Obama Putting Lipstick on the Economic Pig in Shemitah Year

Are the alarm bells finally blaring at the White House and in Congress? They should be. The recent pitiful economic growth score card of 0.2 percent economic growth for the first quarter of this year means the Obama slow-growth machine trudges onward.

It’s the slowest recovery in half a century. The Summer of Recovery Joe Biden promised back in 2009 still hasn’t arrived six years later.

This is a national crisis, not any less significant than last week’s burning of Baltimore. Actually, the two may be tied together. Economist Arthur Laffer shows that racial rioting in big cities is negatively associated with the economic growth rate. In the late 1960s and 1970s cities became war zones, but the rioting almost entirely disappeared in the high-flying 1980s and 1990s when incomes were rising and job growth surged.

Under Obama’s slow-growth economy urban unrest is bubbling over.

The attached figure compares the growth rate under this recovery versus those over the last 50 years. We are $1.6 trillion lower on current GDP than we should be. Even more amazing: with a Reagan-style recovery we’d have $2.5 trillion more output and income today. On average every family in America would have $20,000 more annual income.

That’s the crisis that has Americans feeling so angry. It is, to borrow a phrase from Barack Obama about the Baltimore riots, “a rolling crisis.” He could have meant the economy.

One finding in this latest GDP report is especially worrisome.

Business “nonresidential fixed investment,” which is spending by companies on plant and equipment and facilities and technology, FELL by 3.4 percent. Spending on structures fell by a torrential 23 percent. This business spending statistic is a fairly good leading indicator of where the economy is headed.

Business investment in this recovery has been slow, and that may be a result of the business bashing that goes on in Washington month after month. The Obama tax increases on capital gains and dividends – which are direct taxes on the returns from business investment – haven’t helped either.

When we get bad news like this, there’s always some excuse from the White House. The weather. The labor strike at the ports this winter. Ebola. The Euro-crisis. George W. Bush. Maybe next they can blame Herbert Hoover.

Some economists on the left, like Paul Krugman of *The New York Times*, are blaming fiscal and monetary “austerity” in America and Europe. Austerity? The U.S. government has borrowed $7 trillion in six years. The Fed’s balance sheet has expanded by $3.5 trillion. This is austerity?

Meanwhile Mr. Obama is still trying valiantly to put lipstick on this economic pig. His spin forever will be that he saved America from a second Great Depression. Really? Obama’s own White House estimates on job growth show that the economy performed worse than it would have without the trillions of dollars of government borrowing. In other words, we would have been better off not borrowing $830 billion back in 2009.

A new book by James Grant called *The Forgotten Depression* should be required reading at the White House. It tells the story of the early 1920s when the economy crashed after Woodrow Wilson’s disastrous “progressivism.” When the economy tanked, President Warren Harding simply let the recession burn itself out. By doing so, along with the

Harding-Coolidge tax cuts, the result was the Roaring ’20s, which was one of the most prosperous decades in American history.

Fortunately, there are natural tail winds that should accelerate growth over the next year or so. Low energy prices are an under-appreciated stimulus. The strong dollar is bringing records amount of new investment and construction to the United States. Profits, especially for the tech sector and companies like Apple a Google, are still very high.

But there’s no getting back that nearly $2 trillion of GDP that is now permanently missing. It’s one reason for black rage in the cities. The Obama growth deficit is this president’s enduring legacy. We can now officially declare Obamanomics a grand failed experiment.

Let’s hope the history books get this right so we are never, ever foolish enough to try this again.

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