

RELEASE IN PART  
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**From:** H <hrod17@clintonemail.com>  
**Sent:** Tuesday, July 12, 2011 9:12 AM  
**To:** 'bstrider' [redacted]; 'abedinh@state.gov'; 'dband' [redacted]  
 Justin Cooper  
**Subject:** Re: The Economic News - Atlantic Mobile

Well done and so true.

----- Original Message -----

**From:** bstrider [redacted] [mailto:bstrider [redacted]]  
**Sent:** Friday, July 08, 2011 10:00 PM  
**To:** H; Huma Abedin <abedinh@state.gov>; Doug Band <dband [redacted]>; Justin Cooper  
**Subject:** The Economic News - Atlantic Mobile

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Fairly succinct appraisal of a certain point of view... Note last paragraph:

<http://m.theatlantic.com/politics/archive/2011/07/the-economic-news/241614/>

The Economic News

James Fallows | 12:29 PM ET

In the early 1970s, when I was studying economics in graduate school in England, the ruinous Great Depression was nearly 40 years in the past. One big focus of attention in our courses was how it could have happened. That is, what combination of moneyed interests, conventionally minded "thought leaders" in politics and the media, and destructive adherence to shibboleths like the Gold Standard and the moral evils of deficit spending allowed leaders in France, England, and America to turn a problem into a disaster. It was in exasperation at the needlessness of it all -- the folly of contractionary government policies even as businesses were failing because of too little demand -- that John Maynard Keynes had written *The General Theory*. Liaquat Ahamed recently re-told that story in his justly celebrated *Lords of Finance*. (For how the Chinese have absorbed this history in responding to the post-2008 slowdown, see this account.)

Those days of the 1970s are now nearly 40 years in the past. And this morning's jobs report makes me wonder whether, as a political system, we ever learn anything. Even this basic thing: That when tens of millions of people cannot find work because of an overall "failure of demand" -- not enough paychecks going to not enough people who can not make enough payments to create jobs for enough other people -- the main problem facing the nation is not "runaway government spending." Any more than it was when Herbert Hoover tightened up on spending as markets crashed, in the wave of folly that Keynes and Ahamed in their different ways chronicled. A lot has changed since the 1930s, and the 1970s. But not this basic principle.

The Congressional Republicans, in saying today that the weak jobs report shows the importance of not raising taxes in tough economic times, understand half this reality. (Or maybe a quarter of it: there is no failure of demand in the top levels of the US income distribution, the levels whose taxes the Republicans fight hardest to hold down. I won't even get into the "propensity to spend" arguments about why higher taxes at the top could actually increase overall demand.) But they refuse to see how exactly the same logic undercuts their current anti-spending drive.

And as for the Democrats: I rarely see the point in quoting something from the NYT op-ed page, since most people will have come across it already. But Paul Krugman's argument this morning deserves as much repetition as it can get:

>>One striking example of this [bipartisan] rightward shift came in last weekend's presidential address, in which Mr. Obama had this to say about the economics of the budget: "Government has to start living within its means, just like families do. We have to cut the spending we can't afford so we can put the economy on sounder footing, and give our businesses the confidence they need to grow and create jobs."

That's three of the right's favorite economic fallacies in just two sentences. No, the government shouldn't budget the way families do; on the contrary, trying to balance the budget in times of economic distress is a recipe for deepening the slump. Spending cuts right now wouldn't "put the economy on sounder footing." They would reduce growth and raise unemployment. And last but not least, businesses aren't holding back because they lack confidence in government policies; they're holding back because they don't have enough customers -- a problem that would be made worse, not better, by short-term spending cuts.<<

I have to go now, but later I will try to find Bill Clinton's arguments from Aspen last week, where he told the economic story more clearly than the Obama Administration so far has. I wonder how this will look 40 years from now.

Sent from my Verizon Wireless BlackBerry