

**WILL THE U.S. GOVERNMENT HAVE  
TO CONTINUE TO SUBSIDISE CONSUMERS ?**

With the US Government, facing somewhat of a conundrum with regard to consumer spending, it appears that consideration will have to be given to increasing the length of time that unemployment benefits will be forthcoming to the millions of people, walking the streets of US cities, looking for work.

Since the beginning of the recession in December of 2007, the total number of long-term, unemployed workers in the US has reached more than 6.30 million.

(The long-term unemployment of an individual is defined as a worker, having been jobless for 27 weeks or longer.)

Many households in the US, of course, continue to be gravely concerned that the primary '*meal ticket*' could be in a position as to be unable to support the family ... at any time.

The US Senate is debating whether or not to extend the Emergency Unemployment Compensation Programme beyond February 28.

If it is determined that another extension of this emergency relief legislation should not be extended, it will exacerbate the present situation, resulting in many of the unemployed workers, having no source of income, at all.

By the middle of this month, according to the US Labour Department, some 400,000 unemployed workers would have exhausted their entitlements under the Emergency Unemployment Compensation Programme.

If an extension of the Emergency Unemployment Compensation Programme is not granted by May, the total number of unemployed workers, having exhausted their entitlements under this emergency measure, is likely to rise to about 3 million workers.

The Emergency Unemployment Compensation Programme was instituted in the summer of 2008 and, thus far, it has been extended on 4 separate occasions.

With no visible source of income, households will have to cut back on purchases of all kinds: Consumer spending will wane – even further.

High Street shopkeepers will have even further problems in keeping the creditor wolves away from their doors.

Domestic consumption accounts for about 66 percent of the **Gross Domestic Product (GDP)**.

**GDP is the total market value of a country's output of goods and services  
that are exchanged for money or traded in a market system over a certain period of time,  
regardless of who owns the productive assets.**

**GDP measures the value of all economic activity within a country's borders.**

According to The Bureau of Labour Statistics, a branch of the US Labour Department, while the unemployment level in the US sank from 10 percent to 9.70 percent in January, the number of long-term, unemployed workers continued to rise.

In February, the unemployment level was stable – at about 9.70 percent.

There were, also, some 2.50 million workers, said to be '*marginally attached to the workforce*' in January.

That was an increase of about 409,000 workers, Year-On-Year.

These unemployed workers are individuals, who are not directly counted in the US labour force, but they are available to take employment and have attempted to find work over the past year, but without success.

This group has, seemingly, stopped looking for work on the assumption that there is no suitable position available to them.

Since December of 2007, in construction employment, more than 1.90 million workers have joined the ranks of the unemployed.

In January 2010, alone, construction employment declined by 75,000 workers, Year-On-Year.

In February 2010, construction employment declined another 64,000 workers, Year-On-Year.

The February unemployment statistics indicate that some 14.90 million people are roaming the streets of the US, looking for work.

That February statistic was an increase of about 100,000 workers, Month-On-Month.

If the Emergency Unemployment Compensation Programme is not extended, many of these 14.90 million unemployed people, plus another 2.50 million workers – the '*marginally attached to the workforce*' – will have no ability to feed themselves and/or their families.

### **Personal Income**

Making matters look even worse is that, in the month of January, personal income in the US barely grew, at all, according to the US Government's latest statistics.

Not since September of 2009 had there been an increase in personal income of the paltry 0.10 percent in January.

Disposable income in January dropped by about 0.40 percent, Year-On-Year.

Meanwhile, prices of goods and services rose by about 2.10 percent, Year-On-Year.

Excluding food and energy, prices were up about 1.40 percent.

Therefore, one saw falling levels of disposable incomes while spending had to be increased in order to keep up with the higher prices, being demanded for goods and services.

The rate of savings, therefore, had to drop – and drop it did by about 3.30 percent.

And so, today, the US Government is faced with the conundrum: From where are consumers going to obtain

the wherewithal to keep food on the table?

Consumer spending cannot grow if the current situation persists for any great length of time.

The only answer, at this point, appears to be that the US Government will have to subsidise consumer spending.

The situation goes even further than this and it is much more worrying, however.

According to The Bureau of Economic Analysis of the US Government, incomes from proprietors of shops, restaurants, etc, fell by about \$US3.20 billion in January.

In December 2009, incomes from proprietors rose by about \$US7.70 billion.

Rental incomes in January dropped back by about \$US900,000,000.

In December 2009, rental incomes rose by about \$US1.90 billion.

Turning to mass layoffs in the US – that is the culling of 50 or more workers from a single establishment – in January, there was an increase of about 2.03 percent, from 1,726 incidents in December 2009 to 1,761 incidents in January 2010.

While the number of incidents of mass layoffs only increased by about 2.03 percent, Month-On-Month, the number of workers, told that their services were no longer required, increased, Month-On-Month, by about 19.02 percent, from 153,127 workers to 182,261 workers.

It is noted that, in respect of the number of mass layoffs in January, manufacturing accounted for about 34 percent of the total.

## **Conclusion**

While Wall Street gurus continue to try to make investors believe that the economy of the US is, truly, on the mend and that investing in stocks and shares will reap profits before the year is out, frightening statistics continue to pour out of US Government agencies, it seems.

Without consumer spending, rising dramatically ... and soon, it is difficult to maintain the stance that the bad times are behind the US economy.

In order to boost consumer spending, it appears that artificial means will be necessary in order to ameliorate the situation in the short term.

An extension of The Emergency Unemployment Compensation Programme, however, will cost Mr and Mrs Taxpayer a wad of money.

And this is money that will never be recovered.

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