

Editorial

U.S. deficit spurs economic recovery

Future effects are uncertain

Ever since the 1984 presidential campaign by an opponent of President Reagan's opponents have criticized the word deficit more than other aspect of his presidency.

Analysts, news stories and editorials have decried the deficit. Commentators have said Reagan's nearly \$200 billion deficit will be a burden to future generations.

The deficit may damage the economy, and may be a burden to future generations. But the deficit, according to Jerry Petr, UNL professor of economics, is largely responsible for the recent economic recovery.

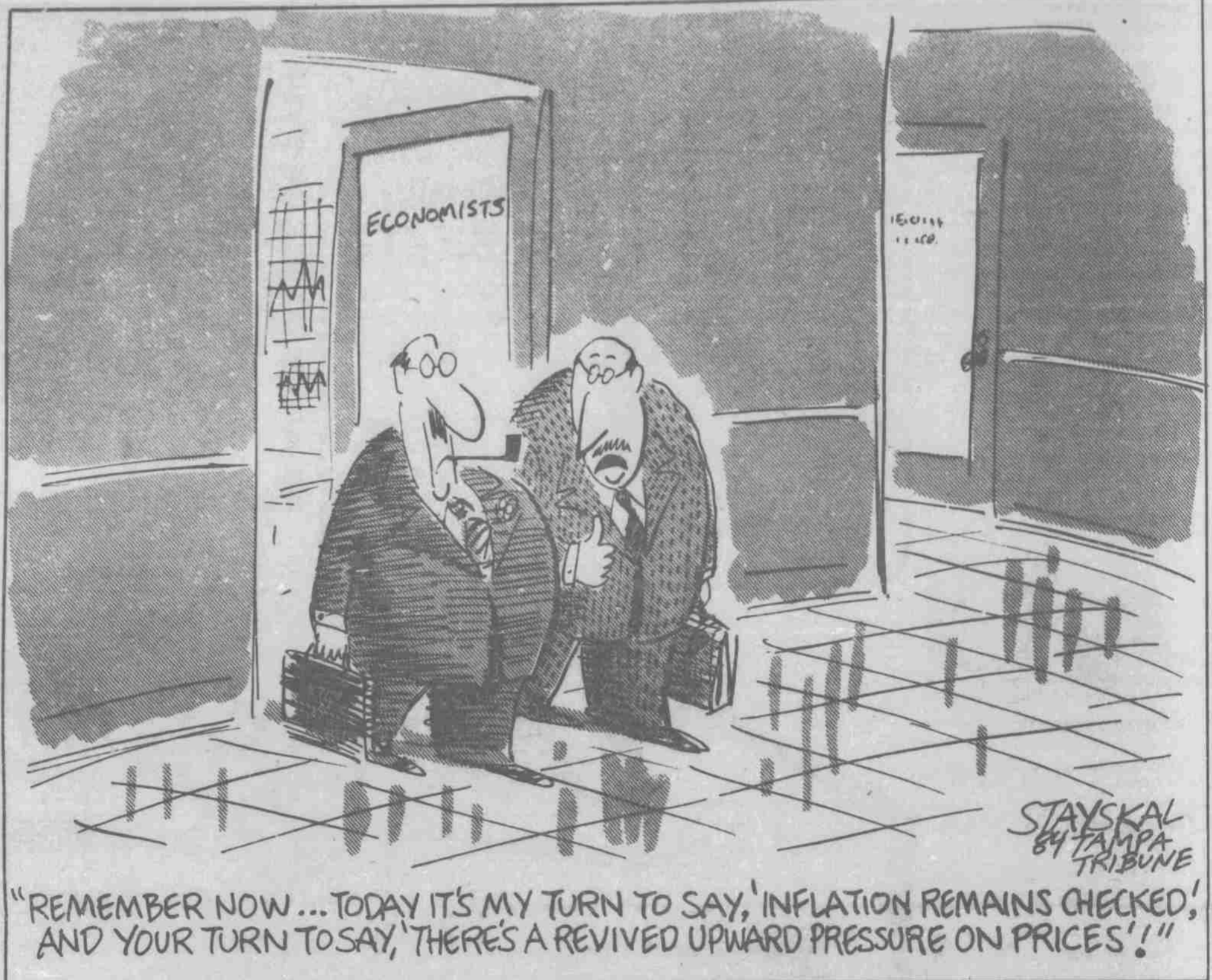
The government, Petr said, has been spending more money than it has received from taxes. This deficit spending has given a boost that accounts for the healthy economy the United States has now, he said.

Reagan supporters praise his economic policy and say he is making America strong again.

There's a discrepancy there. Reagan called for a balanced budget when he began his 1980 campaign. Yet he has the most unbalanced economy in U.S. history. And he's capitalizing on that discrepancy, although voters now hear little about that balanced budget.

Petr said the deficit may hike interest rates, and that makes the United States a popular place for foreign investors to save their money. That makes the dollar strong overseas, Petr said, and makes buying imports attractive and profitable. It does however, make it more difficult for American manufacturers because imports are much cheaper.

The high interest rates are evident. The United States has the highest real interest rate ever.



High interest rates make it difficult for private business to get the capital it needs to renovate, hire and improve.

But the deficit is not like a bomb about to explode. It may cause high interest rates, a stag-

nant economy or inflationary pressure if the deficit continues to grow when the economy is on a steadier footing. But it probably won't cause the economy to crash. Effects of the deficit will take time.

The deficit is a serious problem, but it's a sticky, messy problem, and it is hard to tell what it will do. And it should not be ignored, as Reagan has done so far.

Reagan has promised not to

raise taxes, and in all likelihood he will try to increase the defense budget again. It follows that the deficit will continue to grow, and grow and grow. And we'll just have to wait and see what happens.



Mark Davis/Daily Nebraskan

Downtown development is tricky business, especially for construction worker Tom Moser. Moser, of Eagle Construction, uses stilts to work on the ceiling of the new Student Surplus Center in the Glass Menagerie (formerly Little King's sandwich shop.)

Downtown business climate too cold for Lincoln smoke, gift shop owner

Editor's note: Lincoln citizens have a lot to say about local and national issues. In Mona Koppelman's weekly column, she profiles people who either affect or are affected by the day's issues.

Despite valiant efforts to boost business in downtown Lincoln, the long-term picture is dim in the eyes of at least one veteran businessman.

Cliff Thone's smoke and gift shops, as well as his lounge downstairs, are familiar fixtures at 1200 O St. Cliff said he's been in business for 25 years at that location — a perfect perch for watching businesses come and go.

Mona Koppelman

Cliff also watches the rise and fall of local government and private enterprise plans to boost flagging interest in downtown businesses.

Cliff said the developers of Haymarket Square and Gold's Galleria have good intentions, but added that such projects may do more harm than good.

"I think it will just spread out the customers we do have," he said. "Make the pieces of the pie thinner."

Fall is the season when university and government folk are back in force and businesses start their yearly build toward the Christmas peak.

But even Santa Claus won't be able to save some businesses this year. Cliff said he expects the J.C. Penney store at 13th and O streets and "several other businesses" to close shop soon.

Cliff listed a host of problems that plague downtown businesses. Lack of adequate parking space tops the list. Providing new parking garages would ease downtown's dependency on walk-in customers, Cliff said.

"I've seen ladies drive around the block 20 or 30 times," Cliff said. "They give up."

But building parking garages the size Lincoln needs would cost hundreds of thousands of dollars. And Cliff doesn't think any downtown businessmen will invest in a garage.

"You know all the work they did downtown putting in trees and everything? Well, we paid for it," Cliff said. "It took two or three years, and we lost a lot of business because of the construction."

Cliff also said the failure of the proposed bypass that would have connected northeast Lincoln and the city's interior also limited access to downtown.

But the most drastic drop in downtown customers came with the development of neighborhood shopping malls and the three big malls: Gateway Shopping Center, the Centrum and East Park Plaza. Even though the malls have recently lost a few stores — Gateway bid farewell to Magee's, Hovland-Swanson and Electronics Unlimited this year — Cliff thinks the big malls will easily recoup their losses.

"New businesses will pay more for their leases than the old ones paid," Cliff said. "You'll have the nationals coming in to replace the locals."

Cliff opened a shop at East Park Plaza, but said he sold it about three months ago because he "couldn't handle it." He said he's disheartened to see national companies replacing locally owned businesses. He said national people often bring in their own executives and leave Lincoln residents unemployed.

"Those people are used to paying higher rents," he said. "They've got the buying power of hundreds of stores. And the money leaves Lincoln, leaves Nebraska, leaves the Midwest."

Cliff said he's heard talk about encouraging national companies to move downtown, but he said that a move is unlikely. Nationals won't move into small downtowns like Lincoln's, he said.

What are downtown businessmen doing to combat fewer customers and smaller profit margins?

"Working longer hours," Cliff said. "I haven't had a vacation in four years."

He said he's also cut down on employees. Cliff works six days a week both in the shops upstairs and the downstairs lounge. His wife works five days a week tending bar.

Meanwhile, he waits and watches the comings and goings of downtown businesses. At an age when many businessmen have long retired to their golf courses, Cliff is still behind the counter.

"I've got to make a living," he said.