# Fed Official Admits 16% Unemployment

The real number of unemployed in the United States is far more than the federal government's official count and the recovery could be long and tenuous, a Federal Reserve official told the Chattanooga, Tennessee, Area Chamber of Commerce last week in a speech that received some media attention.

"If one considers the people who would like a job but have stopped looking — so-called discouraged workers — and those who are working fewer hours than they want, the unemployment rate would move from the official 9.4 percent to 16 percent," explained the President and CEO of the Federal Reserve Bank of Atlanta, Dennis Lockhart.

As reported by the AFP in an article entitled "Real US unemployment rate at 16 pct: Fed official," Lockhart noted that neither category is considered by the U.S. labor department in its monthly unemployment estimates. He also noted that the number of people working part-time due to the economic situation has increased more in the current crisis than at any time since the Bureau of Labor Statistics started tracking the information.

He warned of a long period of high joblessness that could not be "stimulated" away with more government spending and said some of the jobs that were lost may never come back.

"My forecast for a slow recovery implies a protracted period of high unemployment," he continued. "If my prognosis for the broad economy is correct, the pace of job restoration and growth through the medium term will be frustratingly slow."

But according to Lockhart, the solution is not more public spending. "Further fiscal stimulus has been mentioned, but the full effects of the first stimulus package are not yet clear, and the concern over adding to the federal deficit and the resulting national debt is warranted," he said.

And by the time the crisis is over, he warned, America's job landscape could look very different. He even discussed the potential for a "jobless recovery." Lockhart explained that before the recession, 15 percent of American jobs were in manufacturing and construction — which suffered more than 40 percent of the lay-offs so far.

"In my view, it is unlikely that we will see a return of jobs lost in certain sectors, such as manufacturing," he said. "In a similar vein, the recession has been so deep in construction that a reallocation of workers is likely to happen — even if not permanent."

He also told attendees that he was concerned about commercial real-estate weakness, which could present a serious threat to the banking system and the economic recovery. "Commercial real estate values — that is, collateral values for loans — are being revised down materially by the potent combination of increased vacancy, rent reductions, and appropriately higher capitalization rates," he said. "Further, there is a clear link between employment trends and commercial real estate trends." Other analysts have been warning of a coming tsunami in commercial real-estate that could further cripple the banking system, though Lockhart stopped short of such dire predictions.

As the first Fed official to highlight the true severity of unemployment during this economic crisis, Lockhart stressed that his views “do not necessarily reflect those of my colleagues on the Federal Open Market Committee.” Obama and Fed chairman Ben Bernanke would probably prefer that these numbers were not discussed, especially in light of their wildly inaccurate predictions so far.

Lockhart concluded by suggesting that the economy will eventually improve and may have already started to do so, though he does not expect any “quick fixes for the unemployment challenge ahead.” One of his suggestions for local leaders was pursuing “a human capital agenda” by advancing “education” for three and four-year-old children. Hardly something that would seem to stimulate the economy.

He claimed the Fed was going to have to keep interest rates low and walk a tight line to stave off “inflation,” without noting that the Fed has already created massive inflation by conjuring trillions of dollars — plus interest — into existence.

Lockhart’s point about government unemployment numbers make sense — not counting “discouraged” workers among the unemployed almost amounts to deception. But this should not be surprising since the government uses disputable methods to obtain various other statistics as well; notable among them the Consumer Price Index

What does not make sense is the notion that the Fed must centrally plan the economy back to safety using artificially set interest rates and money creation or destruction schemes, as Lockhart proposes. After all, it was the Fed’s monetary policy that led to this crisis more than any other factor. The idea of the Fed engineering a “jobless recovery” doesn’t seem to make much sense either. Congress should simply abolish the non-Federal Reserve and allow the market to function freely. Perhaps then America wouldn’t be in a crisis “requiring” the secretive central bank’s guidance in the first place.