



# Waiting For Bernanke

*As Obama's Dismal Economy Persists, The Federal Reserve Continues To Step In*

**Obama Said Yesterday At A Campaign Event That "We've Made Progress."** OBAMA: "And for the last three-and-a-half years we've been fighting to recover from that body blow that we took. And we've made progress. (Cheers, applause.) We've made progress. We were losing 800,000 jobs a month. We've created jobs now for the past 30 months." (President Barack Obama, Remarks At A Campaign Event, Golden, CO, 9/13/12)

## **OBAMA'S PROGRESS NEGLECTS A GLARING UNEMPLOYMENT CRISIS AND DISAPPEARING LABOR FORCE**

**Federal Reserve Chairman Ben Bernanke Said Yesterday That "The Unemployment Decline Last Month Was More Than 100% Accounted For By Declines In Participation."** THE ASSOCIATED PRESS'S MARCY GORDON: "Marcy Gordon with the Associated Press. One of the aspects we've seen in recent reports on unemployment is the shrinking labor force. Is that something that's of specific concern to you, and what does it tell us about the labor market and the economy?" FEDERAL RESERVE CHAIRMAN BEN BERNANKE: "You're absolutely right. And as I mentioned earlier, the unemployment decline last month was more than 100% accounted for by declines in participation." (Federal Reserve Press Conference, Washington, D.C., 9/13/12)

**Bernanke Said That The Unemployment Rate Fell Last Month Because Labor Force Participation Fell, And "That's Not Necessarily A Sign Of Improvement."** REPORTER: "Mr. Chairman, it seems pretty clear that the Fed's announcement today has created a good deal of confusion about how long you'll keep buying assets, judging from the questions in this room and outside of it. Why did you choose not to adopt a specific target? Did the committee consider specific targets? There have been a number of proposals and why did you choose not to do that?" BERNANKE: "Well, the problem is that for this purpose, that what we are looking for is a general improvement in labor market conditions. We want to see the unemployment rate come down but that's not the only indicator, obviously, of labor market conditions. Unemployment rate came down last month because participation fell. That's not necessarily a sign of improvement. So we want to see more jobs, we want to see lower unemployment, we want to see a stronger economy that can cause the improvement to be sustained. It's not just a one-month or two-month phenomenon. We're not going to be looking for little wiggles in the numbers that will cause us to radically shift our policy." ([Federal Reserve Press Conference](#), Washington, D.C., 9/13/12)

- **The August Labor Force Participation Rate Was 63.5 Percent, The Lowest Share Of Americans Over Age 16 In The Workforce Since September 1981.** ([Bureau Of Labor Statistics](#), Accessed 9/13/12)

**“The Fed Has Been Trying To Stimulate The Economy For Over Three Years Now. ... But Given That The Unemployment Rate Has Remained Above 8%, The Fed Is Still Not Satisfied.”** “The Fed has been trying to stimulate the economy for over three years now, and has exhausted its usual tool by keeping interest rates near zero since late 2008. Quantitative easing is an unconventional way of trying to lower rates further. But given that the unemployment rate has remained above 8%, the Fed is still not satisfied.” (Annalyn Censky, “Federal Reserve Launches QE3,” [CNN Money](#), 9/13/12)

- **“Meanwhile, Economists Expect The Benefits To Be Minor, And The Risks Are Uncertain.”** (Annalyn Censky, “Federal Reserve Launches QE3,” [CNN Money](#), 9/13/12)

**Reuters Headline: “Fed Bets Big In New Push To Rescue Economy”** (Pedro Da Costa and Alster Bull, “Fed Bets Big In New Push To Rescue Economy,” [Reuters](#), 9/13/12)

**The Fed’s New QE3 Strategy “Was An Unprecedented Step That Marked A Big Escalation In Its Efforts To Drive U.S. Unemployment Lower.”** “The central bank’s decision to tie its unconventional bond buying directly to economic conditions was an unprecedented step that marked a big escalation in its efforts to drive U.S. unemployment lower, and it gave a big lift to stocks.” (Pedro Da Costa and Alster Bull, “Fed Bets Big In New Push To Rescue Economy,” [Reuters](#), 9/13/12)

**The Effort Was Intended To “Improve The Dire State Of The U.S. Labor Market.”** “Fed Chairman Ben Bernanke explained the unusual action as an effort to improve the dire state of the U.S. labor market.” (Pedro Da Costa and Alster Bull, “Fed Bets Big In New Push To Rescue Economy,” [Reuters](#), 9/13/12)

**Stephen Stanley, Economist At Pierpont Securities, Says That By Pursuing QE3 The Fed Has “Basically Locked On The Handcuffs And Swallowed The Key.”** “Stephen Stanley, an economist at Pierpont Securities in Stamford, Connecticut, said that by tying its purchases to progress reducing U.S. unemployment, the Fed had ‘basically locked on the handcuffs and swallowed the key.’” (Pedro Da Costa and Alster Bull, “Fed Bets Big In New Push To Rescue Economy,” [Reuters](#), 9/13/12)

- **The Fed’s Announcement Comes On The Heels Of Disappointing GDP Growth And Tepid August Employment Numbers.** “U.S. economic growth cooled in the second quarter, coming in at a tepid 1.7 percent annual rate, and forecasters do not believe it is doing much better now. The economy created just 96,000 jobs last month, less than needed to keep up with population growth. While the unemployment rate edged down to 8.1 percent, it was only because so many Americans gave up on the search for work.” (Pedro Da Costa and Alster Bull, “Fed Bets Big In New Push To Rescue Economy,” [Reuters](#), 9/13/12)

**When Bernanke Recently Cited “Grave Concern” About The Unemployment Crisis, “A Number Of Longtime Observers Of The Central Bank Said They Could Not Recall A Fed Chairman Using Stronger Language.”** “The Fed had given unusually clear indications in recent weeks that it was ready to act. An account of its last meeting, published in mid-August, suggested action was imminent unless the economy showed ‘substantial and sustainable’ improvement. A few weeks later, Mr. Bernanke spoke of his ‘grave concern’ about the high rate of unemployment and said that in his judgment, the likely benefits of additional action outweighed the potential costs. A number of longtime observers of the central bank said they could not recall a Fed chairman using stronger language.” (Binyamin Appelbaum, “Fed Pledges Action Until Economy Shows Gains,” [The New York Times](#), 9/13/12)

- **“Since Then, The Economy Has Shown Little Evidence Of Substantial Improvement. ... And**

**Other Economic Indicators Have Been Similarly Lackluster.** “Since then, the economy has shown little evidence of substantial improvement. The government estimated last week that employers added only 96,000 jobs in August, and other economic indicators have been similarly lackluster.” (Binyamin Appelbaum, “Fed Pledges Action Until Economy Shows Gains,” [The New York Times](#), 9/13/12)

**The Fed “Has Repeatedly Underestimated The Depth Of The Nation’s Economic Problems, And The Unemployment Rate Has Remained Stubbornly High.”** “Mr. Bernanke has presided over a gradual intensification of the central bank’s stimulus campaign, but the central bank has repeatedly underestimated the depth of the nation’s economic problems, and the unemployment rate has remained stubbornly high. The Fed has said its current policies will not reduce unemployment to normal levels for years to come.” (Binyamin Appelbaum, “Fed Pledges Action Until Economy Shows Gains,” [The New York Times](#), 9/13/12)

- **Bernanke Launched QE3 “After Months Of Tinkering With Monetary Policy On The Margins Of An Ongoing American Jobs Crisis.”** “It is almost impossible to imagine the Federal Reserve, as currently constituted, acting more aggressively to speed up the economy than it did Thursday afternoon. After months of tinkering with monetary policy on the margins of an ongoing American jobs crisis, amid escalating cries that Ben Bernanke had run out of weapons to fight unemployment, the Fed has unleashed a full and sustained burst of monetary stimulus.” (Jim Tankersley, “Machine-Gun Bernanke,” [National Journal](#), 9/13/12)

***The Fed Is Stepping In After Three Years Of Obamanomics Has Resulted In A Recovery That Has Been A “Persistent Disappointment”***

**Bernanke Has Concluded QE3 Is “Worth A Try, “Especially Given The Ongoing Threats To A Recovery That Has Been A Persistent Disappointment...”** “Bernanke himself has raised questions about the potential benefits -- and risks, economically and politically -- of additional quantitative easing. But he apparently has concluded that it's worth a try, especially given the ongoing threats to a recovery that has been a persistent disappointment, and because there's almost no chance of new fiscal stimulus coming from a divided Congress.” (Don Lee and Jim Puzzanghera, “Fed, Worried About Job Growth, Launches New Stimulus,” [Los Angeles Times](#), 9/13/12)

**“Translation: The Securities Purchases Will Continue Until The Fed Is Convinced We Have A True, Full-Speed Recovery, And Not The Weak And Halting Growth Of The Last Three Years.”** “The committee added it anticipates keeping interest rates near zero ‘at least through mid-2015.’ Translation: The securities purchases will continue until the Fed is convinced we have a true, full-speed recovery, and not the weak and halting growth of the last three years.” (Jim Tankersley, “Machine-Gun Bernanke,” [National Journal](#), 9/13/12)

**“It Is A Measure Of The Fed’s Concern About The Path Of The Economy That, More Than Three Years After The Growth Restarted, It Is Taking Such Unprecedented Actions.”** “It is a measure of the Fed’s concern about the path of the economy that, more than three years after the growth restarted, it is taking such unprecedented actions. And, as Bernanke reiterated later during the press conference, the central bank made clear that it would continue to do so if necessary.” (Zachary A. Goldfarb, “Fed Announces New Mortgage Bond-Buying Plan, Keeps Interest Rates Low,” [The Washington Post](#), 9/13/12)

- **The Fed’s Actions Come Amid Bleak Employment Numbers That Are Insufficient For New Entrants Into The Labor Force.** “But the labor market has been worsening. In the past three months, the economy has added an average of 100,000 jobs a month — not enough to keep up with the 120,000 or so needed to match the number of new people searching for jobs as a result of population growth. Employers need to generate closer to 200,000 jobs a month to significantly

bring the unemployment rate down.” (Zachary A. Goldfarb, “Fed Announces New Mortgage Bond-Buying Plan, Keeps Interest Rates Low,” [The Washington Post](#), 9/13/12)

**“The Federal Reserve On Thursday Announced It Is Ramping Up Efforts To Stimulate The Economy As The Recovery From The Deep Recession That Ended In 2009 Continues To Be Painfully Slow.”** “The Federal Reserve on Thursday announced it is ramping up efforts to stimulate the economy as the recovery from the deep recession that ended in 2009 continues to be painfully slow. The Fed said as part of this plan it will buy mortgage-backed securities at a rate of \$40 billion per month and will keep interest rates at low levels through at least the middle of 2015.” (Dave Clarke, “Federal Reserve Announces New Steps To Boost Economy,” [Politico](#), 9/13/12)

### ***The Fed’s Announcement Comes On The Heels Of What Are Still Record Poverty Numbers***

**In 2011, 46.2 Million Americans Lived In Poverty, As The Official Poverty Rate Was 15 Percent.** “In 2011, the official poverty rate was 15.0 percent. There were 46.2 million people in poverty (Figure 4 and Table 3).” (Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, “Income, Poverty, And Health Insurance Coverage In The United States: 2011,” [U.S. Census Bureau](#), 9/12/12)

- **Under Obama, Poverty Has Either Increased Or Been Stagnant.** “After 3 consecutive years of increases, neither the official poverty rate nor the number of people in poverty were statistically different from the 2010 estimates (Figure 4 and Table 3).” (Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, “Income, Poverty, And Health Insurance Coverage In The United States: 2011,” [U.S. Census Bureau](#), 9/12/12)
- **Since Obama Took Office, About 28 Percent Of The Population Had At Least One Spell Of Poverty Lasting 2 Months Or More.** “During the 2-year period from 2009 to 2010, approximately 28.0 percent of the population had at least one spell of poverty lasting 2 or more months.” (Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, “Income, Poverty, And Health Insurance Coverage In The United States: 2011,” [U.S. Census Bureau](#), 9/12/12)

**SHOT: The White House Said The Report Shows That “We Have Made Progress.”** “Today’s report shows that while we have made progress digging our way out of the worst economic crisis since the Great Depression, too many families are still struggling and Congress must act on the policies President Obama has put forward to strengthen the middle class and those trying to get into it.” (Amy Brundage, “Annual Census Data On Income, Poverty, And Health Insurance For 2011,” [The White House](#), 9/12/12)

- **CHASER: “The Ranks Of America’s Poor Remained Stuck At A Record Level Last Year While Household Income Dropped.”** (Hope Yen, “US Poverty Rate Unchanged; Record Numbers Persist,” [Associated Press](#), 9/13/12)
- **CHASER: The Census Figures Also Show An Increase In Income Inequality.** “While unemployment eased slightly from 2010 to 2011, the gap between rich and poor increased. The median, or midpoint, household income was \$50,054, 1.5 percent lower than 2010 and a second straight annual decline.” (Hope Yen, “US Poverty Rate Unchanged; Record Numbers Persist,” [Associated Press](#), 9/13/12)