



THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

**LEVY FORECAST WARNS THAT CUTTING DEFICIT POSES
SIGNIFICANT THREAT TO DOMESTIC ECONOMY THROUGH 2012**

Economist Says Cutting Deficit Could “*Backfire, Create Misery, And Aggravate Balance Sheet Problems.*”

NEW YORK, July 26 – Economist David Levy warned that “*the economy’s wealth-creation process is broken*” and that sharply cutting the federal deficit in the immediate future could “*backfire, create misery, and aggravate the balance sheet problems.*”

The conventional way of gauging the impact of government deficits on the economy, the multiplier effect, is “*theoretically problematic*” and impossible to measure, says Levy. However, Levy points to a clear, mathematical linkage between government deficits and corporate profits.

The federal deficit “*was not only critical to the recovery but actually prevented a cataclysmic economic collapse and has virtually entirely accounted for profits during the recovery,*” says Levy in the just-published July Levy Forecast, the nation’s oldest newsletter devoted to economic analysis.

“*Leaving out the possibility of a European downturn and financial debacle, the biggest threat to the domestic economy through 2012 is the potential for a sharp, short-term deficit reduction,*” Levy, chairman of the independent Jerome Levy Forecasting Center (www.levyforecast.com) wrote.

Pointing to such factors as weak residential and commercial construction and a forthcoming sharp deceleration in inventory investment, Levy concluded that “*the already depressed and sluggish economy will be hard-pressed to avoid a profits decline even if there were no deficit reduction.*” Were there significant cuts to the federal deficit, this could prove a “*recipe for recession,*” he said.

And, he lamented that “*Washington, Wall Street and Main Street do not understand that the economy’s wealth-creation process is broken because there are already too many assets, carried at unrealistically high values, and paid for with too much debt.*”

About The Jerome Levy Forecasting Center

The Jerome Levy Forecasting Center LLC – the world leader in applying the macroeconomic profits perspective to economic analysis and forecasting – conducts cutting edge economic research and offers consulting services to its clients. The goal of the Levy Forecasting Center is to improve its clients’ business and investment performance by providing them with powerful insights into economic risks and opportunities – insights that are difficult or even impossible to achieve with conventional approaches to macroeconomic analysis. Additional information may be found at www.levyforecast.com.

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Note: The full Levy Forecast is available to the press in PDF format by contacting Andrew Edson & Associates – Andrew@edsonpr.com or [516 850 3195](tel:5168503195).