

Are you Better Off Now?

You've seen the political ads: are you better off now than you were four years ago? But not how you were in some mythical, fairyland, imaginary four years ago. Rather, are you better off now than you were in the actual October 2008 of 48 months past?

Do you remember October 2008? It was a scary time. One financial giant, Bear Stearns, had collapsed and been swallowed up months ago. Two others, Lehman Brothers and Washington National Bank, had both just gone bankrupt. A fourth, AIG, was teetering on the brink. Normal bank-to-bank lending had fallen to nearly zero. Our financial system was in total disarray.

Banks had curtailed their business lending, forcing businesses to lay off workers. Nearly half a million workers lost their jobs in October 2008 alone. And the next 6 months would be worse, averaging over three quarter million job losses each month.

The stock market was in a freefall. Between Sept. 1 and October 10, the S&P500 dropped from 1278 to 840. For millions of Americans, one third of their retirement savings had vanished into thin air. And the decline would continue for the next 5 months, bottoming out at 667 on March 6, 2009.

Housing sales were down by nearly 20% from the year before, and housing prices had begun to drop. And then, a few days after the election, General Motors announced that it would be bankrupt by the following summer, putting another million plus jobs in jeopardy.

So there you were, extremely worried about your job, your retirement savings gone up in smoke, your home's value falling, with talk of another Great Depression ... so tell me, are you still that bad today? Or have things actually gotten better, a job that perhaps doesn't pay quite as well, but is not likely to disappear overnight, a retirement account that has mostly recovered, an economy that maybe isn't going gangbusters, but clearly isn't going down the tubes, either? Isn't that better than four years ago?

Republicans like to fault President Obama on his economic policies. But remember the economy he inherited, and look at how much it has improved. By the time he was sworn into office, in Jan. 2009, the economy had already lost over 4 million jobs, and the job loss rate was accelerating. Seven months later, another 4 million jobs were gone. But a mere three months after his big stimulus package was adopted, the job loss rate had begun to slow down, and within a year we once again had job growth. So today, our economy has more jobs than on the day Obama was inaugurated.

Despite what you may have heard – remember, when you hear the phrase “failed stimulus”, it's being uttered by a right-wing pundit who may or may not have gotten a passing grade in Econ 101 – Obama's stimulus package was an unquestionable success. And yes, in retrospect, the stimulus was too small, and portions of it were not well targeted. But most of it worked as planned, and if the Republicans had not consistently blocked his attempts to further stimulate the economy, we'd undoubtedly be even closer to a full recovery than we are now.

Incidentally, if you're one of those people who believe that government spending doesn't create jobs, ask yourself this: why is everyone worried about the “fiscal cliff”? If government spending has no jobs impact, then eliminating that spending would also have no impact. Yet every reputable forecaster in the country predicts a new recession if we don't deal with the cliff soon. Because yes, in fact, government spending does create jobs.