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Dallas Fed's Richard Fisher said uncertainty is stunting U.S. business and economic growth

By: Sheryl Jean - October 10, 2012

Richard Fisher, president of the Federal Reserve Bank of Dallas, said today that a great cloud of uncertainty hanging over the heads of U.S. business owners and managers is keeping them from hiring and expanding, which in turn would drive consumer demand and help improve the economy.

“You can't grow consumption unless you grow income,” Fisher said today at the Cato Institute's “Conference on Europe's Crisis and the Welfare State: Lessons for the United States” in Washington, D.C. “You can't grow income unless you put the American people back to work. And you can't put the people back to work unless businesses invest and expand their payrolls.”

The problem, he said, is that businesses can't hire or increase their investments if they remain uncertain about the return they might earn on that investment.

U.S. businesses face the uncertainty of the “European miasma,” the slowing of China's economic machine, U.S. Congressional indecision and the looming fiscal cliff, which affects next year's tax rates and federal spending programs.

A survey released yesterday by the National Federation of Independent Business found that “uncertainty appears to dominate the outlook.”

Nearly 700 small and medium-sized businesses surveyed said spending and hiring are on hold.

Such uncertainty “cripples job creation, capital investment and the ability of businesses to realize their potential,” Fisher said.

It's not that businesses don't have the capital.

U.S. businesses — big and small, public and private — have $2 trillion or so of cash or cash-equivalent assets sitting on the sidelines, Fisher said. That money is enough to fuel prolonged job creation and economic expansion, he added.

“The cost of money is nil,” Fisher said. “Interest rates for creditworthy businesses are the lowest in the history of the republic. Hawks like me worry that our central bank has done far more than what was required and are concerned about the difficulties we will encounter when we need to tighten policy and exit from über-easy monetary policy.”