

Goal Reached: Time to Restart the Economy

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Finally – it’s over. The goal of Simpson and Bowles has been met, the deficit is shrinking rapidly. And the intellectual underpinning for deficit reduction, based on the [study](#) by Rogoff and Reinhart, has been destroyed.

Phew! Glad that is behind us. Now, can we actually try to fix the economy?

The [Congressional Budget Office \(CBO\) issued a report](#) that shows a rapid decline in the deficit, \$203 billion has been cut from the deficit making it the smallest since 2008. And they project that by 2015, the deficit will be under \$400 billion, less than one-third of the \$1.4 trillion deficit Bush left when Obama took office and only 2.1% of the GDP. We agree with political economy writer [Doug Henwood’s conclusion](#): “there’s no way any honest analyst could read them [the CBO report] as anything but the official end to any rational concern about red ink.”

[Dave Johnson writes](#) that since now we’ve reached the Simpson-Bowles deficit reduction goal of 2.3% ratio of deficit to GDP, we can focus on the real problems – the job gap, the wage gap and the trade gap. Unlike the deficit problem, which was always more imagined than real, these are very real problems that DC should address as it restarts its economic planning. Johnson summarizes that the real economic problem we face is, at its roots, due to jobs lost to the trade deficit, writing:

“The economy can’t recover until housing recovers. Housing can’t recover until people can afford to buy houses. People can’t afford to buy houses until they can get jobs, and those with jobs can’t afford to buy houses until wages go up. Wages can’t go up until the trade problem is fixed. And the trade problem is killing jobs.”

Let’s look at Johnson’s statement more closely. With jobs at the center of the problem, one thing that must be rethought is the sequestration. The CBO estimates [sequestration will cost around 750,000 jobs](#) in total, and forecasters think it could reduce economic growth by half a percentage point this year. In fact, the economy is adding very few jobs, floundering with just enough to keep with the growth of the workforce. The federal government has shed 8,000 jobs.

Let’s look at housing. There has been a lot of excitement in news reports about housing in the last two weeks because prices are going up, but in reality [the housing market “recovery” is a complete hoax](#). What is really happening is that the Federal Reserve’s very low interest rates are allowing investors to borrow money cheaply and invest in buying low-priced houses. In addition, banks have kept 7 million houses in foreclosure off the market in order to create housing scarcity, resulting in a rise in prices. Of course, actual families who

have lost wealth and income and cannot borrow easily are unable to buy. The fake housing recovery is another way the wealthy are stealing wealth from the rest of us.

Much is [the same with the stock market](#) – the Fed’s cheap money is very likely letting the wealthy borrow money to invest. When we look at the underlying realities of the economy – unemployment, lower income and less wealth for most Americans, high trade deficits and a government going in the wrong direction – there are no reasons for investors to be confident. But because the Fed is pumping \$85 billion of newly created money into the big banks each month, there is money to invest. For some elites, the money is being used to [buy up company stock](#) in order to pump up its value. The game of chicken is – how long can they stay in this bubble before it bursts?

When it comes to trade, rather than learning the lessons from the last 20 years of corporate trade agreements – agreements that have resulted in a massive trade deficit and are a key factor in loss of jobs – President [Obama is aggressively pushing more of the same](#), indeed, even bigger versions of NAFTA-like agreements. The Trans-Pacific Partnership (TPP) and the Transatlantic Free Trade Agreement (TAFTA) promise to give more power to transnational corporations. Actually, they will make corporations more powerful than governments. The [only way the agreements will pass is if Fast Track](#), now called Trade Promotion Authority, is brought back from the dead. Why? Because these trade agreements are very unpopular. People know these agreements threaten our sovereignty, empower Wall Street, pharmaceuticals and insurance companies at the expense of people, [threaten a free and open Internet](#), and will undermine the environment, labor and consumer rights. For more on all of this see [FlushTheTPP.org](#).

Related to trade is the State Department becoming a marketer of genetically modified seeds. [Food and Water Watch reports](#) that: “The U.S. State Department has launched a concerted strategy to promote agricultural biotechnology, often over the opposition of the public and governments, to the near exclusion of other more sustainable, more appropriate agricultural policy alternatives.” Our weekly [Wednesday column](#) in TruthOut goes into greater depth on Monsanto and related issues. The good news is [there is a growing revolt by people all over the world](#). Demonstrations are planned for May 25 in 41 countries and nearly 300 cities by [Occupy Monsanto](#).

How is the real economy looking? Well, in China it is looking good. A recent economic survey found that [China was the “world’s most financially secure country.”](#) Their people are faring much better because “only 3 percent of Chinese households are financially vulnerable, whereas the same figure for Germany is 22 percent and 26 percent for France.” In the United States, two-thirds of Americans cannot handle a \$1,000 surprise expenditure and most live paycheck to paycheck.

Another snapshot of spreading poverty in the U.S. came out this week in a [report that found more of the poor in the United States now live in suburbs](#) than in urban areas. The number of poor people living in suburbs surged 67% between 2000 and 2011. Why? The housing collapse destroyed their wealth, the job collapse resulted in lost jobs or lower incomes, and urban gentrification pushed poor people toward cheaper housing. Suburban wealth is a myth, now the reality is growing suburban poverty.

And, a college job is no guarantee of economic success. A survey of recent college graduates found that [42% currently have jobs that do not require a four-year degree](#). A majority of those with jobs are underemployed working in retail or restaurant employment.

This is part of the [“Gradocracy” Sam Smith describes](#) – too many degrees and not enough jobs. The students, who are leaving school with record tuition debt, are in sharp contrast with a [report this week on the pay of public university presidents](#). There are now several presidents making over \$1 million a year, a big increase in those making over \$600,000 and the mean is \$441,392. All this while tuition rises and puts students who will go into a lousy job market deep in debt.

Smith ends his discussion of the Gradocracy pointing out that “We must not only condemn the worst, but offer witness for the better. And create places in which to live it.” That is similar to what we recommend — proceed on two tracks: protest what we do not like and build what we want. We continue to see evidence of people building the new economy they want.

You might remember several years ago when 250 workers were laid off by a company called Republic Windows and Doors in Chicago; they arranged a sit-in to protest violations against their union agreements. The second time it happened, they decided to purchase the now-bankrupt company and operate it themselves. [The new company has now opened for business as a worker-owned co-operative](#) called New Era Windows, which opens for business today. They stopped the machine and created a new world.

In order to help solve our energy, environmental and health crises, the United States needs to shift to walkable, bike-able communities. Continued reliance on automobiles with their extreme use of oil and gas, as well as pollution of the air and water, will ensure the wasteful and unhealthy American Way Of Life (AWOL). In September 2010, Washington, DC began the first large bike sharing program in the U.S. (Tulsa was first with a small program of two dozen bikes in 2007.) The twin cities in Minnesota and Denver also began in 2010. This year [22 cities have bike-share programs, and next year that number is likely to double](#). Lots of experimentation is happening around the country.

Studies are finding that bike-shares create an economic boost, “Each ride in the Twin Cities’ Nice Ride system was found to bring \$7-14 to the local economy. Forty-four percent of Capital Bikeshare riders surveyed used bike share to make a trip they otherwise would have skipped, largely for entertainment, socializing, and dining out.” The U.S. Conference of Mayors, representing more than 1,300 cities across the country, noted at its 2012 meeting that “communities that have invested in pedestrian and bicycle projects have benefited from improved quality of life, a healthier population, greater local real estate values, more local travel choices, and reduced air pollution.”

We’re also starting to see states and countries standing up to big oil as communities begin to understand how they [may become a “sacrifice zone” in the interests of big oil](#) and gas. In the United States, [Texas joined with other Gulf States to sue BP oil and Halliburton](#) over the oil spill that did so much damage to the Gulf of Mexico and the economies of those states. They claim the companies engaged in “wanton and willful misconduct” and violated state regulations. And, the [Europe Commission carried out unannounced raids](#) on Shell, BP and other big oil companies as part of an investigation into price-rigging that could have been going on for a decade.

Maybe there is enough going on through protest, creating the economy we want and getting government to wake up and change course, that the nation can [avoid the scenario described in this article of the U.S. becoming an impoverished country](#). Now there is no need to cut essential services with extreme austerity, instead there is an opportunity to

invest in a new, sustainable economy based on clean energy and to correct so much of the misdirection of the nation.

The people have awakened and are protesting what they do not like and building what they want. In DC this week, homeowners who have had their homes foreclosed upon through fraudulent practices, are [occupying the Department of Justice](#) and demanding that the banks be held accountable. Fast food workers have been striking all over the country, including a [large surprise strike today in DC](#). And unemployed families are walking from Philadelphia to DC to [demand green jobs](#). Students and teachers in [Philadelphia](#) and [Chicago](#) are demanding their community schools stay open. A popular resistance is brewing and we can expect it to build throughout the summer.

This article is based on a weekly newsletter for [ItsOurEconomy.us](#). To sign up for the free newsletter, [click here](#).

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