

INFORM. INSPIRE. DEVELOP CIVIC LEADERS.

THE POLICY CIRCLE

ECONOMIC GROWTH



➤ WHAT IS ECONOMIC GROWTH? ◀

ECONOMIC GROWTH GENERALLY REFERS TO GROWTH OF THE GROSS DOMESTIC PRODUCT. GDP IS COMMONLY USED AS A MEASURE OF THE SIZE AND HEALTH OF A NATION'S ECONOMY, BUT CAN SOMETIMES FEEL LIKE A VAGUE AND NEBULOUS TERM ON ITS OWN.

A GROWING ECONOMY IS ALSO RELATED TO A NUMBER OF INDICATORS THAT CAN HIT CLOSER TO HOME: EMPLOYMENT AND THE LABOR FORCE; HOUSEHOLD INCOME, WAGES, AND STANDARDS OF LIVING; ASSETS AND INVESTMENTS; RETIREMENT BENEFITS, SOCIAL SAFETY NET PROGRAMS, AND FINANCIAL SECURITY. ECONOMIC GROWTH AFFECTS WHAT PEOPLE SPEND THEIR MONEY ON, AND HOW MUCH OF IT THEY HAVE TO SPEND, ON A DAILY BASIS.



FACTS TO KNOW



THE ECONOMIC CRISIS PROMPTED BY THE CORONAVIRUS CAUSED AN ECONOMIC CONTRACTION THAT WAS FOUR TIMES WORSE THAN THE GREAT RECESSION. FOR 2020, GDP DECREASED BY 2.5%, THE FIRST ANNUAL DECLINE SINCE THE GREAT RECESSION AND THE BIGGEST DROP SINCE 1946.

IN FY2020, SPENDING IN RESPONSE TO THE CORONAVIRUS PANDEMIC BROUGHT THE FEDERAL DEFICIT TO \$3.13 BILLION, MORE THAN TRIPLE THE 2019 DEFICIT AND MORE THAN DOUBLE THE FY2009 RECORD OF \$1.416.

THE ECONOMIC RECOVERY FROM THE PANDEMIC HAS PROMPTED THE BIGGEST SURGE IN INFLATION IN OVER A DECADE, WITH CONSUMER PRICES RISING 5% BETWEEN MAY 2020 AND MAY 2021.

THE ECONOMIC CRISIS BROUGHT ON BY THE CORONAVIRUS PANDEMIC ENDED THE U.S. STREAK OF ECONOMIC EXPANSION: THE SECOND QUARTER OF 2020 SAW AN ECONOMIC CONTRACTION "MORE THAN THREE TIMES AS SHARP AS THE PREVIOUS RECORD – 10% IN 1958 – AND NEARLY FOUR TIMES THE WORST QUARTER DURING THE GREAT RECESSION." FOR THE WHOLE YEAR OF 2020, GDP DECREASED BY 2.5%, THE FIRST ANNUAL DECLINE SINCE THE GREAT RECESSION AND THE BIGGEST DROP SINCE 1946.

➤ GOVERNMENT INVOLVEMENT ◀



MONETARY POLICY IS THE WHEELHOUSE OF THE U.S. CENTRAL BANK, CALLED THE FEDERAL RESERVE, WHICH IS CONSIDERED INDEPENDENT FROM THE EXECUTIVE AND LEGISLATIVE BRANCHES. SUCH ACTIONS INCLUDE BUYING AND SELLING FINANCIAL ASSETS TO ADJUST INTEREST RATES AND INFLUENCE THE SUPPLY OF MONEY IN CIRCULATION.

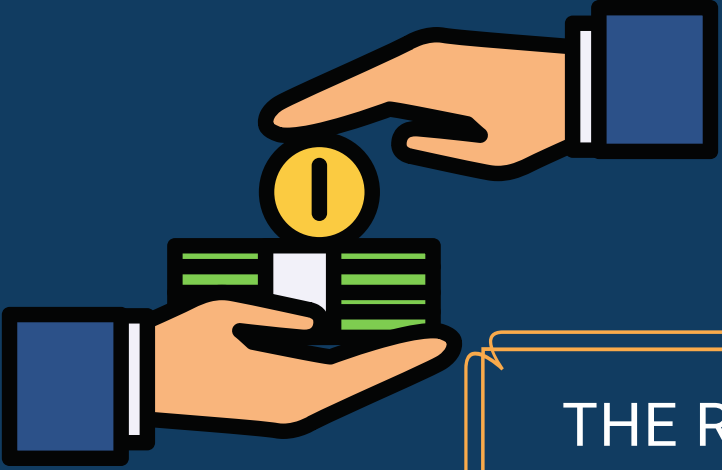
FISCAL POLICY REFERS TO TAX AND SPENDING POLICIES CONTROLLED BY THE PRESIDENT AND CONGRESS. IN GENERAL, FISCAL POLICY PROVIDES FOR PUBLIC NEEDS AND KEEPS THE BOOKS BALANCED, SUCH AS DECISIONS REGARDING TAX REFORM OR THE FEDERAL BUDGET.



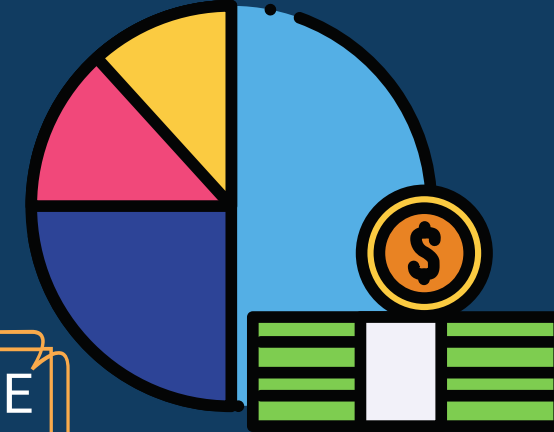
THERE IS A "GOVERNMENT SPENDING MULTIPLIER;" WHEN THE GOVERNMENT BUYS \$1 WORTH OF GOODS OR SERVICES, WHOEVER RECEIVES THAT \$1 WILL SPEND SOME OF IT, WHICH LEADS TO AN INCREASE IN GDP. THE MONEY THE GOVERNMENT SPENDS COMES FROM PRIVATE INDIVIDUALS AND ENTERPRISES THROUGH TAXES.

SENATE COMMITTEES MAINLY INVOLVED IN GOVERNMENT SPENDING INCLUDE THE COMMITTEE ON FINANCE, THE COMMITTEE ON HEALTH, EDUCATION, LABOR & PENSIONS, THE COMMITTEE ON APPROPRIATIONS. HOUSE COMMITTEES INVOLVED INCLUDE THE COMMITTEE ON WAYS AND MEANS, THE COMMITTEE ON THE BUDGET, AND THE COMMITTEE ON APPROPRIATIONS





➤ FRAMING THE ISSUE ◀



THE ROLE OF THE GOVERNMENT IN OUR ECONOMY IS HEAVILY DEBATED, AND TENDS TO FOCUS ON ECONOMIC EQUALITY AND GROWTH. CAN GOVERNMENT DESIGN PROGRAMS TO SOLVE ALL OF OUR SALARY AND ECONOMIC WOES? OR SHOULD GOVERNMENT ONLY STEP IN TO HELP SOLVE PROBLEMS THAT ARISE IN THE QUEST FOR EVERY AMERICAN REACHING HIS/HER AMERICAN DREAM?

PROPONENTS OF A STRONG GOVERNMENT ROLE IN CREATING ECONOMIC EQUALITY BELIEVE ECONOMIC GROWTH IS NOT AN ACCURATE MEASUREMENT OF OVERALL WELFARE, AND CLAIM POLICIES THAT REDUCE INEQUALITY CAN HELP THE ECONOMY FUNCTION FOR ALL. PROPONENTS OF LESS GOVERNMENT INVOLVEMENT POINT TO UNINTENDED CONSEQUENCES FROM GOVERNMENT POLICIES, SUCH AS REGULATIONS THAT STIFLE BUSINESS AND INNOVATION, AND CLAIM THE MARKET IS THE BEST ORGANIZER OF RESOURCES.

EVEN WITH A HIGH UNEMPLOYMENT RATE DUE TO THE CORONAVIRUS PANDEMIC, BUSINESSES ARE STILL STRUGGLING TO HIRE. SOME BUSINESS LEADERS ARE BLAMING EXPANDED UNEMPLOYMENT BENEFITS, WHILE OTHERS ARE ADDING SAFETY CONCERNS ARE ALSO PLAYING A ROLE. FOR WOMEN IN PARTICULAR, WHO LEFT THE LABOR FORCE TO CARE FOR CHILDREN OR WHO LOST JOBS IN SECTORS HIT HARD BY THE PANDEMIC, RETURNING TO THE LABOR FORCE MAY BE DIFFICULT.

THE FEDERAL DEBT AND DEFICIT HAVE IMPACTS ALL AMERICANS CAN FEEL. AS THE NATIONAL DEBT INCREASES, THE LIKELIHOOD THE GOVERNMENT CANNOT PAY A DEBT INCREASES. SOME ECONOMISTS NOTE INVESTORS AREN'T WORRIED ABOUT THE DEBT AND CONTINUE TO BORROW. OTHERS ARGUE THAT DEBTS WE ACCRUE NOW WILL JUST NEED TO BE PAID LATER, LIKELY IN THE FORM OF REDUCED BENEFITS FOR SERVICES SUCH AS SOCIAL SECURITY. HOW GOVERNMENT CAN REIN IN SPENDING WHILE SUPPORTING ECONOMIC GROWTH IN THE COUNTRY REMAINS A KEY QUESTION.





SOLUTIONS



POLICIES THAT PROMOTE THE VALUE OF FREE MARKETS AND CAPITALISM

THERE IS A TREMENDOUS NETWORK OF THINK TANKS AND RESEARCH ORGANIZATIONS, SUCH AS THE STATE POLICY NETWORK, THAT PROMOTE FREE MARKET IDEAS, POLICIES AND PHILOSOPHY. POLICIES THAT PROMOTE ECONOMIC FREEDOM AND THE RIGHT TO EARN A LIVING, EFFORTS THAT SHINE A SPOTLIGHT ON THE NEGATIVE IMPACT OF EXCESSIVE REGULATION, AND POLICIES THAT OPEN THE DOOR TO QUALITY EDUCATIONAL OPPORTUNITIES ARE THE PATHWAY TO A BETTER FUTURE.

PEOPLE FOCUSED PROGRAMS

PEOPLE-FOCUSED PROGRAMS CAN ENCOMPASS PROGRAMS FOR MENTORING OR TRAINING, ASSISTANCE WITH FINDING AND KEEPING HOUSING, DAYCARE AND AFTER-SCHOOL PROGRAMS AND SUPPORTING THE WHOLE PERSON TO PROMOTE SELF-MOTIVATION AND PERSONAL RESPONSIBILITY.

ENTREPRENEURSHIP AND BUSINESS FORMATION

MANY PEOPLE HAVE IDEAS BUT DON'T KNOW HOW TO TURN THEM INTO ACTION. INCUBATORS AND ACCELERATORS, FOR EXAMPLE, ASSIST ENTREPRENEURS IN THE JOURNEY TOWARD BECOMING SUCCESSFUL COMPANIES. OTHER OPTIONS ARE SUPPORTING EXISTING BUSINESSES AND SOCIAL ENTERPRISES THAT HIRE PEOPLE IN VULNERABLE COMMUNITIES AND THOSE IN NEED OF A SECOND CHANCE.

➤ WHAT YOU CAN DO ◀

MEASURE -

DO YOU KNOW HOW YOUR STATE FAIRS IN TERMS OF ECONOMIC GROWTH OR UNEMPLOYMENT, OR HOW YOUR COMMUNITY CONTRIBUTES TO YOUR STATE'S GDP? WHAT ARE YOUR STATE'S LAWS REGARDING TAXES, BUSINESS RULES AND REGULATIONS, AND ECONOMIC DEVELOPMENT INITIATIVES?



IDENTIFY -

WHO ARE THE MEMBERS OF THE ECONOMIC DEVELOPMENT AUTHORITY, BUSINESS AND ECONOMIC DEVELOPMENT DEPARTMENTS, OR CHAMBERS OF COMMERCE IN YOUR STATE? WHAT STEPS HAVE YOUR STATE'S OR COMMUNITY'S ELECTED AND APPOINTED OFFICIALS TAKEN?



REACH OUT -

FIND ALLIES IN YOUR COMMUNITY OR IN NEARBY TOWNS AND ELSEWHERE IN THE STATE. FOSTER COLLABORATIVE RELATIONSHIPS WITH LOCAL BUSINESSES, COMMUNITY ORGANIZATIONS, AND SCHOOL BOARDS.

PLAN -

SET MILESTONES BASED ON YOUR STATE'S LEGISLATIVE CALENDAR OR LOCAL COMMUNITY CALENDAR.



EXECUTE -

ENGAGE WITH YOUR LOCAL SCHOOL BOARD TO FIND OUT HOW LOCAL SCHOOL DISTRICTS TEACH ECONOMICS, OR WHAT ECONOMICS EDUCATION REQUIREMENTS EXIST. TALK TO LOCAL ENTREPRENEURS AND OWNERS OF COMMUNITY BUSINESSES TO UNDERSTAND THE PRIVATE SECTOR IMPACT ON ECONOMIC GROWTH, AND HOW PUBLIC POLICIES AFFECT HOW THEY FUNCTION. INVESTIGATE THE SOURCES OF ECONOMIC GROWTH IN YOUR STATE OR COMMUNITY.

