The Recent Recession in the U.S. and Creative Solutions for Recovery

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Abstract

In this paper, the authors discuss the reality of the credit crunch in the U.S. and where it will lead in the future. They also investigate the role of government actions and interventions during the recent crisis and compare this recent economic recession to previous recessions. Finally, recommendations are presented for avoiding similar crises in the future such as lowering corporate tax rates, offering a payroll tax holiday to U.S. workers, protecting home mortgages, offering states a $500 per capita federal distribution, reducing crippling regulations for business, making the U.S. educational system more competitive, balancing the federal budget, and becoming self-sufficient in the energy sector.

Introduction

In order to understand the reality of the credit crunch and where it will lead, it is first necessary to understand how it originated. According to most analysts, the current credit crisis has a direct link to mortgage business in the U.S. In this case, U.S. banks made high-risk loans to individuals with bad credit accounts. The problem became evident when bank rates in the U.S. rose from 1% in 2004 to 5.35% in 2006 (Tse and Cho, 2007). Such a rapid rise in interest rates made the housing market slow, and many homeowners who were scarcely able to afford their mortgages when they were low faced unmanageable increases in their monthly mortgage rates. Consequently, holders of sub-prime mortgages began to default on their loans at record levels. Concern about liquidity seemed to turn to panic in September of 2007 when Northern Rock asked the Bank of England for financial emergency support, which was granted. Northern Rock depended significantly on the markets instead of savings deposits in order to fund its mortgage lending (BBC News, August 2009).

In what seemed to be a worldwide game of dominoes with prominent names in the international financial system, on October 1, 2007, the Swiss Bank broadcasted costs of $3.4 billion from minor prime related funds. Shortly thereafter, Citigroup announced losses, which amounted to $40 billion in the next six months. In addition, the investment bank Merrill Lynch announced nearly $8 billion in exposure to bad debt, which resulted in the resignation of the firm's chief executive officer (Hamilton, 10/31/2007).

The aim of this paper is to give more information on the U.S. economic recession by focusing on:

- The current state of the U.S. economic recession, highlighting some historical economic events.
- A comparison between the current U.S. recession with past recessions. Long-term suggestions for fast economic recovery.

Financial Background

By April of 2008, it seemed clear that the effects of the sub-prime mortgage problems were moving to other divisions. The British Chamber of Commerce (BCC) suggested that the United Kingdom could be facing a recession within months, and the FTSE 100 responded by falling 20% from its recent highs (BBC News, August 2009). Greenspan's words proved to be accurate as on September 16, the U.S. government gave $85 billion to insurance giant AIG, one of the country's largest insurance companies. In exchange for the bailout, the U.S. government received an 80% stake in the firm (online.wsj./article/SB122156561931242905.html).

Evidence of the economic troubles became clear in Europe as well, as insurance giant Fortis had to undergo partial nationalization in order to ensure its survival. Mortgage lender Bradford & Bingley also underwent nationalization (BBC News, August 2009). Therefore, uncertainty about how banks could deal with their exposure became the order of the day.

Lawmakers in the U.S. found it necessary to agree to a bipartisan plan to rescue the U.S. financial system. The agreement was to purchase $700 billion in bad debt. That represented the largest involvement since the Great Depression. President George Bush vowed to restore confidence in the U.S. banking sector and to preserve the free market system. The government revealed a $250 billion plan to buy banks' stakes in order to show that the government was in fact willing to shore them up. The U.S. Federal Reserve responded by cutting the interest rate from 1.5% to 1.0% (BBC News, August 2009). An important change in course occurred in November of 2008, when Mr. Henry Paulson stated that the U.S. government was going to use some of the bailout money to help improve credit flow for the U.S. consumer rather than for buying up the banks' bad debt (BBC News, August 2009).

Because of the dire situation of the international financial system, members of the G-20 as well as representatives of the emerging economies met in Washington, D.C., to talk about ways to counter the financial crisis and adopt long-term reforms. Furthermore, the U.S. Federal Reserve announced plans to pump $800 billion into the U.S. economy in an effort to further strengthen the weak financial system and stabilize the economy (BBC News, August 2009). In December of 2007, the National Bureau of Economic Research, a panel consisting of leading economists from such prestigious U.S. universities as Harvard, Stanford, and the Massachusetts Institute of Technology (MIT), announced what many in the U.S. had suspected: the U.S. economy was in a recession. The U.S.'s largest bank, Bank of America, promptly announced a whopping loss of some 35,000 jobs over the next three years after its takeover of Merrill Lynch (Business Cycle Dating, nber.org/cycles/dec2008.html).

The New Year certainly did not bring any renewed economic optimism. In the U.S., the unemployment rate increased to 7.2%, with more unemployed workers in 2007 than in any other year since the end of World War II (Business Cycle Dating, nber.org/cycles/dec2008.html). In fact, the International Monetary Fund reported that the economic growth was set to fall to a mere 0.5% in 2008, which represented its lowest rate ever, and the United Kingdom would see its economy shrink by an estimated 2.8% in 2009, the worst rates in the most developed countries (Business Cycle Dating, nber.org/cycles/dec2008.html). By May of 2008, the financial picture in the U.S. continued to be bleak. The U.S. government forced Chrysler to enter bankruptcy protection; it was to sell the majority of its assets to Fiat. Furthermore, U.S. banks showed a

gloomy picture with ten of them, led by Bank of America, not passing their stress tests. The U.S. Treasury indicated that they would need an additional $74.6 billion (BBC News, August 2009).

The U.K. Treasury Committee painted an equally gloomy picture of prospects in the European Union. They stated that bankers made "an extraordinary mess" of the financial system and warned that effects would be felt for generations to come. The European Commission predicted that EU economies would shrink by some 4% in 2009 and perhaps in 2010, and that unemployment during that period could reach double digits as well (BBC News, August 2009). Still further evidence of the dire situation of the world recession emerged in June of 2008. Remarkably, Japan's economy, perennially one of the world's most powerful economies, declined by an amazing 14.2% in the first three months of 2009. This represented a record decline. In the United Kingdom, unemployment rose by a record 281,000 to 2.38 million, according to the Office of National Statistics. This represented an overall unemployment rate of 7.6%, which was the highest in more than ten years (Office of National Statistics, www.ons.gov.uk/).

Measuring Resent Economic Recession versus Previous Recessions

To better understand the recession of the late 2000s, historical data will give us some information about the recessions of the 1980s, 1990s, and 2000s. This benchmarking will draw a larger clearer picture of where the recession in the late 2000s stands in economic efficiency compared with all of the previous recessions (see Table 1).

Table 1. Recessions Historical Data

Name	Dates	Duration	Causes
1980s recession	July 1981–Nov 1982	16 months	The Iranian Revolution sharply increased the price of oil around the world in 1979, causing the 1979 energy crisis. This was caused by the new regime in power in Iran, which exported oil at inconsistent intervals and at a lower volume, forcing prices to go up. Tight monetary policy in the United States to control inflation led to another recession. The changes were made largely because of inflation that was carried over from the previous decade due to the 1973 oil crisis and the 1979 energy crisis.
1990s recession	July 1990–March 1991	8 months	Industrial production and manufacturing-trade sales increased in early 1991.
Early 2000s recession	Mar-Nov 2001	8 months	The collapse of the dot-com bubble, the September 11th attacks, and accounting scandals contributed to a relatively mild contraction in the North American economy.
Late 2000s recession	Dec 2007-current	ongoing 60 months	The collapse of the housing market led to bank collapses in the US and Europe, causing the amount of available credit to be sharply curtailed, resulting in massive liquidity and solvency crises. In addition, high oil prices, stock markets crashed worldwide, and a banking collapse took place in the United States.

According to Pento (2010), one very important measure to help the U.S. recover from the economic stagnation was that the credit crunch helped to decrease corporate tax rates. Decreasing this tax would most certainly help American businesses to expand and compete with foreign enterprises. Furthermore, Pento (2010) maintains that decreasing taxes on the purchase of

goods and retaining earnings would also increase work, new hiring and, as a result, overall business growth.

Holtz-Eakin and Gray (2009) also agree that the U.S. corporate tax rate is quite high. In fact, they show that the global movement over the last few decades was about lower tax rates. However, while some countries have traditionally lowered their tax rates the U.S. has sustained its rate high. For example, Holtz-Eakin and Gray maintain that, in 1986, the U.S. was considered a relatively low-tax nation; currently, though, it has a rate of 39.3% (only slightly lower than Japan's rate of 39.5%), which is considerably higher than the OECD average of 26.6%. Table 2 shows a comparison of countries with the lowest rates to the U.S.

Table 2. OECD Rates

OECD Rates	
Country	Y (2009)
U.S.	26.6%
Turkey	20%
Poland	19%
Slovak Republic	19%
Iceland	15%
Republic of Ireland	12.5%

It is useful to consider the case of Ireland, currently the country with the lowest corporate tax rate, to understand how a dramatic lowering of the corporate tax rate may impact and stimulate economic activity. According to Harvey (2003), when Ireland reduced its corporate tax rate to 12.5%, it was accompanied by a dramatic increase in direct foreign investment. Many international corporations began operations in the Irish Republic and the country became the second largest exporter of software in the world behind the U.S. In fact, the economic boom in Ireland became known as "the Celtic Tiger", due in large part to the lowering of corporate tax rates and the presence of international firms there. This created a decrease in unemployment rates and a strengthening of the real estate market. The subsequent economic problems that Ireland has experienced have not been related to corporate tax rates. On the contrary, the low rates have encouraged international businesses to continue to operate in Ireland, which has played an important role in the survival of the Irish economy.

The U.S. Government's Strategy to a Fast Economic Recovery

President Barack Obama seemed to find the road to economic recovery a bit more challenging than he had anticipated. As the U.S. president, he claimed that unemployment would not reach 8%, yet unemployment rates rose to over 9%, with some states reaching well into double digits. Some small businesses claimed that they were not hiring, due to the fact that they were having trouble accessing credit despite the fact that the federal government took steps to free up access to credit markets. The credit crunch seemed to be leading to problems throughout the economy and causing misery for millions of Americans.

For more than fifty years, people in the U.S. have seemed to be quite imaginative with regard to finding new ways to spend money. Credit cards seemed to grow in popularity in the 1950s and into the 1960s with most of the population. As a result, people in the U.S. began to eat out more and make luxury purchases for things like fancy television sets, nice home appliances, and even automobiles by using time and credit rather than paying by cash on hand. In more recent years, in particular during the real estate boom, millions more energetically borrowed in contradiction of the equity that they had generated in their homes (Goodman, 2011). However, at present, it certainly is evident that the days of easy access to credit are gone, perhaps for good. The result of harder access to credit is that many households are becoming thriftier than ever; the reasons for which were clearly outlined in the previous section and include shrinking job markets, plummeting house prices, and ballooning debt levels that have literally brought millions of Americans into bankruptcy or on the brink of it.

Lisa Merhaut, a telecommunications professional in Virginia, is a typical example of what the credit crunch has meant for even the professional class in the U.S. She and her family ran up more credit card debt than they could handle, and it has meant a major change in lifestyle. Merhaut, who claims that her salary is in the six-figure range, says that she and her family no longer use credit cards. “What we have is what we have,” said the 44-year-old executive. She claimed that she was managing her finances as her father managed his, which is certainly indicative of the pre-1950s mentality of making purchases that were within one’s means and paying for them with cash (Goodman, 2011). All of this has huge implications for the U.S. economy. This is because the U.S. economy is overwhelmingly driven by consumer spending. This most certainly represents an attitudinal change in the U.S., despite the fact that some economic experts still seem to think that most Americans, particularly those of the so-called Baby Boom Generation, will never be able to give up their preference for buying now (oftentimes items that they cannot afford) and paying later. However, the aforementioned real estate market decline has left a lot of Americans with no option as it has taken access to credit away from millions and left millions of others facing foreclosure.

The savings rate seems to support the assertion that people in the U.S. have become overly reliant on credit. According to Goodman (2011), Americans were saving approximately one-tenth of their pay in 1984. However, by the mid-1990s, that savings rate was cut in half. Alarmingly, at present, the savings rate is actually negative, which means that on average Americans spend more money than their disposable income. While it is true that a country’s savings rate does not take into account the increased value of stocks, properties, and retirement accounts, many economists do still consider it to be a reliable measure of how a population is planning for the future. Mark Zandi, chief economist at Economy.com, believes that American households have been spending far beyond their means. According to Goodman (2011), the housing bubble has produced very tight access to credit, which has contributed to misery across the financial system.

As 2010 turned into 2011, there were signs for guarded optimism as well as for concern. The Obama administration has spent over $4 trillion since 2008 and the printing of money is very inflationary, so this is certainly a concern for those in the U.S. The U.S. dollar is also historically weak; so, in 2010, the Canadian dollar actually overtook the U.S. dollar in value. At the time of this writing, the exchange rate is $1.018 U.S. dollars to $1.00 Canadian (x-rates.com).

This difference may appear trivial, but the rate has traditionally ranged between $.70 and $.80 U.S. to $1 Canadian. Such a weak U.S. dollar and tighter restrictions on credit made it far more difficult for Americans to travel abroad in 2010 and 2011, particularly to more distant and expensive countries in Europe and Asia. Popular European destinations, such as France and Spain, are especially expensive for U.S. travelers. At present, the exchange rate is approximately $1.38 per 1 euro (x-rates.com). On a more positive note, while the current credit crunch and the corresponding weakness in the economy have also made it more expensive to import foreign goods, U.S. goods are less expensive for foreign buyers. However, according to Kiplinger (2011), the weak U.S. dollar has not led to a narrowing of the U.S. trade deficit. Specifically, Kiplinger estimates that the trade deficit will increase to $605 billion in 2012, which represents an increase of approximately 10% over 2011 figures (Kiplinger, 2011).

Despite a desire to spend, falling income and stubbornly high unemployment (still estimated to be as high as 8.5% by 2013) are definitely weighing on the minds of consumers (Kiplinger, 2011). The credit crunch has also created a tremendous problem for the unemployed because historically many of the unemployed have helped supplement their unemployment payments with the use of credit cards. However, many banks and change credit limits significantly, so the unemployed are much more limited with respect to using credit cards as a safety net.

The dilemma of limited options for the unemployed as a result of the credit crunch is quite significant. Since there is also growth in the labor force, that number of new jobs should result in a fall in the unemployment rate from over 9% at the time of this writing to about 8.5% by 2012. Kiplinger (2011) further estimates that the economy should create approximately 1.8 million jobs in 2012. The estimate for jobs added in 2011 is about 1.7 million. However, due to fears that these gains may, in fact, not be as strong as predicted, jobs as temporary employees and consultants could present job opportunities for the unemployed. This is because by hiring in these areas, companies have the maximum amount of flexibility to meet their business demands without necessarily committing to new full-time employees if the economy does not recover as much as many economists are predicting.

The reason that the Federal Reserve wishes to set this target is to ease credit lines and provide more consumers with the incentives to refinance or purchase homes. The hope is that with such activity in the housing market that the economy can be stimulated. However, it appears that the lack of applicants for refinancing and home purchases is not the problem. According to Kiplinger (2011), real estate agents state that deals are falling through, due to the fact that many appraisals are coming in below the sales price. In addition, many prospective buyers have deals that fall through because purchases are dependent upon the sales of current homes, and the sellers are not able to sell them. Some believe that the Federal Reserve hopes to let inflation rise approximately 4-5% per year with the hope that it will stimulate buying, investing, and hiring. According to Kiplinger (2011), the Federal Reserve’s biggest worry is runaway inflation, and Federal Reserve Chairman Ben Bernanke has said that the highest inflation that should be tolerated is 2% per year. The Federal Reserve is likely to put inflation fighting on the back burner in an effort to fight unemployment, which is unacceptably high at over 9%.

Still another area of great interest in 2011, as the U.S. seeks to emerge from its economic problems, is business spending. Orders for durable goods, which are those that are likely going to last three years or more, typically indicate how solid or weak the economy will be. Estimates are that funds in software should rise at an annual rate of 9% in July through December of 2011, which is up slightly from 7% from the beginning of 2011 (Kiplinger, 2011). Also, to have any significant impact on the unemployment picture, it is generally considered that job growth of 200,000 per month is necessary, which is actually well above the pace that was evident in 2011. In fact, this figure appears to be beyond reach in the current economic climate. Furthermore, if any improvement is going to take place, international events such as very high oil prices and the earthquake in Japan will have to be avoided.

One thing that should be positive is that the credit crunch and the weak economy should help to keep the inflation rate relatively low. As long as the economy continues along weakly, which is expected to continue through 2012 and inflation should not show an appreciable rise. However, the federal government has failed to control the national debt, and if the federal government does not get spending in check, it will certainly lead to considerably higher inflation. The Consumer Price Index (CPI) as of September, 2011, has shown an increase of 3.9% over the previous twelve months. Economic forecasts by Kiplinger (2011) expect prices to increase by about 2% in 2012, as weak economic growth for food, energy, and other goods will play an important role.

As previously discussed, the credit crunch has resulted in great problems in the housing market, and such problems are continuing in 2011 and are expected to run into 2012. In fact, housing starts and home prices illustrate this problem. The biggest impediment to the recovery is the large number of houses in the foreclosure process. When they do reach the market, the prices will be 20-30% less than the prices of comparable homes in the area. In addition to the 1.8 million homes that went into foreclosure in 2010, final 2011 figures should be about 2 million. Zillow.com (2011) shows that existing sales of homes fell 3% in September of 2011, while they increased about 7% in August of 2011. Historically low mortgage rates are having little impact. Most banks are requiring a minimum of 20% down payment, evidence of a strong and consistent income, and an excellent credit score. Prospective foreign buyers have even more stringent credit requirements. These requirements provide very high obstacles for a lot of people. Furthermore, others who otherwise would be able to buy are not because they believe that a possible recession could jeopardize home prices even more. The higher credit requirements and slow growth will not allow for new job creation.

Finally, the international trade picture could have an effect on the credit crunch in the near term. If the U.S. is able to increase exports, it could help job creation domestically, which in turn would likely improve the credit crunch. Higher employment will create more economic stability among borrowers and should move banks to ease their lending policies. Thus, while there have been signs of optimism with respect to economic recovery, there is no doubt that economic times are extremely difficult and that the credit crunch has had profound effects since the middle of the last decade in a variety of areas such as employment and in the housing market, among others. However, the question remains: What proactive measures can the U.S. government take to help the country emerge from the economic problems that the credit crunch has helped to bring about? There are a number of measures that the federal government can

explore in order to help restore a healthier economy in 2012 and beyond. These measures warrant a more detailed examination in order to understand their benefits and how they will help the economic picture improve.

Suggested Solutions to Fast Economic Recovery

First, a concrete move that would most certainly help the U.S. recover economically would be a significant decrease in the corporate tax rate. The decrease would need to be significant enough to attract businesses to the shores of the U.S. in order to stimulate employment and the housing market. A second way to stimulate the economy, according to Mosler (2010), would be for the U.S. Treasury to extend a full "payroll tax holiday" so that the 15.3% FICA payments are actually available for the wage earners. To most wage earners, this would seem like a 15.3% pay increase. Recipients would most likely spend the money, which would be a true economic stimulus without the inflationary effects of printing money. It would also help those homeowners struggling to pay their mortgages make their mortgage payments. A third way to stimulate the economy would be to pass legislation to protect the home mortgage interest deduction. According to Hardy (2011), for nearly 100 years the home mortgage interest deduction has been one of the primary tools to help responsible homeowners keep up with their mortgage payments and stay in their homes. In addition, it has been a significant factor in Americans' decisions whether to make the long-term investment of home ownership. Despite this, some members of Congress have actively tried to undermine home ownership by seeking to overturn this deduction instead of making difficult decisions in other areas. As one can see from the current economic difficulties, home ownership promotes stable communities as well as economic growth. However, attacking the mortgage interest deduction during a time of extremely high foreclosures in the country will only weaken an already very fragile economy (Hardy, 2011).

An important part of the housing equation, Hardy (2011) continues, is also preserving mortgages for new homebuyers. While the housing crisis has reasonably led to questions about mortgage-lending policies and calls for reform, changes that are too far-reaching, such as overly strict government-mandated lending criteria or high mandatory down payments, could indeed prevent prospective homebuyers from following through with their plans to purchase a home. Therefore, Hardy opines, primary goals of the institutions Fannie Mae and Freddie Mac should be to maintain the availability and affordability of 30-year, long-term, fixed-rate mortgages for homebuyers (2011). The final part of the equation, according to Hardy (2011), would be for the U.S. Congress to improve the flow of credit for home construction. As the economy begins to improve and demand for housing begins to show signs of recovery, homebuilders will need assistance with getting access to affordable construction loans as well as loans for the purchase of already existing homes. The Home Construction Lending Regulatory Act of 2011 offers important assistance to help reestablish and improve the flow of credit to homebuilders. This should help them build homes and create jobs.

A fourth way to stimulate the economy, according to Mosler (2010), would be to offer a $500 per capita federal distribution to all states in order to maintain employment in necessary services, service obligation, and reduce the need to increase state taxes on citizens already struggling to make ends meet. This could be repeated as often as necessary, perhaps every six

months or so, until the GDP surpasses previous high levels. This would provide a very important stimulative effect that would help those citizens struggling the most.

A fifth way to stimulate the economy, according to Mosler (2010), would be to make government funded jobs available and healthcare benefits for anyone willing and able to work. While this may be controversial, Mosler does draw an interesting parallel in order to help make the case. He maintains that as a result of the previously mentioned employee holiday tax and the $500 per capita federal distribution, the private sector would be much more ready to hire people. Furthermore, he maintains, businesses are more inclined to hire an individual who is already working versus one who has been unemployed for an extended period of time. As evidence of how this plan could work, Mosler cites the case of Argentina in 2001. He maintains that Argentina implemented this proposal and put two million of its chronically unemployed to work. Most of these people had never held “real” jobs, according to Mosler, which means that most worked in traditionally menial positions or as part of the black-market economy. Within a two-year period, 750,000 of the two million people were employed in private-sector jobs (2011). While Argentina and the U.S. clearly have different work forces and different economic dynamics, this could be an interesting and beneficial program for the U.S. to explore.

A sixth way to help the economic recovery in the U.S. would be by reducing crippling regulations (Pento, 2010). This seems to be a fairly clear and often-repeated point in the literature. While some regulation is certainly necessary, such as in the medical and pharmaceutical industries to ensure that people are not taking potentially dangerous medications, excessive government regulation is expensive and very costly to business. It is also time consuming for businesses to get things done, which can delay hiring, research and development, and undermine profits. Since profits are what allow businesses to provide jobs and expand and invest, it is absolutely essential that federal and state governments do everything possible to ensure that businesses can move forward with their plans to research, develop, bring new products and services to market, and, of course, hire new personnel. Such measures will most certainly go a very long way in helping the U.S. recover economically and realize its potential as one of the world’s great economic powers.

A seventh way to aid in the economic recovery, though it is more of a long-term one, would be to improve the educational system in the U.S. This is controversial because education in the U.S. is often highly politicized. For example, while Democrats often advocate pumping money into public schools to improve quality, Republicans often advocate merit-based pay and school vouchers for poor children in dangerous and failing schools and school districts. A political battle then takes place, which does not serve the ones who truly need to be served in that scenario—the children who are being educated. An eighth way to help improve the economic situation that would be far less controversial than the previous one would be to balance the federal budget. People from both major political parties in the U.S. have different views on federal spending, but most people still believe that it is imperative for the government to spend responsibly, and that means adhering to a balanced budget. Balancing a budget is based on an incredibly simple principle: the federal government can only spend what it takes in as revenue. A middle class that is working and not struggling to finance growing budget deficits through higher taxation will be able to flourish economically and help the economy by buying goods and services, spending money on homes, and hopefully even investing for their future.

A ninth way to help the economy would be by becoming self-sufficient in energy. Following the British Petroleum (B.P.) oil spill in the Gulf of Mexico, the U.S. government put a moratorium on oil drilling in the U.S., which appeared to be a bit of a panic reaction. The B.P. oil spill, while unfortunate, is a rather rare phenomenon. Furthermore, the spill could have been contained with skimmer ships fairly easily in the first few days of the accident, had the U.S. government accepted the international help that was offered. However, failure to accept the international help made the crisis grow even more in scale to the point that future exploration was canceled. U.S. President Barack Obama even told the Brazilians, who were actively engaged in oil exploration, that the U.S. wanted to be their best customer. Such a reluctance to drill for oil and gas is a tremendous mistake. The U.S. most certainly has large deposits of petroleum, and finding them will just make the U.S. less dependent on foreign energy. It will also expand U.S. foreign policy options, keep the prices of gas and heating oil at more affordable levels, and provide hundreds of thousands of jobs of all types in the energy sector. This is an absolute winner in all ways with respect to the economy and even U.S. national security.

Energy independence, however, does not just mean oil exploration. It has been hypothesized that the U.S. sits on some of the largest natural gas reserves in the world. Natural gas is clean, safe, and relatively inexpensive. Securing more natural gas for the U.S. would be good for the environment, good for consumers by providing them with less expensive energy options, and good for the economy because it would provide new jobs, many of which would be high paying. Therefore, natural gas exploration should be an important part of an energy strategy that will help get the U.S. economy back on a positive track. The Obama Administration has expressed great affection for green energy and jobs. Millions of dollars have been spent on the development of solar energy companies, and such companies have either gone bankrupt or are on the edge of bankruptcy. There is certainly nothing wrong with trying to develop green energy alternatives, but for energy self-sufficiency and a more effective economy, any development in the green energy sector needs to be in conjunction with the aforementioned oil and natural gas exploration. When oil and natural gas production are where they should be and are having the desired impact on economic development and national security in the U.S., then the development of the solar and wind energy options will be more viable as part of a national energy strategy.

A final component in the energy sector component of the economic recovery in the U.S. is the nuclear energy option. Unfortunately, with the recent earthquake, tsunami, and nuclear plant disasters in Japan, any serious consideration of developing the nuclear energy option has been abandoned. However, nuclear energy is generally safe and efficient. France satisfies the majority of its energy needs through nuclear energy, and other countries do as well with absolutely no problems whatsoever. Once again, expanding the nuclear energy capabilities will not only expand energy and foreign policy options, but it will also create a multitude of high-paying jobs, thus helping to ease the unemployment problem. A tenth way to help the economic recovery in the U.S. would be to abandon the practice of printing money in order to finance deficit spending. History is full of examples of how dangerous this is to the economic well-being of a country and its citizens. The printing of money is highly inflationary and prices in the U.S. are already starting to creep up in a number of areas. A sustained U.S. economic recovery will not occur if the federal government does not adopt a more sound strategy with respect to the printing of money.

Conclusion

The economic plight of the U.S. did not happen overnight, and fixing the problem certainly will not be something that happens overnight either. The decision to have banks ease their lending criteria in order to extend loans to people that could not actually afford to buy a home did not work. The reality is that while it would be wonderful for every American to be able to realize the dream of home ownership, the truth of the situation is that not every American can. Unfortunately, as foreclosure rates skyrocketed and millions of Americans became destitute, banks experienced losses as well and the credit crunch ensued. Perhaps one lesson to be learned from the quest to make every American a homeowner, even those with low incomes and poor credit histories, by playing with the laws and relaxing lending standards is that it does not work. This has been a painful lesson for the country and all of those involved. Indeed, the repercussions have been enormous both domestically and internationally. However, the question at this point is what can be done to fix the problems.

In this paper, the authors outlined measures that can help the country to fix the economic difficulties that have resulted. And there are certainly other measures that have not been covered under the scope of this study that can help get the U.S. economy going in the right direction: 1) lowering corporate tax rates to help attract foreign businesses to U.S. shores as well as to bring U.S. businesses that are operating back home; 2) offering a payroll tax holiday to U.S. workers so that they will save over 15% of their paychecks and stimulate the economy by buying more goods and services; 3) protecting the home mortgage interest deduction in order to keep home ownership advantageous and encourage people who are contemplating buying a home to do so, thereby providing a stimulative effect for the economy; 4) offering the states a $500 per capita federal distribution to sustain employment in essential services; 5) offering an $8 per hour federally funded job program with health benefits to anyone willing to work; 6) reducing crippling regulations for business so that they will be able to bring goods and services to market and hire individuals quickly, efficiently, and at reasonable costs; 7) making the U.S. educational system more competitive by offering more options for youngsters in dangerous and failing school districts, so that they will be ready to compete in an increasingly more challenging environment in the twenty-first century; 8) balancing the federal budget so that deficit spending does not run rampant, thereby creating both horrible inflation and a weak U.S dollar for generations to come; 9) becoming self-sufficient in the energy sector, which will create employment, stimulate the economy, and make the U.S. far less dependent on foreign governments for energy needs; and, 10) not printing trillions of dollars more, which will lead to great inflationary pressures and make life more difficult for a vast number of Americans. While these ten measures certainly do not constitute a complete recipe for economic recovery, and will not be easy to implement across the board, they are at least a step in the right direction and will most certainly lead to economic improvement in the U.S.

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