

DAVID PLOUFFE, STILL BELIEVE PEOPLE ARE FEELING BETTER ABOUT ECONOMY?

David Plouffe was at yesterday's disappointing "Freedom Rally" at Johnson Controls. Aside from being amazed (as I often am when I see politicians in person) at how short he is, seeing him also made me newly cranky about Plouffe's comments last month about people feeling better about their own economic situations.

The average American does not view the economy through the prism of GDP or unemployment rates or even monthly jobs numbers.

In fact, those terms very rarely pass their lips. So it's a very one-dimensional view. They view the economy through their own personal prism. You see, people's – **people's attitude towards their own personal financial situation has actually improved over time.** You know, they're still concerned about the long-term economic future of the country, but it's things like "My sister was unemployed for six months and was living in my basement and now she has a job."

There's a – a "help wanted" sign. You know, the local diner was a little busier this week. Home Depot was a little busier. These are the ways people talk about the economy. [my emphasis]

As I pointed out then, people actually weren't feeling better about the economy, which seemed like a point you ought to be cognizant of if you're trying to get a President re-elected based on improving consumer confidence.

Particularly when consumer confidence is at Jimmy Carter levels of malaise.

Confidence among U.S. consumers plunged in August to the lowest level since May 1980, adding to concern that weak employment gains and volatility in the stock market will prompt households to retrench.

The Thomson Reuters/University of Michigan preliminary index of consumer sentiment slumped to 54.9 from 63.7 the prior month. The gauge was projected to decline to 62, according to the median forecast in a Bloomberg News survey.

The biggest one-week slump in stocks since 2008 and the threat of default on the nation's debt may have exacerbated consumers' concerns as unemployment hovers above 9 percent and companies are hesitant to hire. Rising pessimism poses a risk household spending will cool further, hindering a recovery that Federal Reserve policy makers said this week was already advancing "considerably slower" than projected.

"The mood is very depressed," said Chris Christopher, an economist at IHS Global Insight Inc. in Lexington, Massachusetts. "Consumers are very fatigued and very uncertain. In the short term, people are going to pull back on spending."

Of course, when the President's team decides that, rather than go and point out that the government can and has done something about jobs (and proposes to do more), it should blame Congress and pretend that freedom creates jobs all by itself, it doesn't really inspire confidence.

As Paul Krugman says, what we need is someone to go out and staunch the bleeding, not someone to lecture more about getting the deficit in order

(as Obama also did yesterday).

For the fact is that right now the economy desperately needs a short-run fix. When you're bleeding profusely from an open wound, you want a doctor who binds that wound up, not a doctor who lectures you on the importance of maintaining a healthy lifestyle as you get older. When millions of willing and able workers are unemployed, and economic potential is going to waste to the tune of almost \$1 trillion a year, you want policy makers who work on a fast recovery, not people who lecture you on the need for long-run fiscal sustainability.

[snip]

What would a real response to our problems involve? First of all, it would involve more, not less, government spending for the time being – with mass unemployment and incredibly low borrowing costs, we should be rebuilding our schools, our roads, our water systems and more. It would involve aggressive moves to reduce household debt via mortgage forgiveness and refinancing. And it would involve an all-out effort by the Federal Reserve to get the economy moving, with the deliberate goal of generating higher inflation to help alleviate debt problems.

Mind you, just from watching last night's debate via Twitter, I recognize that most of the alternatives would be far, far worse. But to prevent one of those yahoos from having a change, the Obama Administration really ought to be looking at what works—investing in factories like JCI—rather than lecturing more about deficits and freedom.