Introduction

The U.S. economy continues to try to gain momentum as it enters the last month of 2014. Second quarter revised U.S. GDP grew at 4.6%, while third quarter U.S. GDP came in at a revised 3.9% after declining 2.1% in the first quarter of 2014. Average quarterly U.S. GDP growth stands at 2.13% per quarter year-to-date with the early estimates for the fourth quarter averaging 2.5% growth. If fourth quarter estimates pan out, annual U.S. GDP will have grown at 2.23% for 2014 roughly 1% below U.S. average annual post WWII GDP growth of 3.2%.

Key November/December Data

Positive and Negative Signs

The G-20 economies (20 largest economies in the world) grew at 3.2% in the third quarter of 2014 down from 3.3% compared to third quarter 2013. Chinese growth was down to 7.3% third quarter 2014 versus 7.8% in the third quarter 2013 while Japanese GDP growth declined for the second quarter in a row, third quarter 2014 officially placing Japan in a recession. As 2014 comes to a close, the European economy continues to battle to stay out of a recession, while U.S. and global stock markets are posting mixed results at best as oil attempts to stay above $60 a barrel.

Current Issues

The following is an excerpt from the end of the speech we recently came across which John F. Kennedy was scheduled to give at the Trade Mart in Dallas on November 22, 1963. Kennedy was assassinated before he reached the destination. President Kennedy’s words present a timely message today more than 50 years after they were penned.

…“There is no longer any doubt about the strength and skill of American science, American industry, American education and the American free enterprise system. In short, our nation’s space effort represents a great gain in, and a great resource of, our national strength – and both Texas and Texans are contributing greatly to this strength.

Finally, it should be clear by now that a nation can be no stronger abroad than she is at home. Only an America which practices what it preaches about equal rights and social justice will be respected by those whose choice affects our future. Only an America which has fully educated its citizens is fully capable of tackling the complex problems and perceiving the hidden dangers of the world in which we live. And only an America which is growing and prospering economically can sustain the worldwide defenses of freedom, while demonstrating to all concerned the opportunities of our system and society. It is clear, therefore, that we are strengthening our security as well as our economy by our recent record increases in national income and output – by surging ahead of most of Western Europe in the rate of business expansion and the margin of corporate profits, by maintaining a more stable level of prices than almost any of our overseas competitors, and by cutting personal and corporate income taxes by some $11 billion, as I have proposed, to assure this Nation of the longest and strongest expansion in our peacetime economic history. This Nation’s total output – which three years ago was at the $500 billion mark – will soon pass $600 billion for a record rise of over $100 billion in three years. For the first time in history we have 70 million men and women at work. For the first time in history average factory earnings have exceeded $100 a week. For the first time in history corporation profits after taxes – which have risen 43 percent in less than 3 years – have an annual level of $27.4 billion.

My friends and fellow citizens: I cite these facts and figures to make it clear that America today is stronger than ever before. Our adversaries have not abandoned
their ambitions, our dangers have not diminished, our vigilance cannot be relaxed. But now we have the military, the scientific, and the economic strength to do whatever must be done for the preservation and promotion of freedom.

The strength will never be used in pursuit of aggressive ambitions – it will always be used in pursuit of peace. It will never be used to promote provocations – it will always be used to promote the peaceful settlement of disputes.

We, in this country, in this generation, are – by destiny rather than by choice – the watchmen on the walls of world freedom. We ask, therefore, that we may be worthy of our power and responsibility, that we may exercise our strength with wisdom and restraint, and that we may achieve in our time and for all time the ancient vision of “peace on earth, good will toward men.” That must always be our goal, and the righteousness of our cause must always underlie our strength. For what was written long ago: “except the Lord keep the city, the watchmen waketh but in vain.”

Conclusion

An assassin’s bullet prevented President Kennedy from delivering the above speech in Dallas in 1963…perhaps it is a delayed “Christmas Gift” for all regardless of age, religion, gender, to be heard in the White House, Congress, and down main streets all across America! It is a message of accomplishment and hopes…a roadmap to a destiny yet fulfilled and a warning that simply because we are a blessed country we should not take for granted our blessings and how and why we have received them.

We must understand that America is still the world’s beacon of liberty and is still powered by the world’s most moral, ethical and productive business community. Historically, it has been America’s strong and prosperous business community that has yielded a strong defense, which has fueled the light of freedom here and abroad. We must remember that it is our differences that make us special, unique and interesting to each other! We should celebrate and respect our genders, embrace different races and religions, for diversity ranging from language and food to culture and customs brightens our country and world and gives it great depth and breadth.

President Kennedy did not live long enough to see his tax cut proposals become reality in 1964. He understood that America had to cut taxes to unleash the American competitive free enterprise system as Europe at the time had cut taxes with great success. As a result of Kennedy’s tax cuts, U.S. unemployment dropped from 5.2% in 1964 to 3.8% in 1966 while government tax revenue increased in 1964 and 1965.

We believe that pro-business U.S. tax reform is needed today as our corporate tax rates are once again uncompetitive relative to the rest of the world and our economic growth and the opportunity it can provide to all is lagging behind our historical norms!

Contact Us

Comments or questions should be directed to Dr. Timothy G. Nash at: tgnash@northwood.edu or (989) 837-4323. Dr. Nash was assisted in writing this issue by Northwood student David Valentine. To view Northwood University’s Monthly Economic Outlook Newsletters from previous months, please visit: http://www.northwood.edu/media/publications/. For more information about Northwood University, our academic programs and enrollment opportunities for students, visit www.northwood.edu.

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