Premier Thoughts: The CSUB Business Blog

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Sluggish Economy Ahead

With the renewal of the Bush-era tax cut worth nearly $850 billion, the U.S. economy is going to avoid a once-feared double-dip recession in 2011. However, the economy is likely to stay sluggish with a 2 to 3 percent growth rate and an 8 to 8.5 percent unemployment rate. Consumer price increases are going to accelerate with rising gasoline and food prices. Likewise, interest rates are likely to drift higher to benefit savers and investors. The housing market recession will continue with falling prices until legal and administrative problems with bank foreclosures are resolved. In the absence of any external shocks, the financial market will continue to advance with the news of higher corporate profits and reallocation of portfolios from cash to bonds and stocks. The federal budget deficit is on its way to exceed $1.5 trillion and the national debt will climb toward $15 trillion.

Sources: