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# Pity the Poor C.E.O.'s

By PAUL KRUGMAN

Job creation has been disappointing, but first-quarter corporate profits were up 44 percent from a year earlier. Consumers are nervous, but the Dow, which was below 8,000 on the day President Obama was inaugurated, is now over 10,000. In a rational universe, American business would be very happy with Mr. Obama.

But no. All the buzz lately is that the Obama administration is “antibusiness.” And there are widespread claims that fears about taxes, regulation and budget deficits are holding down business spending and blocking economic recovery.

How much truth is there to these claims? None. Business spending is indeed low, but no lower than one would have expected given widespread overcapacity and weak consumer spending. Business leaders are feeling unloved, but giving them a group hug won't cure what ails the economy.

Ask the Obama-is-scaring-business crowd for some actual evidence supporting their claim, and they'll tell you that business spending on plant and equipment is at its lowest level, as a share of G.D.P., in 40 years. What they don't mention is the fact that business investment always falls sharply when the economy is depressed. After all, why should businesses expand their production capacity when they're not selling enough to use the capacity they already have? And in case you haven't noticed, we still have

a deeply depressed economy.

Historically, there has been a close relationship between the level of business investment and the “output gap,” [the difference between the economy’s actual output and its long-run trend](#) — which means that there’s nothing surprising about low investment now, given the fact that the output gap is hugely negative. If anything, it’s surprising how well business investment has been holding up.

Alternatively, we can look directly at measures of unused business capacity. Capacity utilization in industry is up over the past year, but still far below historical norms. Vacancy rates at industrial and retail properties are at historic highs. Again, given that businesses have plenty of idle structures and machines, why should they be building or buying even more?

So where’s the evidence that an antibusiness climate is depressing spending? The answer, supposedly, is that this is what you hear when you talk to entrepreneurs. But don’t believe it. Yes, when you talk to business people they complain about taxes, regulations and the deficit; they always do. But the [Obama’s-socialist-policies-are-wrecking-the-economy](#) chorus isn’t coming from businesses; it’s coming from business lobbyists, which isn’t at all the same thing. [Read the report on the U.S. Chamber of Commerce](#) in the latest Washington Monthly: peddling scare stories about what Democrats are up to is a large part of what organizations like the chamber do for a living.

Or read through the latest survey of small business trends by the National Federation for Independent Business, an advocacy group. The commentary at the front of the report is largely a diatribe against government — “Washington is applying leeches and performing blood-letting as a cure” — and you might naïvely imagine that this diatribe reflects what the surveyed businesses said. But while a few businesses declared that the political climate was deterring expansion, they were vastly outnumbered by those citing a poor economy.

The charts at the back of the report, showing trends in business perceptions of their “most important problem,” are even more revealing. It turns out that business is less concerned about taxes and regulation than during the 1990s, an era of booming investment. Concerns about poor sales, on the

other hand, have surged. The weak economy, not fear about government actions, is what's holding investment down.

So why are we hearing so much about the alleged harm being inflicted by an antibusiness climate? For the most part it's the same old, same old: lobbyists trying to bully Washington into cutting taxes and dismantling regulations, while extracting bigger fees from their clients along the way.

Beyond that, business leaders are, as I said, feeling unloved: the financial crisis, health insurance scandals, and the catastrophe in the Gulf of Mexico have taken a toll on their reputation. Somehow, however, rather than blaming their peers for bad behavior, C.E.O.'s blame Mr. Obama for "demonizing" business — by which they apparently mean speaking frankly about the culpability of the guilty parties.

Well, C.E.O.'s are people, too — but soothing their hurt feelings isn't a priority right now, and it has nothing at all to do with promoting economic recovery. If we want stronger business spending, we need to give businesses a reason to spend. And to do that, the government needs to start doing more, not less, to promote overall economic recovery.

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