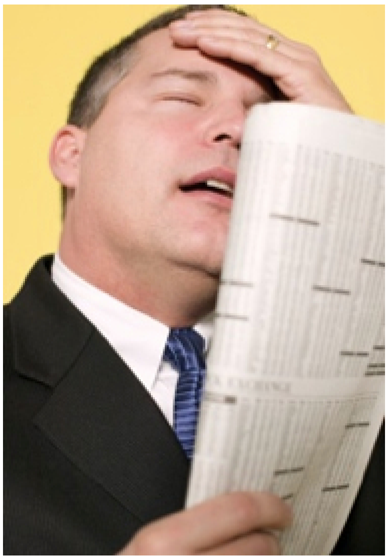
Written by **Bob Adelmann** on November 26, 2011

Latest Economic Surveys Show Little Optimism



NFIB's Optimism Index has shown precious little change going back to January of 2009 and is matched by the University of Michigan's Consumer Sentiment Index, which noted that "more households reported that their finances had worsened rather than improved for the 48th consecutive month [and that] just 22% of consumers expected their finances to improve" in the coming year. Further, in each of the past four months, "the majority of consumers unfavorably rated the policies of the Obama administration."

The Consumer Confidence Index issued by the Conference Board also showed consumer expectations at 51.8, down 10 full percentage points just since April.

The 1700 CEOs of small businesses surveyed every quarter for the Vistage CEO Confidence Index also are predicting a weak economy in the coming year, stair-stepping down from 105.2 in the first quarter to 92.9 in the second quarter to 83.5 in the third quarter. Forty percent of those surveyed said "economic uncertainty" was their biggest concern, and consequently they remain cautious about making new investments or hiring new people. Half of those surveyed blame it on President Obama, Congress, and the Democrats and the Republicans collectively.

The term "regime uncertainty" was first used by economist Robert Higgs of *The Independent Institute* in 1997 in an attempt to quantify and track the uncertainty recorded in such surveys. At the time, Higgs was alone in trying to show that such uncertainty directly affected the behavior of the economy, and he was either attacked by Keynesians such as Paul Krugman, or ignored altogether. However, two economists at Stanford University and one at the University of Chicago studied his claim and developed their own "uncertainty index," which shows that not only is U.S. policy uncertainty at historically high levels but that such uncertainty is being deliberately inflicted on the economy by the current administration. They noted, "The persistence of policy uncertainty wasn't inevitable. Rather, it reflects deliberate policy decisions, harmful rhetorical attacks on business and 'millionaires,' failure to tackle entitlement reforms and fiscal imbalances, and political brinkmanship."

They outlined many of such attacks and failures, including:

• The debt-ceiling debate that ended essentially in a draw and the creation of the toothless Supercommitte;

• Efforts by the National Labor Relations Board to prevent Boeing from operating in South Carolina;

• ObamaCare's attempt not to provide simple reforms but to overturn and remake entirely the nation's healthcare delivery system;

• The challenge of that law to be presented to the Supreme Court early next year with an uncertain outcome;

• Bush-era tax cuts extended for just two years, "setting the stage for another major political battle in 2012 and more taxpayer uncertainty"; and

• The European debt crisis that is raising serious questions about the solvency of major banks and the viability of the euro.

The economists estimate the near-term improvement in the economy "from a stable, certainty-enhancing policy regime" to be an additional 2.5 million jobs over 18 months. This wouldn't be the complete answer, according to the trio, "but [it would] be a big step in the right direction."

If it were left up to Ken Langone, co-founder of Home Depot, all the economy needs is a change in the White House. Said Langone in an interview with CNBC,

> The fact of the matter is I think we aren't even [close to] recovery under this president's watch. Unfortunately, this guy is over his head, in my opinion, big time. We've got to have a change in the White House.
>
> If we change the faces in the White House, we're on the road to recovery.

If only it were that simple! Changing suits in the White House will not improve the economy in the long run so long as the government continues pursuing those policies that caused the economic downturn in the first place. But even if a President were elected who truly wanted to change the policies rather than offer mere lip service to less government, he still would not be able to accomplish his agenda unless Congress is changed to the extent that it will start significantly reducing government spending and regulation. This is because, under the U.S. Constitution, all federal legislative powers are vested in Congress. The Congress, as it always has been, is the key in 2012, not the White House.