# Econ Updates

## Econ growing

#### Growth resilient

Christopher S. Rugaber and Paul Wiseman, AP Economics Writers, 8/6/2012, “Economy Generates 163K Jobs In Sign Of Resilience”, <http://www.mbtmag.com/news/2012/08/economy-generates-163k-jobs-sign-resilience>

WASHINGTON (AP) — The U.S. economy generated jobs last month at the fastest pace since February, a sign it is resilient enough to pull out of a midyear slump and grow modestly even as the rest of the world slows down.¶ The 163,000 jobs employers added in July ended three months of weak hiring. But the surprising gains weren't enough to drive down the unemployment rate, which ticked up to 8.3 percent last month from 8.2 percent in June — the 42nd straight month the jobless rate has exceeded 8 percent. The United States remains stuck with the weakest economic recovery since World War II.¶ The latest job numbers, released Friday by the Labor Department, provided fodder both for President Barack Obama, who highlighted improved hiring in the private sector, and Republican challenger Mitt Romney, who pointed toward higher unemployment.¶ "It's not especially weak, but it's not especially strong," said Scott Brown, chief economist at the investment firm Raymond James.¶ Investors focused on the positive. The Dow Jones industrials surged 217 points.¶ Three more monthly jobs reports will come out before Election Day, including the one for October on Friday, Nov. 2, just four days before Americans vote.¶ No modern president has faced re-election when unemployment was so high. President Jimmy Carter was bounced from office in November 1980 when unemployment was 7.5 percent.¶ In remarks at the White House, Obama said the private sector has added 4.5 million jobs in the past 29 months. But he acknowledged there still are too many people out of work. "We've got more work to do on their behalf," he said.¶ Romney focused on the increase in the unemployment rate, as did other Republicans. "Middle-class Americans deserve better, and I believe America can do better," he said in a statement.¶ The economy is still struggling more than three years after the Great Recession officially ended in June 2009. The collapse of the housing market and the financial crisis that followed froze credit, destroyed trillions of dollars in household wealth and brought home construction to a halt. Consumer spending, which accounts for 70 percent of economic output, remains weak as Americans pay down debts and save more.¶ From April through June this year, the economy expanded at a listless 1.5 percent annual pace, a slowdown from the January-March pace of 2 percent.¶ The job market got off to a strong start in 2012. Employers added an average 226,000 a month from January through March.¶ But the hiring spree was caused partly by an unseasonably warm winter that allowed construction companies and other firms to hire earlier in the year than usual, effectively stealing jobs from the spring. The payback showed up as weak hiring — an average 73,000 a month — from April through June.¶ Then came the 163,000 new jobs in July, beating the 100,000 economists had expected.¶ Now that the warm weather effects have worn off, economists expect job growth to settle into range of 100,000 to 150,000 a month.¶ That would be consistent: The economy has added an average of 151,000 jobs a month this year. But that hasn't been enough to bring unemployment down. At 8.3 percent, unemployment was as high in July as it had been in January.

## Econ declining

#### Despite other causes, jobs are key to US recovery

Frank Islam, co-author of the book Renewing the American Dream: A Citizens Guide. He is also a member of the advisory committee of the US Export-Import Bank and the Department of Commerce Industry Trade Advisory Committee, August 6, 2012, “Double Dip Recession Looms Large”, <http://www.ibtimes.co.in/articles/370665/20120806/double-dip-recession-u-s-economy-global.htm>

A less-than-stellar recovery of the U.S. economy, the inability of the euro zone to dig out of a deep financial hole and a slowdown in emerging economies point to the need for different policy approaches to avoid another global recession.¶ For the world to get out of the current financial trouble, the United States first needs to switch gears. The weakness of the U.S. economy is dragging down other economies because of its sheer size. With a gross domestic product of $15 trillion and per capita GDP of more than $48,000, the U.S. is by far the largest economy.¶ But more than three years after the Great Recession officially ended, the American economy continues to give mixed signals. While the job numbers announced Friday certainly were better than expected - U.S. employers added 163,000 jobs in July - a slight uptick in the unemployment rate to 8.3 percent, coupled with the slower growth rate in the second quarter clearly show that the task ahead is not easy.¶ ¶ Several factors are holding the United States back from making a full recovery, including a high unemployment rate, a dip in consumer spending, a dearth of business spending, and a dysfunctional U.S. Congress. Troubles in the euro zone and a slowdown in Asia are also a big factor.¶ In the aftermath of the recession, Washington had spent about $800 billion to bail out troubled giants to restore investors' confidence. According to Bloomberg News, the United States has "spent, lent or committed $12.8 trillion" to battle the recession. The corporate bigwigs that were bailed out included American International Group, Citigroup and major carmakers such as General Motors and Chrysler. In the absence of bailout packages, the entire financial system would have collapsed.¶ But despite all that, the U.S. recovery has been anemic largely because of an unemployment rate that has stayed above 8 percent since President Barack Obama took office. That's significantly higher than rate of around 5 percent that existed in December 2007 before the recession struck.

#### US econ declining now

MARTIN CRUTSINGER, AP economics writer, 8/1/12, “Federal Reserve Says U.S. Economy Is Losing Strength, Takes No New Action”, <http://www.huffingtonpost.com/2012/08/01/federal-reserve-economy-losing-strength_n_1729610.html>

WASHINGTON — The Federal Reserve said Wednesday that the U.S. economy is losing strength and repeated a pledge to try to boost growth if hiring remains weak.¶ The Fed took no new action after a two-day policy meeting. But it appeared to signal in a statement released after the meeting a growing inclination to take further steps to lift the economy out of its funk. The Fed noted that growth had slowed over the first half of the year, with job creation slackening and consumer spending tapering off.¶ The Fed reiterated its plan to hold its benchmark short-term interest rate at a record low near zero until at least late 2014.¶ Market reaction to the Fed's announcement was muted. Stocks fluctuated slightly after the statement was released and ended the day lower.¶ The Dow Jones industrial average fell 33 points to 12,976, and broader indexes also closed down. The yield on the 10-year Treasury note increased from 1.50 percent to 1.52 percent.¶ The statement was slightly different than the one issued after the Fed's last meeting, June 19 and 20.¶ In addition to noting that the economy had "decelerated," the Fed's policymaking committee said it would "closely monitor incoming information" and "will provide additional accommodation as needed" to stimulate the economy and job creation. In the June statement the central bank said "the economy has been expanding moderately" and that it "is prepared to take further action as appropriate."¶ Many economists believe the Fed could launch another program of buying government bonds and mortgage-backed securities at its September meeting if the economy doesn't show improvement. The goal of the program, known as quantitative easing, would be to drive long-term rates, which are already at record lows, even lower.¶ The Fed's next move could depend on whether the European Central Bank, which meets Thursday, takes any action to stimulate growth among the 17 countries that use the euro.¶ The next big signal on the U.S. economy's health comes Friday, when the U.S. Labor Department reports on July hiring and unemployment trends.¶ Economists forecast that U.S. employers added 100,000 jobs in July. That would be slightly better than the 75,000 a month average from April through June but still below the healthy 226,000 average in the first three months of the year. The unemployment rate is expected to stay at 8.2 percent.¶ Economists will also be watching Fed Chairman Ben Bernanke's words closely when he speaks on Aug. 31 at an annual economic conference in Jackson Hole, Wyo.¶ "The Fed took no action at this meeting but strongly hinted that there will be further easing action at the next meeting in September," said David Jones, chief economist at DMJ Advisors.¶ The statement was approved on an 11-1 vote. Jeffrey Lacker, president of the Federal Reserve Bank of Richmond, dissented for a fifth time this year. He objected to the Fed including language in the statement about keeping short-term rates low until late 2014.¶ U.S. economic growth slowed to an annual rate of just 1.5 percent from April through June. That's down from a 2 percent rate in the first quarter and a 4.1 percent rate in the fourth quarter of 2011.¶ Fed officials have signaled in speeches their concern about job growth and consumer spending. Bernanke told Congress two weeks ago that the Fed is prepared to take further action if unemployment stays high.¶ Worries have also intensified the U.S. economy will fall off a "fiscal cliff" at the end of the year. That's when tax increases and deep spending cuts will take effect unless Congress reaches a budget deal. A recession could follow, Bernanke has warned.¶ Economists also are concerned that the debt crisis in Europe could intensify. Borrowing costs are too high for many governments, including Spain and Italy, and growth is slowing across the region as the effects of budget-cutting take hold. Unemployment hit a record 11.2 percent in June for the 17 countries that use the euro currency.

#### Economic growth low now

MARTIN CRUTSINGER, AP economics writer, July 26, 2012, “Few think sluggish US economy will strengthen soon”, <http://seattletimes.nwsource.com/html/businesstechnology/2018783395_apuseconomygdp.html>

WASHINGTON —¶ A U.S. economy that plodded along in the first three months of the year likely grew even less in the April-June quarter. And most economists no longer think growth will strengthen much in the second half of 2012.¶ Weaker hiring, nervous consumers, sluggish manufacturing and the overhang of Europe's debt crisis might be pointing toward everyone's big fear: another recession.¶ Against that background, the government on Friday will issue its first of three estimates of how much the U.S. economy expanded last quarter. The consensus forecast is that growth slowed to an annual rate of 1.5 percent, according to a survey of economists by data firm FactSet. The Commerce Department will issue the estimate at 8:30 a.m. EDT.¶ A quarterly growth rate of 1.5 percent would be the weakest in a year. It would follow a meager 1.9 percent rate in the first three months of 2012.¶ Much more growth would be needed to fuel stronger hiring. Economists generally say even 2 percent annual growth would add only about 90,000 jobs a month. That's too few to drive down the unemployment rate, which is stuck at 8.2 percent.¶ The U.S. economy has never been so sluggish this long into a recovery. The Great Recession officially ended in June 2009.¶ Until a few weeks ago, many economists had been predicting that growth would accelerate in the final six months of the year. They pointed to gains in manufacturing, home and auto sales and lower gas prices.¶ But threats to the U.S. economy have left consumers - who account for about 70 percent of the economy - too anxious to spend freely. Jobs are tight. Pay isn't keeping up with inflation. Retail sales fell in June for a third straight month. Manufacturing has weakened in most areas of the country.

#### Econ growth slow now

MARTIN CRUTSINGER, AP economics writer, July 27, 2012, “Unemployment could stay high as US economy slows”, <http://www.huffingtonpost.com/huff-wires/20120727/us-economy-gdp/>

WASHINGTON — High unemployment isn't going away – not as long as the economy grows as slowly as it did in the April-June quarter.¶ Weak consumer spending held growth to an annual rate of just 1.5 percent, even less than the 2 percent rate in the first quarter. And few expect the economy to accelerate in the second half of the year as Europe's financial woes and a U.S. budget crisis restrain businesses and consumers.¶ The growth estimate Friday from the government suggested that the U.S. economy could be at risk of stalling three years after the recession ended. Economists generally say even 2 percent annual growth would add only about 90,000 jobs a month. That's too few to keep up with population growth and drive down the unemployment rate, which is stuck at 8.2 percent.¶ The figures came in the Commerce Department's quarterly report on gross domestic product. GDP measures the country's total output of goods and services, from the purchase of a cup of coffee to the sale of fighter jets.¶ "The main takeaway from today's report, the specifics aside, is that the U.S. economy is barely growing," said Dan Greenhaus, chief economic strategist at BTIG LLC. "It's no wonder the unemployment rate cannot move lower."

#### Global economic crisis now

Nick Beams, a member of the International Editorial Board of the World Socialist Web Site, and an internationally-recognised expert on Marxist political economy, August 6, 2012, “Growing Signs of a Global Economic Slump”, <http://www.globalresearch.ca/index.php?context=va&aid=32228>

The impact of the continuing crisis of the euro zone is spreading outwards through the global economy, bringing signs of a gathering world slump.¶ In the United States, the announcement that jobs had increased by 163,000 last month was greeted as the sign of an uptick, but the unemployment rate increased from 8.2 to 8.3 percent even as the number of people in the labour force fell by 150,000. In the longer term, even if the economy continues to grow, the rate of expansion will not be sufficient to bring down unemployment levels.¶ In a recent update on the US economy, the International Monetary Fund said it would grow at a “tepid pace” of around only 2 percent. Already the US is experiencing the worst “recovery” of any period since World War II and, according to the IMF, “the outlook remains difficult.”¶ ¶ The IMF warned that the US faced “negative risks” stemming from a “further deterioration of the euro debt crisis,” which would lower the demand for exports and impact on financial markets. The economy would also be hit by any failure to reach an agreement on raising the US debt ceiling.¶ The head of the IMF US team, Gian Maria Milesi-Ferretti, said “fiscal consolidation”—cuts in government spending—combined with a fall in household credit would continue to slow the US “recovery” in the near future, and that the “US contribution to global demand will be lower than what we saw before the financial crisis.”¶ The continued expansion of the Chinese economy played a major role in lifting the world economy out of recession in 2008-2009, but it will not be able to play the same role in the future.¶ Recent data show that the Chinese economy grew by 7.6 percent for the second quarter, the slowest pace in three years, amid numerous indications that the rate could fall further. One of the key factors in sustaining the Chinese economy after the financial crisis of 2008 was the fiscal stimulus provided by the government—estimated to be more than $500 billion—and the increased credit provided by the banks. But these policies are not likely to be repeated.¶ Prior to the financial crisis, the major imbalance in the Chinese economy was its trade surplus. Today the current account surplus is a third of what it was in 2007. However, a new imbalance has emerged, with the economy heavily dependent on investment, which is now running at around 50 percent of gross domestic product, and consumption spending at just 35 percent.¶ The Chinese economy and Asian economies more broadly are being heavily impacted not only by the slow growth in the US but also by the crisis in Europe. “The problems in Asia that are causing the slowdown come predominantly from outside the region,” Rob Subbaraman, chief economist for Asia at Nomura in Hong Kong, told Reuters. “Europe is bigger than the US as an export market for most Asian countries and it’s a bigger investor in the region.”¶ Operating on low profit margins, Chinese firms, especially those in manufacturing, are being hard hit by the slowdown in growth. Chinese steel companies have recorded a 96 percent plunge in their profits for the first half of the year, turning the sector into what one industry newspaper described as a “disaster zone.” Zhu Jimin, chairman of the China Iron and Steel Association, said that the weakening demand for steel had been brought on by “a big drop in investments in property and also in railways, cars and ships” in the first half of the year.¶ The downturn extends throughout manufacturing, with profits at the state-owned enterprises, still a major component of the Chinese economy, falling 11.6 percent in the first six months of the year, the worst showing since the eruption of the global financial crisis in 2008.¶ The official factory purchasing managers’ index (PMI) fell to 50.1 points in July, down from 50.2 in June, the lowest level in eight months. The figures showed that while factory output had expanded slightly—anything above 50 indicates growth—new orders and exports experienced a decline.¶ The slump in manufacturing is steepest in Europe, where the Markit Purchasing Managers’ Index dropped to 44 in July, down from 45.1 in June, to reach its lowest level since June 2009. Significantly, the decline is not confined to the debt-ridden countries. Markit chief economist Chris Williamson said the rates of decline for Germany and France were the fastest for more than three years.¶ Britain has now entered its second recession in four years, with the economy contracting by 0.7 percent in the June quarter, largely due to government spending cuts and the turmoil in the euro zone. The fall in the Markit PMI for the UK to 45.4 in July points to a further decline.¶ Markit economist Rob Dobson commented: “The domestic market shows no real signs of renewed life, while hopes of exports charting the course to calmer currents were hit by our main trading partner, the euro zone, still being embroiled in its long-running political and debt crises.” Companies have scaled back their operations to the levels reached in March 2009 in the midst of the global financial crisis.¶ A measure of the overall global situation was provided by the JPMorgan Global Manufacturing PMI. It fell to 48.4 in July from its level of 49.1 in June. JPMorgan said more jobs losses could be on the way. “Recent cost reductions are providing some respite, but this will be of little long-term benefit if underlying demand fails to pick up,” a spokesman for the company warned.¶ The fall in economic activity to levels not seen since the recession that followed the eruption of the financial crisis in 2008 is significant in itself. But the situation is even more serious given the fact that all the measures aimed at providing economic stimulus since then, including the trillions of dollars handed out to the banks, have failed to provide any lasting solution. In no country do the ruling financial and political elites have any policies capable of bringing about an economic upturn. On the contrary, they are all focused on intensifying their attacks on the social position of the working class.

## Alt causes to decline

#### Alt cause to unemployment – immigration policies

RT, Russian news channel, August 4, 2012, “Strict US immigration policies contribute to high unemployment”, http://rt.com/usa/news/us-immigration-economy-visa-education-863/

As the US struggles with prolonged high unemployment, the country’s immigration service is protecting American jobs by forcing foreign workers out of the country. Experts say these policies actually raise – not lower – jobless rates.¶ Some 720,000 foreign students are currently studying in the US, but this privilege comes at a cost. International students at the university level pay tuition rates around three times higher than in-state students. And after paying tens of thousands of dollars to US colleges, many of these students are forced to return to their native countries, taking their talents and skills with them.¶ It’s called ‘reverse brain drain,’ and it’s a hotly debated subject, especially since some of the most successful global entrepreneurs hail from countries outside the United States.¶ “We found out recently that about half of the top 50 venture-funded companies had at least one immigrant founder. So if you keep such people out, you have less job creation and less innovation in the US,” Executive Director of the National Foundation for American Policy Stuart Anderson told RT.¶ Others argue that the topic isn’t quite so straightforward. Those who support a more flexible US immigration policy are frequently opposed by Americans who fear that a more liberal approach to work visas would take jobs away from deserving domestic workers.¶ The controversial H1-B visa allows highly skilled immigrants to work for technology companies in the US. Supporters of the visa program argue that the US has a dire shortage of engineering talent. Those who oppose the H1-B visa claim the engineering shortage simply doesn’t exist, and that America should close its doors to foreign workers.¶ Yet refusing visas to talented entrepreneurs also prevents new jobs from being created in the first place, leaving many wondering whether America’s policies are harming the country’s workers, and the economy.¶ ‘When one door closes, another opens'¶ The founder of Snapdeal.com, India’s largest e-commerce company, knows the struggles of the US visa process better than most. ¶ After completing an Ivy League education, Kunal Bahl’s visa application was rejected by the US immigration department. Bahl was forced to return home, taking his business plans with him. Upon arriving in India, he opened Snapdeal.com, which became a near-overnight success.¶ “We have 16 million users. One out of six internet users [in India] is registered on Snapdeal, and this is growing by one million per month. By the end of the year, we’ll reach 25 million users. We are the highest trafficked e-commerce site in India,” Bahl told RT.¶ Bahl’s success allowed him to hire 300 employees based in India. If Bahl had been allowed to stay in America after graduating, US citizens would be occupying those positions.¶ His case is far from unusual – Indian nationals are the immigrant group hardest-hit by American visa denials.¶ Eleven percent of Indian applicants were denied work visas last year, while only around 3 percent of applicants from countries like Germany and the UK were rejected for the same type of visa, RT correspondent Priya Sridhar reports.¶ Current US law limits any country from being granted more than 7 percent of the total number of green cards issued each year. This generally results in a higher rejection rate for residents of larger countries like India and China.¶ Many argue that this policy is discriminatory, since it limits applicants based on their nationality, not their merits. In an editorial in Forbes, immigration policy analyst David Bier called the policy “senseless and unjust.”¶ As America closes its doors to foreign entrepreneurs, it just might be worsening its own unemployment crisis.

## Investor confidence high

#### Investor confidence in the US high now

Hibah Yousuf, reporter at CNNMoney, where she covers stocks, bonds, commodities and currencies trading across the globe, as well as corporate earnings and other markets-related news, August 5, 2012, “Investors have said it all: U.S. is still AAA to us”, http://buzz.money.cnn.com/2012/08/05/aaa-downgrade-treasuries/

The United States lost its pristine AAA credit rating a year ago Sunday, but you wouldn't know it by looking at the Treasury market.¶ "The telltale sign was day one: Standard and Poor's downgraded the U.S. credit rating on a Friday night, and Monday morning, U.S. Treasuries exploded," said Paul Montaquila, head of fixed-income trading at the Bank of the West. "Since then, it's been a year of relentless purchasing and incredible demand for U.S. Treasuries."¶ Yields on U.S. government debt across all maturities have hit record lows in the post-AAA world as investors' enthusiasm for Treasuries intensified amid a tepid U.S. economic recovery, a growing European debt crisis and slowing growth in emerging markets, particularly China.¶ In recent weeks, the yield on the 10-year Treasury note has fallen to a record low below 1.4% from 2.6% a year ago. The 30-year yield has dropped to less than 2.5% from almost 4% last August. As investors buy Treasuries and drive up the price, yields decline.¶ "When there is a lot of turmoil and unease in financial markets, investors look for a safe haven," said David Coard, head of fixed income sales and trading at The Williams Capital Group. "Investors have said it all. In their minds, the U.S. is still worth a AAA rating and U.S. Treasuries continue to be the premier safe haven."¶ Central banks around the world have also helped push down Treasury rates. Since October, the Federal Reserve has been purchasing longer-dated Treasury bonds in an effort to keep long-term borrowing costs low for Americans and their businesses.¶ China and Japan, the two largest foreign holders of Treasuries, have also continued to buy up U.S. debt. China holds nearly $1.2 trillion of Treasuries, while Japan boasts $1.1 trillion, according to the latest Treasury International Capital report.¶ Ever since the 2008 financial crisis rocked financial markets around the world, investors have been increasingly willing to accept even record low yields in return for the safety and liquidity of the $10.5 trillion Treasury market.¶ And that trend will likely continue.

## Private sector high

#### Private sector strong now

Christopher S. Rugaber and Paul Wiseman, AP Economics Writers, 8/6/2012, “Economy Generates 163K Jobs In Sign Of Resilience”, <http://www.mbtmag.com/news/2012/08/economy-generates-163k-jobs-sign-resilience>

Government cutbacks continued to weigh heavily on the job market. The economy lost 9,000 government jobs last month and 660,000 over the past two years.¶ Private companies have picked up part of the slack. In fact, private payrolls are higher now than they were when Obama took office in January 2009.¶ In July, private sector job gains were broad-based. Manufacturing added 25,000 jobs, the most since March. Restaurants and bars added 29,000. Temporary help services added 14,100 jobs. Retailers hired 7,000 more workers. Education and health services gained 38,000.¶ Tania Dougherty, owner of the Little Wine Bus in New York, has two tour guides and wants to hire at least three more because more companies are booking her daylong winery tours for employee outings.¶ After the financial crisis hit in 2008, companies cut back on bonuses, raises, vacation days and other perks, Dougherty said. But employers are now recognizing they need to spend more money on their workers to retain them, she said.¶ "They want to show them a good time," Dougherty said. "People are working longer hours. It's a way to reward employees. They deserve the day out, and companies are realizing that."

## Random cards

#### Obama will lose based on the economy – empirics prove

MARTIN CRUTSINGER, AP economics writer, July 27, 2012, “Unemployment could stay high as US economy slows”, <http://www.huffingtonpost.com/huff-wires/20120727/us-economy-gdp/>

The lackluster economy is raising pressure on President Barack Obama in his re-election fight with Mitt Romney, the presumptive Republican presidential nominee. But few think the Fed, the White House or Congress can or will do anything soon that might rejuvenate the economy quickly. Many lawmakers, for example, refuse to increase federal spending in light of historically large budget deficits.¶ No president since Franklin D. Roosevelt, in the depths of the Great Depression, has been re-elected when the unemployment rate exceeded 8 percent. Presidents Jimmy Carter and George H.W. Bush were ousted when unemployment was well below 8 percent.¶ Polls show that management of the economy is the only issue on which those surveyed express more confidence in Romney, with his business background, than Obama.

#### Stock market doesn’t reflect the economy

Rick Bloom, columnist and financial adviser, August 2, 2012, “Stock market no longer reflects U.S. economy”, http://www.hometownlife.com/article/20120802/NEWS24/208020499/Stock-market-no-longer-reflects-U-S-economy?odyssey=mod%7Cnewswell%7Ctext%7CRoyal%20Oak%7Cs

At a recent seminar I was discussing the economy and explaining that the U.S. economy is weak and this has been the slowest recovery in a generation. I also discussed the current high unemployment rate and that I didn't see any change in the near future. I also believe interest rates would remain low for at least another year.

As I was going on, a gentleman asked me how, if everything I said was true (which he agreed with), that the stock market could go up. His philosophy was if the economy was having difficulties, why wasn't it reflected in the stock market?

My answer was simple; the stock market no longer reflects the U.S. economy.

Go back 20-30 years ago, the economy was totally different than it is today. For example, if you go back 30 years ago and look at how many cars General Motors sold in China, it would be negligible at best. Fast forward to today and GM sells more cars in China than it does in the United States.

GM example

Thirty years ago, the United States was by far the largest auto market in the world; today, it's China. The reality is we no longer live in an American economy, we live in a world economy. Goods and services go across country borders like you and I cross city limits. That is why when you look at our economy, it doesn't necessarily reflect the stock market.

Many of the companies listed on the stock market do a good portion of their business outside of our country. They may be American companies but their revenues are generated from abroad. That is why it is possible for the U.S. economy to be sluggish while at the same time companies are doing well. They no longer solely depend upon the U.S. market for their profits. Companies like McDonalds, GM and Dow need foreign markets to remain profitable.

Another reason there is sometimes a disconnect between the stock market and the economy is because of technology. The advancement of technology in the work force has changed dramatically over the last 20 years. It's hard to remember when stores didn't have scanners or where you could just pay at the pump without having to go into the gas station. Technology has revolutionized the way we live our lives and run our businesses. The result is that companies and businesses don't need as many employees as they used to.

Sequester coming without last-minute deal in a partisan Congress

Samuelsohn and Raju, 8/7 (Darren Samuelsohn, senior energy & environment reporter for POLITICO Pro, graduated from Univ of Missouri School of Journalism, and Manu Raju, senior congressional reporter at POLITICO, won multiple journalism awards for feature writing and spot-news reporting, is a graduate of the University of Wisconsin, 8/7/12, “Obama’s hand forced on sequester,” Politico, http://www.politico.com/news/stories/0812/79460.html)

Legislation Obama signed into law Tuesday will force him to detail early next month how he’d make the first phase of $1.2 trillion in spending cuts across the federal budget, from defense to education to the environment. Sure, Obama gets to spare the likes of Social Security, Medicaid, Medicare and Pell Grants. But everything else could get whacked by the $109 billion in cuts set to begin in January, absent a last-minute deal with a divided Congress. The automatic reductions are a consequence of the congressional supercommittee’s failure last year to reach a deficit-slashing deal. (Also on POLITICO: OMB to work on sequestration issues) The stakes couldn’t be higher: Combined with the January expiration of the Bush-era tax cuts, the first year of automatic reductions could send the country back into recession, economists warn. Companies could begin scaling back their employment rolls once they learn the precise nature of the planned cuts from the Obama report. And there’s no way to whack the budget without making somebody mad. Longtime Democratic allies are trying to protect cherished domestic programs. Republicans — and Defense Secretary Leon Panetta — are warning that national security programs are in peril, and the GOP is already highlighting the potential loss of military jobs in battlegrounds such as Colorado, Florida, New Hampshire and Virginia. “It’s going to be a hell of a Labor Day,” said Jim Dyer, a former GOP staff director to the House Appropriations Committee, estimating the date the White House Office of Management and Budget will issue its report that details programs and projects targeted for cuts on Jan. 2, 2013. “You put specifics out there, and each cut is a story unto itself. It’s an unenviable position to be in.” That’s precisely why many Republicans are urging Mitt Romney to avoid specifics on which programs he’d slash as the campaign season heads into its final stretch. “Why would you want to go out on a limb and say, ‘I’m for this and this and this specific thing?’” said Sen. Chuck Grassley (R-Iowa). “You ought to do like [Ronald] Reagan did, if you want to be president of the United States, have a few big things and talk about them.” For their part, White House officials don’t sound worried about releasing details of spending cuts, noting those can be skirted — if Republicans make concessions on taxes. “Congress must act to avoid these devastating cuts & ask wealthiest to pay fair share,” White House deputy press secretary Amy Brundage wrote Tuesday on Twitter in announcing the president’s signature on the law. But among Democratic lawmakers, fears are mounting over the impact of the spending cuts. Congressional Democrats lined up behind the bill that requires the Obama report, which passed nearly unanimously last month in the House and by voice vote in the Senate. The Office of Management and Budget has 30 days to issue the report now that Obama has signed the bill into law.

GOP and Dem compromise over deal to prevent sequester is coming

Samuelsohn and Raju, 8/7 (Darren Samuelsohn, senior energy & environment reporter for POLITICO Pro, graduated from Univ of Missouri School of Journalism, and Manu Raju, senior congressional reporter at POLITICO, won multiple journalism awards for feature writing and spot-news reporting, is a graduate of the University of Wisconsin, 8/7/12, “Obama’s hand forced on sequester,” Politico, http://www.politico.com/news/stories/0812/79460.html)

Republicans, who had been hammering the Obama administration for months to detail the potential defense cuts, won Democratic support after they agreed to include in the bill provisions requiring the White House also to spell out how it would implement the domestic program cuts. Sen. Patty Murray (D-Wash.), who supported the Senate’s version, said she hopes the report will pressure both parties to cut a last-minute deal that includes new revenues for the government. “I think we all need to step back,” Murray told POLITICO. “Sequestration was never written into law to be enacted. It was written into the bill last August in order to force both sides to the table. Nobody should be saying it’s going to happen, but what we all ought to be saying is how do we get to a balanced approach so it doesn’t go into effect.” “I think what the president’s report will do will add to that, of why we should not go to sequestration and why we need a balanced, fair approach,” she added. Sen. Lindsey Graham (R-S.C.) said Obama and the GOP would each benefit politically if they cut an election-year deal that would create more certainty in the economy and at the Pentagon. “I think this whole issue is going to impact the campaign,” said Graham, citing the prospective layoff notices from companies that rely on federal spending. “I will work with him to solve it. … He gets the benefit from solving the problem, so do we.” Graham — who is touring swing states with Republican Sens. Kelly Ayotte of New Hampshire and John McCain of Arizona warning about the impending defense cuts — said the OMB report would be the first big step toward cutting a deal. Striking a compromise in an election year is no easy task. Graham, McCain and Ayotte have floated the possibility of raising some revenues by ending certain tax deductions, but many Republicans are steadfastly opposed to the idea. And the trio is also calling for a deal that includes some cuts to entitlements such as Medicare, an idea that causes the Democratic base to recoil. “The sooner we get a detailed description of what comes the way of the country — the Defense Department and non-defense — the better off the country is,” Graham said. Obama aides also would prefer that they don’t get to the sequester. Testifying last week to the House Armed Services Committee, OMB Director Jeffrey Zients said “no amount of planning” would mitigate what “by design, is bad policy.” “The right course is not to spend time moving around rocks at the bottom of a cliff to make for a less painful landing,” he said. “The right course is to avoid driving off the cliff altogether.” But Obama officials have started planning, just in case. Zients sent out a memo last week telling federal agencies to begin discussions on what’s next if they get hit with the cuts — and some departments are already assembling their plans. “The entire administration will be prepared,” White House press secretary Jay Carney told reporters last month. Sequestration amounts to a “meat ax” and “doomsday mechanism” by requiring about $55 billion in Defense Department cuts in the first year, Panetta has said repeatedly. Pentagon officials predict hiring freezes, furloughs, less training for U.S. troops in Afghanistan and even the potential for denial of medical services to veterans. <http://www.politico.com/news/stories/0812/79460_Page3.html#ixzz23AEsNxgy>

#### Fiscal cliff coming in 2013 – we must reduce spending now to avoid a market meltdown

Rattner 8/7 (Steven - former Treasury official in the Obama White House and now chairman of Willett Advisers, “Fiscal Cliff: “Major Market Meltdown” Expected If Congress Does Nothing, Says Steven Rattner”, Daily Ticker – Bernice Napach, 8/7/12, <http://finance.yahoo.com/blogs/daily-ticker/fiscal-cliff-major-market-meltdown-expected-congress-does-105100370.html>)

In less than five months the U.S. economy will face one of its toughest tests yet: a massive tax increase coupled with big spending cuts if Congress fails to act. This so-called fiscal cliff involves almost $3 trillion in tax increases and almost $1 trillion in spending cuts over the next 10 years beginning in 2013.¶ The Congressional Budget Office forecasts another recession if Congress fails to act.¶ Steven Rattner, a former Treasury official in the Obama White House and now chairman of Willett Advisers, told The Daily Ticker a major market meltdown would follow if the economy goes over that cliff.¶ He likened the situation to a car going 80-miles-an-hour in a 40-mile-per-hour zone. "If you slam on the breaks you go through the windshield. That's effectively what would happen to the economy not just because of all the changes that would occur in the federal budget but also because markets would be destabilized," Rattner says. "You would have a major market meltdown."¶ He prescribes a moderate, gradual deceleration instead. But is Congress capable of doing that -- or anything at all?¶ Rattner says this Congress has passed the fewest laws than any other Congress in modern history—about two-thirds less than the "do-nothing" Congress during Harry Truman's presidency.¶ Rattner doesn't expect any Congressional action between now and early next year, when the tax cuts and spending cuts begin to take effect. He says the market will be okay with that.¶ After the election, however, expectations change.¶ "New congress, new president. Give them six months to work this out," Rattner says.¶ He expects there will be a compromise.¶ "No one party is going to control two houses of Congress plus the White House in sufficient numbers to do what they want to do."

#### Congress has reached a temporary compromise – funding freeze until after the election

FT 8/6 (Eric Pianin, “Fiscal Cliff Looms Large As Congress Leaves Town”, Fiscal Times, 8/6/12, <http://www.thefiscaltimes.com/Articles/2012/08/06/Fiscal-Cliff-Looms-Large-As-Congress-Leaves-Town.aspx#page1>)

Chastened by last summer’s experience, neither party appears willing to risk a government shutdown or another fiscal crisis before the crucial November election, when voters determine which party controls both the White House and Congress beginning next year.¶ Last week, Obama, Boehner and Senate Majority Leader Harry Reid, D-Nev., agreed to put off for six months approval of the fiscal 2013 budget and avoid a government shutdown under a continuing resolution. That deal will fund the government at its current $1.047 trillion level. “This agreement . . . provides stability for the coming months, when we will have to resolve critical issues that directly affect middle class families,” Reid said.¶ With few exceptions, the two parties will attempt to preserve the status quo through the November election – and then decide whether it makes sense to make quick deals on the budget and taxes or wait until a new Congress and possibly a new president take office next January.¶ One of those exceptions surfaced late last week, when the Senate Finance Committee approved a bipartisan bill that would prevent the Alternative Minimum Tax from impacting millions more taxpayers next April. The ATM was originally designed to make sure wealthy Americans didn’t escape paying taxes, but over the years it’s added to the tax burden of millions of upper middle-income families and individuals.¶ The Finance Committee measure would also extend or revive nearly 50 tax breaks for businesses and individuals, including a credit for conducting research and development. Finance Chairman Max Baucus (D-Mont.) and the panel’s ranking member, Sen. Orrin Hatch (R-Utah), suggested the committee’s work showed that Democrats and Republicans could still work together on the charged issue of taxes. And Baucus expressed hope that the two sides could come together on big-ticket issues like the Bush-era tax rates and looming automatic spending cuts.

#### Fiscal Discipline coming now - cuts

Culhane 8/5 Patty Culhane White House correspondent for Al Jazeera English America Meet Austerity 08/05/2012http://www.huffingtonpost.com/patty-culhane/budget-sequester-austerity\_b\_1732923.html

I also hate the word austerity. It just isn't used in everyday conversation, which is what we TV talkers strive for. Now, they bring me "sequestration". I know -- doesn't it just roll off the tongue? Up until now, it was only ever used to describe a U.S. trial jury being kept in hotel rooms. Still, it's all the talk at the White House, Capitol Hill and increasingly in communities across America.? To put it simply, it's called sequester because it's an automatic cut. It means government programs that people depend on will lose funding, but members of Congress won't have to face TV ads from potential opponents that say "he voted to cut food stamps... etc." Can't you just picture the video of hungry children?? This is all happening because of last year's debate over raising the debt ceiling. At the time, Republicans demanded deficit reduction. They got it, but now the idea of cutting one trillion dollars over ten years has lawmakers in a tizzy. What could happen? As politicians and bureaucrats tell it, another recession is likely, and public safety will be jeopardised. In case you weren't picking up on those subtleties, they describe it as the country falling off a fiscal cliff. The sky will fall. OK, no one has actually said that, but that is the tone they are using.

Fiscal Discipline coming now – more spending kills it and causes a downgrade

Mullaney 8/3 Tim Mullaney, USA TODAY A year after downgrade, S&P's view on Washington unchanged

http://www.usatoday.com/money/economy/story/2012-08-03/us-debt-downgrade-one-year/56832980/1

"We have put concrete ideas on the table that will solve the problem," said Toomey. He said supercommittee Republicans were willing to support new revenue, mostly from asset sales and limiting itemized deductions, in exchange for spending cuts and a 20% cut in top tax rates.? "The political dysfunction remains," Van Hollen says. "You have a refusal of congressional Republicans to support a balanced approach to reducing the deficit."? Democrats offered $6 of spending cuts per dollar in tax hikes, Van Hollen says. That's more than called for in the Simpson-Bowles deficit-reduction plan and would allow short-term spending to stimulate the economy, he says.? S&P is still bearish on politicians. Chambers won't discuss either side's proposals, except to rebut Toomey by saying "there's no credible scenario where we grow our way out of this."? On June 8, S&P issued another warning: There's a 1-in-3 chance it will cut the U.S. rating again by 2014.

Downgrades – neg

Congressional agreement to postpone all new spending to 2013

Erik Wasson, staff writer for The Hill, On the Money, “Frustrated appropriators hoping to salvage work on spending bills”, 8/5/12, http://thehill.com/blogs/on-the-money/appropriations/242245-frustrated-appropriators-hoping-to-salvage-work-on-spending-bills

The congressional spending committees are known as among the hardest working in Congress, despite the fact that partisan gridlock often means their 12 annual bills do not get enacted and stopgap measures are used instead. This year their members are described as “very, very” frustrated that countless hours of work have likely been wasted, and they are searching for relevance in the coming months of spending talks. On Tuesday, House Speaker John Boehner (R-Ohio) and Senate Majority Leader Harry Reid (D-Nev.) struck a deal to punt 2013 spending decisions until next March. They announced Congress will simply extend current funding for six months after the government’s funding runs out Sept. 30. House and Senate appropriators had separately crafted almost all of their 2013 bills, and they will be legally irrelevant in the next Congress. The House passed 6 of its 12 bills and devoted 81 hours to debating them on the floor, often late into the night. The House Appropriations Committee marked up 11 of 12 bills at the full committee level and 12 of 12 at the subcommittee level. “They represent nearly a year of work,” Appropriations Committee Chairman Hal Rogers (R-Ky.) said Friday. “We put a lot of effort into those bills.” He noted that the bills end 166 programs entirely that the committee deemed wasteful. The Senate did not take up any bills but Senate appropriators moved 11 of 12 through the committee this year. It even acted on two of the bills after the Reid-Boehner deal was already announced. Senate Appropriations Committee Chairman Daniel Inouye (D-Hawaii) appeared vexed this week when asked about the six-month continuing resolution. He said he believes in “regular order.”

Downgrades - aff

260 billion increase in government spending planned for September

Ray Bjorklund is vice president and chief knowledge officer at Herndon-based Deltek, which conducts research on the government contracting market, Washington Post, “Deltek: Fourth-quarter spending rush may be larger than last year”, 8/5/12, http://www.washingtonpost.com/business/capitalbusiness/deltek-fourth-quarter-spending-rush-may-be-larger-than-last-year/2012/08/05/3da818c4-d81d-11e1-b8ce-16e9caa8b86a\_story.html

For government procurement officials, right about now is when the rubber meets the road. The fiscal year follows a predictable — but not easy — pattern for procurement officials. Early in the year, they face significant uncertainty about how much money Congress will appropriate for them and when. And then over the course of the year, program managers may hold back on sending in requirements and contracting officials at times hold back on purchases. Politicians may argue over funding. By the fourth quarter, there’s pent-up demand and a rush to spend. One-third of government spending typically happens in the fourth quarter. In fiscal 2011, the peak was less dramatic. At the start of the fourth quarter, the federal procurement system had spent approximately 70 percent of its contracting dollars. This year, however, could be a much different story. It’s difficult to measure precisely — the government is not particularly transparent about how much money remains in the federal treasury — but Deltek’s analysis shows that nearly half of contract dollars remain unspent. The spending still to come could potentially total $260 billion. Government contractors should be prepared to take advantage of this rush. The rapid pace of fourth-quarter procurement typically means quick turnaround times; this year’s unusually heavy pent-up demand may mean companies that don’t prepare will watch fast opportunities pass them by. Companies should be aware that even the fourth quarter follows a pattern — a burst of buying for the first two weeks, followed by a slower but still accelerated pace, then a final flurry of activity before the last two weeks of the quarter. During those last two weeks, spending slows as most procurement officials are reluctant to start any new acquisition paperwork because they haven’t finished the stack in front of them. Even so, anecdotal tales of last-minute orders near midnight on Sept. 30 — the final day of the fiscal year — are not a myth. They happen every year. And in fiscal 2012, with nearly half of contract spending left to go, they could be even more common.

A2 “continuing resolution” –

Spending still happens during the continuing resolution

The Senate did not take up any bills but Senate appropriators moved 11 of 12 through the committee this year. It even acted on two of the bills after the Reid-Boehner deal was already announced. Senate Appropriations Committee Chairman Daniel Inouye (D-Hawaii) appeared vexed this week when asked about the six-month continuing resolution. He said he believes in “regular order.” Inouye shares Rogers’s frustration, an aide said, given the work that went into the bills. The defense bill alone targets 475 programs for waste, the aide noted. Ranking member Sen. Thad Cochran’s (R-Miss.) ire boiled over as soon as the continuing resolution was announced. “Agreeing to put the government on autopilot for six months is no great achievement,” he said. “Our committee members have done the work of scrutinizing budgets, holding hearings, and drafting bills. Those bills deserve to be considered by the Senate, negotiated with the House and sent to the President as soon as possible.” According to a GOP aide, a six-month CR doesn't preclude appropriations activity in the interim. It still leaves lawmakers needing to fund the government for the remainder of the year. Nothing is off the table, the aide said. In the coming months, Sen. Cochran will continue to look for opportunities to advance appropriations measures that make conscious choices about spending on individual programs, and which contain the kind of detailed oversight and policy provisions that reflect the appropriate role of Congress in controlling the federal purse strings, the aide said. Rogers told the Hill Friday that he hopes the 12 bills can at least become negotiating markers when Congress finally gets around to settling 2013 spending, months after the fiscal year begins. He also raised the possibility that the bills themselves could still make it into law. “Just because we did a CR that lasts until March, doesn’t mean we can’t pass bills before that,” he said.

No consumer spending now

Bloomberg, “Consumer Spending In U.S. Was Unchanged In June”, Shobhana Chandra, 7/31/12, http://www.bloomberg.com/news/2012-07-31/consumer-spending-in-u-s-was-unchanged-in-june.html

Losing Steam

The June results indicate the consumer was losing steam as the quarter drew to a close. Household spending rose 1.5 percent from April through June, the slowest pace in a year, according to government data last week. Gross domestic product also climbed at a 1.5 percent annual rate, cooling from a 2 percent pace in the prior three months.

Retail sales fell in June for a third straight month, the longest period of declines since 2008. Same-store purchases rose less than analysts’ estimates at chains like Target Corp. (TGT) and Macy’s Inc. (M)

Coach Inc., the largest U.S. luxury handbag maker, today reported fiscal fourth-quarter revenue that trailed analysts’ estimates. Sales at North American stores open at least a year advanced 1.7 percent, compared with a gain of 10 percent a year earlier. Adjusting consumer spending for inflation, which renders the figures used to calculate gross domestic product, purchases dropped 0.1 percent, the most since August, after a 0.1 percent increase in the previous month, today’s report showed.