**An Analysis of the State of the United States Economy and its Future**

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The United States economy was once at its finest under the Ronald Reagan, George H.W. Bush, and Bill Clinton presidencies. The United States boasted a GDP annual growth rate of 3.69% when Bill Clinton left office. In the same year as George W. Bush took office the economy began to fall steeply as the GDP growth rate slipped down to merely 0.77%[[1]](#endnote-1). The United States economy would only continue to fall steeply from there.

The cause for the sudden downward spiral of the US economy which continues today cannot be attributed to George W. Bush alone. A rising national deficit, blah blah, and blah blah among other things had already been steadily wearing down the US economy. It all finally came to a head with the September 11th attacks orchestrated by Al-Qaeda. The United States officially entered an economic recession in March of 2001[[2]](#endnote-2).

At the conclusion of the eight years of the George W. Bush presidency, Americans universally agreed that change was needed to save the country. For Americans, change came in the form of the newly elected Democrat President Barack Obama. President Obama has deployed a wide variety of tactics to help revitalize the US economy through bailouts of auto companies, deploying economic stimulus packages, reforming the American health care system, and battling the growing unemployment rate with a liberal fiscal policy. For the United States of America, this may have been just the change it needed to boost the economy back into shape.

President Obama’s methods for economic recovery have been very expensive to deploy. Obama spent $21.6 billion dollars towards a second bailout to GM and Chrysler in an effort to preserve jobs and prevent a more severe economic collapse[[3]](#endnote-3). Obama spent $152 billion dollars with the passage of his Economic Stimulus Act of 2008. Obama then spent another $787 billion dollars on his second stimulus package with the passage of the American Recovery and Reinvestment Act of 2009[[4]](#endnote-4). In order to compensate for his extreme spending, Obama has raised the national debt by $3 trillion dollars. By comparison, George W. Bush in his entire presidency only raised the national debt by $4.1 trillion dollars[[5]](#endnote-5). While these statistics may sound extreme, and they are, it remains to be see if there may in fact be a brilliant plan underlying Obama’s spending madness.

The “big three” auto manufacturers in the United States; Ford, General Motors, and Chrysler were all facing serious financial setbacks towards the end of 2008. These were brought on by a number of factors ranging from poor business decisions to the rising cost of fuel prices turning consumers away from purchasing trucks and SUV’s which the “big three” all focused heavily in manufacturing. Former President George W. Bush saw their financial crisis as something that could put a substantial amount of Americans out of work and lead to further economic destruction. He approved a loan of $17.4 billion dollars to bail out the auto manufacturers.[[6]](#endnote-6) President Barack Obama felt similarly and later approved a second loan of $21.6 billion dollars to GM and Chrysler. Obama went to extra lengths this time to ensure the money would be spent more efficiently.[[7]](#endnote-7) However, GM and Chrysler both filed for bankruptcy in 2009.[[8]](#endnote-8) [[9]](#endnote-9) Using their investment as leverage, the United States worked to replace the heads of the companies and significantly shrink the size of the companies. Whether or not this actually hurt the US economy more than it would have to not bailout the auto manufacturers is debatable. Not only did the US spend a substantial amount of money, but the investment has failed to pay off and won’t for the foreseeable future. Furthermore, many of the jobs US political leaders tried to avoid losing were still lost. For now at least, this was a poor decision which has weakened the US economy even more.

As the United States economy grew worse and worse President Obama put together laws known as his stimulus packages to help boost the economy into a state of recovery from its currently worsening state. The first of these, The Economic Stimulus Act of 2008, would cost approximately $152 billion dollars and was geared towards providing tax rebates to consumers as an incentive to put money into the economy.[[10]](#endnote-10) Studies conducted show that consumer spending did increase as a result of the stimulus package but not by more than 3%[[11]](#endnote-11). This is not nearly effective enough to give the US economy the boost it really needs. Realizing this, President Obama passed a second stimulus package: The American Recovery and Reinvestment Act of 2009. This package would cost approximately $787 billion and would be focused toward aiding low-income workers, unemployed people, and providing funds to government institutions for them to spend on private companies in order to improve the institutions themselves.[[12]](#endnote-12) It’s hard to definitely tell what the effects of the second stimulus bill have been on the US economy so far. There has been similar improvement to what was seen with the passage of the first stimulus package so far however it has still not been effective enough. Despite much of the stimulus money from the second package still being unspent[[13]](#endnote-13), President Obama is already considering a third stimulus package. Critics of the stimulus packages call their additions to the national deficit irresponsible and look to implementing alternatives such as lowering taxes instead.

Prior to President Obama’s reshaping of the US healthcare system in 2010, the United States healthcare system was costly and subject to a lot of corruption for many Americans. These additional and adjust costs were of course hurting the economy. Americans unanimously agreed that reform of the healthcare system was needed. Obama’s reform intended not only to fix corruption and lower the cost of health care but to also provide health care to all Americans who were unable to afford it. President Obama’s implementation of this reform would be Keynesian-styled one which would require all Americans to adopt and pay for public health insurance regardless of whether or not they currently had private health insurance. Furthermore, many taxes related to the reform, such as taxes on cosmetology products, would go into effect immediately following passage of the reform. However, Americans would receive no benefits from the reformed health care system until 2014[[14]](#endnote-14). People opposed to the reform argue that it has the possibility to destroy or severely downsize private health insurance companies which could cause many people to lose their jobs. Furthermore, many people do not feel that it would be an appropriate time for the US to adopt a costly program to service the public in a time of such financial crisis. Whether the health care reform will end up helping or hurting the US economy even more will remain to be seen.

A startlingly high unemployment rate close at 9.8% as of November is another factor which has severely limited the United States economy. Without jobs, Americans have much less money to put back into the US economy. Thankfully, US Department of Labor Statistics show that Barack Obama’s administration has impressively lowered the US unemployment rate since he took office and it is generally continuing to fall. However, Barack Obama has also impressively decreased the size of the US Labor force. So much so, that it should be attributed as the primary cause of the declining US unemployment rate much more so than his fiscal policy. Many Americans have been unemployed for so long that they are no longer considered part of the labor force with the remaining people in the labor force tending to be employed thus causing the unemployment rate to fall. More jobs continue to be lost than gained[[15]](#endnote-15). Unfortunately, President Obama and his administration seem oblivious to this fact as they proudly boast the falling unemployment rate.

It’s worth taking a look at the war overseas and seeing how this factors into the current state of the US economy. The war began during the George W. Bush administration following the September 11th attacks against a terrorist group known as Al-Qaeda. Most economists and politicians will blame the attacks as the direct cause for the current United States financial crisis. The war began in Afghanistan and has since moved into Iraq. The war has now lasted for a little more than nine years and has cost approximately $1.1 trillion dollars[[16]](#endnote-16). The war is currently Congress’s biggest expense. During his campaign to become president, Barack Obama promised to withdraw the US from the war overseas in order to eliminate a substantial amount of US spending. Obama initially withdrew significant numbers of troops but has most recently been deploying slightly more. However, Obama claims that combat operations in Iraq have now ended[[17]](#endnote-17). The war overseas is arguably the both one of the biggest political and economic issues facing the United States right now.

To say that President Obama’s change he practiced was not the change that Americans had in mind would be putting it too lightly. Only two years after Obama became president, Democrats suffered their biggest loss since the 1938 with Republicans taking over the House of Representatives, nearly evening out the Senate, and now withholding more governorships[[18]](#endnote-18). Republicans promise to implement truly conservative policies by cutting spending, repealing Obama’s health care reform, balancing the US budget, and to stop Obama’s current agenda in other ways as Obama continues to perform liberal policies which Republicans and the American people believe are further worsening the already ruined US economy.

The question on every American’s mind right now is “Will conservative Republican reform be enough to help revitalize the economy?” It’s too early to tell right now but it will at the very least certainly prevent any more risky, high cost liberal policies from being implemented. The deficit caused by the auto industry bailouts and the stimulus packages have ultimately hurt the economy more than they have helped it and have not stimulated the economy enough back into being able for it to revitalize itself. Republicans hope to provide money to people not through loans and an increased deficit but instead through tax cuts and balancing the budget to eliminate the deficit. Republicans also plan to repeal Obama’s health care reform and then replace it with their own reform which solve the problems in the healthcare system without overextending the government into places the American people aren’t comfortable with it. Assuming that Republicans are able to carry through with their ambitions we can hopefully look to the future of the US economy with optimism.

The US economy is the biggest issue in American politics today. Its disturbing downturn during the Bush Administration can be pointed to as the direct cause for John McCain’s defeat in the 2008 election. Likewise, its continued poor performance under the Obama administration is the primary cause for the massive Republican victory in the 2010 midterm elections. The future of the US economy will likely continue to guide elections and the world of American politics until it is once again stabilized.

1. http://www.google.com/publicdata?ds=wb-wdi&met=ny\_gdp\_mktp\_kd\_zg&idim=country:USA&dl=en&hl=en&q=us+gross+domestic+product+growth [↑](#endnote-ref-1)
2. http://www.nber.org/cycles/cyclesmain.html [↑](#endnote-ref-2)
3. http://news.bbc.co.uk/2/hi/business/7893574.stm [↑](#endnote-ref-3)
4. http://news.bbc.co.uk/2/hi/business/7889897.stm [↑](#endnote-ref-4)
5. http://www.cbsnews.com/8301-503544\_162-20019931-503544.html [↑](#endnote-ref-5)
6. http://news.bbc.co.uk/2/hi/business/7791999.stm [↑](#endnote-ref-6)
7. http://news.bbc.co.uk/2/hi/business/7893574.stm [↑](#endnote-ref-7)
8. http://news.bbc.co.uk/2/hi/business/8077255.stm [↑](#endnote-ref-8)
9. http://news.bbc.co.uk/2/hi/business/8050506.stm [↑](#endnote-ref-9)
10. http://www.govtrack.us/congress/billtext.xpd?bill=h110-5140 [↑](#endnote-ref-10)
11. http://www.voxeu.org/index.php?q=node/1541 [↑](#endnote-ref-11)
12. http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111\_cong\_public\_laws&docid=f:publ005.pdf [↑](#endnote-ref-12)
13. http://www.cbsnews.com/stories/2010/08/16/eveningnews/main6778654.shtml [↑](#endnote-ref-13)
14. http://thomas.loc.gov/cgi-bin/bdquery/z?d111:H.R.676: [↑](#endnote-ref-14)
15. http://www.bls.gov/news.release/empsit.nr0.htm [↑](#endnote-ref-15)
16. http://www.fas.org/sgp/crs/natsec/RL33110.pdf [↑](#endnote-ref-16)
17. http://www.guardian.co.uk/world/2010/aug/28/barack-obama-us-troops-withdrawl-iraq-campaign-pledge [↑](#endnote-ref-17)
18. http://www.businessweek.com/news/2010-11-02/republicans-may-see-biggest-house-midterm-win-in-years.html [↑](#endnote-ref-18)