

AMERICAN VALUES FOCUS GROUP
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COMMON SENSE ECONOMICS FOR OUR TIMES

We are struggling to emerge from our worst downturn since the Great Depression. A majority of Americans are concerned that our economy might collapse.* Our record national debt increases daily, unemployment stays stubbornly high, real estate remains at a depressed level, and income disparities are the widest in over 80 years. The federal economic stimulus program of 2009 may have saved us from a depression, but it has failed to put us on a firm footing for the future. We now must initiate strong policies to keep us from falling back into recession, and address the shortage of long-term, sustainable jobs that is impeding our recovery.

Investments in stocks and real estate plummeted during our recent near collapse, bank reserves went down, banks stopped lending, money stopped circulating, businesses suffered, and unemployment climbed to levels not seen since the Great Depression. Many people remain unemployed or at a low income level and no longer have enough money to meet their needs, including buying health insurance and making house payments.

For eight years our government cut taxes for the wealthiest Americans and kept interest rates low despite a soaring stock and real estate market. We were told this would stimulate our economy, but instead it led to an economic meltdown. Money accumulated by the wealthy was put into banks and real estate investments that led to a speculation bubble. Tax cuts only work as a stimulus when those funds are put back into circulation – tax cuts never have created long-term stimulation for the economy. Low interest rates are needed to speed up an economy only when it's slow. To prevent the repetition of this pattern we must return to the policy for which the Fed was designed – to raise interest rates as the economy heats up to prevent overspeculation. We also must return to regulating industries – primarily real estate and banking – which wreaked havoc on our economy by focusing only on short-term profit rather than overall economic good.

Historically, we have experienced our greatest prosperity when there has been a circulation of goods and services to all levels of the economy, and we've had stagnation when that circulation has slowed down. Our government can jump start the economy – as it did during World War II – by providing incentives for businesses to create sustainable jobs that stay in our country. We need large scale training programs in viable industries, such as alternative energy, efficient vehicles, and quality goods and services. If we are to be competitive, we also must return to pride in the quality of what we produce. As more people find jobs, they will be able to purchase what they need. They will become customers for our businesses, which creates a need for more goods and services and still more jobs. Massive job programs can be administered in the form of long-term loans to businesses that demonstrate they can create new sustainable jobs. Our government would benefit from the interest on such a loan program. Another result will be an increase in sales and income taxes that reduces our public debt. This is the type of capitalism that works.

It is time to return to economic fundamentals, which means regulating irresponsible behavior and restoring the role of the consumer in our economy so that all can prosper. We must return to the principles that will make – and keep – our economy strong. Common sense tells us that we can't thrive unless the bulk of our population prospers. We need to invest in ourselves. We need leaders willing to challenge us to make sacrifices and to do what it takes to create jobs. And Americans need the foresight to vote such leaders into office.

*Fox News Poll: 79% Say U.S. Economy Could Collapse 2-23-10

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