

# America needs the '6 percent solution'

**A** question we repeatedly hear or read in the news is whether and when Americans will start spending again for consumer goods and services. A more cogent question is whether we should, as a society, continue to encourage consumer expenditures as our primary engine of growth and economic well-being.

Easy credit, whether originating from home equity loans or the overuse of multiple credit cards, enabled consumer expenditures to account for almost 70 percent of our nation's GDP in 2005. This percentage was virtually unchanged in 2008. Can we and do we want to maintain this 70 percent? Or should we transfer some of these expenditures to savings that support private, non-residential investment and taxes for badly need social capital expenditures?

This emphasis on consumer goods as a means to a sound economy, historical-



## GUEST OPINION

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ly speaking, is a relatively new phenomenon — gathering steam since the 1980s.

President Obama's Feb. 24 speech to Congress and the nation was correct in stating that all of us are to blame for getting ourselves into this financial mess, and all of us are going to have to change our profligate behavior if we hope to get out. For too long, the entire economy has depended upon Americans spending beyond our means with China's saving economy being the lender of choice. Private investment continued to be relatively anemic, while government

investments in our roads, bridges, public transit, clean energy, research and education were too limited to keep us competitive with the rest of the world.

Perhaps this economic downturn will be a wake-up call to encourage us to spend less, save more and pay higher taxes, enabling both business and government to step up the pace of modernization. Our economy has never run in a linear fashion, so we of the older generation have been through these cyclical swings at least several times before.

Perhaps the time has come to give serious consideration to reducing personal consumer expenditures by 6 percent, and instead use it to grow the economy in ways that not only benefit all of us today, but our children's generation and our children's children's, as well.

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