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U.S. Economy Strong Despite High Oil Prices

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Many Americans worry that that high energy costs combined with rising interest rates will plunge the U.S. economy into economic doldrums. The latest data, however, reveal that the economy continues to grow steadily despite these potential pitfalls. While a great deal of news analysis hypes weaknesses in the economy, the facts suggest otherwise.

During the first quarter of this year, the economy grew at an annualized 5.3 percent rate, the second highest rate of growth in the last five years and well above historical averages.

During the same period productivity grew by 3.7 percent, a full percentage point above the 2.7 percent average growth rate over the last 10 years.

In May alone businesses and employers created 75,000 new jobs. This is the 33rd consecutive month in which the economy has added jobs, with 730,000 net new jobs created since the start of the year. A second measure of employment growth, the household survey, found that in May the economy added 288,000 new jobs, with 1.3 million new jobs created since the start of the year.

This job growth has kept the unemployment rate at historically low levels. Aside from the tech bubble, the economy has not seen unemployment rates lower than May's 4.6 percent since March of 1970.

Additionally, the number of discouraged workers who stopped looking for work because they believe they cannot find jobs also dropped sharply, falling to 323,000 from 392,000 a year ago.

Despite the challenges it faces, the American economy continues on an even keel. As the economy grows at a brisk pace, businesses continue to create jobs for American workers. Sound pro-growth tax policy, such as the recent extension of investment tax relief, has kept the American economy growing despite the weight of rising energy costs and higher interest rates. Now Congress should remain on the right track by reforming onerous regulatory burdens—such as Sarbanes-Oxley—that stand in the way of further economic growth.

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This paper, in its entirety, can be found at:
<http://www.heritage.org/research/Economy/wm1105.cfm>

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