



Economic Falsehoods in Obama's Address to Congress

Obama correctly said that “it is only by understanding how we arrived at this moment that we’ll be able to lift ourselves out of this predicament.” But his remarks reveal he doesn’t know — or care — how the economic crisis started. It certainly reveals a less-than-honest view of the deficit his administration inherited from the equally fiscally irresponsible Bush administration: “My budget does not attempt to solve every problem or address every issue. It reflects the stark reality of what we’ve inherited — a trillion dollar deficit, a financial crisis, and a costly recession.”



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Obama was not fully honest in saying that he “inherited” a trillion dollar deficit. It’s only a \$1.2 trillion-dollar deficit because as president-elect he strongly supported the first \$700 billion Bush-era bailout package just before he took office. Had he opposed it, the bill might have failed and the deficit would have been similar to last year’s \$450 billion deficit. And now the deficit is closer to a \$2 trillion deficit, after the passage of Obama’s most recent \$787 deficit “stimulus” bill. Although there’s no evidence Obama signed the “stimulus” bill with a pen using red ink, he might as well have. The federal government is planning to add every penny of the spending increases and tax cuts in the “stimulus” bill onto the deficit, and the [text of the bill](#) acknowledges this truth. The bill raised the national debt limit by slightly more than the \$787 billion cost of the legislation.

President Obama’s address was chock full of false diagnoses of how the economic recession got started, as well as frightening language that indicates the government owns all wealth made by Americans. Here are a few examples, beginning with his explanation of the thinking that led to the recession:

Statement: “People bought homes they knew they couldn’t afford from banks and lenders who pushed those bad loans anyway.”

Correction: The lowering of lending standards was not the result of just about every Wall Street banker suddenly — and all at the same time — becoming corrupt and losing the ability to make money. Sometimes individual crooks like Bernie Madoff emerge in business, but markets don’t go corrupt en masse after decades of operating competently. Instead, the lowered lending standards were led and underwritten by the congressionally chartered mortgage subsidy banks, [Fannie Mae and Freddie Mac](#). And federal regulations often required private banks to dole out loans to bad risks under the guise of subsidizing loans in neighborhoods with minorities through the [Community Reinvestment Act](#) and backed up by the threat of costly lawsuits and fines.

Statement: “Regulations were gutted for the sake of a quick profit at the expense of a healthy market.”

Correction: There’s no doubt among anyone paying attention that the recession was created by



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government rather than a result of a lack of government, regulations or otherwise. The Federal Reserve Bank — chartered by Congress — created the crisis by [suppressing interest rates for more than 10 years \(beginning in 1995\)](#) that led to the housing bubble. It was the Fed that ruined an otherwise healthy market.

Statement: “A surplus became an excuse to transfer wealth to the wealthy instead of an opportunity to invest in our future.”

Correction: This is a clear reference to the Bush-era tax cuts that allowed the American people to keep more of their own money. It’s also an equally clear indication of where Obama is coming from in his worldview. He speaks of a “transfer” of “wealth to the wealthy” as if the people’s money was government’s to dole out as it wills. Your wealth is not your own, Obama says. Everything belongs to government, and whatever scraps government allows you to keep is a privilege and a “transfer” from the common wealth bank that is government. “Investment” is simply a rhetorical device to refer to “government spending” for Obama.

Obama blaming bankers for the banking crisis is a bit like saying that wet streets cause rain.

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Unfortunately, Obama’s false conclusions on the economy have led to proposals that will make the economic crisis worse. Obama called on Congress to “move quickly on legislation that will finally reform our outdated regulatory system.” By that, he doesn’t mean decrease the negative influence of government on the market: “It is time to put in place tough, new common-sense rules of the road so that our financial market rewards drive and innovation, and punishes short-cuts and abuse.”

A more “common-sense rule of the road” would instead be to stop government from creating recessions through meddling in the banking and financial sectors of the economy.

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