Modern Economic Thought
Job Creation

Presented by

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October 2 and October 9, 2012

Current State of the Economy

- Economic growth is slow, with GDP increases at 2.2% first quarter and 1.3% second quarter.
- Unemployment is historically high and persistent. Many of the unemployed have been out of a job for over 6 months.
- Inflation is around 2% and not a threat to the slow recovery.

Is This Unusual?

- Not at all. Economy is recovering from a financial crisis, coupled with a burst housing bubble.
- Unemployment is higher and stays high for many years in the aftermath of a financial crisis (5-10 years), as compared to what happens after a business-cycle recession.
- The US economy is doing very well compared to other developed countries in Europe.

Two Dimensions of the Problem

- SHORT TERM: How to accelerate growth and lower unemployment.
- LONG TERM: How to get the federal budget deficit under control.

These two different dimensions of the problem require very different approaches to their solutions.

Accelerating Growth - Increasing Employment*

- Put the $4.0 trillion held by banks and large businesses back into the economy.
- Concentrate on areas most likely to produce good jobs, with positive ripple effects.
- Increase exports of goods and services.

*Based on framework presented in Bill Clinton's 2011 book, "Back to Work".

Stimulating the Economy

- End the foreclosure backlog ASAP.
- Let people refinance at current low rates.
- Give banks incentive to lend.
- Give corporations incentives to bring more money back to the US.
- Keep payroll tax cuts, give tax holidays for new jobs created, give tax credits for hiring the long term unemployed.

Key Areas with Positive Effects

- Invest in modern infrastructure building by establishing an infrastructure bank.
- Support the growth of high-end manufacturing.
- Invest in green technologies. This has triple payback: growth and employment, lowering imports and contributing positively to global warming.

Increase Exports

- Get smaller high-end manufacturers into exports.
- Negotiate long-term agreements to sell food.
- Enforce trade laws.
- Export more services.
- Get to emerging opportunities before others.

Control Budget Deficit

- Annual deficits add to the public debt. If the budget deficits are not controlled, publicly held debt will be 100% of GDP by 2021 and 200% of GDP by 2035.
- If we allow this to happen, interest rates will rise, our GDP will be reduced and the future of our children will be compromised.

How the Debt was Acquired
$15.6 trillion, March 2012

• Obama	$3.7
• Bush II	6.1
• Clinton	1.4
• Bush I	1.5
• Reagan	1.9
• All others	1.0

Who Holds the Nation's Debt*
March 2012

Total Debt		$15.6 trillion
The Fed and Gov. trust funds		6.4
Publicly held debt		9.2
US public	4.1	
Foreigners	5.1	

*US Bureau of Public Debt, Dept. of Treasury

What to do?

- Fix social security by increasing the age for claiming full benefits to 69 over a 50 year period.
- Expand income subject to the tax.
- Control rising medical costs by using a strong Medical Cost Control Panel. Come to terms with end of life medical costs.
- Increase premiums for the top 10% of income earners.
- Put a tax on financial transactions.
- Do not extend Bush tax cuts for families making more than $250,000

What to do? - continued

- Tax reform. Eliminate all tax loopholes except mortgage interest deduction up to $350,000 house value (regionally adjusted)and charitable deductions. Brings about a trillion in tax revenue.
- Put a 50 cent tax on gasoline.
- Do not extend Bush tax cuts for families making more than $250,000.