

Good gross domestic product growth rate essay example

[Business](#), [Company](#)



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As you requested, I have prepared a brief advisory of economic conditions in the U. S. and my advice on how to improve the overall economic picture of the U. S. From a broad perspective your country has come out of a recession, which is technically defined as two consecutive quarters of negative GDP growth. While this is itself a good thing, the recovery from the recession has been the slowest recovery in post WW2 history. As a result, unemployment continues to be high, with the lowest workforce participation rates in modern history. The number of Americans seeking assistance from the government continues to grow, putting an additional strain on the U. S. Economy. Let's look at specific economic indicators that support this broad narrative.

(" United States GDP Growth Rate | 1947-2015 | Data | Chart | Calendar.")

If you look at the recovery rate after 2 contracting quarters in 1990, you will see several quarters with growth in excess of 5%, with some as high as 7 or 8 percent. That is a normal recovery. If you look at the quarters after the contracting quarters of 2009, until today, you see only one quarter with 5 % growth, 3 quarters with contracting growth and most in the 2 - 3 % range.

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Fully 23 quarters past the textbook end of the so called Great Recession, our most current quarter, Quarter 1 of 2015, contracted . 2% The economy, as measured by GDP growth, is just barely recovering from this last recession.

Unemployment Rate

(" Databases, Tables & Calculators by Subject.")

If you look at the unemployment rates for 2014 and 2015, you would get the impression that the unemployment rate has fallen significantly since 2009 to 2011 highs. Looking at the numbers this would appear to be true but it is a false narrative. The deception is in how the unemployment rate is defined. The US labor department defines it as the percentage of total people in the workforce who are unemployed and are looking for a paid job (" How the Government Measures Unemployment."). The unemployment rate has fallen not because more people found jobs. It has fallen because more people have just given up looking for a job and thus are no longer counted. To get a true picture of employment, we need to look at the workforce participation rate.

Workforce Participation Rate

(" Databases, Tables & Calculators by Subject.")

This rate is defined as the percentage of working-age persons in an economy who are either employed or unemployed but looking for a job (Moffatt). It's a sign of how many people are really employed. You can clearly see from the data that in 2014 and 2015 we have had the lowest workforce participation rates of the last 10 years. What's troubling is that the decline appears to be continuing.

In addition, there is an ongoing demographic change that will put further

pressure on the Workforce Participation Rate. Estimates vary that there are from 11 million to 16 million illegal immigrants currently in the U. S., and the number is growing. Because they are willing to work “ off the books”, this gives certain employers options (even if they are illegal) to hiring full time employees.

Suggestions on how to improve the economy

You need some sort of macro level stimulus to jump start the economy, getting businesses hiring and people working. Early in your first term, you worked with the US Congress to pass a \$1 billion stimulus bill that used government money to fund a wide range of projects throughout the country. The reasoning was that the government would go into debt, hire companies to complete these projects, the companies would hire employees and with their new paychecks, the employees would drive up consumer spending, further stimulating the economy, and the government would benefit by increased tax revenues. It was classic Keynesian Economics.

Unfortunately, it just did not work as intended. You spent \$1 billion with little to show for it. Given the failure of the first stimulus package, and the state of current relations between you and the U. S. Congress, a second, similar stimulus bill will not happen.

So the question becomes, without going further into debt, how do we stimulate businesses to grow and expand and hire new workers? Let's look what is preventing employers from doing that now.

One of the biggest obstacles to large international businesses investing in growth in the U. S. is the current Federal corporate tax rate of 35%, the

highest of any industrialized country in the world (" Corporate Tax Rates Table "). In a global economy, companies have many attractive options on where to build new factories, where to establish call centers or where to declare their corporate headquarters. Compared to the U. S. rate of 35%, the Asian average rate of 21%, the Latin American average of 26% or the Ireland rate of 12. 5% look extremely attractive (" Corporate Tax Rates Table ").

Major American international companies are indeed investing and growing, just not here in the U. S.

While a good case can be made to completely overhaul the entire complex, bulky U. S. tax code, one quick fix would be to reduce the 35% corporate rate to a rate much more competitive with other countries around the world. This would immediately provide incentives for American companies to begin investing in America again.

In the process of avoiding the 35% tax rate, American companies have built up a huge cash hoard in foreign countries. When these companies make profits in foreign countries, they pay the appropriate taxes in these countries. When they try to bring these after tax profits back to America, they are taxed again, at the 35% rate. For that reason, they leave the money abroad, where they invest it to grow their business. Experts have estimated there might be as much as \$1 trillion of U. S. company assets abroad, that they are not willing to bring back home.

If the U. S. would offer a one or two year tax amnesty, where companies can bring home profits earned abroad without paying any tax on it, this would be a huge stimulus to the U. S. economy. Companies would feel free to once again invest in America. Even if companies brought back only 50% of their

accumulated overseas profits, that would be a bigger economic stimulus than the \$1 billion tried in your first term.

Within the last 5 years, the U. S. has become one of the world's largest producers of crude oil and natural gas. With no incentive from the U. S. government, and despite punishing new EPA regulations at every turn, energy companies have used new drilling technology, referred to as fracking, to grow our energy production. There are many steps the U. S. can do to help this industry grow even faster and bigger, creating new jobs and opportunities. First, remove export restrictions so the energy companies can sell on the worldwide market. Second, increase the pace of approval of offshore oil leases. The U. S. has the potential to become the world leader in energy production, generating thousands of good paying jobs in America.

Summary

The root cause of the weak U. S economy has been a decline in jobs, which has depressed consumer stimulation of the U. S economy. The decline in jobs can be traced, in large part, to increasingly restrictive fiscal policy which has forced U. S companies to move assets and resources to more economically friendly countries. Instead of growing and investing in the U. S., we have forced our best companies to grow and invest abroad. The solution is to change the fiscal policy to make it financially attractive for these companies to once more invest and grow within the U. S.

Clearly, the U. S. Economy and its many complicated facets is beyond the scope of a 5 page report. What's important, however, is to begin to see the fundamental root causes and the mindset needed to address those issues.

Works Cited

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