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The Joyless Economy

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Published: December 5, 2005

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Falling gasoline prices have led to some improvement in consumer confidence over the past few weeks. But the public remains deeply unhappy about the state of the economy.

According to the latest Gallup poll, 63 percent of Americans rate the economy as only fair or poor, and by 58 to 36 percent people say economic conditions are getting worse, not better.



Fred R. Conrad/The New York Times


Paul Krugman.

Yet by some measures, the economy is doing reasonably well. In particular, gross domestic product is rising at a pretty fast clip. So why aren't people pleased with the economy's performance?

Like everything these days, this is a political as well as factual question. The Bush administration seems genuinely puzzled that it isn't getting more credit for what it thinks is a booming economy. So let me be helpful here and explain what's going on.

I could point out that the economic numbers,

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especially the job numbers, aren't as good as the Bush people imagine. President Bush made an appearance in the Rose Garden to hail the latest jobs report, yet a gain of 215,000 jobs would have been considered nothing special - in fact, a bit subpar - during the Clinton years. And because the average workweek shrank a bit, the

total number of hours worked actually fell last month.

But the main explanation for economic discontent is that it's hard to convince people that the economy is booming when they themselves have yet to see any benefits from the supposed boom. Over the last few years G.D.P. growth has been reasonably good, and corporate profits have soared. But that growth has failed to trickle down to most Americans.

Back in August the Census bureau released family income data for 2004. The report, which was overshadowed by Hurricane Katrina, showed a remarkable disconnect between overall economic growth and the economic fortunes of most American families.

It should have been a good year for American families: the economy grew 4.2 percent, its best performance since 1999. Yet most families actually lost economic ground. Real median household income - the income of households in the middle of the income distribution, adjusted for inflation - fell for the fifth year in a row. And one key source of economic insecurity got worse, as the number of Americans without health insurance continued to rise.

We don't have comparable data for 2005 yet, but it's pretty clear that the results will be similar. G.D.P. growth has remained solid, but most families are probably losing ground as their earnings fail to keep up with inflation.

Behind the disconnect between economic growth and family incomes lies the extremely lopsided nature of the economic recovery that officially began in late 2001. The

growth in corporate profits has, as I said, been spectacular. Even after adjusting for inflation, profits have risen more than 50 percent since the last quarter of 2001. But real wage and salary income is up less than 7 percent.

There are some wealthy Americans who derive a large share of their income from dividends and capital gains on stocks, and therefore benefit more or less directly from soaring profits. But these people constitute a small minority. For everyone else the sluggish growth in wages is the real story. And much of the wage and salary growth that did take place happened at the high end, in the form of rising payments to executives and other elite employees. Average hourly earnings of nonsupervisory workers, adjusted for inflation, are lower now than when the recovery began.

So there you have it. Americans don't feel good about the economy because it hasn't been good for them. Never mind the G.D.P. numbers: most people are falling behind.

It's much harder to explain why. The disconnect between G.D.P. growth and the economic fortunes of most American families can't be dismissed as a normal occurrence. Wages and median family income often lag behind profits in the early stages of an economic expansion, but not this far behind, and not for so long. Nor, I should say, is there any easy way to place more than a small fraction of the blame on Bush administration policies. At this point the joylessness of the economic expansion for most Americans is a mystery.

What's clear, however, is that advisers who believe that Mr. Bush can repair his political standing by making speeches telling the public how well the economy is doing have misunderstood the situation. The problem isn't that people don't understand how good things are. It's that they know, from personal experience, that things really aren't that good.

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