Patience, Patients, Rates, and Recovery (?) *(SB News-Press)*

(April 4, 2015) Two weeks ago the Fed removed “patience” from its policy statement about interest rates. Janet Yellen tried our patience with her typical double-speak, "This does not mean an increase will necessarily occur in June, although we can't rule that out.” Nine years of artificially low rates were supposed to kick-start a massive recovery. The upcoming 3 months will bring us to the 6-years since “recovery” began in June-2009, but understand clearly that the Fed’s policy has – by its very definition – NOT worked, because the economic data has remained insufficient to allow rates to rise to market levels. The U.S. prime rate has been at 3.25 percent for 7 years, with mortgage rates at 3-to-4 percent, money market and CD rates under a quarter of 1 percent, while Treasury yields remain between zero and 1.5 percent. So when rates increase, that likely means: a) 5.5 percent prime, b) 7-to-8 percent home loans, c) 4 percent CDs-money markets, and d) average 4.8 percent Treasuries. But won’t doubling finance costs hurt the housing market, credit cards, car loans, and business borrowing? And with current interest on the $18.6 trillion government debt over $220 billion a year – the expected 4.8 percent rate will quadruple interest to nearly $900 billion – consuming nearly one quarter of the $4 trillion in federal spending.

Meanwhile, patience with – and patients on – Obamacare look worse and worse as health plan premiums continue to rise, and out-of-pocket co-pays hit record highs. The New York and Philadelphia Federal Reserve offices published their national business surveys to see if Obamacare was delivering lower healthcare costs. But no surprise – healthcare spending as a percentage of GDP is way up, and Obama’s promised

“$2,500 annual savings per average household” is instead over $2,000 in HIGHER costs – and rising. The White House spin is that this extra spending actually helps grow the economy. What?! Instead, 22 percent of firms now employ fewer workers directly due to Obamacare – 20 percent are shifting to a more part-time workforce to avoid extra Obamacare costs – over 80 percent report per-employee costs of healthcare increasing – while 35 percent of firms said they will pass these increased costs to customers in higher prices. And 44 percent of physicians said they will NOT participate in Obamacare networks, with only 32 percent already doing so or planning to. All this does not bode well for patients, as well as patience, rates, and any true, sustainable recovery.