The Daily Dish

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Today the president heads to Texas to "launch a new focus on jobs," because, the AP reports, "his allies contend Obama has put too much of an emphasis on a deficit-cutting grand bargain with Republicans at the expense of creating jobs." There's no disputing that "job growth in this recovery has lagged that of previous economic upturns," and that "the hardest hit have been young workers, workers with low levels of education, and racial and ethnic minorities." Furthermore, as DHE has pointed out month after month in the U-6 Fix, the lack of wage growth has been troubling.

But a focus on job and wage growth should not be separated from a focus on deficit reduction. They are not mutually exclusive. And more "investments" (read: government spending) is not the solution. The president will employ lofty rhetoric about "investing in jobs, skills, and opportunity." But reality is much more complicated. The health care law, painfully slow growth, a flawed student loan system, a still-weak job market laden with restrictive regulations, an onerous tax system, and a dimming of the belief that the next generation will be better off than that last are all at play here. The stimulus (a past $1trillion "investment") failed to deliver on its promises of recovery. It's time to get serious about real reforms (tax, regulatory, energy, student loan, health care, mandatory spending) to the programs that are standing in the way of economic growth and American entrepreneurship.

Doug's Daily Economic Outlook

This New York Times story has a standard headline "Stock Markets Rise, but Half of Americans Don't Benefit" that could be drawn from any paper. And it applies to myriad stories in which a tax (regulator, spending, Federal Reserve, trade, ….) policy enhances the prospects of a particular firm or sector and the implication is that only that company or its rich American stockholders benefit.

Let's see what the data says. Federal Reserve data show that in 2012 there were $25.9 trillion in corporate equities outstanding, of which only $9.8 trillion or 38 percent were held by households. In conventional jargon, any policy that "helps" corporate Americans "helps" only 38 percent of Americans, with the presumption usually tossed in that this is the affluent 38 percent.

But the same data show that private sector, state-local, and federal pension funds owned another $4.3 trillion (17 percent). Surely enhancing the generosity and security of workers' pensions helps Americans, so the total is up to 55 percent, including some middle class and working poor. And another $1.8 trillion (7 percent) backs insurance on homes, autos, lives and other aspects of necessary financial security for those of all incomes. A fair accounting brings this the total to 62 percent. Finally, this excludes mutual and other financial funds that hold $6.3 trillion (24 percent), which enhances the total to 86 percent. Indeed, probably the only fair exclusion is the $3.5 trillion held by those outside the U.S..

Which is really the point. Corporations and the value of their stocks do not have lives separate from the rest of the U.S. economy. Their sales, production, and value are interconnected with the economy, and their improved or worsened fortunes affects citizens of all incomes and station.

What We're Reading

House set to pass tactical Republican debt bill — House Republicans are expected to pass a bill on Thursday that would require the Obama administration to prioritize government debt payments and retirement benefits if Congress fails to reach a deal to raise the U.S. debt ceiling…By the end of next week, the Obama administration will no longer be able to borrow money to fund government operations because Congress has only agreed to extend the government's borrowing authority until May 19. (Reuters)

Why Were Young People Hit Harder by the Recession? — One of the biggest factors, a new paper suggests, is the larger mortgages debt young households under 45 had relative to their assets compared to older people in the run-up to the financial crisis — and the fact that much of their wealth came from owning homes. (WSJ)

Big Banks Push Back Against Tighter Rules — The nation's biggest banks are going on the offensive to fend off growing efforts in Washington to rein them in. The banks have hired longtime, influential Washington hands to deflect regulatory and political pressure to strengthen their finances and to sell assets. Regulators and some lawmakers have raised concern that large banks remain "too big to fail" and could require another government bailout in the event of a new financial meltdown. (WSJ)

Foreclosure activity at six-year low in April – RealtyTrac — Foreclosure activity fell in April to its lowest level in more than six years, the latest sign the recovery in the housing market is on track, a report from RealtyTrac showed on Thursday. Foreclosure activity – which includes default notices, scheduled auctions and bank repossessions – was seen on 144,790 properties last month, down 5 percent from March, and down 23 percent from a year earlier. It was the lowest level since February 2007. (Reuters)

U.S. spending on medicines fell for first time in 2012 — Patent expirations on big-name drugs such as Lipitor and Plavix has resulted in modestly less spending on medicines in the United States for the first time in at least 55 years, according to a report released on Thursday. Overall U.S. spending on medicines totaled $325.8 billion in 2012, down 1 percent from 2011, according to the report from the IMS Institute of Healthcare Informatics.

Adjusting for population, per capita spending fell 3.5 percent to $898. (Reuters)

Housing Up, Freddie Mac Posts Profit — Freddie Mac, one of the two big bailed-out mortgage finance companies, said on Wednesday that it earned $4.6 billion in the first three months of the year, helped by a stronger housing market. The government-controlled company has turned a profit in the last six quarters. (NY Times)

Also From the Forum

Workplace Policy Toward Overtime Workers — The data show the potential for great value from more flexibility in using compensatory time off ("comp time") in exchange for overtime instead of the fixed rule of monetary payment. (Paper here)