



Why The Economic Recovery Will Be Very Slow

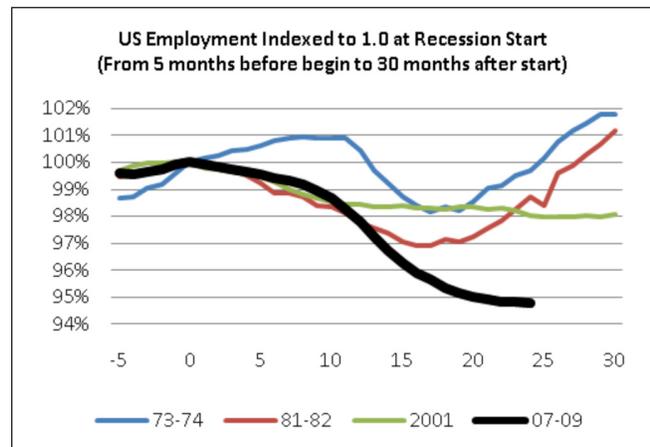
US employment statistics from past recessions may offer key indicators of what to expect in an economic recovery. In the chart to the right, the employment level is indexed to 1.0 at the official recession start date, and then tracked from 5 months prior to the official start to 30 months later.

We are currently 24 months into the recession which officially began in December 2007. Having lost over 7.5 million jobs in the past two years, the US employment level is 5% below where it was when the recession began. This 5% employment drop is worse than any recession since the Great Depression.

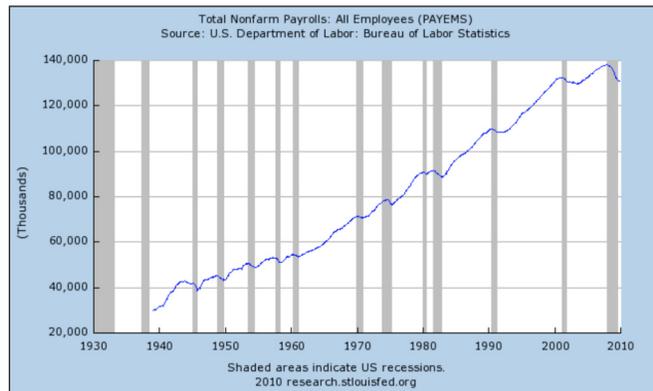
What is particularly concerning is that US employment does not seem to be rebounding as quickly as in the past. In the 1973-74 downturn, it took 25 months for employment to return to start-of-recession levels. In the 1982-83 downturn, it took 27 months for employment to recover; after the short 2000 downturn, it took 48 months.

The recent December 2009 US employment report put payrolls at 130,910,000 people. That compares to a US employment level of 130,532,000 at the beginning of the decade (December 1999). **Over the past 10 years, the US economy has generated a mere 378,000 net new jobs; the slowest period of job creation in the past 70 years.** Over this same period the debt of the US government has doubled from \$6 Trillion to \$12 Trillion. **Each US payroll job has seen the debt it supports go from \$45,000 to \$90,000 in just ten years.**

Why will this recovery be slow? First, the job creation machine is not what it used to be now that manufacturing jobs have left the North American continent. Second, an unusual feature of the most recent decline is that government jobs are disappearing as states and municipal governments come to grips with their increasing debt and pension liabilities. Finally, the ability of the government to kick start with a dollar of debt is becoming less and less effective.



Source: Leon Frazer & Associates



Source: St Louis FRED database