



OFF THE NEWS

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A Tale of Two Economies

I. “The decisions that we made to rescue our economy, to rescue the auto industry, to build the economy to a new foundation, to invest in research and infrastructure, education—all those things are starting to pay off.”

—President Barack Obama, July 14

II. “Faith in the American dream is eroding fast. The feeling is that the rules aren’t fair and the system has been rigged in favor of business and against the average person. The share of financial compensation and outputs going to labor has dropped to less than 60 percent today from about 65 percent before 1980.

“Why haven’t increases in labor productivity translated into higher household income in private employment? In part because of very low rates of capital spending on new plant and equipment over the past five years. In the 1960s, only one in twenty American men between the ages of 25 and 54 was not working. According to former Treasury Secretary Larry Summers, in ten years that number will be one in seven.

Mort Zuckerman

“The lack of breadwinners working full time is a burgeoning disaster. There are 48 million people in the United States in low-wage jobs. Those workers won’t be able to spend what is necessary in an economy that is mostly based on consumer spending, and this will put further pressure on growth. What we have is a very high unemployment rate, a slow recovery and across-the-board wage stagnation (except for the top few percent). According to the Bureau of Labor Statistics, almost 91 million people over age 16 aren’t working, a record high. When Barack Obama became president, that figure was nearly 10 million lower.

“The great American job machine is spluttering. We are going through the weakest post-recession recovery the United States has ever experienced, with growth half of what it was after four previous recessions. And that’s despite the most expansive monetary policy in history and the largest fiscal stimulus since World War II.”

—Mort Zuckerman, Chairman and Editor, U.S. News and World Report, July 2014



Barack Obama



What Bubble?

“In Spain, where there was a debt crisis just two years ago, investors are so eager to buy the government’s bonds that they recently accepted the lowest interest rates since 1789.

In New York, the Art Deco office tower at One Wall Street sold in May for \$585 million, only three months after the going wisdom in the real estate indus-

try was that it would sell for more like \$466 million, the estimate in one industry tip sheet.

In France, a cable television company called Numericable was recently able to borrow \$11 billion, the largest junk bond deal on record—and despite the risk usually associated with junk bonds, the interest rate was a low 4.875 percent.”

—New York Times