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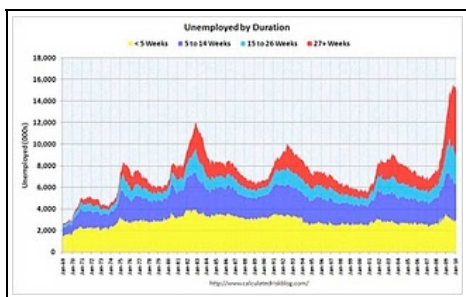
Graphs: Duration of Unemployment

by CalculatedRisk on 3/07/2010 08:48:00 AM

Here are two graphs that show the weeks unemployed over the last 40 years.

Click on graph for larger image in new window.

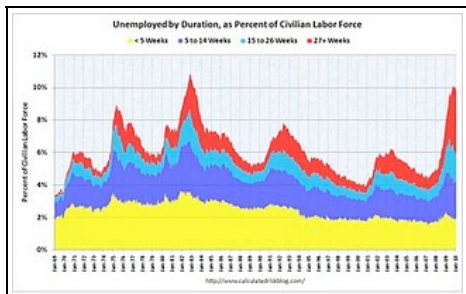
The first graph shows the number of unemployed in four categories as provided by the BLS: less than 5 week, 6 to 14 weeks, 15 to 26 weeks, and 27 weeks or more.



Note: The BLS reports 15+ weeks, so the 15 to 26 weeks number was calculated.

The second graph shows the same information as a percent of the civilian labor force.

It appears there was more turnover in the '70s and '80s, since the 'less than 5 weeks' category was much higher as a percent of the civilian labor force than in recent years.



This changed in the early '90s - perhaps as a result of more careful hiring practices or changes in demographics or maybe other reasons - but if the level of normal turnover was the same as in the '80s, the current unemployment rate would probably be the highest since WWII.

What really makes the current period stand out is the number of people (and percent) that have been unemployed for 27 weeks or more. In the early '80s, the 27 weeks or more unemployed peaked at 2.9 million or 2.6% of the civilian labor force.

In January, there were 6.3 million people unemployed for 27 weeks or more, or 4.1% of the labor force. The number declined slightly in February, but this is much higher than earlier periods.

Posted by CalculatedRisk on 3/07/2010 08:48:00 AM

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SATURDAY, MARCH 06, 2010

CDS Edition: Picking On Poor Gretchen

by CalculatedRisk on 3/06/2010 10:30:00 PM

UPDATE: This will probably be the last of the "Picking on ..." posts. Best to all, CR.

There is a long tradition on this blog of "[picking on poor Gretchen](#)" - mostly from Tanta, but I've added a little. Anyone who follows the above link, please scroll down for Tanta's pieces.

Gretchen's column today is another ... doozy. Luckily others have beat me to this one.

From Felix Salmon at Reuters: [The NYT jumps the CDS shark](#) (ht William)

If Paul Krugman and others want the New York Times to be the paper of record, especially when it comes to matters economic, they're going to have to do better than [this](#):

Like the [credit default swaps](#) that hid Greece's obligations, the instruments weighing on our municipalities were brought to us by the creative minds of Wall Street.

That's Gretchen Morgenson, who ought to know better. The derivatives that hid Greece's obligations were currency swaps, not credit default swaps.

And from Anal_yst at Stone Street Advisors: [New York Times, Gretchen Morgenson Dazzle Us With Their Ignorance \(Yet Again\)](#)

Earlier today, Twitter user (and good follow!) [Taste Arbitrage](#) alerted us - his followers, that is - an egregious error in Gretchen's latest article, wherein she attempts to inform us that - news alert - municipalities and other government entities dabble with derivatives. Apparently, she's been hiding the past 16 years since the Orange County debacle, as her article presents this information like its some sort of secret conspiracy, which it obviously ~~is~~ isn't.

Tanta Vive!

Posted by CalculatedRisk on 3/06/2010 10:30:00 PM

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Shiller: Homeownership and American Culture

by CalculatedRisk on 3/06/2010 09:07:00 PM

From Robert Shiller in the NY Times: [Mom, Apple Pie and Mortgages](#). Shiller asks:

[W]hat is the long-term justification for putting taxpayers on the line to subsidize homeownership? Is this nothing more than a sacred cow in American society - a political necessity because so many voters own homes and are mindful of their resale value?



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Shiller argues that home ownership is part of the American culture, and that the reason for subsidizing housing is the "preservation of a sense of national identity".

[T]he best answer isn't found in traditional economics but rather in American culture: a long-standing feeling that owning homes in healthy communities is connected to individual liberties that embody our national identity.

Shiller adds on renting:

[We] should rethink the idea of renting, which could be a viable option for many more Americans and needn't endanger the traditional values of individual liberty and good citizenship.

This is an interesting debate. There are probably advantages to society of a fairly high homeownership rate (as opposed to tax advantages to the individual) - perhaps homeownership creates a stronger bond to the community (more community involvement, awareness of crime, and more), and homeowners tend to keep up their properties (unless they have negative equity!). Shiller argues for other psychological benefits that are harder to quantify.

There are negatives too; as an example, homeownership reduces geographic mobility, especially right now, and that makes it harder for some homeowners to move for employment reasons.

And of course withdrawing all of the subsidies for housing would lead to plummeting house prices. So any unwinding of the housing subsidies, like government subsidized mortgage rates, would probably have to be reduced gradually. This is an interesting discussion as we decide what to do with Fannie and Freddie.

Posted by CalculatedRisk on 3/06/2010 09:07:00 PM [127 Comments](#)  [ShareThis](#)

Volcker on Derivatives "Abuse"

by CalculatedRisk on 3/06/2010 06:38:00 PM

From Bloomberg: [Volcker Criticizes Greek Budget Derivatives 'Abuse'](#) (ht jb)

"Surely the recent revelations about the use (and abuse) of complex derivatives in obscuring the extent of Greek financial obligations reinforces the need for greater transparency and less complexity," Volcker said in the text of a speech to the American Academy in Berlin.

Ouch.

And at the same event, Bloomberg quotes European Central Bank President Jean-Claude Trichet as saying:

"what I fear really is that we are currently underestimating the systemic instability which is associated with" derivatives.

Hopefully a [video of Volcker's speech](#) will be available soon.

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Grasping Reality with Opposable Thumbs

Christopher Thornberg on Double Dip Recession

by CalculatedRisk on 3/06/2010 03:16:00 PM

One of the economists who correctly forecast the housing bust was Christopher Thornberg while at The Anderson School at UCLA. He is now at Beacon Economics. Here are a few comments from Thornberg yesterday ...

From the Contra Costa Times: [State's revised jobless rate a cause for worry](#)

[T]he nation and California could tumble back into a fresh economic nose-dive, warned some analysts, including Christopher Thornberg, partner and economist with Beacon Economics.

"There is a substantial chance of a double-dip recession," Thornberg said.

...

"We're at the bottom now right now, but when the stimulus wears off, things could get worse," Thornberg said.

And from Jane Wells at CNBC: ['The Good News—The Recession is Over. The Bad News...'](#)

[Chris Thornberg] says that the recession has ended (hurray!), but that's mostly due to massive government intervention. When that aid starts to dry up, "We're gonna have a double dip...but that's not gonna happen."

What?

He says politicians and the Fed will likely continue fiddling with policy to avoid going back into recession ...

"Enjoy 2010 because it's going to be a good year. 2011 is not." [Thornberg said]. When I asked about 2012, he answered, "It depends how bad 2011 is."

I disagree with Thornberg on 2010 - I don't think it will be a "good year", but I do think we will see sluggish and choppy growth. I suppose 2010 might feel like a "good year" compared to 2008 and 2009. He is also more pessimistic about 2011 than I am.

Posted by CalculatedRisk on 3/06/2010 03:16:00 PM

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In Memoriam: Doris "Tanta" Dungey

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