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ViewPoint

Who is Holding Back the Economy Now?

Back in the late 1990s when the economy was expanding, many economists were worried that the United States would not have enough debt to help manage the economy. After two wars and two recessions, that fear seems absurd. The country's long-term debt has now been downgraded. **Total U.S. government debt is over \$14 trillion and the recent debate over the debt ceiling caused even more damage to America.**

The debt downgrade is only a symptom of a larger problem. **Investors are losing confidence in the government's ability to solve real problems.** Representatives in Washington seem unable to improve the economy or reduce debt. They struggle to cooperate, negotiate, or compromise. They don't get along.




The current situation is in many ways the opposite of the 2008 recession.

Then, there was a real estate bubble, consumer debt bubble, and not enough cash for corporations to do business. The government stepped in to restore sanity.

Now, prices are lower for housing and gasoline. Large corporations appear to be flush with cash. (Apple has become the poster child of corporate cash with over \$70 billion.) Consumers have also reduced debt and continue to save. **It is in the government that so many people doubt.**

Employment demonstrates who is holding back the economy. The August employment reports show that while the private sector is creating jobs (154,000 in July), the government is cutting workers. Local, state, and federal government employees shrank by 37,000. This has been the case for many months.

In spite of the debt and public fear, the economy and the job market appear to be growing slowly. In July, 117,000 individuals who were unemployed found jobs. Consumer spending is rising and even U.S. manufacturing is growing. The major hurdles are debt and a lack of confidence in the government. Consumers and corporations, on the other hand, appear to be slowly improving their situation. Of course, there are no guarantees. 

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