

## Book Review: Obama's Economy: Recovery for the Few

by Blog Admin

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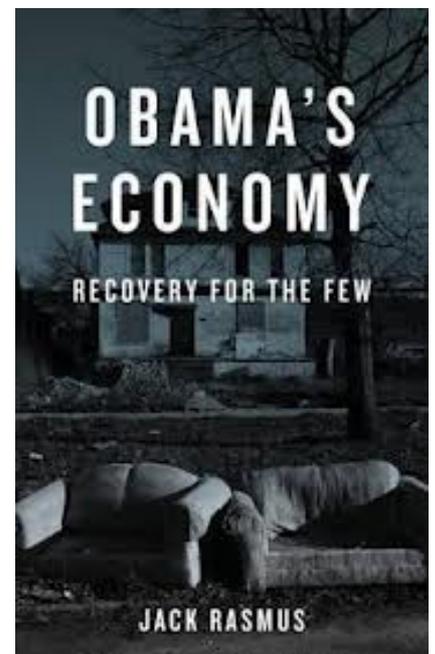
*Barack Obama's plans for economic recovery came under fire from critics and voters for failing to fully deliver, but having now been voted in for another term, will Obama offer up enough to lessen the economic hardship endured by millions of US citizens? Economist **Jack Rasmus** argues in this book that the weakest economic recovery since 1947 is the direct result of the Obama administration's failure to take decisive action. **Iwan Morgan** finds much of interest for historians in this account, but is disappointed by the lack of a real grand plan from Rasmus for a broad and deep recovery.*

**Obama's Economy: Recovery for the Few. Jack Rasmus. Pluto Press. April 2012.**

Barack Obama's victory in the 2012 US presidential election was achieved in the face of the highest polling-day unemployment rate (7.9 per cent) of any post-1945 victorious incumbent. Exit polls indicated that the economy was the main issue for most voters but Mitt Romney won a bare majority of these. Doubtless, the fact that unemployment was below the national average in seven of the nine swing states was helpful to Obama's cause. Nevertheless anyone reading Jack Rasmus' study in advance of the election would not have put much money on the result going the way it did.

Rasmus, a veteran economist, offers an unremittingly bleak assessment of the Obama administration's failure to promote a strong and broad-based recovery from the Great Recession of 2007-09. Written in late 2011, his gloomy predictions about the limited nature of jobs growth have been fully borne out. The American economy lost almost 9 million jobs between January 2008 and early 2010. On election eve it remained 4.5 million jobs short of its pre-recession employment peak, a level it will take another 32 months at recent job-creation rates to surpass. Meanwhile home foreclosures doubled in number to 11.4 million between early 2009 and late summer 2011, over 17 million homes were in negative equity by the latter date, and the poverty rate is at its highest level in half a century (affecting 45 million people). In contrast, the wealthiest 10 per cent of Americans have experienced full recovery, as measured by rising income, stock market dividends, corporate profits, executive pay, and bankers' bonuses. In a chilling set of statistics, Rasmus indicates, *inter alia*, that the incomes of the wealthiest 1 per cent quickly snapped back after a short decline during the recession to a 10 per cent annual growth rate in 2010, their average annual increase in 2001-2007. In New York City, the home of the financial elite, the richest 1 per cent now own 44 per cent of all the income in the Big Apple.

Rasmus attributes this state of affairs squarely to the Obama administration's inability to conceive, let alone deliver, an efficient and equitable economic policy. In his view the 44<sup>th</sup> president and his advisers launched a recovery plan that was flawed from the outset. Its shortcomings included: insufficient fiscal stimulus in the \$787 billion American Recovery and Reinvestment Act of 2009 because of a misguided notion of winning bipartisan support for the measure; an emphasis on subsidy rather than actual job creation in this and other recovery initiatives; overreliance on tax cuts for business and the wealthy in the various stimulus packages of 2009-10, whose benefits were simply hoarded rather than invested; failure to require banks to lend as a condition of the \$9 trillion worth of troubled asset purchases, other assistance



to financial institutions, and quantitative easing; inadequate assistance to homeowners and to home construction, whose wellbeing is essential to recovery; and a shift to austerity – particularly after the 2010 midterm elections – that cut programmes helpful to lower income groups and starved local-state government of much needed federal funds.

For historians, possibly the most interesting chapter is one comparing Obama and FDR as economic crisis presidents. While the nuances of 1930s policy and politics are skated over in a way that some will take issue with, Rasmus notes that FDR began with an inadequate top-down recovery programme in 1933-34, shifted to a more socially just and effective bottom-up recovery programme in 1934, and then undermined the recovery by retreating too quickly into budget-balancing retrenchment in 1937. In his view Obama replicated FDR's stage 1 in 2009 and his stage 3 in 2011, but never went through his stage 2.

The final section of the book offers the author's grand plan for a broad and deep recovery. This features: direct job creation programmes (including New Deal parallels); assistance to housing and state-local governments; tax restructuring to make the rich pay a fair share for recovery; retirement system reform (which entails enhanced rather than retrenched benefits); bank reform (including making the Federal Reserve focus more on non-elite lending); and dealing with the debt-fragility problems (including partial forgiveness) and income-fragility problems (including much-improved minimum wage, pro-union reforms, and import restraints).

As an economic analysis of the Obama's administration's failure to promote recovery, there is very little to take issue with in Rasmus' account. As a political analysis of what could have been and might yet be done, however, it is far less persuasive. Rasmus takes little account of the political difficulties of policymaking in a system where governmental power is shared between president and Congress, where fiscal and monetary policies are difficult to coordinate, and wherein the level of partisan polarization has reached new peaks. Harking back to the New Deal is not especially illuminating without some reference to the different political set-up of that era. Moreover Rasmus commits the error of many who have criticized Obama by wishing onto him a social democratic identity that he does not possess in reality – the president is, for better or worse, a pragmatist and a centrist (neither the liberal longed for by many Democrats nor the closet socialist that Republicans accuse him of being). Last but not least, interesting though the Rasmus programme for recovery is, he offers no advice on how to get it enacted, how to build coalitions in its support, or how Obama can use the political resources of the presidency to put the plan together.

Reading Rasmus is a depressing experience. The main message that this reviewer carried from it is that the United States is very far from a full recovery, is unlikely to engage in bold programmes of economic renewal, and faces a prolonged era of weak growth and austerity. If that is the future for America, what hope for the UK and Europe?

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**Iwan Morgan** is Professor of US Studies at the newly established Institute of the Americas, University College London (from July 1, 2012). He has written extensively on US affairs, with particular focus on the presidency and on economic policy. His study, *The Age of Deficits: Presidents and Unbalanced Budgets from Jimmy Carter to George W. Bush* (University Press of Kansas, 2009), won the American Politics Group's Richard E. Neustadt Book Prize for 2010. [Read more reviews by Iwan.](#)

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