

# Obama's Presidential Disaster: Broken Promises/Failed Projections

Bob Webster, Editor, Publisher, [WEBCommentary.com](http://WEBCommentary.com)

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When the American people elected an inexperienced junior senator from Illinois to serve as their President, they might have suspected that the candidate's notable lack of executive, scholarly or professional achievement might foretell disastrous job performance. If the people were not aware of that risk then, they certainly are now.

During his presidency, Barack Obama made some key promises and projections:

- He promised to [cut the budget deficit to "half" of what he "inherited"](#)<sup>[1]</sup> by the end of 2012.
- [He projected unemployment to remain modest](#)<sup>[2]</sup> if his \$800+ billion stimulus bill passed.
- He predicted [fourth-quarter 2011 GDP growth would be 5.8%](#).<sup>[3]</sup>

How did these promises and projections work out?

## Background:

The large Democrat majorities in both the House and Senate that took office on January 3, 2007 inherited a nation that was relatively healthy both fiscally and economically. On January 3, 2007:

- [median family income stood at \\$49,600](#),<sup>[4]</sup>
- GDP growth for the previous quarter [stood at 3.5%](#),<sup>[5]</sup>
- the GOP budget for FY 2007 (10/01/06 to 09/30/07) produced a [deficit of just \\$161 billion](#) <sup>[6]</sup>, making FY 2007 the *third straight year* of dramatically lower deficits, and
- Unemployment stood at 4.6% and the Bush administration had just recorded more than four years (52 straight months) of continuous job growth.

What happened next?

## Affordable Housing - A Bomb Ignited By the Federal Reserve:

On January 3rd, 2007, newly-elected members of the Democratic Party gave Democrats a substantial majority in both chambers of Congress and, for the first time in more than a decade, Democrats were in *full and absolute control of Congress*. Republicans were so weak, they could just be ignored — and they were.

Along with control of Congress, Democrats Barney Frank (D-MA) and Christopher Dodd (D-CT) became Chairman of the House Financial Services Committee and Chairman of the Senate Banking Committee, respectively. These two Democrats were key advocates of the Community Reinvestment Act of 1977 that pressured banks to provide sub-prime mortgages to under-qualified low income home buyers.

For the remainder of Bush's presidency, Frank and Dodd would stonewall any attempt to reign in Fannie Mae and Freddie Mac and the dogged pursuit of giving sub-prime mortgages to any and all who asked, regardless of qualifications.

It was the peak of the housing market as easy mortgage money turned ordinary homeowners into "investors" (in fact, they were speculators) in the artificial housing boom created by political pressure to give mortgages to all who sought home ownership. The Community Reinvestment Act of 1977 was a vote-getting scheme whose fatal flaw was exposed as soon as [Federal Reserve Chairmen Alan Greenspan](#)<sup>[7]</sup> ratcheted up

the prime rate [in 17 of 24 straight months](#)<sup>[8]</sup> raising it from 4.25% to over 8.25% in the space of just two years (2004 to 2006)!

Greenspan's actions meant that when adjustable rate payments were adjusted to reflect the new higher prime rate, those appealing adjustable rate teaser sub-prime mortgages would become impossible to carry. This spelled doom for the many marginal low-income/high-risk homeowners who had benefited from the affordable housing scheme (Community Reinvestment Act of 1977) begun under Jimmy Carter in 1977, given life by Bill Clinton in the 1990s and fostered by Frank and Dodd during the Bush presidency.

As explained in an excellent piece written in 2006, [Derivatives and the Real Estate Bubble](#)<sup>[9]</sup>(Charles Hugh Smith, November 8, 2006):

*"... most of the hundreds of billions of sub-prime and option-ARM mortgages written in the past few years [2004-2006] have been aggregated into vast pools of mortgages which are then sold much like bonds."*

These mortgage-backed securities (MBS) were a form of derivatives based on the real estate industry and the wide-spread use of sub-prime adjustable rate mortgages. The risks associated with MBS were extraordinary because of the many under-qualified holders of adjustable rate mortgages. Both the sub-prime mortgages and MBS were supported by Greenspan as "an extraordinarily useful vehicle to transfer risk from those who shouldn't be taking it to those who are willing to and are capable of doing so."

Greenspan's ill-advised rapid increase in interest rates was the match that ignited the housing bomb fuze that destroyed both the housing market and all those new under-qualified homeowners saddled with adjustable rate mortgages whose payments they could no longer afford.

### **Budget Deficit Cut - A Broken Promise:**

On January 3, 2007, the nation's fiscal and economic picture began to change dramatically. From that point on through the end of the Bush presidency, Nancy Pelosi and Harry Reid bypassed George Bush entirely, passing continuing resolutions to keep government running. During this time, as junior Senator from Illinois, Barack Obama voted for FY 2008 spending resolutions that nearly *tripled* the GOP's FY 2007 deficit from \$161 billion to \$459 billion for FY 2008.

On taking office in January 2009, now-President [Obama declared](#),<sup>[1]</sup> "I pledge to cut the deficit we inherited by half by the end of my first term in office."

What deficit had Obama inherited? Why, it was the one the Democrat Congress (including Senator Obama) had *created* by *tripling* the GOP's FY 2007 deficit with continuing resolutions during FY 2008. In other words, Obama inherited a fiscal mess created by ... *Democrats!*

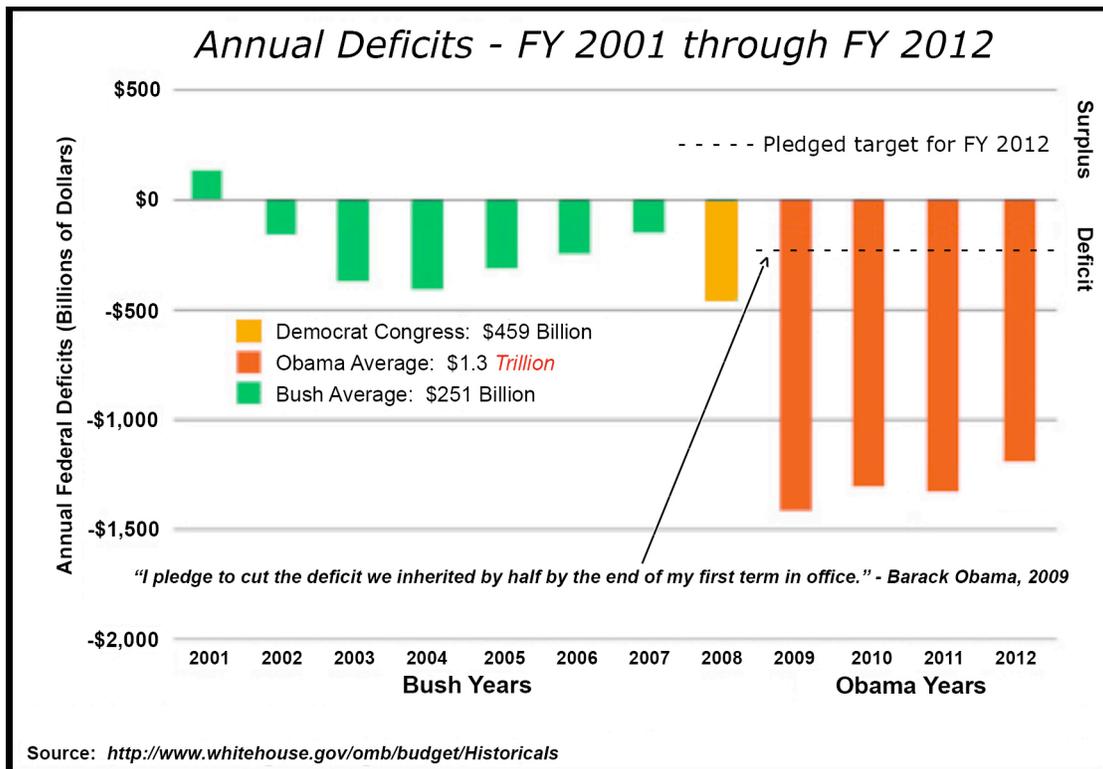
President Obama pledged to halve the deficit he, Senator Reid, and Speaker Pelosi had created! In effect, Obama pledged to halve a deficit *he inherited from himself and his Party*.

The "inherited" deficit benchmark established by the Democrat Congress was \$459 billion, so Obama's pledge to cut the inherited deficit by half translates to a pledge to reduce the annual deficit to \$230 billion by the "end of [his] first term in office."

How did he do?

Not very well.

A clear picture emerges from the chart below ([based on US Government data](#)<sup>[6]</sup>).



Since being elected, Obama has failed to secure congressional passage of a single budget he proposed. Instead, Democrats controlling Congress (2007-2010) and the Senate (2007-present) have used continuing resolutions to avoid the bad publicity of passing a budget massively in deficit. But lack of a budget didn't prevent Democrats from deficit spending anyway!

Annual deficits for FY 2009, 2010, and 2011 ranged from \$1.29 to \$1.41 trillion, averaging \$1.33 trillion per year during Obama's presidency. FY 2012 is projected to be in deficit by at least \$1.2 trillion making Obama not only the first "trillion-dollar deficit" president, but the first to record trillion dollar deficits in each of his four years! This is truly obscene for future generations.

Recall that the last GOP-Bush budget deficit was for FY 2007 at \$161 billion, nearly an order of magnitude lower than the average during the Democrat-Obama era that began January 3, 2007.

**To summarize deficits:** In 2009, Obama pledged to "cut the deficit ... by half", a deficit he and fellow Democrats in Congress had increased from \$161 billion in FY 2007 to \$459 billion in FY 2008. With a promised target for FY 2012's annual deficit of \$230 billion, the actual figure came in at five to six times that target (\$1.2 trillion).

That is a track record that can only be characterized as an unmitigated disaster.

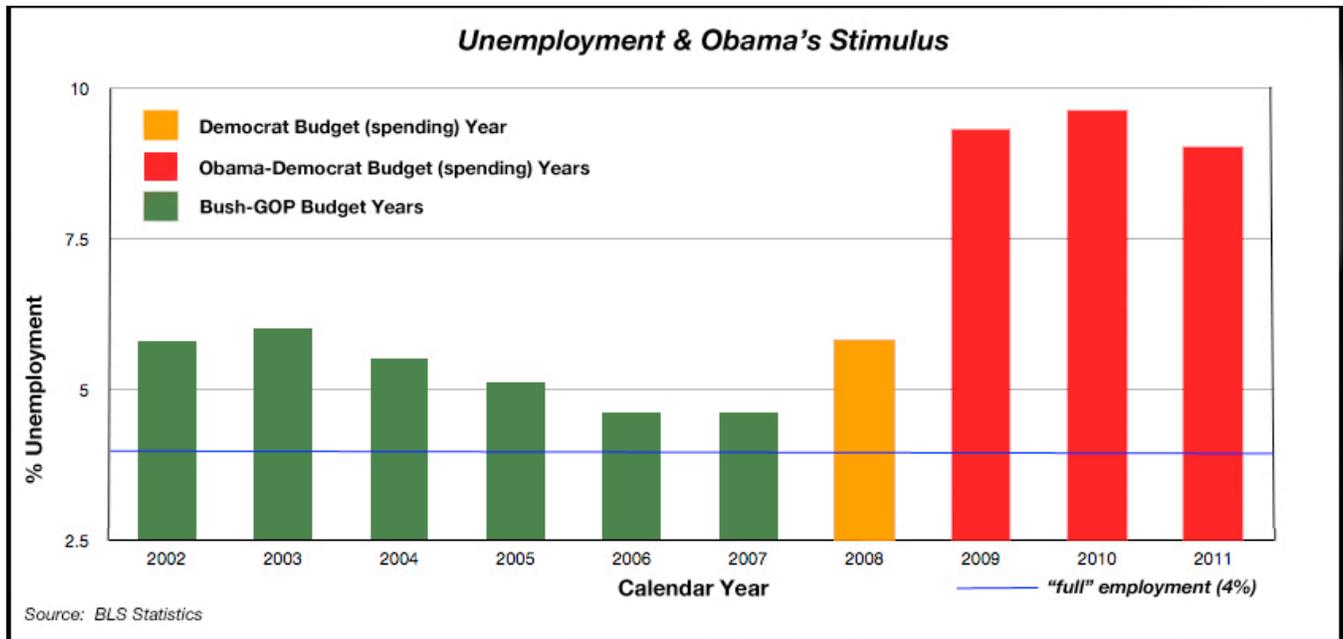
### Unemployment - Costly Failed Projections:

One of the first things Obama sought as President was a costly economic stimulus package designed to reduce or temper unemployment growth that had begun to steadily increase after 2007. Massive blocks of

stimulus funds were poured into the unionized automobile industry and banking and insurance institutions that were pushed to the brink of solvency by loose government mortgage policy.

Obama administration projections claimed that passage of the massive stimulus package should prevent unemployment from rising above 8%. The Democrat Congress passed the stimulus package, adding over \$800 billion in spending to a nation already drowning in debt.

Unemployment figures from the [Bureau of Labor Statistics \(BLS\)](#):<sup>[10]</sup>



The economic stimulus enacted in 2009 was approximately \$831 billion. In that same year, unemployment began at 7.8% in January and steadily rose to 10% in October, tapering to 9.9% for the rest of the year! Throughout 2010 the unemployment rate remained between 9.4% and 9.9%.

At the end of January 2012, the Congressional Budget Office (CBO) projected unemployment would remain above 8% for much of the year. The truly sad numbers are the real unemployment figures (the [U6](#)<sup>[11]</sup> BLS figures) that include those who have given up looking for work or are relegated to part-time status. That figure is estimated to be [between 15% \(U6\) and 23%](#)<sup>[12]</sup>.

Employment is a major contributor to federal revenues through the income tax. When salaries go down (as they have steadily over the past four years) and jobs are lost, the tax base shrinks and revenues drop as demand for spending on food stamps and unemployment skyrockets (as they, too, have steadily over the past four years).

So much for the Obama administration's unemployment projections. They are a costly failure in both jobs and national debt growth.

### **Economic Growth Projections & Green Energy - More Dismal Failures:**

Contributing to the fiscal mess has been Obama's unrealistic view of how to create jobs and provide for a robust economy.

Recall that the Democrat Congress inherited 52 straight months of positive job growth under Bush and GDP growth stood at at 3.5% in the quarter before Democrats took control of Congress.

Here are the latest BEA GDP growth figures under Obama's economic policies:

Average 2009 GDP growth: -3.1% (recession)

Average 2010 GDP growth: 2.4%

Average 2011 GDP growth: 1.8%

4Q 2011 GDP growth: 4.1% (more than 29% lower than the predicted value of 5.8%)

2012 Average Quarterly GDP growth (1Q, 2Q): 1.75%

— Source: US Dept. of Commerce, [Bureau of Economic Analysis](#)<sup>[13]</sup>

These figures suggest the economy has flat-lined at about 1.8% GDP growth. As noted in an April article in *The Economist*, "[Waiting for a boom](#)"<sup>[14]</sup>, "During the first three years after the 1981-82 recession, the economy grew ... at greater than 5% in 7 of 12 [quarters]." By contrast, the recession midway into Obama's first year. During the three years (mid-2009 to mid-2012) after recession under Obama, the economy grew at quarterly rates ranging from 0.1% to 2.6% in all but 2 of 12 quarters, and those were at rates of 4.0% and 4.1%. These growth figures testify to the superiority of Reagan's economic approach to Obama's. Remember that Reagan inherited Carter's malignant economy, rampant inflation, and astronomical interest rates. Mitt Romney's economic plan is tailored after Reagan's, an approach that led to the longest economic boom in modern history (a boom that carried well into Clinton's years).

A classic example of Obama's economic naiveté is his support for inefficient and immature "green" alternate energy technologies. This costly program of the Department of Energy has, at a cost of \$90 billion, done virtually nothing to help our energy independence.

The monumental failure of these "green" initiatives reached a scandalous level with the financial collapse of several highly-touted companies despite having received a massive influx of federal funds.

Obama's inexplicable and senseless blocking of the "Keystone Pipeline" can fairly be characterized as bizarre and foolhardy. That project would have generated domestic jobs and income while exploiting the easiest and environmentally safest market route for Canadian oil. The open hostility of Obama to taking advantage of abundant, efficient, and cost-effective domestic fossil fuel energy is another mystery whose cost to all Americans is staggering. The electric energy industry has already bid for supplies of electricity for the East and Northeast US in 2015 and, thanks to [Obama's EPA and their war on coal-fired electric generation](#), the costs for electricity could experience a "hockey stick" rise after 2014 in many areas of the East, particularly northern Ohio.<sup>[15]</sup>

Obama's failure to grasp basic economic realities and the consequent damage to our national economy reflects an ineptitude matched only by his failed fiscal and unemployment policies.

#### **Where we are now:**

- From 2007 to 2010 [median family income dropped 7.5% while median net worth dropped 40%](#),<sup>[16]</sup>
- most recent GDP growth [is an anemic 1.3%](#) <sup>[13]</sup>
- unbridled FY 2012 spending (year ending 09/30/12) produced a [deficit of \\$1.2 trillion](#) <sup>[6]</sup>, making FY 2012 the *fourth straight year* of deficits well in excess of a trillion dollars.
- Unemployment is at 7.8% and the Obama administration recorded [45 straight months of unemployment averaging 9.1%](#).<sup>[17]</sup>

Is it possible to understand all this and not conclude change in Washington is desperately needed?

#### **Conclusion:**

Giving Obama another term as President would be like giving a toddler a book of matches in a room full of gasoline.

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