

Which Way Do We Go? “Obama Recession” or Full Employment?

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We want to focus your attention on two topics.

One shows the only path out of the economic collapse.

The other shows the direction that will most assuredly take us into deeper collapse. So far, the bi-partisans in Washington, DC are on the path to an ‘Obama Recession.’

First, the wrong path: austerity. [Great Britain has shown the world what austerity will bring](#) – deeper recession. Britain may be going into its third economic collapse in four years with a 0.3% decline in its GDP in the last quarter and its worst year for manufacturing on record. David Cameron was elected on the promise of austerity and he delivered. The result is [Britain has the worst economy on record dating back to 1830](#). That’s right, before the reign of Queen Victoria!




Our policy makers could learn the same thing from U.S. history.

When FDR came to power, he put in place stimulus programs that directly created jobs. He built a lot of infrastructure that is still with us today employing people in useful work as government employees. In 1936, FDR and Congress thought they had gotten the economy going and started worrying about deficit spending. They decided to cut the funding of the New Deal to decrease the deficit. The result: [the Roosevelt Recession](#) of 1937 and 1938. Roosevelt realized his error and started stimulating the economy again and quickly the recession ended and growth returned. Even before the attack on Pearl Harbor the U.S. economy was on the mend.

*Lesson to President Obama: Pursue the path of cutting the deficit with cuts to human needs and **you are risking an “Obama Recession.”** You will have squandered an immense opportunity to get the country on track.*

Second, what is the solution to end the economic collapse? [There is one thing that has paralleled deficit spending](#) for decades. As the chart below shows that one thing is *unemployment*. If unemployment is high, deficit as a percent of GDP is high. If we reduce unemployment, the deficit shrinks.

 Chart from the St. Louis Federal Reserve shows the deficit as a percentage of GDP (red line) vs. the unemployment rate (blue line); for 60 years the pattern has held. When unemployment drops, the deficit as a percentage of GDP drops. When unemployment rises, the deficit rises.

Jobs. [Job creation is the one solution that has not been tried](#) by government. Jobs are the solution to so many economic problems. The deficit, which the bi-partisans in Washington are fixated on, is directly related to job creation and the only path to reducing the deficit is moving toward full employment. [Full employment solves so many other problems](#): poverty and hunger, eviction and foreclosure, personal debt, retirement savings - all are ameliorated by full employment.

But, when was the last time you heard any elected official utter the phrase “full employment”?

This article is based on the weekly newsletter of It's Our Economy. You can sign up for this free newsletter at www.ItsOurEconomy.US. Follow us on [Facebook](#) and twitter [@itsoureconomy](#). Margaret Flowers twitter [@MFlowers8](#) and Kevin Zeese [@KBZeese](#). And follow our weekly show on [UStream/ItsOurEconomy](#).

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