



U.S. ECONOMY SHOWS IMPROVED GROWTH

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Recent economic figures show that the United States has begun to climb out of an economic slump. This could mean more money to spend and more jobs for Americans.

The U.S. economy is growing at the fastest rate in nearly 20 years, according to a report released by the Commerce Department on Thursday.

In the third quarter of 2003 – the months from July to September – the Gross Domestic Product, or GDP, grew by a rate of 7.2 percent. The GDP is the total value of all goods and services produced in a country during a given time. In the United States, the GDP includes consumer spending, stock prices, housing prices and other factors such as imports and exports. The growth rate is the strongest since the first quarter of 1984, according to government economists.

The positive report could mean that the United States is moving out of the economic slump it has been in since the Sept. 11, 2001, terrorist attacks.

“We believe the report was very positive,” said Lynn Reaser, the chief economist for Bank of America Capital Management. “We saw consumer spending up. Increases in capital spending ... increases in housing and also exports so it appears that the economy is finally coming to life.”

How we measure growth

The Commerce Department report showed that the current growth is due in large part to consumer spending which rose by 6.2 percent, an indication that Americans are spending more money on goods. The main items they bought during the third quarter were homes, cars and computer equipment.

On Thursday, President Bush attributed the rise in spending to his controversial income tax cut, which provided families at certain income levels with tax refund checks. At the time, the president argued that cutting taxes would stimulate the economy. The idea was that families would use their refunds to buy goods, thereby supporting business and encouraging economic growth.

“Exports are expanding, investment is rising, housing construction is growing. The tax relief we passed is working,” President Bush said.

Unemployment still high

Following the Commerce Department report however, some economists questioned whether the numbers were an accurate sign of improvements in the economy. A separate report released by the U.S. Labor Department showed that the unemployment rate is still high.

While job growth does not always coincide with a strengthening economy, and some analysts say jobs are the last part of the economy to improve, a high unemployment rate means millions of Americans are out of jobs and unable to find work. Currently there are 9 million unemployed Americans, according to the Department of Labor.

“When you have a growth rate of 7.2 percent and don’t see jobs appearing, it’s a real puzzle for economists,” said William Spriggs, an economist and director of research and public policy at the National Urban League Institute for Opportunity and Equality in Washington, D.C. “We all have to be concerned that there’s growth without jobs and we have to think why is that and how do we get jobs?” he said.

Part of the high unemployment rate may be due to the high costs of running a business, says Wall Street economist Maria Fiorini Ramirez. According to Ramirez, many companies are combating the increasing costs of running a business by hiring part-time instead of full-time workers and becoming more efficient with smaller staffs.

Politics and the economy

Economic issues have been a key concern among politicians campaigning for the 2004 presidential election. The president’s Democratic opponents have accused him of ignoring the economy at home as he focuses on foreign policy issues such as the wars in Iraq and Afghanistan and the global war on terrorism.

"Why would we want to keep anything of the Bush tax plan?" asked Democratic candidate Richard Gephardt in a September debate. "It's a miserable failure."

The positive Commerce Department report, however, could lead the Democratic presidential contenders to direct their criticism at other areas such as the situation in Iraq.

By Kristina Nwazota

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