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Expert Commentary

O. Morand on the US economy.

In light of a steady recovery of the US economy, Dukascopy decided to interview Olivier Morand, Professor of Economics at University of Connecticut, who shared his opinion on the present economic situation in the US and its prospects.

” The US is going through a very slow recovery.



Olivier Morand

Professor of Economics
University of Connecticut

How would you evaluate the current economic situation in the US?

The US is going through a very slow recovery, with several unanticipated difficulties, if compared to previous recessions:

- Housing prices are not moving, and foreclosures are still very numerous. Construction is basically at a standstill.
- There is significant political opposition to using more government spending to stimulate the economy, which was a common strategy in the past. There are hardly any tools left for the Federal Reserve to promote expansionary monetary policy without higher risks of inflation.
- Some of the major trade partners like Canada, EU, Japan are also in difficulties and we cannot expect a boost in demand from them.

All in all, things are getting better gradually with moderate increases in consumer spending and slow decrease in the unemployment rates.



The US should turns its attention to long-term economic growth.

What are the factors that might prevent the US economy from a rapid expansion?

Continued weak domestic and foreign demand for the US goods and services certainly can contribute to preventing a rapid expansion. In addition, as mentioned above, the traditional expansionary monetary and fiscal policies are not available.

What measures should be implemented in order to accelerate the US economic growth?

A lot has been done by the federal government already to try to foster employment increase. I am not sure what, if anything, can be done to boost growth in the short term, but overall non-farm labor productivity has not changed much in 2011: without productivity improvements it is hard to envision economic expansion. I firmly believe that currently the US should turns its attention to long term economic growth. More precisely, I am concerned about the neglect of education and infrastructure at the federal and state levels.

What is your outlook for the US economy for the end of 2012?

Getting closer to 8% unemployment, a spike in inflation due to increased energy prices and increased food prices, flat incomes and consumer spending.



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