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# Is Bush to Blame for the Economy?

**By Dean Baker, The American Prospect. Posted March 4, 2008.**

Presidents don't deserve all the blame (or credit) for the economy's performance, but Bush turned a blind eye to the mounting economic crisis.

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Last summer, President Bush told the American people that "the American economy is the envy of the world." He continued, "The fundamentals of our economy are strong .... Job creation is strong. Real after-tax wages are on the rise. Inflation is low." None of this was exactly true then, but it is certainly not true now. When President Bush signed the stimulus package he finally acknowledged what the rest of us already knew: The economy is in real trouble. The collapse of the housing bubble is throwing the economy into a recession, and quite possibly a very severe recession. For most workers this means that the economic situation is about to go from bad to worse.

There has been a myth spread by folks like *The New York Times* that the economy had been performing very well under President Bush, but that he wasn't getting proper credit because of public anger over Iraq. While pleasing to the ears of Bush supporters, this is a myth without foundation.

At the most basic level, contrary to the myth, growth has actually been very weak under President Bush. Here is the ranking of growth by presidential administrations since 1960:

Kennedy-Johnson: 5.2%

Clinton: 3.6%

Reagan: 3.4%

Carter: 3.4%

Nixon-Ford: 2.7%

Bush II: 2.6%

Bush I: 1.9%

President Bush only manages to beat out his father, and even this distinction may not hold when the final numbers are in. These data only run through the third quarter of 2007. If we fall into a recession and Bush ends his term with five quarters of near-zero growth, then Bush II could even fall behind Bush I in the growth category.

But growth is only a small part of the story. As has been widely publicized, the Bush-era deficits reversed the effects of the deficit reduction from the Clinton years. We will almost certainly end the Bush years with a higher debt-to-gross domestic product ratio than we had at the start of the Clinton presidency. That is not a disaster, but the next administration will not have the luxury of allowing the debt to increase in the same way.

Perhaps more important, the ratio of foreign debt to GDP has soared in the Bush years. By the end of the Bush presidency, we will likely have added more than $1.5 trillion (more than 10 percent of GDP) to our foreign indebtedness. This is the result of the massive trade deficits of the Bush years.

Growth and debt are, of course, abstractions for most people. What matters to the vast majority of families is what they take home in their paychecks, their job security, their health care, and their pensions. On these fronts, the Bush legacy is also one of miserable failure. Going into this year, the average hourly wage was about 3 percent higher than it was when Bush took office in 2001. This modest growth is entirely attributable to the wage momentum coming out of the late 1990s boom. Adjusted for inflation, wages have been flat since 2003. In recent months they have headed downward as energy- and food-price increases outstripped wage growth. Wage growth may still end up positive for the Bush years as a whole, but the gain will be so small that most workers will not notice it.

Job growth has been abysmal in the Bush years, averaging less than 900,000 jobs a year, compared to more than 2.5 million jobs a year during the Clinton administration. As a result, millions of young and middle-aged people have simply stopped looking for work and dropped out of the labor market.


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*Dean Baker is co-director of the Center for Economic and Policy Research.*

Health-care coverage has become increasingly precarious as millions of people have lost coverage and tens of millions of workers find that they must pay much more for their health care, either in premiums, co-payments, or deductibles. Similarly, pension coverage (including 401(k) type plans) was falling sharply even before the onset of the recession. My colleague found that the percentage of workers in "good jobs" -- jobs that pay at least $17 an hour, provide health insurance and pension coverage - had fallen by 2.3 percentage points under President Bush, and that was before the recession. Needless to say, job prospects for workers will look much worse by the end of the president's term.

In fairness, Bush, like all presidents, does not deserve all the blame (or credit) for the economy's performance under his watch. By the time that President Bush took office in 2001, recession was already in the cards given the collapse of the stock market bubble. The economy would have faced rough sledding regardless of who was in office. Similarly, the country was facing a large and growing trade deficit in 2001 because of an overvalued dollar.

But President Bush did not take any steps to seriously counteract these real economic problems. His strategy was to give out tax breaks that heavily favored the richest people in the country. He also gave business, including the energy companies, the defense contractors, the drug companies, the insurance companies, and the financial industry, everything they wanted from the government, at the public's expense.

However, the massive handouts to the rich and the corporate lobbies didn't produce growth. For this, President Bush needed the housing bubble. The unprecedented run-up in house prices produced a record construction boom. More important, the $8 trillion housing bubble led to a consumption boom as people eagerly borrowed against their new housing wealth, sending the saving rate to zero.

While President Bush likes to pretend that the crash of the housing-market bubble is a surprise event, like a hurricane, for which we could not have possibly prepared, the reality is that it was an entirely predictable event, which was in fact predicted. President Bush's decision to ignore the growth of the housing bubble and the madness in the mortgage market was one of the most disastrous economic mistakes in the country's history.

The meltdown of the housing market has already led to record rates of foreclosures and multibillion-dollar write-downs at the country's leading financial institutions. But this is just the beginning. The current double-digit rate of house-price decline will destroy between $2 trillion and $4 trillion in additional housing wealth over the course of the year. In short, it looks like President Bush will go out with a real bang.

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