

U.S. economy still needs more gov't spending: economist

WASHINGTON, Oct. 12 (Xinhua) -- U.S. Nobel Prize-winning economist Paul Krugman on Friday said that the Obama administration was too optimistic about the prospects for a quick U.S. recovery, and the U.S. economy needed more government stimulus spending.

"In a now-notorious January 2009 forecast, economists working for the incoming administration predicted that by now most of the effects of the 2008 financial crisis would be behind us, and the unemployment rate would be below 6 percent. Obviously, that didn't happen," Krugman said in his latest column article on The New York Times.

The U.S. unemployment rate dropped from 8.1 percent in August to 7.8 percent in September, the U.S. Labor Department reported last week. But the level was still higher than the 6 percent promised by U.S. President Barack Obama in 2009 when asking Congress to approve a 800-billion-dollar stimulus plan.

"Obama's people failed to appreciate something that is now common wisdom among economic analysts: severe financial crises inflict sustained economic damage, and it takes a long time to recover," Krugman contended.

If Obama wins the presidential election this year, he would presumably go back to pushing for modest stimulus to boost job creation. However, Republicans were committed to slashing government spending that has proven false, and American people would pay the price, he said.