if we keep on adding to the debt," President Obama said, "even in the midst of this recovery, that at some point people could lose confidence in the U.S. economy in a way that could actually lead to a double-dip recession." Obama's statement came on the heels of calls by many liberals in Congress for a second "stimulus" spending package financed on more borrowing.

The raw dollar GDP change — unadjusted for inflation by the Consumer Price Index (CPI) — for the third quarter of 2009 was a 3.3-percent increase. But because gold, silver, and copper have set record highs, far beyond any change in the CPI, the actual inflation adjustment may be even higher than what the CPI reflects. The price of gold has gone up more than 60 percent in the past year, from $725 an ounce to the current price of more than $1170. The *Christian Science Monitor* reported November 24 that " lots of Americans may be in for some sticker shock if they're buying jewelry as holiday gifts. The price of some bling [flashy jewelry] has doubled so far this year. Couples who are making the trip to the altar will find that even a simple gold wedding band costs about 20 percent more than a year ago. As for gold watches — you might forget about it."

The fall of the dollar on international markets and the rise of stable precious metals means that even the meager increase posted in GDP is likely to be more tepid than announced. The Consumer Price Index measures prices against consumer goods, which are far less stable than precious metals. Consumer goods have historically decreased in relative price as advanced production methods have made food and some other basic consumer goods cheaper relative to the proportion of money in

circulation. Thus, the Consumer Price Index does not constitute a complete measure of the inflation of the money supply.

The BEA will release its third and final estimate of third quarter 2009 Gross Domestic Product growth on December 22.

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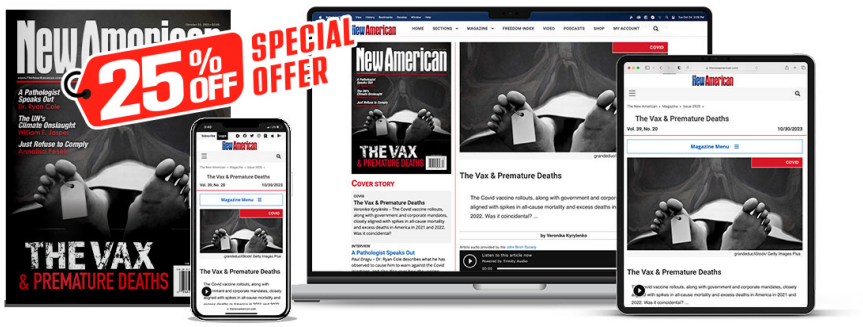

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