Rolla Daily News

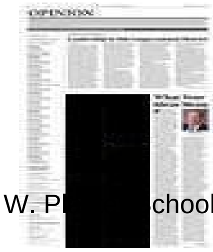
Publication Date: 10/14/2020 Page Number: 4

Title: Like It or Not, It Is Time for Action

Author:

Size : 61 Inches Sq Rolla,MO Circulation: 4920

Keywords: Lindenwood University ~ Dr. Rik W. Hafer ~ Hammond Institute ~ Robert W. Pl [redacted] chool of Busi



Like It or Not, It Is Time for Action

Whoever wins the upcoming Presidential election, whichever party takes control of the House and Senate, our elected officials will face a formidable task. Obviously they will face the immediate social and economic effects of the ongoing pandemic. They also will confront an economic outlook that requires enacting policies that go beyond currying votes for the next election.

Events related to the pandemic produced one of the sharpest downturns in U.S. economic history. Output has and will continue to bounce back. But even though the current quarter's growth rate will look impressive, the actual level of output will remain well-below where it was nine months ago.

With output remaining well-below its full-employment or potential level, the labor market will not rebound. Job growth always lags output growth coming out of a downturn. Moreover, many companies have discovered how to produce its goods with fewer employees by using new technologies. Once the pandemic has passed, these structural changes will depress job growth.

So while real GDP growth may look like its recovering ground, don't expect to see immediate job growth across the economy. The headlines reflect this: Shell oil is cutting 9,000 jobs; Disney slashing 28,000 from its payrolls; Allstate shedding 3,800 jobs. And this list is far from incomplete.

This all means that Congress needs to refocus its efforts on providing additional relief to the economy. Dithering until the election results are finalized will not help millions without jobs and small businesses unable to pay their bills.

The fallout from the pandemic will capture policymaker's attention in the immediate future. Even so, they must begin to deal with longer-term issues as well.

In late September the Congressional Budget Office released its revised long-term budget outlook. Such long-term projections—from now until 2050—are subject to much uncertainty. Even so, the CBO's estimates give us an idea how current and past policies are likely to affect our economic future.

One attention-grabbing part of the CBO's forecast is their prediction that the federal government's budget deficit will increase to nearly a permanent level of 13 percent of GDP by 2050. It is understandably high now due to government's response to the pandemic. But after receding to about 5 percent of GDP by 2030, it is expected to nearly triple by 2050. Along with the surging deficit, the debt of the federal government is projected to rise, from

MO0087

County: Phelps

18257-10-14_4001.pdf

Rolla Daily News
Publication Date: 10/14/2020 Page Number: 4

Title: Like It or Not, It Is Time for Action

Author:

Size : 61 Inches Sq Rolla,MO Circulation: 4920

Keywords: Lindenwood University ~ Dr. Rik W. Hafer ~ Hammond Institute ~ Robert W. Plaster School of Busi

about 100 percent of GDP next year to 195 percent in 30 years.

The long-term surge in the deficit stems largely from increased spending on social welfare programs that provide a safety net to the elderly—Social Security and Medicare. Spending on these two programs alone amounted to about 11 percent of GDP in 2019. By 2050, they will rise to 17 percent of GDP, a 50 percent increase.

Unless Congress dramatically alters these programs, which they will not, these increases are locked in due to demographics. Growth in the population aged 20-64 is estimated to increase at an annual rate of only 0.2 percent over the next 30 years. In contrast, the population aged 64 and over will rise at a 1.4 percent rate. We're getting older, and those current and future recipients of government's assistance are becoming a larger portion of the population.

Policy makers will need to make unpopular decisions. To ensure that Social Security and Medicare will continue to provide a safety net for millions, someone must foot the bill. Even if significant cost savings could be found, we and those we elect must face up to the fact that taxes must be raised.

Kicking the tax can down the road must stop. Partisan bickering and policy stalemate must give way to informed discussion, debate, and action. Only the health of our collective economic future depends on it.

Dr. Rik Hafer, is a professor of economics in the Robert W. Plaster School of Business and Entrepreneurship at Lindenwood University in St. Charles. Hafer also is the director of the Center for Economics and the Environment in the Hammond Institute for Free Enterprise.

Dr. Rik Hafer

MO0087

County: Phelps

18257-10-14_4001.pdf