

University of Virginia Center for Politics



Talking Turkey: Economy

General Facts

- Heading into 2017, the United States is still recovering from the effects of the 2008 financial recession. GDP (Gross Domestic Product)* growth rate is modestly improving, with low, but positive trends. Unemployment rates are at post-recession lows, but there is also low labor force participation. The National Bureau of Economic Research (NBER) is the official authority dealing with economic expansions and business cycles. One of President Trump's proclaimed priorities is economic revitalization, and the stock market has been healthy since the 2016 election. President Trump's economic plan rests heavily on protectionist measures and returning outsourced industry to U.S. soil.
- By addressing different aspects of the economy such as tax cuts, trade regulations, gas prices, housing market, the government strives to create new jobs and attempts to deal with issues like unemployment.
- The cause of the 2008 financial crisis is widely identified as many banks' and mortgage lenders' tendency to make loans that were financially risky or that contained terms that made borrowers dependent upon low interest rates. When the rates on their loans rose, many borrowers couldn't pay causing their home to be foreclosed upon. Many Americans lost their homes or faced foreclosure because of higher loan payments. Before this instability was revealed, banks bought these loans as investments, not realizing that they were risky; when the loans were foreclosed upon, the banks lost money.
- Taxes
 - In 2001 and 2003 President Bush passed a Tax Relief that has since reduced income taxes for every American. Its attempts promoted economic growth and kept taxes low. In 2010, Congress voted to prevent expiration for two more years. The Tax Relief includes things such as:
 - Creation of low 10 percent tax bracket
 - Doubling of the child tax credit

- Expanded incentives for small businesses to invest. This has created more job opportunities and will continue to do so as long as small businesses are kept in business.
 - Reduction of tax burdens on education, investment, and retirement saving.
 - In 2009, President Obama passed the American Recovery and Reinvestment Act (otherwise known as the Stimulus) which included a broad range of tax cuts aimed at the middle class. The American Recovery and Reinvestment act included things such as:
 - Tax cut for 95% of all working families
 - More than \$150 billion in tax cuts that will help low-income and vulnerable households during the economic recovery
 - Due to the tax cuts in the Recovery Act, 2 million families will be lifted out of poverty
- Trade
 - During 2016, U.S. exports totaled \$1.3 trillion ([Source](#)).
 - 95% of all potential US customers live in other countries and over 57 million American workers work for firms that engage in international trade.
 - America has applied Free Trade Agreements with 13 countries. 42% of U.S. exports go to these 13 countries. President Donald Trump's economic vision involves a return of manufacturing to U.S. soil, but the majority of his prioritizations have not yet been fully enumerated. For now, America's economic future is dependent on the details of the new administration's plans.
 - For some the growth of globalization has had a negative effect. Between 2001 and 2006, since China's entry into the World Trade Organization, jobs have been displaced in every state. Since 2001 job losses increased to an average of 353,000 per year. (<http://www.epi.org/content.cfm/bp188>) That amounts to a 1.8 million jobs opportunities lost nationwide.
 - In 2016, the U.S. export/import ratio was negative, with \$66.6 million more imported than exported.
- Gas Prices
 - 2016 saw extremely low gas prices across the United States, due to the presidential election, rising domestic production, and high OPEC production ([Source](#)). The year closed with a national average of \$2.25/gal. in December, up from summer lows earlier in the year.

- (<http://www.eia.gov/outlooks/steo/>)
- Americans use approximately 19.4 million barrels of oil a day which costs the economy about \$1.4 billion dollars each day. 9.4 billion of those barrels are imported foreign oil.
(<https://www.eia.gov/tools/faqs/faq.cfm?id=33&t=6>)
 - In general, there are several solutions proposed in order to deal with high gas prices, though gas prices are expected to rise only modestly in 2017.
 - Reducing oil consumption/demand
 - Building new fuel-efficient cars using advanced vehicle technology such as advanced lightweight materials and new engines
 - Increasing access to and use of renewable fuels such as E85 ethanol refueling pumps
 - Use of hybrid cars
 - Summer Gas Tax Holiday: it is a suspension of the 18.4% Federal tax on gasoline over the summer

Links for Additional Info

- In Depth
 - Current News: <https://www.ft.com/global-economy/us>
 - <http://useconomy.about.com>
 - http://en.wikipedia.org/wiki/Alternatives_to_oil
 - <https://www.bls.gov/eag/eag.us.htm>
- What has Donald Trump planned to do for the economy as President?
 - <https://www.donaldjtrump.com/policies/economy>
- Party Positions
 - Democratic Party: <https://www.democrats.org/issues/jobs-and-the-economy>
 - Republican Party: <https://www.gop.com/platform/restoring-the-american-dream/>

Talking Points with Your Child

- What should the government do to help homeowners?
- Was it right for the government to bail out banks that made risky investments? Why or why not?
- What can the government do to increase employment?
- Do you agree with the government's decision to bail out the American auto

industry?

- Should taxes be raised? Lowered? Why or why not?
- If we have to cut government programs which should be chosen? Why?
- How do you think the United States should reduce its dependency upon foreign oil? If so, what alternatives do you support?
- What do you think about the Economic Stimulus Package? Do you think it was successful? Why or why not?
- Do you think the US needs another stimulus package?
- What are your hopes for economic policy going forward?

Vocabulary:

Recession- A period of six continuous months where there is negative economic growth.

Gross Domestic Product- The sum value of all products produced within the United States.

Deficit- When the government spends more money than it is taking in.

Depression- A prolonged period of recession, or a significant and prolonged downturn in the economy.

Domestic Migration- American citizens moving from one place in the nation to another. Ie. A family moves from Los Angeles to New York.