Obama's Counterproductive Economic Plan

So, we ask: what more should a president do to deal with this serious economic downturn? Obama didn't provide a specific answer but, speaking in generalities, he offered, "We've still got a lot of work to do." So, without doubt, the nation can expect more of what he has already done — more federal spending, more regulation, more inflation, and, in short, more of precisely what history confirms government should not do to deal with recession's scourge. History tells us over and over again that government action of the kind already taken and being planned will make matters worse.

Economist and historian Dr. Thomas Woods points out — and he isn't alone — that getting out of a recession/depression can be accomplished if government gets out of the way. In other words, what President Obama and his team should do is nothing except abolish some government agencies. In *Meltdown*, his current bestseller, Woods recounts how our nation dug itself out of a very severe downturn immediately after World War I. "By the middle of 1920," he reports, "conditions were worse than they would be in 1930 after the first year of the Great Depression." Instead of dealing with the crisis with public works projects, Federal Reserve-created inflation, deficit spending for stimulus schemes, etc., the government and the Federal Reserve essentially did nothing during that period, and the nation recovered in less than two years.

The way our nation dealt with the 1920-1921 depression isn't discussed by today's economists, at least the vast majority who are captives to Keynesian socialist economics. There are two reasons why they ignore what happened close to 100 years ago: a) the problem was so short-lived, and b) it was solved, not by government, but by government standing aside and allowing the people to dig the nation out of the hole. The lesson is clear, even if most economists fail to mention it.

In his book, Woods shows that President Hoover initiated the completely opposite response at the outset of the Great Depression, an array of government actions that were then doubled or even tripled by President Roosevelt. Hoover raised taxes, provided government loans to failing businesses, supplied states with federal funds, presided over inflationary monetary policy, and forced prices upward. The problem that started with the 1929 crash worsened. In 1932, while he was running for election, FDR labeled Hoover as the "greatest peacetime spender in the nation's history." Having won the presidency, he promptly outdid the defeated Hoover by doubling or tripling every wrong-headed tactic. The Great Depression grew even greater and lasted all through the 1930s. Roosevelt had violated the first law of holes: when you're in one, stop digging. He dug hard all through the 1930s.

Meltdown supplies a more recent example of how a nation should not attempt to cure a depression. Approximately 20 years ago, Japan had earned the envy of the world as mankind's newest economic marvel, even purchasing New York's Rockefeller Center. The Japanese success had stemmed from massive inflation and the inflation led to an inevitable bust that arrived in 1992 when housing prices sank by 80 percent and the Nikkei stock exchange declined by almost two-thirds. So what did Japan's government do? Exactly what it shouldn't have done. Japan's leaders launched huge public works projects, lowered interest rates to zero, provided loans to businesses, arranged for bailouts for banks and even nationalized some, increased the money supply, piled up enormous deficits, and dispensed a series of stimulus packages for the people.

It is now 17 years since the recession hit Japan. And the problem that surfaced in 1992 is still plaguing the nation.

There is a lesson in all of this for the United States, and one would have to be completely daft to ignore it. The Obama administration's treatment of our nation's economic ills — duplicating and exacerbating actions taken by its predecessor — will make matters worse. Everything initiated by the Hoover-Roosevelt tandem is being repeated or planned. Each of the so-called cures administered by Japan is being copied.

We are forced to wonder whether what our leaders are doing results from stupidity or from a calculated desire to deepen the morass so that world currency and global governance — the twin recommendations being mentioned so frequently — will be ushered in. What is certain is that America's current economic recession, already being felt worldwide, isn't about to disappear.