

The Long and Winding Road to Economic Recovery

By Raymond Pinard

There's an old saying that "slow and steady wins the race," but when it comes to hastening the nation's economic recovery, positive change can't happen nearly quick enough.

Truth be told, the U.S. economy has lost such a massive amount of jobs in this recession that it is difficult to predict how long it will take before restoration of these positions will begin. Unemployment rose in 30 states in January, evidence that jobs remain in short supply in most regions of the country. The official unemployment rate in January was 9.7 percent, but that doesn't include discouraged workers (people who have stopped looking for work) and those who secure part-time employment in the absence of full-time positions. A more comprehensive calculation implies a much higher unemployment rate.

So what does this all mean? Well for starters, in many ways, we are facing a "lost decade" in terms of job creation. With only 378,000 jobs added over the past 10 years while the labor force increased by over 12 million over the same period of time, the message is simple – labor supply continues to increase while labor demands tend to be slack.

Worse yet, two facts suggest that getting all the jobs back from the losses in the Great Recession could take many years. First, the job base **declined by more than 6%** in the current recession, three times more than the 2% average decline in the previous six recessions. Second, expectations are that economic growth will be subpar in the next two years. The Congressional Budget Office's most recent forecast calls for 2.2% GDP growth in 2010, followed by 1.9% growth in 2011.

So how do we rebound and craft a plan for economic recovery? There is no one correct answer nor one approach to developing a solution. Indeed there are a number of elements that must be in place for significant growth to occur:

Education and Retraining: Bank of America statistics show that the unemployment rate for skilled workers is about 5%, demonstrating that those with higher educational and vocational attainment are still being hired. However, lower skilled workers are being laid off in immense numbers and their jobs will not be replaced. Therefore, more focus needs to be shifted to retraining workers for jobs in high demand industries like health care, science, technology, education and building trades.

Understanding of Basic Economics: Government needs a reality check. If you want less of something, tax it. High taxes and fees on employers and employees serve as a disincentive for growth. The free market system must be allowed to breathe.

Increased Emphasis on Trade: The United States is the largest exporter in the world and 95% of all markets exist outside of our borders. Trade arrangements which have stalled (Columbia, Panama and South Korea) need to be revisited and new markets need to be

targeted. Protectionism is a failed concept. The absence of a free market results in Americans paying more for goods and services.

Deficit Reduction: Deficits are weakening the dollar greatly. We need to get spending under control and spread the existing taxpayer base. There aren't enough families in the \$250,000 and up tax bracket to allow for absorption of natural growth in spending, even after drastic spending cuts.

Elimination of Uncertainty: Uncertainty leads to economic decline. The expiration of the Bush tax cuts, proposed surtaxes on specific industries, taxes on repatriation of foreign income, cap and trade, health care and redistributive tax credit programs are causing Americans and businesses to stow away their cash, preparing for the worst to come.

Economic recovery won't happen overnight – indeed, it took us quite a long time to arrive at this stage in our economic history. However, in times like this, it is always helpful to reflect on what we've learned from history and therein lies a few indisputable truths – that slow economic growth means slow job growth, that government can move capital from one sector to another, but is unable to create jobs, and most importantly, that the private sector will pave the way for economic recovery, no matter how slowly or quickly that race will be run. There is much work to be done, but the U.S. business community is well equipped to handle the task, armed with history and the ingenuity that makes all good things possible.