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Written by Bob Adelmann on June 4, 2013

Obamanomics to Blame for Worst Recession Since the Great Depression

When libertarian scholar Peter Ferrara asked rhetorically in Sunday's issue of *Forbes*, "Economically, Could Obama Be America's Worst President?" he relied heavily on statistics provided by the chief enabler of the Great Recession, the Federal Reserve. Noting that the policies of President Obama have done nothing to stimulate the economy but plenty to keep it from growing, he used recent economic recoveries as prime examples of what recoveries would look like if government would stay out of the way:

> The right measure and comparison for Obama's record is not to compare the recovery to the recession, but to compare Obama's recovery with other recoveries from other recessions since the Great Depression. By that measure, what is clear is that Obamanomics has produced the worst recovery from a recession since the Great Depression, worse than what every other President who has faced a recession has achieved since the Great Depression.

Using data from the Federal Reserve Bank of Minneapolis, Ferrara complained that it's taken 64 months for the present recovery to regain the ground lost since the beginning of the Great Recession, whereas 64 months into the Reagan recovery, "jobs had grown 9.5% higher than where they were when [that] recession started, representing an increase of about 10 million more jobs." By contrast, taking population growth into account, the present recession has cost 10 million jobs. The unemployment rate, according to Ferrara and the Minneapolis Fed, has stayed higher longer than at any time since the 1930s, and that's using government figures and not the real unemployment rate (U6) that has been replaced by new "updated" calculations. Ferrara concluded: "This utterly failed jobs record of Obamanomics reflects the more basic reality that the economy has not been growing under President Obama."

Ferrara rounded up additional statistics to support his point: The average American family is worse off, in inflation-adjusted terms, than they were before the Great Recession began in 2007. Poverty levels have increased, along with government regulations.

Confirmation came from another branch of the Fed when the Federal Reserve Bank of St. Louis released its report that any economic "recovery" as measured by gains in the stock market have failed to help those on the lower end of the economic scale. In its May 30 report, the Fed concluded that the average American family has recovered less than half of what it lost since the Great Recession bottomed out in the summer of 2009, mostly because the average family has little invested in the stock market and instead have most of their real wealth invested in real property, mostly their personal homes. Despite some recovery in home prices, that has done precious little to help the average family to recover lost ground significantly.

But Ferrara and the Fed fail to go back far enough to show just how weak the present recovery really is. He (and they) need to go back to the 1920-21 depression to remind his readers of how a nearly free-market economy really responds when it is left to its own devices. Following a sharp decline in productivity that began in January 1920 of almost 30 percent (far deeper than that of the present Great Recession), the economy rebounded by more than 60 percent so that by July 1921, just 18 months later, unemployment had fallen to normal low-single-digit levels. This set the stage for the Roaring Twenties, when the economy doubled in output in a little over seven years.

In his summary of "the forgotten depression of 1920" as he called it, scholar Tom Woods noted what it took to put in place such a remarkable rebound:

> Instead of "fiscal stimulus," [President] Harding cut the government's budget nearly in half between 1920 and 1922. The rest of Harding's approach was equally laissez-faire. Tax rates were slashed for all income groups. The national debt was reduced by one-third.

The Federal Reserve's activity, moreover, was hardly noticeable. As one economic historian puts it, "Despite the severity of the contraction, the Fed did not move to use its powers to turn the money supply around and fight the contraction."

By the late summer of 1921, signs of recovery were already visible. The following year, unemployment was back down to 6.7 percent and was only 2.4 percent by 1923.

Woods went on to say, in his best-seller *The Politically Incorrect Guide to American History*,

> [Presidents] Harding and Coolidge did not establish a Square Deal, a New Deal, a New Frontier, a Great Society, or a New Covenant. For the most part they simply stayed out of the economy and out of people's lives.
>
> The results speak for themselves. By the end of the decade, the United States could boast an incredible *34 percent of total world production* [of the world's goods and services]. [Emphasis added.]

Ferrara is no doubt well-meaning, and his scholarship is undeniable. However, he does a disservice, when he compares the present fake recovery from the Great Recession to other recoveries when the economy was laden with high taxes, increasing government regulations, and welfare state programs as well. Why not use the recovery strategies from the Depression of 1920-21 as a model instead? Then his readers would see much more clearly what is needed for a true economic renaissance: government staying within its constitutional bounds, taxes reduced to perhaps 20 percent of their present level, and letting the free market breathe once again.

Photo of President Barack Obama: AP Images

A graduate of Cornell University and a former investment advisor, Bob is a regular contributor to The New American *magazine and blogs frequently at LightFromTheRight.com, primarily on economics and politics. He can be reached at badelmann@thenewamerican.com.*

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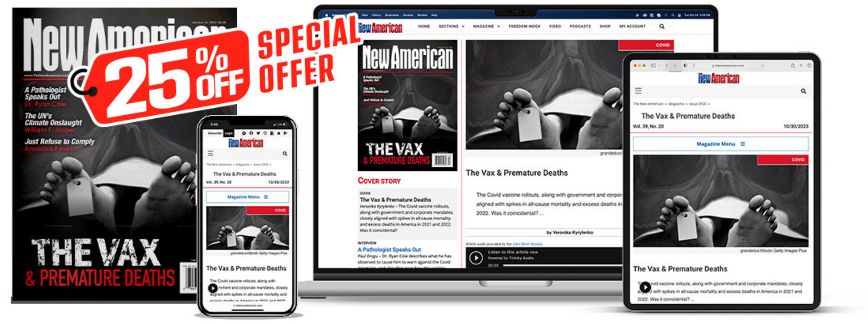

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