The Examiner
WASHINGTON

The Obama legacy: An economy choking on red tape

Joseph Lawler

September 12, 2016

None of President Obama's seven years in office has seen economic growth above 3 percent, and his final year will probably fall short, too.

Lame growth will be Obama's clearest and most damaging legacy, as far as business is concerned.

The recovery is already about 50 percent longer than the average since 1945, the stock market is at record highs and there will be near full employment when Obama leaves office. Businesses have created more than 15.1 million jobs during the Obama years.

Yet these data, about which the administration boasts, are actually shortcomings, say critics. Obama and his policies have gotten in the way of economic progress and growth. The gains were in spite of Washington, not because of it, according to business groups.

"What's going to be remembered is that we've had the longest prolonged slow-growth period since the Hoover administration," said John Engler, former governor of Michigan who is the president of the Business Roundtable, a group of CEOs of major corporations. "And that has an impact on everything."

Slow growth damages the federal balance sheet. A smaller economy means tax revenues are lower and debt becomes larger as a share of output, making it harder to service over time. On Obama's watch, the federal debt has nearly doubled from 44 percent to 76 percent of the economy, and is now projected to rise indefinitely.

"His legacy will be that he managed to increase the federal debt almost more than every [other] president combined," said Gary Shapiro, head of the Consumer Technology Association. "Basically, he stole from the next generation to make his presidency look good, and he clearly did not care."

Obama's failure to reform spending programs that are driving up debt is the biggest missed opportunity of his tenure, says Bruce Josten, executive vice president for government affairs at the U.S. Chamber of Commerce. He promised not to kick the budget can down the road but instead will end his administration with "a total kick and a complete punt."

Businesses will assign some of the blame for slow growth during Obama's tenure to his failure to pass immigration reform and corporate tax reform.

That last failure has left the U.S. facing an exodus of corporations to low-tax countries such as Ireland and the United Kingdom. Businesses warn that they cannot remain competitive in America with a corporate tax rate of 35 percent, the highest among developed nations.

"Closely connected to the failure of tax reform is the slowdown in economic growth," says Jim Pinkerton, a chairman of the RATE Coalition, a group of businesses assembled to press for corporate tax reform and lower rates. That weak growth, Pinkerton adds, would be "a negative on anybody's legacy."

Beyond missed opportunities, critics also point to damage done. "It's not just a rule or the newest regulation," Josten says. "It's the cumulative impact over and over, on top of the next one, on top of the last one, here comes another."

Obama has issued 600 major rules during his administration, according to a new analysis from the right-leaning American Action Forum, 40 percent more than George W. Bush did. And a flood more are expected as Obama works hard to cement his legacy during his final five busy months in office.

Combining Obamacare rules, the Environmental Protection Agency's power plant rule, water regulations, overtime rules and much more, "small business, for the last eight years, has felt like it's been under assault," said Jack Mozloom, communications director for the National Federation of Independent Business.

"The biggest single thing has been the dramatic expansion of regulations," said Jim Powell, a historian at the libertarian Cato Institute, who has studied the records of presidents. Powell compared Obama's years to the two other worst periods for business of the modern industrial era: The Great Depression, and the stagflation years of the 1970s.

To prove the damage done by overregulation, business representatives point to the fact that investment by companies in new equipment, plants and other capital has fallen in the past three quarters.

Productivity growth, meaning the growth of output for each input of labor, has remained slow throughout the Obama era, averaging under a half percentage point of growth from 2010 onward versus closer to 2.5 percent in the prior 15 years.

The view from the White House, of course, is that Obama came into office in the midst of a historic recession, and turned the economy around. That recession was caused by a once-in-a-lifetime financial crisis, which some studies indicate leave more lasting ill effects on commerce.

In recent months, Obama and administration officials have tried to press the case that America has recovered from the crisis faster than other advanced nations have, proving that they have done a good job even if at times his rhetoric, such as his infamous "you didn't build that" remark in the 2012 re-election campaign, has rankled business sensibilities.

"I think among the business community, there's maybe a greater acknowledgment, a less grudging acknowledgment, that we steered through the worst financial and economic crises in our lifetimes successfully — certainly more successfully than many of our peers," Obama said in a June interview with Bloomberg on his business record.

Obama also scored some outright victories for business. As "America's pitch man," he secured and signed renegotiated agreements with South Korea and Colombia.

In December, he signed a five-year highway bill prized by businesses. He passed the JOBS Act that loosened some securities laws. He got the trade promotion authority that could enable a Pacific nation trade deal that is a top priority for business groups.

He has said that he might like to be a venture capitalist in the tech sector after leaving office and in fact "he's actually been pretty good on technology-specific issues," allowed Shapiro.

Yet for every action favorable to business, there's been a Keystone XL pipeline blocked, or a Dodd-Frank rule imposed.

"I'm embarrassed to say that I can't think of anything our members would identify as a good policy from this administration," Mozloom said.

The result is that, even with the economy in the midst of a long streak without a recession, businesses don't feel good about their prospects.

The NFIB's survey of small business owners suggests that optimism has never recovered from the recession. The same is true of the Business Roundtable's survey of its CEO members.

Consumer sentiment, on the other hand, has recovered. The difference, business representatives suggest, is that executives are reluctant to invest because of the burden of overregulation and uncertainty about future rules.

The political outlook is also concerning to owners and operators, who are wary of both Hillary Clinton and Donald Trump. Many would prefer Obama to either of them.

That, too, is part of Obama's legacy: The steep rise in partisanship and collapse in trust in government that has taken place during his administration.

"I've seen partisanship come and go. I've seen nothing like what we've seen," said Josten.