

Twelve Days of Christmas Hopes for Tough Economy, Deadlocked Congress

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Abstract

In a contribution to the Christian Science Monitor, Donald Marron discusses hopes for the global economy and the political leaders struggling to keep it on an even keel.

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Christian Science Monitor Twelve Days of Christmas Hopes for Tough Economy, Deadlocked Congress

As the folks in the streets of Oakland and the halls of Congress remind us, we don't lack for challenges this holiday season.

Despite glimmers of improvement, the US economy remains lackluster and Washington seems unable to get anything passed to help, even a payroll tax extension that all sides want. Things are worse in Europe. Japan still struggles to recover from two decades of weak growth and the shock of this year's earthquake, tsunami, and nuclear disaster. Even highflying China and Brazil find their economies slowing.

But it is the season of hope. So rather than gather around the Festivus pole to air grievances, let's visualize a better world. Here are the gifts I would bestow on the world economy for the 12 days of Christmas:

12 AAA nations. At this writing, 12 European nations have a triple-A credit rating from Standard & Poor's, but those top-notch ratings are in jeopardy. Thanks to the European financial crisis, S&P put 15 eurozone nations on credit watch, with a real risk of downgrades. It would be a remarkable gift if a year from now, all 12 AAA nations remain so.

11 percent Dow gain. A so-called Santa rally would buoy investor spirits globally.

10 more Steve Jobses. In October, America lost its most iconic entrepreneur. We could use many more of him to drive new economic activity.

9 percent BRIC growth. As late as April, fore-casters were calling for Brazil and Russia (the first two of the BRIC nations) to grow by about 4 percent through 2014, while India was to speed ahead at slightly over 8 percent and China at 9.5 percent. That forecast now looks optimistic, but these emerging economies have the size and dynamism to reenergize the world economy.

8 percent EU jobless. The unemployment rate is already above 10 percent in the European Union (compared with 8.6 percent in the United States). Europe's financial crisis and economic contraction threaten to push it higher still. The faster its job growth, the easier its debt problems can be solved.

7 Fed governors. In the face of political gridlock, the Federal Reserve has been the one Washington institution able to take action to contain crises. But it has been understaffed throughout the financial crisis. Only five of seven governors are in place. The president and the Senate should fill the vacancies.

6 million home sales. Existing home sales have been running at a 5 million annual clip with new sales around 300,000. Once the housing market hits bottom, perhaps combined sales can move back to a healthier combined level of 6 million.

5 percent growth. Growth is essential for creating jobs and easing Washington's budget strains. But the tepid 2 percent growth of recent quarters isn't enough to trim the rolls of the unemployed.

4 million jobs. A stretch goal to be sure — the US hasn't created 4 million jobs in a single year since 1994. But even that miraculous growth would leave payroll employment more than 2 million below its peak before the worst of the financial crisis.

\$3 trillion cuts. Despite all the hype, the super committee failed to make any headway on America's fiscal challenges. Budget experts, myself included, had encouraged the panel to "go big" with \$4 trillion in budget cuts over the next decade. That proved a bridge too far. With \$1 trillion in budget cuts already baked in the cake, let's hope that the presidential candidates offer plans to get to at least \$3 trillion more.

2 new currencies. The euro doesn't make sense for Greece - and probably at least one other debt-laden nation on Europe's periphery.

And a fundamental tax reform.

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