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Center for Full Employment and Price Stability

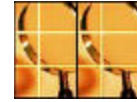
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BUSH ECONOMIC FORUM GIVES LITTLE CAUSE FOR CHEER

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BY MATHEW B. FORSTATER, DIRECTOR
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President Bush convened an Economic Forum in Texas yesterday, and tried to assure the American people that the economy is strong. In his closing remarks, the President stated that:

“I think one of the things you'll hear is that even though times are kind of tough right now, that we're America. I'm incredibly optimistic about the future of this country, because I understand the strength of the country. And the strength of the country is our people.”

But even if people are “strong,” if they are unemployed, and deep in debt, then they are going to have trouble making ends meet. The President does not seem to recognize extreme precariousness of today's economy. Ten trillion dollars of net wealth has disappeared in the last two years—due to the double whammy of federal budget deficits and falling stock prices. We lost 1.7 million jobs since March 2001. The private sector is indebted as never before. In spite of low interest rates, debt service burdens are at all-time highs.

The President continued:

“We've got the highest productivity in the world,”

But no matter how productive people are, if there are no jobs, their productivity is going to waste. As demand has weakened, productivity has continued to grow only as employers cut jobs and overtime hours, asking a smaller workforce to produce more in less time. This cannot last.

“...We've got the best farmers and ranchers in the world. We've got the best manufactures in the world.”

But no matter how efficient our agricultural and manufacturing sectors are, if sales are low and investment is low, and consumers are nervous about the future, profits will take a hit and our businesses will operate well below capacity. Spreading corporate bankruptcies is the expected result.

“We've got the hardest working people in the world.”

But when your workers are out of work, your nation cannot be working hard—you are hardly working.

“We've got the best tax policy in the world.”

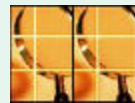
But taxes are too high, and government spending is too low. State and local government budgets are a disaster, and there is little that can be done at that level to alleviate the situation.

We need a federal government deficit of at least 5% of GDP. Instead of worrying about “the deficit,” and the vanishing of “the surplus,” we need the federal government to step in and pick up the slack. A tight fiscal stance is what got us into this mess and tightening it up further will not get us out; it will only prolong the downturn. Consumers, firms, and state governments need relief, and they need it now.

We join the President in his sentiment that there be a job for every person ready and willing to work. He could make that happen tomorrow by offering a Public Service Employment job to every individual who desires one. Only then will the strength and productivity of the American people be contributing to the economic health of the nation.

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The Center for Full Employment and Price Stability is a non-partisan, non-profit policy institute at the University of Missouri - Kansas City dedicated to promoting research on and public discussion of issues related to macroeconomic and monetary policy, especially employment and budgetary policy. The Center is interested in your feedback on the ideas put forward in its publications. You can contact us at:

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