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Why the United States Has Suffered the Worst Economic Recovery Since the Great Depression

By Peter J. Ferrara*

Introduction

U.S. presidents are made or broken in great part by the nation's economic performance during their years in office.

President Barack Obama has said he wants his economic policies to be judged by whether the economy is better today than it was at the depth of the recession when he entered office. Recoveries, however, are by definition always better than the recession they are recovering from. So that is no achievement.

The proper way to measure the success of the president's economic policies is to compare Obama's recovery with other recoveries from other recessions under other presidents. By that measure, it is clear that Obama's economic policies ("Obamanomics"), with their retro Keynesian foundation, produced the worst recovery from a recession since the Great Depression, worse than what every other president faced with a recession has achieved since the 1930s.

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Part 1 of this *Heartland Policy Brief* puts the current recovery in historical context, comparing it to the 11 other recessions that have occurred in the United States since the Great Depression. Parts 2 and 3 drill deeper into the performance of this recovery with respect to job creation and GDP growth. Part 4 documents the current recovery as the worst of the past 60 years.

Part 5 explains how the weak recovery has affected the “middle class” for which Obama claims to be especially concerned, and Part 6 describes the recovery’s effect on another key Obama constituency: women. Part 7 warns the current weak recovery has set in motion a “fundamental transformation” of the United States in the direction of becoming a Third World economy.

Part 8 dismantles the claim that the current recovery was made more difficult because the situation Obama faced was no mere recession, but rather a “financial crisis.” Recessions usually involve some sort of financial crisis, and U.S. economic history shows the deeper the recession, the stronger the recovery, even during so-called financial crises.

Part 9 lays the blame for the current weak recovery at the feet of the Keynesian economic policies Obama and his advisors have pursued even in the face of evidence, past and present, of their abject failure. Part 10 then compares the failure of Obama’s Keynesian policies to the successes of economic policies adopted by President Ronald Reagan. Part 11 offers concluding remarks.

1. The Latest Recovery in Historical Context

Our recovery from the current recession was already overdue when Obama came into office. All he had to do was stay out of the way.

When Obama came into office, the recession, which started in December 2007, was already 13 months old.¹ There have been 11 other recessions since the Great Depression,² with an average duration of 10 months.³ That means the recovery was already overdue when Obama came into office. All he really

had to do was stay out of the way. Instead, he took the country on a throwback Keynesian economics bender, which delayed the recovery instead of promoting it.

The recession officially ended in June 2009, after 18 months, according to the National Bureau of Economic Research (NBER),⁴ considered the official authority for when recessions begin and end. That made it the longest recession since the Great Depression. To most Americans it did not feel like that was the end, because the recovery has been so weak.

¹ *U.S. Business Cycle Expansions and Contractions*, National Bureau of Economic Research, undated website last visited June 27, 2016, <http://www.nber.org/cycles/cyclesmain.html>.

² *Ibid.*

³ *Ibid.*

⁴ *Ibid.*

Historically in America, the worse the recession, the stronger the recovery. Coming out of a recession, the economy historically has grown faster than normal for a while to catch up to its long-term economic growth trendline.⁵ (See Table 1.) By this metric, the economy should have emerged in 2009 with a historic long-term economic boom. To this day, however, seven years later, that has yet to happen.

2. Weak Job Creation

In the 11 previous recessions since the Great Depression, the economy recovered all jobs lost during the recession by an average of 27 months after the prior cyclical peak (when the recession began).⁶ That is, the job effects of prior post-Depression recessions lasted an average of about two years. In the current recovery, by contrast, the recession's job losses were not recovered until after 76 months – more than six years.⁷

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That included the longest period since the Great Depression with unemployment above 8 percent: 43 months, from February 2009, when the \$1 trillion Obama stimulus package was passed, until August 2012. It also included the longest period since the Great Depression with unemployment at 9 percent or above, 30 months, from April 2009 until September 2011. Apart from the employment record under Obama, during the 68 years from January 1948 to January 2016 there were no months with unemployment above 9 percent except for 18 months during the bitter 1981–82 recession, which slayed the historic inflation of the 1970s. Obama's economy involved the longest period of unemployment over 9 percent since the Great Depression, almost his entire first term.

The U.S. economy suffered a severe recession during the early years of the Reagan administration as well, as a result of the tight monetary policy that broke the back of the 1970s inflation. All the job losses from that recession were recovered after 35 months.⁸ By 76 months

⁵ *Ibid.* See also, Peter Ferrara, "Tax Reform: Restoring Booming Economic Growth, and the American Dream," *Forbes.com*, July 7, 2014.

⁶ *The Recession and Recovery in Perspective*, Federal Reserve Bank of Minneapolis, undated website last visited June 27, 2016, http://www.minneapolisfed.org/publications_papers/studies/recession_perspective/index.cfm.

⁷ *Ibid.*

⁸ *Ibid.*

Table 1
U.S. Business Cycle Expansions and Contractions

<u>BUSINESS CYCLE</u>		<u>DURATION IN MONTHS</u>			
<u>REFERENCE DATES</u>		<u>Contraction</u>	<u>Expansion</u>	<u>Cycle</u>	
<u>Peak</u>	<u>Trough</u>	<i>Peak to Trough</i>	<i>Previous trough to this peak</i>	<i>Trough from Previous Trough</i>	<i>Peak from Previous Peak</i>
<i>Quarterly dates are in parentheses</i>					
	December 1854 (IV)	--	--	--	--
June 1857(II)	December 1858 (IV)	18	30	48	--
October 1860(III)	June 1861 (III)	8	22	30	40
April 1865(I)	December 1867 (I)	32	46	78	54
June 1869(II)	December 1870 (IV)	18	18	36	50
October 1873(III)	March 1879 (I)	65	34	99	52
March 1882(I)	May 1885 (II)	38	36	74	101
March 1887(II)	April 1888 (I)	13	22	35	60
July 1890(III)	May 1891 (II)	10	27	37	40
January 1893(I)	June 1894 (II)	17	20	37	30
December 1895(IV)	June 1897 (II)	18	18	36	35
June 1899(III)	December 1900 (IV)	18	24	42	42
September 1902(IV)	August 1904 (III)	23	21	44	39
May 1907(II)	June 1908 (II)	13	33	46	56
January 1910(I)	January 1912 (IV)	24	19	43	32
January 1913(I)	December 1914 (IV)	23	12	35	36
August 1918(III)	March 1919 (I)	7	44	51	67
January 1920(I)	July 1921 (III)	18	10	28	17
May 1923(II)	July 1924 (III)	14	22	36	40
October 1926(III)	November 1927 (IV)	13	27	40	41
August 1929(III)	March 1933 (I)	43	21	64	34
May 1937(II)	June 1938 (II)	13	50	63	93
February 1945(I)	October 1945 (IV)	8	80	88	93
November 1948(IV)	October 1949 (IV)	11	37	48	45
July 1953(II)	May 1954 (II)	10	45	55	56
August 1957(III)	April 1958 (II)	8	39	47	49
April 1960(II)	February 1961 (I)	10	24	34	32
December 1969(IV)	November 1970 (IV)	11	106	117	116
November 1973(IV)	March 1975 (I)	16	36	52	47
January 1980(I)	July 1980 (III)	6	58	64	74
July 1981(III)	November 1982 (IV)	16	12	28	18
July 1990(III)	March 1991(I)	8	92	100	108
March 2001(I)	November 2001 (IV)	8	120	128	128
December 2007 (IV)	June 2009 (II)	18	73	91	81

Average, all cycles:					
1854-2009 (33 cycles)		17.5	38.7	56.2	56.4*
1854-1919 (16 cycles)		21.6	26.6	48.2	48.9**
1919-1945 (6 cycles)		18.2	35.0	53.2	53.0
1945-2009 (11 cycles)		11.1	58.4	69.5	68.5

* 32 cycles

** 15 cycles

Source: National Bureau of Economic Research, website, no date, <http://www.nber.org/cycles/cyclesmain.html>.

after the recession started, Reagan's economy had created 12.8 million more jobs than the previous peak.⁹ By contrast, after 76 months Obama's recovery merely caught up with the jobs lost during the recession, leaving the economy with a net gain of zero jobs during that span of nearly 6½ years.

By early 2016, 98 months (more than eight years) after the recession started, under Obama's recovery the economy had created only 9.4 million more jobs on net.¹⁰ At that point in Reagan's recovery, the economy had created 21.5 million more jobs.¹¹ Reagan's recovery, moreover, was 30 years ago, when the U.S. population, economy, and labor force were much smaller, making that job-creation figure comparatively even larger.

Those who have suffered the most under this worst economic performance since the Great Depression have been some of the president's strongest supporters: African-Americans, Hispanics, young people, and women.

In September 2015, 93 months (nearly eight years) after the recession first began, and 75 months (more than six years) since the recession officially ended, the nation's U6 unemployment rate was still in double digits, at 10 percent. U6 is the most comprehensive official U.S. government measure of unemployment, including those marginally attached to the workforce and those involuntarily forced into part-time work.

The Shadow Government Statistics website includes in its "SGS Alternative Unemployment Rate" long-term discouraged workers, those who wanted and were available for work for more than a year and had looked for a job but not in the immediately previous four weeks. That is how the U6 unemployment rate was calculated before changes were made in the early 1990s under the Clinton administration. Including these workers puts the SGS unemployment rate at 23 percent.¹² That figure more properly reflects the current state of the economy.

Those who have suffered the most under this worst economic performance since the Great Depression have been some of the president's strongest supporters: African-Americans,¹³ Hispanics, young people, and women.¹⁴ According to the Bureau of Labor Statistics (BLS), the African-American unemployment rate was still in double digits, at 10 percent, as late as May

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ *Ibid.*

¹² Alternative Unemployment Charts, *Shadow Government Statistics*, http://www.shadowstats.com/alternate_data/unemployment-charts.

¹³ Jason L. Riley, *Please Stop Helping Us: How Liberals Make It Harder for Blacks to Succeed* (New York, NY: Encounter Books, 2014).

¹⁴ Stephen Moore, "The Liberal War on Women: Working Women Have Gotten Crushed Under the Weight of Obama Policies," *The Washington Times*, October 26, 2015, p. B1.

2015,¹⁵ six years after the recession officially ended. African-Americans have suffered double-digit unemployment for virtually the entire time Obama has been in office. Hispanics have suffered almost as badly.

The African-American teen unemployment rate was a crushing 31.5 percent after seven years of Obama's policies. The Hispanic teen unemployment rate was a Depression-level 18.6 percent.

BLS reports the teen unemployment rate in September 2015 was 13.9 percent.¹⁶ The African-American teen unemployment rate was a crushing 31.5 percent¹⁷ after seven years of Obama's policies. The Hispanic teen unemployment rate was a Depression-level 18.6 percent.¹⁸

Economist Stephen Moore writes, "Working women have gotten crushed under the weight of Obama's policies. During Obama's six and a half years in office women have suffered steeper declines in take home pay than men have. ... Median adjusted income for women has fallen ... versus slight gains for men."¹⁹ He adds, "On Mr. Obama's watch, 2 million more women have slipped into poverty. ... The poverty rate for women is now 16.1 percent – the highest in 20 years."²⁰

3. Slow Economic Growth

The dismal job-creation record of Obamanomics reflects the more basic reality that the economy has not been growing under Obama's economic policies. In the 11 previous post-Depression recessions, the economy recovered the GDP lost during the recession within an average of 4.6 quarters after the recession started, just over a year.²¹ It took Obama's recovery 14 quarters, or 3.5 years, to reach that point. The Reagan recovery took half that time, seven quarters, to recover all the lost GDP from the prior recession.

Today, 32 quarters (eight years) after the 2007 recession started, the economy (real GDP) has grown just 9.7 percent above where it was when the recession started.²² That reflects

¹⁵ Employment Situation Summary, Bureau of Labor Statistics, U.S. Dept. of Labor, October 2, 2015, Table A2: Employment Status of the Civilian Population by Race, Sex and Age.

¹⁶ *Ibid.*

¹⁷ *Ibid.*

¹⁸ *Ibid.*

¹⁹ Stephen Moore, *supra* note 14.

²⁰ *Ibid.*

²¹ Federal Reserve Bank of Minneapolis, *supra* note 6.

²² *Ibid.*

compounding real annual growth over those years of just 1.2 percent on average. By sharp contrast, after 32 quarters of the Reagan recovery, the economy had grown by 32.5 percent, or approximately one-third.²³ That reflects compounding real annual growth over those years of 3.6 percent, three times the current rate.

The trend is getting worse under Obama's policies. In the fourth quarter of 2015, U.S. GDP grew by a negligible 0.7 percent, threatening a renewed recession before there has even been a real recovery from the last one. In the nation's weak fiscal and economic condition, a renewed recession would be calamitous, with the deficit and national debt soaring even faster to new all-time highs.

The average U.S. household has \$17,000 less than it would have if Obama's recovery had been average. If Obama's recovery were as strong as average, the United States would have six million more jobs today.

This persistent slower-than-normal growth has produced a "GDP gap" between the current GDP and what it should be based on previous recoveries from recessions. Economic growth under Obama's recovery has been less than half the average recovery growth under prior post-World War II recoveries, and less than one-third the growth in Reagan's recovery. U.S. GDP is now more than \$2 trillion below where it would be based on just the average of other post-World War II recoveries.²⁴ The GDP gap between Reagan's recovery and Obama's is now nearly \$3 trillion.²⁵ As Moore recently testified before the U.S. House of Representatives' Committee on Ways and Means, "In other words, if the economy had grown as fast under Obama since the recovery began as it did under Reagan's recovery, we would have \$3 trillion more output over the last 12 months."²⁶

The average U.S. household now has \$17,000 less than it would have if Obama's recovery had been average.²⁷ The average household today has \$25,000 less than it would have if Obama's recovery had been as strong as Reagan's. And if Obama's recovery were as strong as the average of prior recoveries, the United States would have six million more jobs today.²⁸ As Moore further testified before Ways and Means, those lost jobs are roughly the size of the entire labor force of Ohio. If Obama's recovery had been as strong as Reagan's, the United States today would have at least 12 million more jobs. Those lost jobs are roughly the size of the combined labor forces of Ohio and Michigan.

²³ *Ibid.*

²⁴ "Obama's Economic Growth Gap Now Tops \$2 trillion," *Investor's Business Daily*, July 30, 2015.

²⁵ Stephen Moore, "On Tax Policy and Economic Growth," Testimony before the Committee on Ways and Means, U.S. House of Representatives, February 2, 2016, p. 1.

²⁶ *Ibid.*

²⁷ Federal Reserve Bank of Minneapolis, *supra* note 6.

²⁸ Stephen Moore, *supra* note 25.

George Washington University Professor Henry R. Nau summarized the Reagan recovery in *The Wall Street Journal* on January 26, 2012:

[T]he U.S. grew by more than 3% per year [in real terms] from 1980 to 2007, and created more than 50 million new jobs, massively expanding a middle class of working women, African-Americans and legal as well as illegal immigrants. *Per capita income increased by 65%, and household income went up substantially in all income categories.*²⁹ [emphasis added].

It was Obama's responsibility, in cooperation with Congress, to lead the nation out of the recession, as every other president facing a recession has done.

These are specifically failures of Obama's economic policies. They cannot be blamed on Bush or the Republicans, as will be demonstrated below. It was Obama's responsibility, in cooperation with Congress, to lead the nation out of the recession, as every other president facing a recession has done. The economic performance detailed

here is evidence of the woeful degree to which he failed to do so.

4. Worst Record in 60 Years – by Far

Obama's economic record was much worse than even President George W. Bush's record. Jeffrey H. Anderson, a senior fellow at the Pacific Research Institute, wrote in *Investor's Business Daily* on January 13, 2013, "Prior to Obama, the second term of President Bush featured the weakest gains in the gross domestic product in some time, with average annual (inflation-adjusted) GDP growth of just 1.9 percent," according to the Bureau of Economic Analysis (BEA). Average annual real GDP growth during Obama's first term was less than half as much, just 0.8 percent.

Not only was economic growth during Bush's second term more than twice as much as during Obama's first term, President Jimmy Carter produced four times as much economic growth during his single term as president as Obama did during his first term. As Anderson notes, real GDP growth under Obama's first term was the worst of any president in the past 60 years. Indeed, even if you doubled actual GDP growth in Obama's first term, it would still be the worst record of any president in the past six decades.

²⁹ Henry R. Nau, "Lessons from the Great Expansion," *The Wall Street Journal*, January 26, 2012.

5. Declining Middle Class,³⁰ Booming Poverty

The slow growth and negligible job creation under Obama caused a decline in middle-class incomes. The Census Bureau's Current Population Survey shows real median household income fell by more than \$4,500 during Obama's first term, approximately 8 percent, meaning the middle class lost the equivalent of one month's pay under Obama. Even Bush did better during his second term, when real median household income rose by 1.7 percent – not enough, but at least positive rather than negative.

The only thing booming under Obamanomics – besides federal spending, deficits, and debt – has been poverty. Today, six million more Americans are in poverty than when Obama entered office.

Even since the recession ended in June 2009, the decline in median real household income was greater during Obama's first term than during the recession. Three-and-a-half years into the Obama recovery, real median household income had fallen nearly 6 percent from the June 2009 level. That was more than twice the decline, 2.6 percent, that occurred during the recession itself, from December 2007 until June 2009.

As *The Wall Street Journal* summarized in its August 25–26, 2012 weekend edition, “For household income, in other words, the Obama recovery has been worse than the Bush recession.” In 2016, after seven years of Obama as president, the Census Bureau reported real median household income remained \$1,300 below what it was when he first took office. There has been no real recovery from the recession.

In his 2013 State of the Union Address, Obama said, “A growing economy that creates good, middle-class jobs, that must be the North Star that guides our efforts.” Obama has failed to deliver jobs and income growth for the poor and the middle class. Tragically, the only thing booming under Obamanomics – besides federal spending, deficits, and debt – has been poverty.

In 2010, the number of Americans in poverty soared to the highest level in the more than 50 years the Census Bureau has been tracking poverty.³¹ During Obama's first term, the number of people in poverty increased by nearly 31 percent, to an all-time record of 49.7 million, with the poverty rate climbing by more than 30 percent, to 16.1 percent. Today, six million more Americans are in poverty than when Obama entered office.

The poverty rate in early 2016 was still 14.8 percent, higher than when the War on Poverty was launched in 1966. This poverty is a natural result of negligible economic growth, paltry job creation, declining real wages, and the worst economic recovery since the Great Depression.

³⁰ The notion of America as a class society is abhorrent to me. Only politicians and the media talk about the “middle class” in America – and note they don't dare refer to the “upper class” and “lower class.” I use the term here only to put the analysis in terms the politicians and media can understand.

³¹ “U.S. Poverty: Record 49.1 Million Americans Are Poor According To New Census Measures,” *Huffington Post*, November 7, 2011.

Obama has regularly spoken out against income inequality, but with declining middle-class incomes and the booming poverty caused by his policies, inequality has grown worse during his presidency. Only the top 20 percent has gained while he has been president, as shown by official government data, including the Gini coefficient, the official statistical measure of inequality.

6. The Real War on Women³²

The superiority of pro-market, low-tax policies is equally clear in how women fared in the economy in Obama's first term versus Reagan's first term. Although Obama faced a recession when he entered office, almost all of his first term took place after the recession was over. Reagan entered office facing double-digit inflation, double-digit interest rates, and soon double-digit unemployment. Real median family incomes had been falling for several years, and poverty rates were rising. The tight money and double-digit interest rates that eventually broke the back of inflation also produced the worst recession since the Great Depression up until that time, with the recession beginning six months into Reagan's first term and lasting through almost his entire second year in office.

Real median weekly incomes for women rose 32.1 percent in Reagan's first term, compared to 6.6 percent in Obama's first term. Employment of women rose by nearly 4.5 million in Reagan's first term, whereas women suffered a net loss of 354,000 jobs during Obama's first term.

After that dire beginning, real median weekly incomes for women rose 32.1 percent in Reagan's first term, compared to 6.6 percent in Obama's first term. Employment of women rose by nearly 4.5 million in Reagan's first term, whereas women suffered a net loss of 354,000 jobs during Obama's first term. Conversely, the number of women not in the workforce rose by nearly 4.5 million in Obama's first term, compared to 345,000 in Reagan's first term.

More than three times as many jobs were created for African-American women in Reagan's first term as in Obama's first term, even though the nation's population was much larger in Obama's term. Jobs for African-American women rose by 15.1 percent in Reagan's first term, compared to 2.6 percent in Obama's first term. Employment of female African-American teens fell by 19.1 percent in Obama's first term, compared to a decline of just 1.5 percent in Reagan's first term. The unemployment rate for female African-American teens rose by 5.7 percentage points in Obama's first term, compared to just 1.1 percentage points in Reagan's first term. The labor force participation rate for female African-American teens rose by 2.5 percentage points in Reagan's first term, whereas it fell by 2.6 percentage points in Obama's first term.

The overall poverty rate soared under Obama, to 16.1 percent, higher than when the War on Poverty began, and that represents primarily women. Child poverty has soared as well, to more than 20 percent, with eight million American children now growing up in poverty. The Census

³² The facts and figures cited in this section are from Stephen Moore, "The Liberal War on Women," *The Washington Times*, October 25, 2015.

Bureau reports more Americans are in poverty today than at any other time in the more than 50 years the Census has been tracking poverty, at almost 50 million. That is mostly women and children.

Real median household income fell by nearly 8 percent in Obama's first term, equivalent to the middle class losing one month's pay each year. Income for the bottom 20 percent of households fell by a similar amount. Income has been rising under Obama only for the top 20 percent, which is why income inequality has perversely (given Obama's rhetoric) been rising as well.

Real median household income fell by nearly 8 percent in Obama's first term, equivalent to the middle class losing one month's pay each year.

In Reagan's first term, by contrast, the decline in incomes for middle- and low-income households, which had persisted for several years when he entered office, was reversed. Incomes for every quintile, from the top 20 percent to the bottom 20 percent, rose for several years.

Under Reagan, women started their own small businesses in record numbers. Small business under Obama, by contrast, has been assaulted in every way, with higher tax rates and soaring regulatory burdens in particular. Writing for the *Daily Beast* in late 2015, economic analyst Joel Kotkin noted the Obama administration's policies had benefited big corporations and Wall Street investors while placing heavier burdens on small businesses:

The overall revenues of Fortune 500 companies have risen from 58 percent of nominal GDP in 1994 to 73 percent in 2013. At the same time, small business start-ups have declined as a portion of all business growth, from 50 percent in the early '80s to 35 percent in 2010. Indeed, a 2014 Brookings report revealed that small business "dynamism," measured by the growth of new firms compared with the closing of older ones, has declined significantly over the past decade, with more firms closing than starting for the first time in a quarter century. Only 35 percent of small business owners, according to a recent survey by the National Small Business Association, express optimism about the economy.³³

As Kotkin notes and economists have argued for decades, regulations place a much bigger burden on small businesses than on big corporations, as the latter can more easily absorb the costs of compliance. The Obama administration's vast increase in the amount of environmental and financial regulations (especially in the wake of the Dodd-Frank law) has hamstrung small business.

³³ Joel Kotkin, "How Big Government and Big Business Stick It to Small U.S. Businesses," *The Daily Beast*, October 25, 2015, <http://www.joelkotkin.com/content/001136-how-big-government-and-big-business-stick-it-small-us-businesses>.

7. Fundamental Transformation – Towards a Third-World Economy

To understand the long-term implications of Obama's economic policies, consider this: Projected over 50 years, a normal 3.2 percent economic growth rate would create a U.S. GDP 62.7 percent greater than under the average annual real economic growth of 2.2 percent for the first seven years of Obama's presidency. By the 50th year, U.S. GDP would be \$30 trillion less under Obama's 2.2 percent real growth than under the nation's normal annual economic growth rate of 3.2 percent. America's cumulative lost income and wealth over the 50 years would be \$521 trillion.

Over the long run, the difference between a normal 3.2 percent real economic growth and Obama's 2.2 percent is the difference between the United States and Argentina. That is not an opinion. That is math.

In other words, over the long run, the difference between 3.2 percent real economic growth and 2.2 percent is the difference between the United States and Argentina. That is where the United States has been headed under Obamanomics. That is not an opinion. That is math.

The U.S. economy sustained a real rate of economic growth of 3.3 percent from 1945 to 1973 and achieved the same 3.3 percent sustained real growth from 1982 to 2007.³⁴ It was only during the stagflation decade of 1973 to 1982, reflecting the deeply misguided reigning intellectual leadership of the time, that real growth fell to just half of the long-term trend.³⁵

As economist Larry Kudlow has explained, when the United States has followed the most pro-growth policies, the real rate of economic growth has been sustained at more than 4 percent.³⁶ "Following the Kennedy tax cuts, the economy averaged 5.2 percent yearly growth between 1963 and 1969," Kudlow writes. "After the Reagan tax rates fully went into effect, alongside Paul Volcker's conquering of inflation, the economy grew at 4.5 percent annually between 1982 and 1989," Kudlow reports. Finally, "between 1994 and 1999, the Bill Clinton/Newt Gingrich economy increased 4.3 percent annually, after welfare reform, NAFTA trade, and cap-gains tax relief," he adds.

During the 60-year period from 1947 to 2007, U.S. economic growth averaged 3.4 percent, Kudlow notes. Economic historians Simon Kuznets and John Kendrick constructed the record of U.S. economic growth dating back before 1900, finding long-run real GDP growth in the United States has averaged 3.5 percent per year.³⁷

³⁴ Brian Domitrovic, *Econoclasts: The Rebels Who Sparked the Supply Side Revolution and Restored American Prosperity* (Wilmington, DE: Intercollegiate Studies Institute, 2009), p. 6.

³⁵ *Ibid.*

³⁶ Larry Kudlow, "Jeb Is Right About 4% Economic Growth," *National Review Online*, June 19, 2015.

³⁷ Andrew Atkeson, Lee E. Ohanian, and William Simon Jr., "4% Economic Growth? Yes, We Can Achieve That," *Investor's Business Daily*, September 3, 2015.

On the basis of this historical data, free-market economists today advocate a target of 4 percent real annual economic growth to guide federal economic policy.³⁸ At that 4 percent rate of growth, GDP would double every 18 years. After another 18 years, GDP would be four times as large as at the start. After another 18 years, basically half a century, GDP at that sustained growth rate would be eight times larger than at the beginning.

Sustained economic growth of 3 to 4 percent is what made America what it was at the turn of the twenty-first century. In their underappreciated book, *It's Getting Better All the Time: 100 Greatest Trends of the Last 100 Years*, Stephen Moore and Julian L. Simon note real per-capita U.S. GDP grew nearly sevenfold from 1900 to 2000.³⁹ Accounting for population growth, total GDP grew over the century by several times more. As economic historian Brian Domitrovic explained in his brilliant book *Econoclasts*, "The unique ability of the United States to maintain a historic rate of economic growth over the long term is what has rendered this nation the world's lone 'hyperpower.'"⁴⁰

America's "progressives" say they must fundamentally transform America in the name of "fairness." Under their policies, the poor and middle class have gotten poorer while the rich have gotten richer. What is fair about that?

In 1900, the standard of living in the United States and in Argentina was roughly equivalent. It was the difference in economic growth between the two nations over the next century that made the difference between the two countries by 2000: the difference between the world's leading, most dominant nation in human history, and a third-world country.

America's badly confused "progressives" say they must fundamentally transform America in the name of "fairness." The result of their policies is the soaring poverty, declining real incomes and standard of living for the middle class, and skyrocketing inequality we have seen under Obama. The poor and middle class have gotten poorer while the rich have gotten richer. What is fair about that?

8. No More Excuses

Some economists claim the reason Obama's recovery was so bad was that the recession was especially severe. That argument is false. As noted earlier, the American historical record is the worse the recession the stronger the recovery, an observation first made by Nobel Laureate

³⁸ The George W. Bush Foundation, *The 4% Solution: Unleashing the Economic Growth America Needs* (New York, NY: Crown Business, 2012).

³⁹ Stephen Moore and Julian L. Simon, *It's Getting Better All the Time: 100 Greatest Trends of the Last 100 Years* (Washington, DC: Cato Institute, 2000), p. 58.

⁴⁰ Brian Domitrovic, *supra* note 34, p. 6.

Milton Friedman.⁴¹ Coming out of a recession, the U.S. economy has always grown faster than normal for a few years, to catch up to the long-term economic growth trendline.

As Andrew Atkeson, Lee E. Ohanian, and William Simon Jr. recently explained,

Following every historical economic shock, including the tremendous dislocations of the Great Depression and World War II, every postwar recession, various oil shocks, and international crises, and the vast demographic changes associated with women entering the work force in greater numbers, the U.S. economy has always returned to [its long-term economic growth trendline]. That means that the economy always grew more rapidly than average following periods of below normal economic growth, and that economic disruptions – no matter how severe – did not permanently affect U.S. prosperity. For comparison, previous severe recessions, such as the 1974–75 and 1981–82 recessions, were followed by three years of real GDP growth that averaged around 5% a year, and that grew the economy back to trend.⁴²

The U.S. economy should have come out of 2009 in a historic, long-term, economic boom. Seven years later, that has not happened.

By this metric, the U.S. economy should have come out of 2009 in a historic, long-term, economic boom. To this very day, however, seven years later, that has still not happened. (See Figure 1.)

Some analysts contend what we have suffered was not just a recession but a financial crisis, and, they argue, recovery from a financial crisis takes longer than recovery from a recession. But that has not been the experience of the U.S. economy, where recessions, which usually involve some sort of financial crisis, have lasted roughly a year to at most a year and a half.⁴³ (See Table 2.) That is the standard by which the performance of Obamanomics is to be judged.

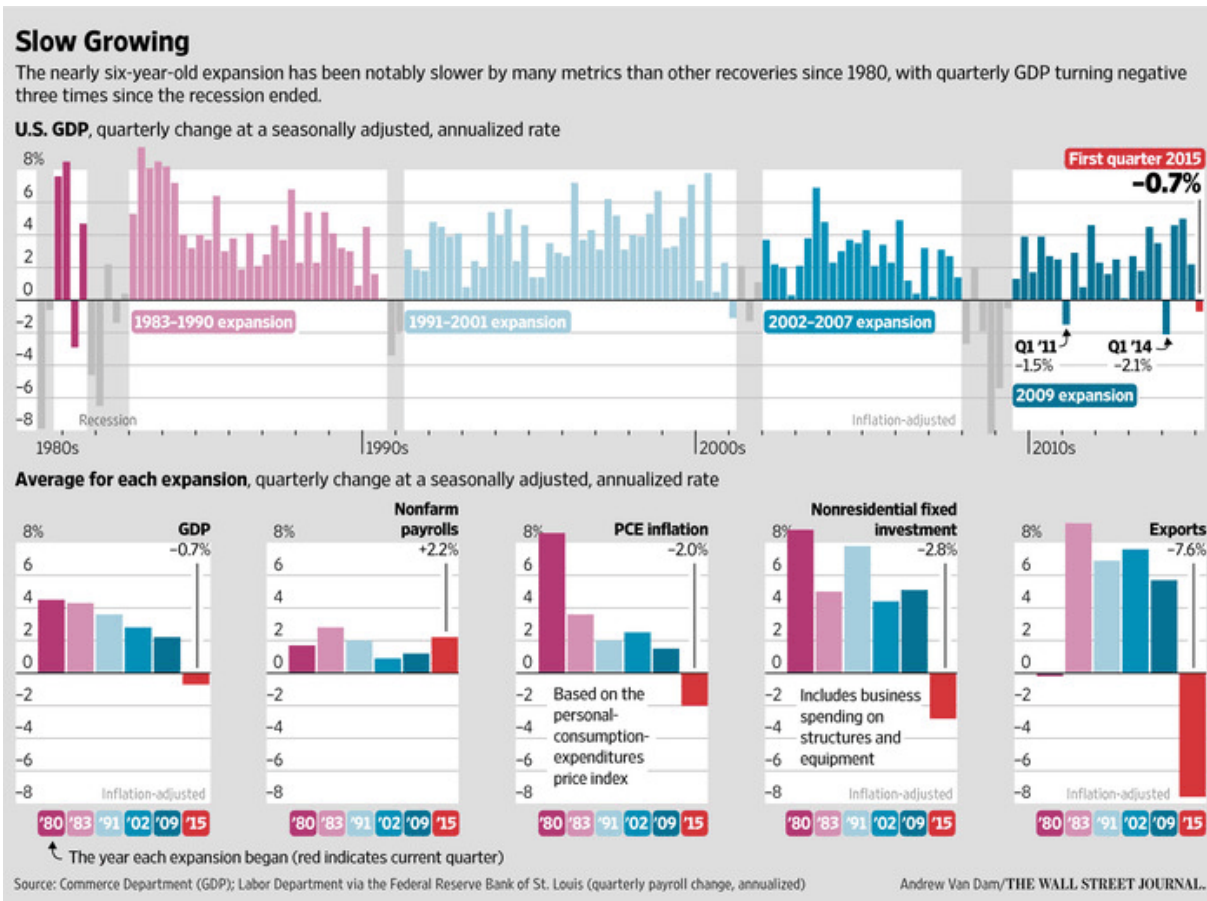
The concept of a recession is well-defined: two consecutive quarters or more of negative GDP growth. We can rigorously declare when a recession starts and when it ends. “Financial crisis,” by contrast, is not similarly well-defined; it is a newspaper headline term, not a rigorous economic concept.

⁴¹ Milton Friedman, "The Plucking Model of Business Fluctuations Revisited," *Working Papers in Economics E-88-48*, The Hoover Institution, Stanford University, December, 1988, p. 2; Milton Friedman, "Monetary Studies of the National Bureau," *The National Bureau Enters Its 45th Year*, 44th Annual Report, 1964, pp. 7–25; Milton Friedman, *The Optimum Quantity of Money and Other Essays* (Chicago, IL: Aldine, 1969), p. 274.

⁴² Andrew Atkeson *et al.*, *supra* note 37.

⁴³ That history of the U.S. economy is reported in full at the website of the National Bureau of Economic Research, U.S. Business Cycle Expansions and Contractions, www.nber.org.

Figure 1
How the Current Recovery Compares to Previous Recoveries



Source: Josh Mitchell, "U.S. Recovery Stumbles Yet Again," *The Wall Street Journal*, May 29, 2016, <http://www.wsj.com/articles/u-s-gdp-fell-0-7-in-first-quarter-1432902722?cb=logged0.16077908826991916>. Reprinted with permission.

Apologists for the current weak recovery rely on arguments made in the book *This Time Is Different: Eight Centuries of Financial Folly*, by Carmen Reinhart and Kenneth S. Rogoff. But that book merely changes the subject, basing its argument on data that "[cover] sixty-six countries over nearly eight centuries," not the U.S. economy.⁴⁴ It "goes back as far as twelfth century China and medieval Europe," and the data "come from Africa, Asia, Europe, Latin America, North America, and Oceania," the authors write.⁴⁵ That experience does not meet the valid standard of expectations for the post-Depression United States over the past 70 years, the

⁴⁴ Carmen M. Reinhart and Kenneth Rogoff, *This Time Is Different: Eight Centuries of Financial Folly* (Princeton, NJ: University Press, 2009).

⁴⁵ *Ibid.*

Table 2 Duration of U.S. recessions and depressions 1945–present	
Recession	Duration (months)
December 2007 to June 2009	18
March 2001 to November 2001	8
June 1990 to March 1991	8
July 1981 to November 1982	16
January 1980 to July 1980	6
November 1973 to March 1975	16
December 1969 to November 1970	11
April 1960 to February 1961	10
August 1957 to April 1958	8
July 1953 to May 1984	10
November 1948 to October 1949	11
February 1945 to October 1945	8
<i>Source:</i> U.S. Business Cycle Expansions and Contractions, National Bureau of Economic Research, www.nber.org.	

most powerful economic engine in the history of the world. Obama’s economic performance has to be compared to what has been normal for the United States in recent decades, not to twelfth century China.

In addition, the Reinhart-Rogoff thesis about financial crises is not supported by the data.⁴⁶ In five of the past six such crises, excluding only the Great Depression, booming economic growth during the recovery exceeded the decline in the recession by an average of 6 percentage points.⁴⁷ The rule that the deeper the recession the stronger the recovery continues to prevail, even during so-called financial crises. Economist John Lott further notes, “Unemployment actually recovered faster in countries hit by a financial crisis than in those in a recession for other reasons. ... From January 2009 to December 2011, the unemployment rates in countries with financial crises actually increased less than in those that avoided such a crisis.”⁴⁸ He further observes, “Countries identified as suffering a financial crisis by Reinhart and Rogoff also did not experience slower GDP growth during their recoveries.”⁴⁹

Lott summarizes this evidence in his 2013 book *At the Brink*:

Neither historical data nor recent international comparisons support Reinhart’s and Rogoff’s claim about the weakness of recoveries after financial crises. Indeed, their findings are at odds with two well-known facts:

1. As Milton Friedman observed, ‘A large contraction in output tends to be followed on the average by a large business expansion; a mild contraction, by a mild expansion.’

⁴⁶ John R. Lott Jr., *At the Brink: Will Obama Push Us Over the Edge?* (Washington, DC: Regnery, 2013), pp. 113–17; John Lott, Jerry Dwyer, and James Lothian, “The Financial Crisis Can’t Explain the Slow Recovery,” *Fox News*, November 5, 2012.

⁴⁷ John R. Lott Jr., *ibid.*

⁴⁸ *Ibid.*

⁴⁹ *Ibid.*

2. Most severe recessions are accompanied by financial crises.

Because of these two facts, economists have long believed that financial recessions lead to faster growth. Michael Bordo and Joseph Haubrich have recently found that ‘since the 1880s, the average annual growth rate of real GDP during recoveries from financial-crisis recessions was 8 percent, while the growth rate from non-financial-crisis recessions was 6.9 percent.’⁵⁰

The annual growth rate since the most recent recession has averaged 2.2 percent, as noted earlier. The real reason Obama’s recovery has been the worst since the Great Depression is his return to the Keynesian economics of the Great Depression, which didn’t work then and won’t work now, and his pursuit of exactly the opposite of every pro-growth policy implemented by Reagan.

The real reason Obama’s recovery has been the worst since the Great Depression is his return to the Keynesian economics of the Great Depression, which didn’t work then and won’t work now.

9. Obama’s Keynesian Misadventure

As the *U.S. Government Debt* website notes, “The United States government did not always run a deficit. In the 19th century the federal government typically only ran deficits during wartime or during financial crises. ... In the 20th century the US ran a deficit during World War I, the Great Depression, World War II, and in almost all years since 1960, during peace and war.”⁵¹ (See Figure 2.) Going into Fiscal Year 2007, when the Democrats took over Congress, the annual federal deficit left by the outgoing majority Republicans was \$160.7 billion,⁵² 1.1 percent of GDP.⁵³ The all-time record U.S. deficit before Obama came into office came at the worst point of the financial crisis in 2008, at \$458.5 billion,⁵⁴ or 3.1 percent of GDP. The deficit every year since Obama attained office was higher than the previous 2008 all-time record, except finally for the 2015 fiscal year ending last fall, in Obama’s seventh year in office.

Those skyrocketing deficits resulted because Obama’s economic policies were based on the unreconstructed, old-fashioned, Keynesian economics of the 1970s, which Reagan had rightly left for dead almost 30 years previously, in 1981.

⁵⁰ *Ibid.*, pp. 113–14.

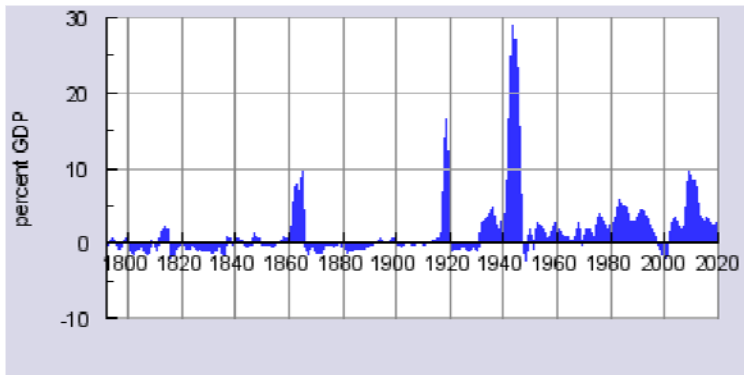
⁵¹ “US Federal Deficits since the Founding,” *U.S. Government Debt*, undated website last visited June 27, 2016, http://www.usgovernmentdebt.us/federal_deficit.

⁵² *Ibid.*, Table 1.1.

⁵³ *Ibid.*, Table 1.2.

⁵⁴ *Ibid.*, Table 1.1.

**Figure 2
Federal Deficit Since the Founding
U.S. from FY 1792 to FY 2020**



Source: usgovernmentspending.com

Keynesian policies focus on increasing what their proponents call aggregate demand, particularly through increased government spending and deficits and easy monetary policy, as the keys to restoring economic growth. By contrast, the modern supply-side economics Reagan adopted in 1981 focus on incentives to increase production.

Keynesian policies failed so thoroughly in the 1970s that it is puzzling why Obama returned to them, as if ignorant not only of what happened

then but of everything that happened afterward, from 1981 on. One could call it Rip Van Winkle economics, because its proponents seem to have slept through the 25-year economic boom from 1982 to 2007 and to be entirely unaware of everything that happened in this country in that era.

Keynesian economics first arose in the 1930s in response to the Great Depression. Keynesian doctrine holds the road to economic recovery from recession is paved with increased government spending, bigger deficits, and higher debt. That was the concept behind the nearly \$1 trillion stimulus bill adopted in 2009, Obama's first act in office. That measure failed to stimulate anything except all-time record federal spending, deficits, and debt.

Keynesian theory claims increased government spending, deficits, and debt increase aggregate demand, which is supposed to lead to increased production to satisfy that demand, thus restoring economic growth. That argument, however, overlooks basic double-entry bookkeeping. If the government spends more, the money for that increased spending must come from somewhere: either from increased borrowing or increased taxes, both of which take as much resources and spending out of the private economy as they finance in increased government spending; or from printing more dollars in excess of the demand for money, which creates inflation (devaluing private spending by an equal amount) or financial bubbles.

Not only is there no net increase in aggregate demand from Keynesian economic policies, the result is actually a net drag on growth, because the private economy spends money more productively and efficiently than the government. That is why Keynesian economics never worked in the 1930s, as the recession of 1929 extended into the decade-long Great Depression,⁵⁵ and it hasn't worked anywhere else since.

⁵⁵ See, e.g., Amity Shlaes, *The Forgotten Man: A New History of the Great Depression* (New York, NY: Harper Collins, 2007); Burton Folsom Jr., *New Deal or Raw Deal?* (New York, NY: Threshold, 2008).

The fundamental problem with Keynesianism, and Obamanomics, is this: Economic growth is not driven by demand, which is insatiable, but by increased production or output (supply), which is driven by incentives for productive activity.

In other words, just as an individual cannot spend himself rich, neither can a nation. Demand can never be inadequate in a market economy. If the demand for any product or service is insufficient to purchase the supply, the price of the good or service will fall until demand equals supply.⁵⁶

The fundamental problem with Keynesianism, and Obamanomics, is this: Economic growth is not driven by demand, which is insatiable, but by increased production or output (supply), which is driven by incentives for productive activity.

The people as a whole can never spend more than they produce. And they will never spend less than they produce, for they will either consume or save every dime they earn (produce). The consumption goes into consumer spending, and the savings go into capital spending, which is what makes us richer and more prosperous in the long run. Inevitably, what people spend naturally equals what they produce, as noted in Say's Law, promulgated by the classical French economist Jean Baptiste Say roughly 200 years ago. There is no need for government to stimulate demand, which is infinite. Government need only avoid suppressing production.

The only reason Keynesian economics has survived for so long in Western thinking is not because it works, or even that it makes any sense, but because it justifies what many politicians already want to do: Spend with reckless abandon, run deficits so they don't have to pay for that spending explicitly with higher taxes today, and run up the national debt, which will be someone else's problem later.

These throwback Keynesian economic policies are the reason why, in Obama's first year in office, the U.S. federal deficit rocketed to an all-time record \$1.413 trillion.⁵⁷ That was 9.8 percent of GDP,⁵⁸ also an all-time record except for the four years of World War II, when the United States was fighting both Nazi Germany and Imperial Japan. That 2009 deficit was three times the previous highest deficit in American history, \$458 billion. It was 6½ times the highest deficit of the Reagan years.⁵⁹ (See Figure 3.)

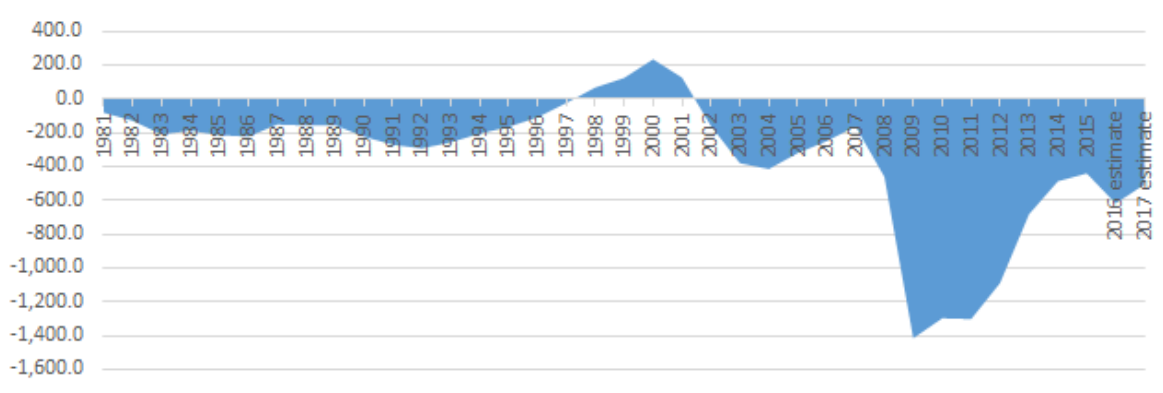
⁵⁶ The response of Keynes to this point would apply only to the extent that supply and demand curves were perfectly vertical and never crossed. But that is extremely rare. Supply and demand curves typically cross at an equilibrium price, which is why they were developed to explain economic activity.

⁵⁷ U.S. *Government Debt* website, *supra* note 51.

⁵⁸ *Ibid.*, Table 1.2

⁵⁹ Keynesians commonly argue the booming economy of the Reagan years was caused by the federal budget deficits, which they hail as Keynesian economics after all, rather than by the all-time record supply-side tax rate cuts. One benefit of the economics of the Obama years is as proof the Keynesian argument is wrong. Reagan's deficits were negligible compared to Obama's, and the Obama deficits failed to generate any serious economic growth, nowhere near the booming economic growth of the Reagan

Figure 3
Annual U.S. Budget Deficit, 1981–2017 (est.)
in Billions of Dollars



Source: Office of Management and Budget, *The President’s Budget for Fiscal Year 2017*, Historical Tables, Table 1.3.

The record-smashing 2009 deficit was driven by an explosion of federal spending, from 20.2 percent of GDP in 2008 – which was still within the long-term, 60-year, post-World War II consensus trend line of around 20 percent of GDP – to 24.4 percent in 2009, higher than in any other year since 1945, nearly two-thirds of a century earlier. The beginnings of the nearly \$1 trillion stimulus spending package were central to that 2009 spending and deficit.

The next year, 2010, the deficit was \$1.294 trillion. That deliberate, chosen deficit, as the supposed road to recovery, was 8.7 percent of GDP. Those two years of extreme federal overspending, plus the addition of another long-term entitlement burden in the Affordable Care Act, failed to stimulate the economy as promised by the policy’s Keynesian proponents. Voters were roused to sweep out the Democrat House majority in November 2010, electing a Republican majority in a historic 63-seat landslide gain, which effectively put a new check on Obama.

The new Republican House majority managed only to stabilize the deficit the next year, 2011, at \$1.300 trillion, driven by a new record \$3.603 trillion in federal spending (which was adopted by the old Democrat majority in office in 2010). The resulting government shutdown fight in the fall of 2011 resulted in the sequester, which squelched federal spending growth and began to tame the spending explosion.

years, which was at least three times as big as any expansion during Obama's administration.

Keynesians argued the sequester, by reducing spending and deficits, would halt the budding Obama recovery and throw the economy back into recession. The deficit the next year, 2012, declined to \$1.1 trillion, only the fourth time in U.S. history with a federal deficit more than a trillion dollars, all under Obama. That decline resulted because the new Republican House majority adhered to the sequester, producing a rare decline in total nominal federal spending in 2012 compared to 2011. There was no renewed recession or downturn as Keynesian economics predicted.

Even with the sequester in 2012, Obama's first term produced a \$6.065 trillion increase in the gross federal debt, a shocking rise of 61 percent over 2008. Debt held by the public doubled in just one presidential term, from \$5.8 trillion in 2008 to \$11.3 trillion in 2012.

The next year, the Republican House held to the sequester again, resulting in another decline in total nominal federal spending for 2013, the first time that had happened two years in a row in 60 years, since the drawdown in federal spending after World War II in the 1950s under Eisenhower. The two years of relative spending restraint resulted in a sharp decline in the deficit for

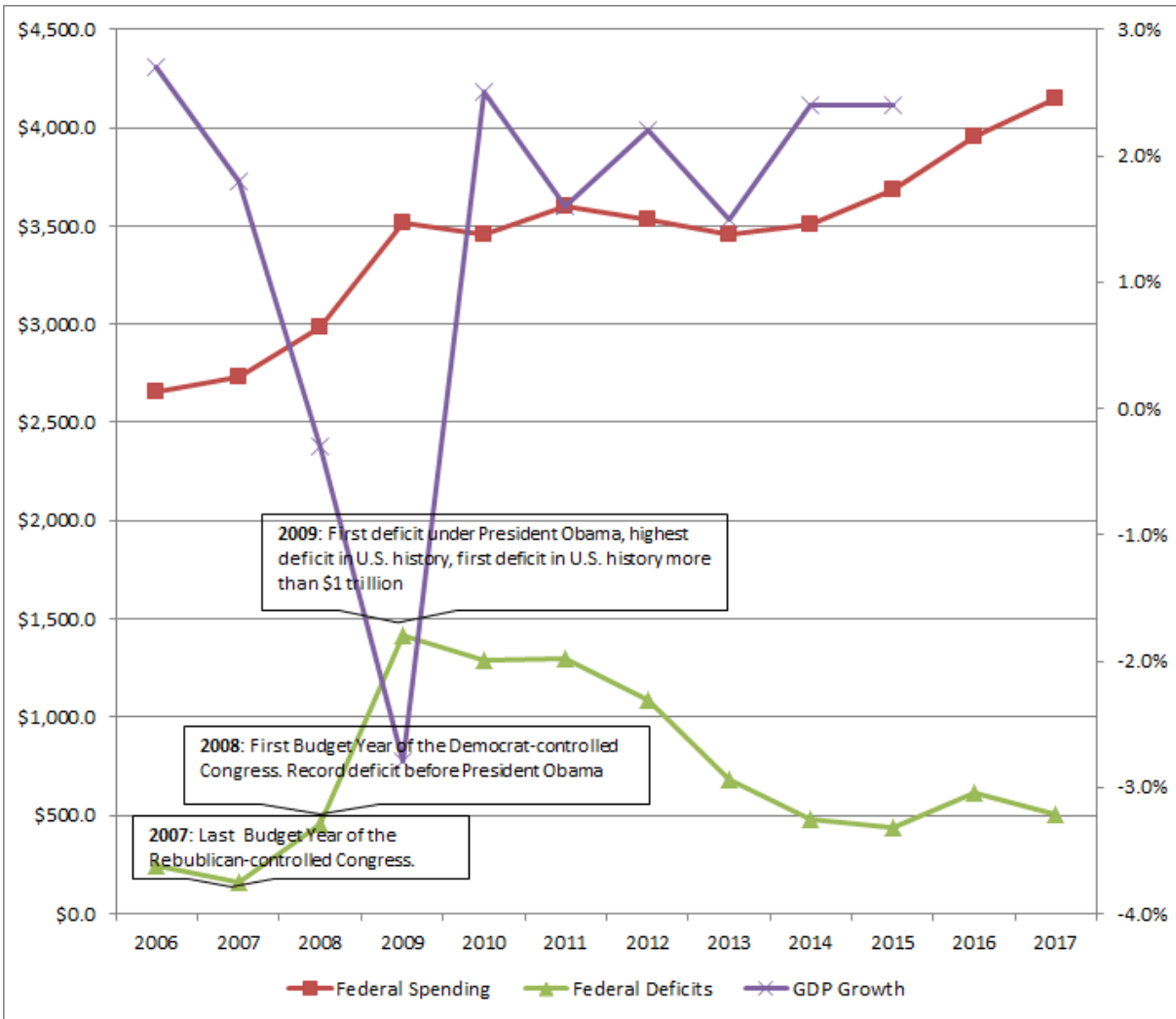
Obama's first term produced a \$6.065 trillion increase in the gross federal debt. Debt held by the public doubled in just one presidential term, from \$5.8 trillion in 2008 to \$11.3 trillion in 2012.

2013, to \$680 billion, still 50 percent more than the prior record deficit under all prior presidents. This sharp deficit reduction did not result in the renewed recession, downturn, or even slowdown Keynesians such as Paul Krugman had confidently predicted. (See Figure 4.)

The House agreed to ease up some on the sequester for the next year, 2014. The result was still another sharp drop in the deficit, to \$484.6 billion, once again above the prior record for all previous presidents. Federal spending as a percent of GDP was restored to near its prior long-term trend, at 20.4 percent. Successfully reversing the 2009–10 spending explosion and restoring federal spending to the long-term trendline of 20 percent of GDP represented a historic victory for Republicans on fiscal issues. They were rewarded by voters giving them control of the Senate in 2014.

But Republicans now are in danger of ceding control of spending, deficits, and debt again. In too hastily compromising on the 2015 budget, congressional Republicans began ceding control of spending back to Obama and the Democrats. Federal spending rose by nearly \$200 billion for 2015 compared to 2014, a 5 percent increase. Federal spending as a percent of GDP consequently began rising again as well, to 20.7 percent. The federal deficit for 2015 did fall again, to \$438 billion, the first time in seven years under Obama the deficit came in below the pre-Obama record of \$458 billion in 2008.

Figure 4
Federal Spending and Federal Deficits (in Billions of Dollars)
GDP Growth (in Percentage Growth)



Sources: Office of Management and Budget, *The President's Budget for Fiscal Year 2017*, Historical Tables, Table 1.3; *Economic Report of the President*, Table B-1 Percent Changes in Real Gross Domestic Product, 1965–2015.

After the Republican leadership agreed to raise spending, House conservatives revolted, forcing out Speaker John Boehner (R-OH). On his way out the door, Boehner left another hasty compromise for new Speaker Paul Ryan (R-WI). That budget deal involved another spending increase for 2016 of 7 percent, nearly \$300 billion above the 2015 spending number. That would amount to 21.4 percent of projected GDP, clearly breaching again the long term, 20 percent of GDP trendline. This spending increase involved losing control of the deficit again as well, with the 2016 deficit projected to rise to \$615.8 billion and stay above the Bush record of \$458 billion indefinitely into the future.

Obama's final budget, for 2017, proposes to amp up the spending even further. He calls on the nation to spend \$52.6 trillion over the next 10 years, the highest spending by any government in world history. For 2017 alone, Obama proposes another spending increase of \$200 billion, or 5 percent, to more than \$4.147 trillion. That would be the first federal budget ever to exceed \$4 trillion. The deficit would be out of control again, proposed in Obama's budget to get back on course toward a trillion dollars a year, reaching roughly \$800 billion by 2026.

Obama's final budget, for 2017, calls on the nation to spend \$52.6 trillion over the next 10 years, the highest spending by any government in world history.

By the time Obama leaves office on January 20, 2017, gross federal debt under his latest budget would be close to \$20 trillion, more than 100 percent of GDP and more than double the \$9.986 trillion in 2008, the year before he entered office. That would be the highest government debt in world history. Federal debt held by the public would be more than \$14 trillion, an increase of about 150 percent over the \$5.803 trillion of 2008, or 2½ times the pre-Obama figure. Consequently, by the end of his second term, Obama will have accumulated more federal debt than all prior presidents, from George Washington to George Bush, combined. Under Obama's 2017 budget, gross federal debt by 2026 would be \$27.4 trillion, virtually equal to our entire national GDP and the highest debt by any government in world history.

The congressional Republican majorities can and should pass in 2016 budget appropriations bills freezing federal spending at the FY 2016 level, which would restore the continued downward trend of the deficit, to about \$300 billion. Even if Obama vetoes those appropriations bills, resulting in a government shutdown, that would be a better case for members of Congress to take to the people than complicity in runaway spending, with debt soaring further past 100 percent of GDP.

All the American people have gotten for those trillions of dollars in excess spending and deficits was the worst economic recovery from a recession since the Great Depression. Instead of stimulating recovery, soaring federal spending and deficits are a drag on the economy, because spending and borrowing drain the private sector of investment funds, which are the source of new jobs and rising wages.

Obama's decision to dredge up this failed, illogical, proven-wrong Keynesian economics, rightly left for dead more than 30 years ago, failed to generate any significant economic growth or recovery. It only reignited the threat of runaway federal spending, deficits, and debt, returning the national debt to more than 100 percent of GDP. Combined with the long-term developing threat of overwhelming entitlement spending, exacerbated by Obamacare, the threat is potentially deadly to our national financial survival, just as the same policy mix has overwhelmed Greece.

10. Thoroughly Anti-Growth Policies

Earlier we examined the huge difference between the performance of the economy under Reagan and during the Obama years. Let's look now specifically at the policies Reagan adopted and those Obama imposed.

By the end of his second term, Obama will have accumulated more federal debt than all prior presidents, from George Washington to George Bush, combined.

Reagan's first act in office in 1981 was to adopt a \$31 billion cut in spending, close to 5 percent of the federal budget at the time, the equivalent of about \$200 billion in annual spending cuts today, \$2 trillion over 10 years. Obama's first act was just the opposite: nearly a trillion dollars of increased spending in his stimulus bill.

Reagan reduced the top income tax rate of 70 percent to 50 percent, and then enacted a 25 percent across-the-board reduction in income tax rates for everyone. The 1986 tax reform reduced tax rates further, leaving just two rates, 28 percent and 15 percent. Obama, by sharp contrast, raised the top marginal tax rates on capital gains by nearly 60 percent, making them the third highest in the industrialized world. He also raised marginal tax rates on dividends by nearly 60 percent, raised marginal tax rates for Medicare payroll taxes by more than 60 percent, and raised the top marginal income tax rates on employers, savers, investors, successful small businesses, and top professionals by more than 20 percent.

Those taxes are imposed in addition to the U.S. corporate income tax rate, now the highest in the world except for the socialist, one-party state of Cameroon. The U.S. federal corporate tax rate is 35 percent, and state corporate rates take it close to 40 percent on average. Communist China, by contrast, has a 25 percent corporate tax rate. The average corporate tax rate in the heavily socialist European Union is less than that. Formerly socialist Canada now enjoys a national-government corporate tax rate of 15 percent. The corporate tax rate in Ireland is 12.5 percent. U.S. corporate tax rates leave American companies uncompetitive in the global economy. In addition, Obama has regularly proposed many additional tax increases on big businesses, successful small businesses, employers, savers, and investors.

In addition to lowering taxes, Reagan pursued a consistent policy of deregulation, which reduces costs of production, consequently promoting increased production, and reduces prices to consumers. He started the process with another of his first acts in office, removing price controls on oil and gas. Opponents of deregulation argued prices would soar in response, but supply soared instead, and prices fell by 50 percent.

Obama, by contrast, has pursued a consistent policy of overregulation, including health care and health insurance under Obamacare, EPA's across-the-board assault on the nation's basic energy supply, and the Dodd-Frank constraints on banks and financial markets. This vast increase in

regulation is raising costs on everything it touches, killing jobs, driving companies out of business, and stopping productive activity.⁶⁰

Reagan advocated and supported an anti-inflation monetary policy restraining money supply growth compared to demand, to end inflation and maintain a stable value of the dollar. This was shockingly successful, slashing inflation to 3 percent within three years, after more than 10 years of double-digit inflation. Thirty-five years later, significant inflation has not been seen again in the United States.

Obama, by contrast, has advocated and supported a monetary policy of unprecedented near-zero interest rates, with “quantitative easing” helping to fund the ongoing federal deficits with newly printed money. This has destabilized the dollar and led to efforts across the globe to replace the dollar as the international reserve currency.⁶¹ This undermining of the dollar discourages investment and job creation and causes capital flight from the United States.

Combined with the nation’s high corporate tax rates, this instability has encouraged major U.S. companies to reorganize as foreign, non-U.S. corporations.

Although presented to the public as a progressive, forward-looking thinker, President Barack Obama has actually taken the United States back to the thoroughly failed economic policies of the 1930s and 1970s, and so ultimately to the same results.

Obama has consistently followed anti-growth economic policies. It should be no surprise he is getting consistently opposite results from what the Reagan-era pro-growth policies achieved. The U.S. economy is mired in persistent, long-term economic stagnation, stuck at only about one-third the growth of the historic, world-leading economic boom achieved under Reagan.

11. Conclusion

Although presented to the public as a progressive, forward-looking thinker, President Barack Obama has actually taken the United States back to the thoroughly failed economic policies of the 1930s and 1970s, and so ultimately to the same results. Most academic liberals no longer believe in pure, unreconstructed Keynesianism, but Obama and his economic advisors apparently do. Their persistence in this outdated ideology has captured the nation’s economy in a vise of

⁶⁰ Clyde Wayne Crews, Jr., *Ten Thousand Commandments: An Annual Snapshot of the Federal Regulatory State*, 14th Edition (Washington, DC: Competitive Enterprise Institute, 2014).

⁶¹ See, for example, Steve Forbes and Elizabeth Ames, *Reviving America: How Repealing Obamacare, Replacing the Tax Code, and Reforming the Fed Will Restore Hope and Prosperity* (New York, NY: McGraw Hill, 2016); Steve Forbes and Elizabeth Ames, *Money: How the Destruction of the Dollar Threatens the Global Economy – and What We Can Do About It* (New York, NY: McGraw Hill, 2014); and Peter Ferrara, *America’s Ticking Bankruptcy Bomb* (New York, NY: Harper Collins, 2011), Chapter 7.

stagnating economic growth and low job-creation, declining middle-class wages and incomes, soaring poverty, and rising inequality.

Keynesian economics has failed badly every time it has been tried, from the 1930s to the 1970s, and all around the world since then.

Obama should have known better. Keynesian economics has failed badly every time it has been tried, from the 1930s to the 1970s, and all around the world since then. He had a responsibility to the American people to know better. We must take this latest experience with Keynesian economics,

producing the worst economic recovery since the Great Depression, as the final failure of this illogical doctrine. It now should be acknowledged, in American colleges and universities and throughout the councils of government, as a proven failure.

The focus should turn instead to policies proven to maximize incentives for increased production, in particular Reagan's successful "supply side" economics, to replace the "demand side" policies of the failed Keynesian pipedream.

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Ferrara's most recent book is *Power to the People: The New Road to Freedom and Prosperity for the Poor, Seniors, and Those Most In Need of the World's Best Health Care*, published by The Heartland Institute in 2015.

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