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New economic term is old economic idea

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The White House has coined a new term to explain its policies — “middle class economics.” In reality, the Obama administration is relying on stale, old Keynesian economic ideas, which have been refuted time and again.

“At every step, we were told our goals were misguided or too ambitious; that we would crush jobs and explode deficits,” President Barack Obama said in his State of the Union speech last week. “Instead, we’ve seen the fastest economic growth in over a decade, our deficits cut by two-thirds, a stock market that has doubled, and health care inflation at its lowest rate in 50 years. So the verdict is clear. Middle-class economics works. Expanding opportunity works. And these policies will continue to work, as long as politics don’t get in the way.”

First, let’s examine Obama’s claims. Then let’s look at the Keynesian theories behind his policies.

It’s true the economy is growing faster than before — when it was mired in a deep recession. But more than six years out, we still don’t have a recovery worthy of the term.

NBC’s fact checkers responded to Obama’s speech by noting, “Job growth has been healthy, but fueled in part by lower-paying jobs in areas such as retail and restaurants, which have replaced many higher-paying positions in manufacturing and construction. Part-time jobs also remain elevated: There are still 1.7 million fewer workers with full-time jobs than when the recession began in December 2007.”

The stock market is up — largely due to interest rates on bonds being held down by the Fed, making stocks a more attractive investment.

And yes, the deficit is down. But that’s due, in part, to the great “Sequestration” debacle of 2013, when government forced itself to cut spending. And the deficit is down only when compared to trillion-dollar deficit years earlier in the Obama presidency.

So what is this “middle class economics”? According to the president, it’s “the idea that this country does best when everyone gets their fair shot, everyone does their fair share, and everyone plays by the rules.”

But really, it’s nothing new. It’s just a new term for Keynesian economics. In other words, as Patricia Lee writes for the Independent Women’s Forum, it is “big government spending wearing a middle class suit.”

The fact is that government spending (particularly deficit spending) is no substitute for private sector activity.

“Keynesian economics is a failure,” says economist Daniel Mitchell of the Cato Institute. “It didn’t work for Hoover and Roosevelt in the 1930s. It didn’t work for Japan in the 1990s. And it didn’t work for Bush or Obama in recent years. No matter where’s it’s been tried, it’s been a flop.”

The recovery really got started when government got out of the way and the private sector stepped up. The most obvious example of that is the shale revolution, launched by private industry innovations and helped along not at all by the Obama administration.

“Middle class economics” has the ring of a phrase tested in focus groups and robbed of any real meaning.

But hey, it’s easier to spell than “Keynesianism.”