



Written by [Steven J. DuBord](#) on November 6, 2009

Unemployment Rate Shoots Past 10 Percent

The unemployment rate shot from 9.8 percent in September to 10.2 percent in October, the highest it has been since 1983, the Labor Department reported on November 6. In response, the Obama administration is set to sign a \$24-billion economic stimulus bill.



America's economy lost 190,000 jobs in October, somewhat less than in September. The Labor Department revised September's losses from 263,000 to 219,000, making October look only slightly better by comparison.

The construction sector lost the most jobs at 62,000; manufacturing was next with 61,000. Retailers cut 40,000 positions, while leisure and hospitality firms did away with 37,000. As for the largest unemployment rate increases among specific groups of people, teenagers and whites led the way: teenagers are now at 27.6 percent, up from 25.9 percent, while whites stand at 9.5 percent, an increase from 9.0 percent.

Positive signs in the Labor Department figures were few and far between, but they were there. The average manufacturing workweek climbed one-tenth of an hour to an even 40 hours after falling for most of the past year. This hints at employers keeping people working more hours to increase production.

The other hopeful trend was that 34,000 temporary jobs were added to the economy. This typically means that employers are finding increased demand for their products or services, but they are cautiously meeting the demand with temporary workers until they can justify hiring permanent employees.

Congress has prepared a bill (H.R. 3548) to offer some relief to those being hardest hit by unemployment, and President Obama is prepared to sign it. For anyone who has used up their unemployment compensation or who will exhaust it by the end of the year, the bill would extend unemployment benefits another 14 weeks. In states where unemployment is at 8.5 percent or higher, the extension will last 20 weeks instead.

Tax credits are another feature of the bill. Businesses that posted a loss in 2008 or 2009 will get refunds on taxes paid on profits during the five previous years. The \$8,000 credit for first-time home buyers will continue through June 2010, provided that the buyer signs a contract by the end of April 2010. Existing homeowners will now be able to get a \$6,500 credit toward a new home if they've lived in their current place for five or more years.

The real estate industry has sought the extensions because they say the credits have started to turn around the home-buying market. About 1.4 million people have qualified for the first-time buyer credit, and the National Association of Realtors estimates 350,000 of them would not have bought homes without the credit.



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How the federal government will pay for this \$24-billion stimulus is another thing. The over \$21 billion in tax credits is being offset mainly by delaying a tax break for multinational companies that owe foreign taxes. The approximately \$2.4 billion in unemployment benefit extensions is being compensated for by extending a federal unemployment tax paid by employers.

As usual, there are no free lunches. The money for federal handouts must come from somewhere. Multinational corporations are paying for people's homes, and employers are paying for the benefits given to people that the employers can't afford to hire.

It is not that homebuyers and the unemployed won't benefit from the stimulus plan, but so long as businesses are paying for the stimulus, they won't be creating as many jobs as they would have without the increased tax burden. Any thorough evaluation of government-sponsored economic stimulus measures should acknowledge this tradeoff.



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