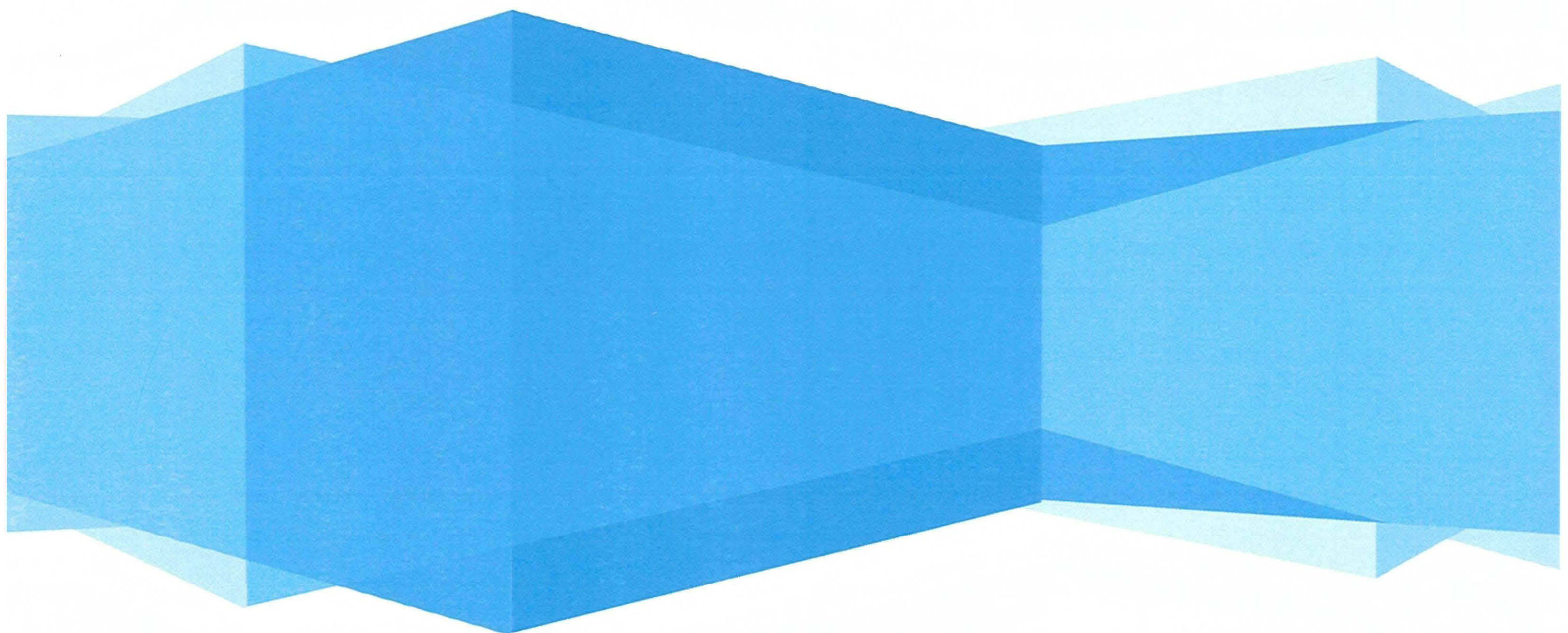
Economic Outlook

3Q2010 News



National Economy

Economic recovery at snail's pace

The economy turns out to be weaker than expected, and the outlook for the rest of the year is now looking dimmer. New figures issued recently show the economy struggles this spring, growing at a meager 1.6 percent annual pace. The initial estimate was 2.4 percent, and even that was anemic. Analysts say the summer should be disappointing, too.

Shortly after the government's revision, Federal Reserve chief Ben Bernanke said the Fed was ready to take additional steps to prevent a second recession, if the economy deteriorates further. But he stopped short of promising any action. The Fed "will do all that it can to ensure continuation of the economic recovery," he said.

Several economists said they expected the economy to keep growing slowly for the rest of the year. That would almost certainly not be enough to bring down the jobless rate, already at 9.5 percent, and unemployment could actually increase.

The performance is "very disappointing," said Ethan Harris, an economist at Bank of America-Merrill Lynch. "Usually you get a bigger bounce-back." In the first quarter of the year, the economy grew much faster, at a 3.7 percent pace. Since then, though, the housing market has slumped after the expiration of a homebuyer tax credit and business spending and manufacturing activity are both cooling off.

Bernanke, speaking to a Fed conference in Jackson Hole, Wyoming, said that the economy has slowed more than policymakers had anticipated and that it is "vulnerable to unexpected developments." He did say he expects growth will pick up next year. The central bank chairman also sought to reassure the financial markets that he has the tools needed to bolster the economy and will use them if business activity slows further.

Bernanke outlined several options, including having the Fed buy more securities, most likely government debt and spur more spending that might get the economy going. Bernanke made clear "he is willing to act to ensure that the recovery remains on the right path," said Zach Pandl, an economist at Nomura Securities.

How much the government could help at this point is an open question. The Fed has already lowered its key short-term interest rate to nearly zero, but that has yet to rejuvenate the economy. The benefits of federal stimulus programs are fading, and Congress has declined to pass any major new aid. Bernanke said the prospect of high unemployment for a long period is a central concern for the Fed. He also made clear that he is determined to prevent the United States from slipping into a deflationary spiral - a prolonged drop in wages and prices.

The Fed chief said the foundation is being laid for stronger growth in 2011. Households are saving more and healthier banks are more willing to lend. That should boost consumer spending, which makes up 70 percent of U.S economic activity. Corporate profits and personal incomes also rose in the second quarter, noted Rebecca Blank, undersecretary for economic affairs at the Commerce Department.

Still, the report for April to June showed that economic growth was reduced by a surge of imports in June and a small buildup in business inventories than previously estimated. Without the trade deficit, the economy would have grown at a healthy 5 percent pace. Instead, the gap essentially subtracted 3.4 percentage points, the biggest hit from a trade imbalance since 1947.

Business investment in new machinery, computers and software rose nearly 25 percent, driving much of the growth last quarter. But much of that spending was on goods from other countries - a 32 percent increase in imports, the most since 1984. Bernanke and many private economists seem to think that was mostly an aberration. As businesses pare back their spending on inventories and reduce investment in new equipment, imports should decline and come more into alignment with exports, they say.

Fed concern growing over too-low inflation

The Federal Reserve has moved closer to a second wave of unconventional monetary easing and said for the first time that too-low inflation, in addition to sluggish growth, would warrant taking action. The Federal Open Market Committee's recent statement that inflation is "somewhat below" levels consistent with its congressional mandate for stable prices pushed yields on two-year Treasuries to a record low.

The move by Chairman Ben Bernanke, positions the Fed for expanding a near-record $2.3 trillion balance sheet as soon as November. Inflation that's too low could result in higher real interest rates and further slow the economy while increasing chances of deflation, or a broad-based decline in prices, said Mark Gertler, a New York University economist.

"The language on inflation is a pretty clear message that they're going to do something" and purchase more securities, said John Canally, an investment strategist and economist at LPL Financial Corp., which oversees $276.9 billion in Boston. "The question that will be repeatedly asked over the next six weeks in the markets is, "How much are they going to do and will it work?" Canally said, referring to the FOMC's next meeting Nov. 2-3.

The FOMC said in its statement that it is "prepared to provide additional accommodation if needed to support the economic recovery and to return inflation over time, to levels consistent with its mandate." The statement didn't say what level of inflation would be consistent with the Federal Reserve Act's directive for "maximum employment, stable prices, and moderate long-

term interest rates". Fed officials indicated at their June meeting that they prefer long-run inflation ranging from about 1.7 percent to 2 percent. That's based on the Commerce Department's personal consumption expenditures price index. The index rose 1.5 percent in the 12 months ended July. excluding food and energy costs, it rose 1.4 percent.

Manufacturing growth continues

U.S. manufacturing expanded in August for the 13th straight month, lifting hopes that economic growth won't stall. The Institute for Supply Management said its manufacturing index rose to 56.3 in August from 55.5 in July. A reading above 50 indicates growth. Manufacturing has helped lead the economy out of the worst recession since the 1930s. The trade group's index has surged since late 2009 and hit a six-year high in April. But as economic growth has slowed this summer, expansion in the manufacturing sector has leveled off.

Another strong month at U.S. factories helped ease fears on Wall Street of a second recession. Investors overlooked another report that said construction spending in July tumbled to the lowest level in a decade. Construction activity dropped 1 percent in July, the third straight monthly decline, the Commerce Department said. Government revisions showed much weaker activity than previously reported for May and June.

Factories have seen rising demand for exports and from businesses that are investing in capital equipment and supplies. Companies have been replenishing their stockpiles after cutting them during the recession.

UNEMPLOYMENT

Job losses grow

Fresh rounds of statewide employment cuts were reported Friday by state officials, which unleashed warnings of a double-dip downturn for the California and Bay Area job markets. "We're getting a double-dip recession in the job market", said Jeffrey Michael, director of the Business Forecasting Center at University of the Pacific. It's not a huge dip. But it is a dip."

California employers jettisoned 33,500 jobs during August, while the Bay Area lost 3,800 jobs, the state's Employment Development Department reported. The numbers were adjusted for seasonal changes. "The state jobs report was surprising and disappointing," said Stephen Levy, director of the Center for Continuing Study of the California Economy. The dismal economy triggered a rise in the California jobless rate, which reached 12.4 percent in August, up from 12.3 percent in July. Even worse, the August employment erosion can't be blamed on the disappearance of Census Bureau jobs. Private sector employment losses undermined the job

market more than any other factor last month, the EDD report showed. Private-industry employers chopped 24.300 jobs in California.

"This is very disappointing," Michael said. "These are significant losses." Government employers trimmed their staffs by 9,200 statewide, the EDD said. The Bay Area lost 3,800 jobs in August, including a decline of 2,000 jobs in the East Bay and another 2,700 in the San Mateo-San Francisco-Marin region. The only bright spots locally were Sonoma County, which gained 1,700 jobs and the South Bay up 100 jobs.

The state EDD survey determined that nine out of 11 major industries in California lost jobs in August. "The job losses were widespread," said Dennis Meyers, principal economist with the state Department of Finance. "The private-sector job losses are a definite change from the last few months."

Trade, transportation and utilities, which included retail employment, lost 8,600 jobs last month, making it the worst-hit private-sector industry in California. The next three biggest industry declines came in construction, down 3,900 jobs; manufacturing, which shed 3,800 jobs; and financial services, which lost 3,700 jobs, the EDD reported. "The losses are across the board, over all sectors," Michael said. "Every metro area is being hit by job losses or is seeing a slowdown in gains."

Two California industries added employees in August. Professional and business services gained 300 jobs and mining and logging rose by 200 positions. "Folks, I talk to, particularly in banking, say that no businesses that are clients are expanding. They are all uncertain about hiring."

Job seekers facing harsh new reality

The U.S. economy will eventually rebound from the Great Recession. Millions of American workers will not. What some economists now project - and policymakers are loath to admit - is that the U.S. unemployment rate, which stood at 9.6 percent in August, could remain elevated for years to come. The nation's job deficit is so deep that even a powerful recovery would leave large numbers of Americans out of work for years, experts say. And with growth now weakening, analysts are doubtful that companies will boost payrolls significantly any time soon. Unemployment, long considered a temporary, transitional condition in the United States, appears to be settling in for a lengthy run.

"This is the new reality," said Mark Zandi, chief economist at Moody's Analytics. "In the past decade we've gone from the best labor market in our economic history to arguably one of the worst. It's going to take years, if not decades, to completely recover from the fallout." Major employers including automakers and building contractors were at the core of the meltdown

this time around. Even when the economy picks up, these sectors won't quickly rehire all the workers they shed during the downturn.

Many small businesses, squeezed by tight credit and slow sales, similarly aren't in a hurry to add employees. Some big corporations are enjoying record profits precisely because they've kept a tight lid on hiring. And state and local governments are looking to ax more teachers, police officers and social workers to balance their budgets. Meanwhile, U.S. legislators have shown little appetite for a new round of stimulus spending.

It all points to a long slog for the nation's unemployed. In May, a record 46 percent of all jobless Americans had been out of work for more than six months. That's the highest level since the government started keeping track in 1948, and it's about double the percentage of long-term unemployed seen during the brutal recession of the early 1980s.

For the U.S. labor market to regain all the jobs it had when the recession started in December 2007, employers would need to boost their payrolls by 7.6 million positions. That figure doesn't include the roughly 125,000 jobs a month the country must create just to keep up with new entrants into the labor force. To get the U.S. jobless rate back to 5 percent, where it was before the downturn, would require the economy to generate about 17 million jobs - or about 285,000 jobs a month for five straight years - according to Heidi Shierholz, a labor economist at the Economic Policy Institute in Washington.

To appreciate the scope of that employment hole, consider that U.S. employers have shed 283,000 jobs since May. Ask economists to project which industries might spark robust job creation and the news isn't encouraging for America's 14.9 million unemployed workers. Sectors that traditionally have led the nation out of recession - including home building and financial services - are laboring amid a housing glut and a credit freeze. The U.S. auto industry, long under assault by foreign manufacturers, just completed a brutal downsizing. Outsourcing of call centers and other service jobs to places such as India is growing too. Meanwhile, U.S. productivity grew steadily through 2009 and into the first quarter of this year, in part because many employers replaced people with technology and are working their existing staffs harder.

It's going to take a long time to get back," economist Shierholz said. The nation is looking at "eight or nine years of elevated unemployment, and we just haven't seen anything like that."

CONSUMER CONFIDENCE

August – American's economic confidence ticks up

Americans' confidence in the economy improved slightly in August from July, but they're still roughly as gloomy as a year ago. The downbeat sentiment underscores the challenges ahead for the increasingly shaky recovery and for retailers, which are grappling with a weak start to back-to-school shopping. Worries are even growing about the critical holiday shopping season.

The Conference Board, a private research group, said recently that its Consumer Confidence Index rose to 52.5 from a revised 51.0 in July. Economists surveyed by Thomson Reuters had expected 50.5. The increase comes after two straight months of declines.

September – American's growing more fearful

Americans in both the living room and the boardroom are growing more fearful about the economy, creating a Catch-22 for the job market. Shoppers won't spend until they feel more secure, and business won't hire until people start spending. The eroding views were revealed recently by two separate surveys, one that found everyday Americans are increasingly pessimistic about jobs and another that found CEOs have grimmer predictions about upcoming sales.

"The economy is stuck in an unvirtuous cycle," said Mark Vitner, an economist at Wells Fargo. "Consumers are waiting for more jobs to be created, and businesses are waiting for consumers." The monthly Consumer Confidence Index from The Conference Board, a private research group, fell to 48.5 in September, its lowest point since February and down from 53.2 in August. Economists surveyed by Thomson Reuters were expecting 52.5 for September.

It takes a reading of 90 to indicate a healthy economy - a level not approached since the recession began in December 2007. Meanwhile, a poll by Business Roundtable, an association of CEOs of big companies, found two-thirds of chief executives expected sales to grow over the next six months. That's down from 9 percent in June. Causing uncertainty for both groups, Vitner says, are the Nov. 2 elections, when voters worried about increasing deficits and the economy's slow recovery will decide whether to keep Democrats in power in Congress.

The Federal Reserve's efforts to pump up the economy and lower the unemployment rate, stuck at almost 10 percent, have fallen short. Fed chief Ben Bernanke has signaled that the Fed is prepared to take new action if things get worse, but there's no easy solution.

Some companies that had big rounds of layoffs during the worst of the recession, such as drug maker Bristol-Myers Squibb Co., are still trimming work forces to bring down costs. The CEO survey suggests companies will be wary about adding workers into 2011. Only 31 percent of

CEOs said they expected to increase their payrolls in the next six months down from 39 percent in June, which was the best reading since before the recession.

HOUSING

Homebuilders' confidence holds at 18-month low

Homebuilders' confidence in the housing market stayed this month at the lowest level in 18 months, and more worry that the traffic of potential buyers is falling. The National Association of Home Builders said recently that its monthly index of builders' sentiment was unchanged in September at 18. The index has now been at the lowest level since March 2009 for two straight months.

Readings below 50 indicate negative sentiment about the market. The last time the index was above 50 was in April 2006. The index is broken into three separate readings. Foot traffic from prospective buyers, an indication of future sales, fell slightly. The index measuring expectations for the next six months was unchanged. Current sales conditions were also unchanged. "Americans by and large just aren't that excited about the prospect of buying a house," wrote Mike Larson, real estate and interest rate analyst with Weiss Research.

Sales of new and previously occupied homes fell this summer to the lowest level in more than a decade, despite the lowest mortgage rates in decades. And builders have had to cope with the worst foreclosure market since the 1930s. which is hardly close to ending.

Lenders took back more homes in August than in any month since the start of the mortgage crisis, according to foreclosure listing service RealtyTrac Inc. That's held down prices in much of the country. And it's bad news for builders, who must compete against homes that can sell for less than what it costs to build a new home. High unemployment, slow job growth, and tight credit have kept people from buying homes. Government tax credits gave the industry a boost this spring, but since they have expired the industry has struggled.

"In general, builders haven't seen any reason for improved optimism in market conditions over the past month," said Bob Jones, a homebuilder from Bloomfield Hills, Mich. and the trade group's chairman. "If any thing, consumer uncertainty has increased, and builders feel their hands are tied until potential homebuyers feel more secure about the job market and economy."

Weak sales mean fewer jobs in the construction industry, which normally helps power economic recoveries. Each new home built creates on average, the equivalent of three jobs for a year and generates about $90,000 in taxes, according to the trade group.

RETAIL SALES AUGUST

Discounts spur retail sales gains in August

This year's back-to-school season isn't as big a bust for retailers as they feared - or as last year's - but it's not great either. Americans are spending only when the item and price are just right, according to August reports that major chains released recently. And analysts expect stores will need to keep discounting to keep shoppers spending this fall and in the holiday season while they grapple with job worries and tight credits.

"It's a glimmer of hope that the numbers are coming in ahead of low expectations," said Ken Perkins, president of research firm RetailMetrics. "But the back-to-school shopping season isn't anything to get excited about. It means that Santa may not be dumping a huge lump of coal, but it sets up a very promotional holiday season." Retailers that cautiously primed for a comeback five months ago as sales improved have been scaling back their hopes and making some tweaks to their merchandise again, analysts said. And stores will face more difficult comparisons starting this month because consumer spending had started rising by last September.

But the recent reports helped ease fears of another double dip recession, which have been stoked in recent weeks by a barrage of negative economic reports, including slumping home sales. The International Council of Shopping Centers said that its index of 31 major retailers rose 3.2 percent for August. That's a tad better than the 3 percent forecast but it barely compensates for a 2.0 percent drop a year ago. For most stores releasing comparisons, they cover the four weeks that ended August 28. Back-to-school shopping stretches from late July through mid-September.

Among the big winners were Costco Wholesale Corp., Victoria's Secret operator Limited Brands Inc, and Macy's Inc., whose results beat Wall Street forecasts.

AUTO SALES

U.S. auto sales wilt in August

Americans nervous about the drumbeat of bad economic news stayed away from auto showrooms. Automakers nervous about their bottom lines didn't offer deals to lure them in. As a result, it was the worst August for U.S. auto sales since 1983, when the country was at the end of a double-dip recession. General Motors, Toyota, Honda and Ford all reported declines from the month before and from a year earlier.

The bleak results were a reminder that for all the good news about the turnaround of the Detroit automakers, the market for cars and trucks in the United States remains frail. Initial data showed sales came in at about 97,000, down 5 percent from July, according to AutoData Corp. "Coming in below a million units is eye-opening for August," said Paul Ballew, a former chief economist for GM. "I never thought I'd see that. That's a tepid month for August, which is supposed to be one of the top months of the year."

Auto sales are better this year than in 2009 but much weaker than they were before the recession. In response, Ford recently cut its fourth-quarter production plans slightly. Last August, the government's Cash for Clunkers program offered rebates of up to $4,500 for trade-ins and helped sales, especially for fuel-efficient cars. There is no such incentive now.

In addition, automakers were stingy about deals. After years of painful restructuring, car companies have cut production, and they no longer need to offer big discounts to move cars off lots. Automakers kicked in an average of $2,858 in incentives per vehicle last month before, according to J.D. Power and Associates. It was the fifth month of lowered or flat incentive spending. "We know it's going to be a modest recovery. It's going to be bumpy," said Don Johnson, GM's vice president of U.S. sales. "What we don't want to do is get back to putting incentives in the marketplace to keep the plants running."

Automakers can also count on other markets to make their profits. In China, August sales rose 56 percent over last August, to about 12 million vehicles. In the U.S. though, customers remain hesitant. "Buyers are still kind of wrestling with this new reality of incentives that aren't going to be as great as they been in the past," said Jeff Schuster, executive director of global forecasting for J.D. Power and Associates. "Eventually they'll say, "This is how it's going to be,' and come back."

Chrysler, which rolled out a new Jeep Grand Cherokee, was the only major automaker to report August gains. It also did not benefit as much as competitors from the Clunkers program because it relies more heavily on trucks and large cars. Also, because they didn't get a lift from Clunkers, luxury cars and SUVs sold better this August than in 2009. Sales of the GMC Yukon came in 92 percent better, the Ford Expedition 57 percent better, Jaguar sales rose 62 percent, and Porsche was up 33 percent.

Auto sales surge in September

The highly promoted rollout of the redesigned Jeep Grand Cherokee - and stable gas prices - helped Chrysler sales to soar 61 percent in September. Ford Motor Co. posted a 40 percent increase in U.S. sales last month and Chrysler Group soared 61 percent as the industry showed signs of rebounding from an August slump.

General Motors Co. said its sales rose 11 percent from September 2009 levels, when inventories were depleted after the U.S. cash for clunkers incentives expired. Among Asian automakers, Toyota Motors rose 17 percent, American Honda advanced 26 percent, Nissan North America gained 34 percent and Hyundai-Kia jumped 44 percent. Of the first 14 companies to report, only one - Suzuki - recorded a decline last month. The results support projections that September totals may be among the strongest so far this year.

"It's a solid month, another step in a stable, somewhat painful recovery," said analyst Jesse Toprak of TrueCar.com. "We're still missing a catalyst to boost the selling rate past 12 million, but this may be a healthier way to recover." September sales were projected to reach a seasonally adjusted annual rate of 11.7 million vehicles, according to nine analysts' estimates compiled by Bloomberg.

August sales had fallen 21 percent - the year's only drop - as the industry fought comparisons to a year-earlier month that was boosted by the clunkers program. Similarly, last month's performance was aided by comparison to September 2009, after clunkers drained sales as well as vehicle stocks. It was the third-weakest month in the weakest auto market in nearly three decades.

It's a bit deceptive because last September was so poor after the cash-for-clunkers program ended," said Gerald Meyers, a professor at the University of Michigan Business School and a former chief of American Motors Corp. "It seems as if auto sales in the U.S. have bottomed out and are headed up from here."

Ford's increase was the automaker's highest monthly percentage increase since February's 43 percent gain. Sales boss Ken Crubay said September would mark Ford's 23rd increase in U.S. market share in the past 24 months. September's increase lifted GM sales through nine months to 6 percent above year-earlier levels. It was the eighth monthly gain for GM so far this year, following a 25 percent August decline.

Among GM's four surviving brands, GMC led the increase with a 42 percent gain. The automaker said Buick rose 36 percent, Chevrolet was up 18.5 percent and Cadillac advanced 11 percent. The September gain helped GM transition from holdover 2010 models to new 2011 vehicles, said GM's Johnson. "Our plan is working," he said.

Chrysler said its sales increased to 100,077. Deliveries of its namesake brand rose 92 percent, helped by the Town & Country minivan and Sebring sedan. The Dodge brand increased 71 percent. Jeep climbed 65 percent, and Ram gained 22 percent.

"Chrysler is benefiting from stable gas prices and the highly visible launch of the redesigned Grand Cherokee," Ivan Drury, an analyst for Edmunds.com. "As long as consumers are not worried about high fuel costs Chrysler should be able to maintain a decent sales pace, since 71 percent of Chrysler sales are trucks."

Nissan sold 74,205 Nissan and Infiniti vehicles. Car deliveries expanded 36 percent, led by a 65 percent jump for Altima sedans. "This year has been a bit of a rollercoaster ride," said Al Castignetti, vice president of U.S. sales. Sales should keep improving for the rest of 2010, particularly as light-truck demand remains strong, he said.

Automakers decreased sales incentives and discounts by an average of 2 percent from last year, which may have kept sales from gaining more, according to TrueCar. Ford was the only U.S. automaker to raise incentive spending, TrueCar said. Ford's average discounts rose 7.4 percent from last year to $2,797 per vehicle, while Chrysler decreased incentive spending by 23 percent to $3,787 and GM cut incentives by 11 percent to $3,403.

Honda's incentive spending rose 68 percent to an average of $2,166, according to TrueCar. Toyota boosted discounts by 38 percent to $1,870, and Nissan increased discounts 10 percent to $2,980.

UCLA ANDERSON FORECAST

California recovery pushed back

The economic recovery for California will be delayed until the end of 2011, later than anticipated just a few months ago, according to analysts who released a quarterly outlook for the state and nation recently. However, by that time, the rate of job growth in the Golden State should gallop ahead of the nationwide pace, said economists who produced the closely watched UCLA Anderson Forecast.

For now, however, things look bleak for the statewide economy, the forecast predicted. "The outlook is slightly weaker for California in the near term," said Jerry Nickelsburg, an economist with the forecast. "Things are getting a bit weaker."

California's wobbly economy is being further burdened by the moribund market for residential construction and skittish consumers. "There is nothing happening in housing," Nickelsburg said. Previously, the forecast had anticipated a rebound during the first six months of 2011. That predicted upswing has now been shoved further into the future.

"2010 and 2011 look a little bit weaker, and a rebound is being pushed back to late 2011 or 2012," Nickelsburg said. Still, the darker picture does not mean that California or the nation will

topple back into a recession. "All the evidence suggests that California is ever so slowly coming out of the recession," according to the forecast.

The specter of a double-dip downturn has spooked economists and haunted financial markets lately. "The worst is behind us," said Brad Kemp, director of regional research with Beacon Economics. "The recession was like falling into a pool and sinking to a bottom. We have hit bottom. The question is how long will it take to get back to the surface."

UCLA Anderson isn't the only group of analysts who recently have sketched a more fragile economic outlook, said Stephen Levy, director of the Palo Alto-based Center For Continuing Study of the California Economy. "Many economists are pushing back the time frame when the recovery will occur," he said. "This is a slow recovery. It is an unusually slow recovery from a bad recession."

That's the rub. In recent months, job losses resumed. The renewed deterioration in employment was triggered by the departure of temporary census jobs and growth in private sector jobs that was anemic at best. "The problem is the rate of growth is so small, it is barely perceptible," Kemp said. "It's a drop in the bucket."

Beacon's economists had predicted that decent growth would not materialize until the second half of 2011. For that reason, Kemp said he and his colleagues at Beacon weren't surprised that UCLA Anderson now has a somewhat darker outlook for the near term. "We had also said the recovery would be extremely slow," he said.

Nevertheless, some potential bright spots - or perhaps patches that are less dreary - emerged from the forecast. California will fare better than the United States as measured by some key metrics. For one thing, the state's job market will outperform the U.S. during 2011 and 2012. The Anderson researchers said California's job base should grow by 1.7 percent during 2011, while the national job totals should expand 0.7 percent.

In 2011, personal income should rise more quickly in California than nationally. The jobless rate in California, however, will remain well above that of the United States, the forecast predicted. Levy also suggested that the Bay Area, home to Silicon Valley, could enjoy a robust rebound at some point in 2011. "High tech is doing pretty well, and the Bay Area is poised to do a little better than the state over the next year or two," he said.

Despite the hopeful indicators, sturdy job growth will remain elusive for some time to come, according to the forecast. For now, employers will seek to wring every last drop of productivity out of their existing workers. "Employers are still cautious," Nickelsburg said. "Employers want

to be sure that the increases in demand are real before they invest in new workers. Until they are sure, they won't go out and hire."

Sources:

Economy.com
New York Times
San Francisco Chronicle
USA Today
Wall Street Journal
Caltaxletter