

Slow Economic Recovery: What's Taking so Long?

This year, the economy is adding some 245,000 jobs a month, the best job growth in two years. And even though their incomes haven't gone up, Americans are spending more.

But if you compare this recovery to others since World War II, many analysts ask—what's taken so long?

Some point the finger at President Obama's economic policies.

"If you compare his recovery to previous recoveries, it's a huge failure and in fact, on the metrics, it's the worst economic recovery since the Great Depression," Peter Ferrara, with the American Civil Rights Union, told CBN News.

The recession officially ended in June of 2009. But nearly three years later, unemployment remains over 8 percent, which translates to at least 13 million Americans who don't have jobs. That figure does not include those who are under-employed, who would like to work more hours.

Reagan Recovery

The last recession that came close to the magnitude of the current one started in 1981. President Ronald Reagan addressed it by cutting taxes and reducing government regulations and federal spending.

After 10 quarters of recovery under Reagan, the economy was exploding at a sizzling annual rate of 6 percent.

But under Obama the economy only grew 2.4 percent during the same amount of time. That's not only far below the Reagan recovery, it's only about half the average growth rate of 4.6 percent after a recession.

Many conservatives, like Ferrara, argue it's no surprise that

the recovery is far weaker than Reagan's.

"Barack Obama has followed the opposite of every one of those principles, so he's getting exactly the opposite of the result that Reagan did," Ferrara told CBN News.

"Instead of reducing regulations it's been a regulatory tsunami," he continued. "He's got 'Obamacare,' endless regulations, also increases in ... future taxes and spending."

"He's got Dodd Frank which massively increases regulations on the financial community. He has the EPA running wild," he said.

Unfair Comparison?

But other economists say it's hard to compare the recession Obama faced to any others because it was so deep.

The Brookings Institution's Elisabeth Jacobs said underlying economic problems that have been brewing for decades are making it more difficult for Americans to recover.

She said since 1979, the income growth of America's top 10 percent earners has outpaced the nation's bottom 90 percent.

"There's pretty good evidence suggesting that financial crises come out of high levels of inequality," Jacobs said.

That inequality is one reason why Jacobs said it will take longer for the nation to recover, especially when you consider 70 percent of economic activity is driven by consumer spending.

"This is part of what caused the financial crisis is their ability to consume and keep up with the top was based on this credit bubble, and they don't have access to that credit anymore," she explained.

"But earnings and income haven't kept up and so how exactly are we going to get ourselves out of a vicious cycle? We need

a new solution," she said.

Feelings of inequality have sparked the Occupy Wall Street movement. And calls for wealthy Americans to "pay their fair share" are part of the president's regular stump speech.

Smothering the Recovery

But Ferrara said higher taxes on upper-income Americans will only smother the fragile recovery.

"It's the poor, it's working people, it's the middle class who are hurt the most by the high tax rates," Ferrara explained.

"The higher income people will figure out ways to get around them or they can afford to pay them. But they're not going to invest in the economy when their incentives are hampered like that," he told CBN News.

"They're not going to start new businesses. They're not going to expand businesses; they're not going to create new jobs," he said.

Obama's supporters say his policies have helped bring the economy back. But conservatives like Ferrara argue that those policies have actually hurt the recovery.

He said that if you want proof, all you have to do is look at the Reagan recovery 30 years ago.