

Did Someone Spray the "Greenshoots" with Roundup?

Sadly, I will not be filling this diary up with depressing graphs (I haven't figured how to do that yet), but I will attempt to depress you nonetheless. You see, it appears that all of the much discussed "greenshoots" in the economy are quickly dying off, leaving us with nothing but an empty bed of manure to eat.

Below I will delve into the data, with some analysis on why this recession still has some room to run.

- [SilverOz's diary](#) :: ::
-

We first began hearing about "greenshoots" back in March near the stock market's low point (at essentially 1996 levels), which created a near euphoria amongst the finance crowd that the deep recession we had been in was waning and we would soon be on the road to recovery. This "greenshoots" declaration has since been followed up by a turn up in the Leading Economic Indicator's (even over the Nov-May period), which usually signal the end of a recession. The problem with all of this is that this is simply not a typical recession and the normal rules do not apply.

Let's look at the Leading Economic Indicators (LEI) for a minute. As I said above, the most recent [REPORT](#) ([report](#)) showed that the LEI had gained for both May and for the 6 month period November to May. The problem again is in both the underlying data (how the measure/calculate) and application of that data (what they measure) to our reality. First, among the positive indicators are such things as money supply (M2), which is given a 35% weighting and the interest rate spread (10 year yield – fed funds), which is given a 9% weighting. Both of these are extremely misleading as indicators of a recovery for this recession, as the money supply is being quickly grown in an effort to re-inflate (and bail out the banks), but is not working its way through the system and the yield spread is growing out of fears of inflation and lack of confidence in the dollar more than any signs of economic recovery here (China maybe, but not here). Another huge positive swing for the LEI was stock prices, which as we know were rebounding from 13 year lows, but still count as a positive even though they remain down 40%+ from their highs. The only real potential positive number from the LEI was the vendor performance number, which shot up between April and May, but that number has been extremely volatile recently and we will have to see if the growth continues going forward. Finally, one the indicators that has been negative (and still is), average workweek of production workers, is a fairly outdated measurement (with the shrinking manufacturing employment base) and should probably be replaced with the overall average workweek, which just hit its all-time low (since records began in 1964). All of this means that I have no confidence that the LEI are signaling an end to this recession, although they may be signaling a less bad recession going forward.

As to the unemployment situation (which I diariied [here](#)); it is simply not going to get better anytime soon, which will further derail any potential recovery, as our economy simply will not be able to grow with any consistency and strength (meaning you could see a quarter of positive growth here and there, but not sustained) with an unemployment rate that is somewhere between 9.5-16.5% depending on how you want to measure it. I would personally be quite surprised (pleasantly though) if the unemployment rate was below 8% by the 2012 election, especially if inflation starts to hit before that (from growth in China and dollar depreciation).

What would I have done instead of the failed stimulus? I would have taken the money and given everyone (every man, woman, and child, but excluding those who make more than the magic \$250k) a rebate check (essentially \$2000 per person). This would have addressed one of the biggest problems we are facing in this recession, the wrecked balance sheets of the average American and it would have been much more timely than the actual stimulus. While many here argued against me during the stimulus debate that infrastructure projects get a higher return per tax dollar, they forgot the other key factor, which is timing.

<http://www.dailykos.com/storyonly/2009/7/6/750474/-Did-Someone-Spray-the-Greenshoots-with-Roundup>