The Economy in Perspective

Introduction

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Politicians rarely agree on much and some of the most heated debates in politics center on economic policy. There are nearly as many differing views on which policies grow or hurt an economy as there are politicians. This made us wonder if there were ways to measure, in a broad sense, the effects various economic policies might have had on the overall economy.

To address this question we compiled and analyzed some statistics on several broad economic indicators. Our goal was to create a long-term view of the economy, using the indicators most economist bring up when discussing how good (or bad) things are going. The indicators we used were unemployment rate, job creation, gross domestic product (GDP) growth, inflation, and debt. This would allow us put actual numbers to common questions such as, "What was really happening" and "How did we get that way".

The Bureau of Labor Statistics and the Bureau of Economic analysis have been compiling economic data for decades, and whenever possible we took the data directly from their websites. For data on the national debt, our source is the St. Louis Federal Reserve. The data we used measures economic growth since World War II, although data from the depression have also been included when possible. (Source websites are available on each graph.)

In general, the data is presented chronologically based on presidential terms. There are two reasons for this. First, there is a lot of variation in numbers from quarter to quarter and month to month, but most policy changes operate on longer economic horizons than that—a bad month generally affects only short-term investors, but two bad years makes most people question their economic security. A four-year term will give a pretty good indication of the soundness of a policy and certainly averages out most of the short term fluctuations that occur in any economy.

Second, there is perhaps no single person who receives more popular credit (good and bad) for how our economy performs than the President of the United States. Thus we often hear of "Reaganomics", the "Carter Inflation", the "Bush Tax Cuts", and so on. This is not completely unreasonable since the president has much more power than anyone else, and probably more even than the entire legislative branch to set economic policy and priorities. So this method of presenting data allows us to ask whether the president really is in control of the economic outcome, and if so, how.

Note that for these purposes Kennedy/Johnson and Nixon/Ford were combined, since Johnson finished Kennedy's first term and Ford finished Nixon's second term. For this analysis, we assumed Ford and Johnson continued the economic policies of their predecessors.

Jobs

Does it really matter who is President of the United States? Well, when talking about job creation, maybe it does. The first graph below is from the U.S. Bureau of Labor Statistics and shows how many total jobs were created under each Democratic President since World War II. The first term for each Democratic President is colored light blue while the second term is colored dark blue on the graph.

We arrived at these numbers by subtracting the total number of non-farm payroll employees employed in February of the first year of a Presidential term (the first full month of the term) from the February after the term ended. For example, for Clinton's first term we used the total number of payroll employees who had jobs in February 1997 minus those employed in February 1993.

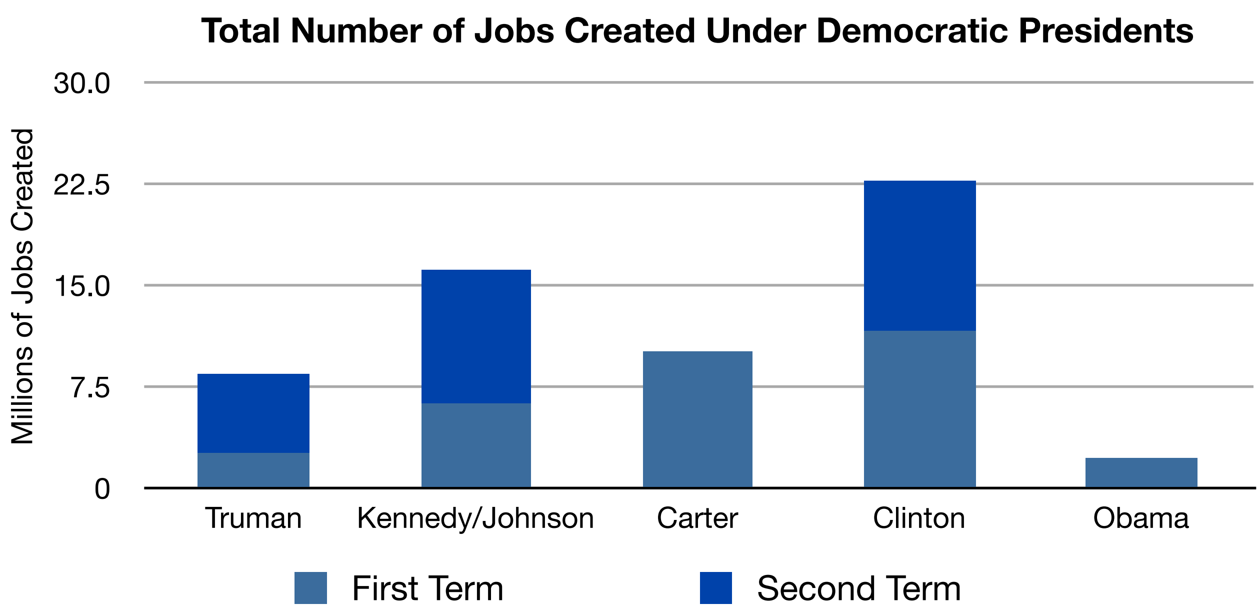


Figure 1

Figure 2 below uses the same method to show the total number of non-farm payroll jobs created while a Republican was President. Again, the first term is colored light red and the second term is dark red.

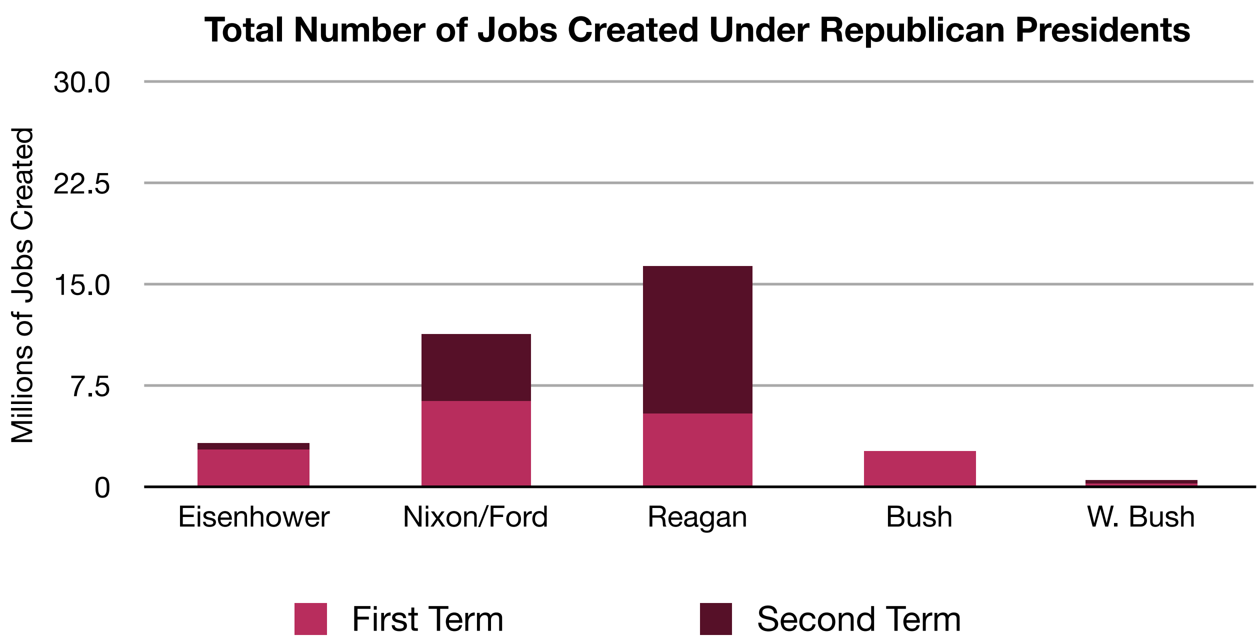


Figure 2

Obviously, this is not a perfect comparison, since far fewer people were alive in the United States when Harry Truman was president than when George W. Bush was president. A more accurate comparison would be the proportional increase in non-farm payroll jobs, calculated by dividing the total number of jobs by the end of each term by total number of jobs in the beginning of each term. Figure 3 below is the proportional increase in jobs while a Democrat was President.

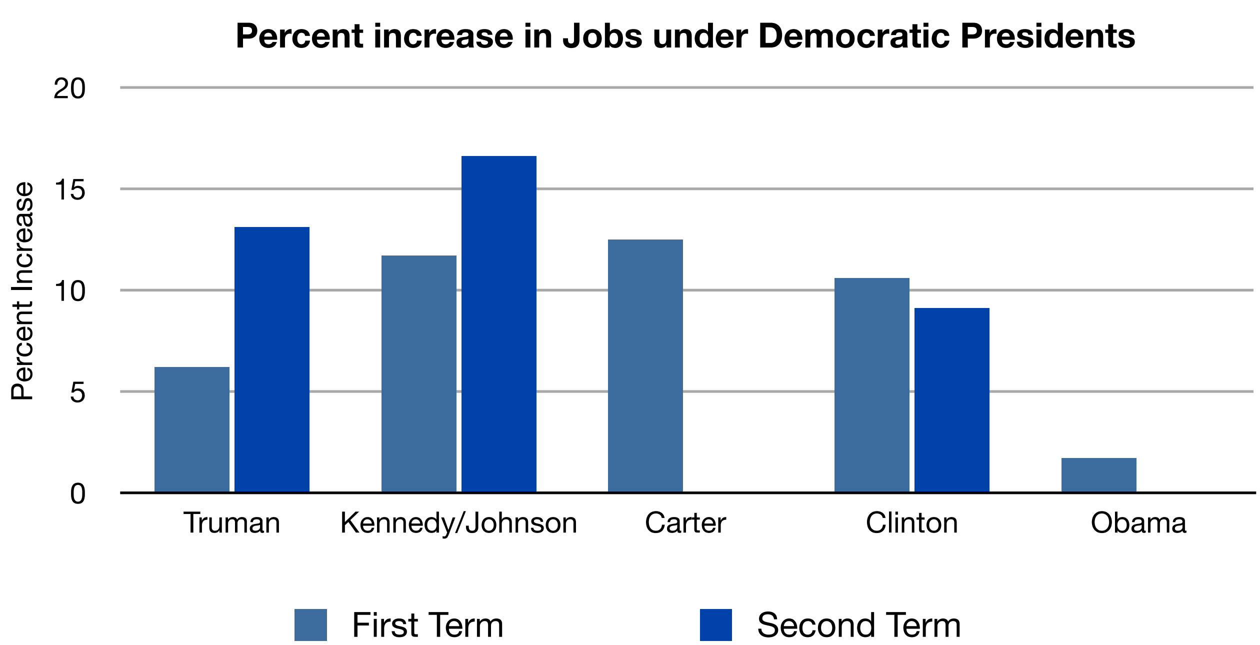


Figure 3

And Figure 4 shows the proportional increase in jobs while a Republican was President.

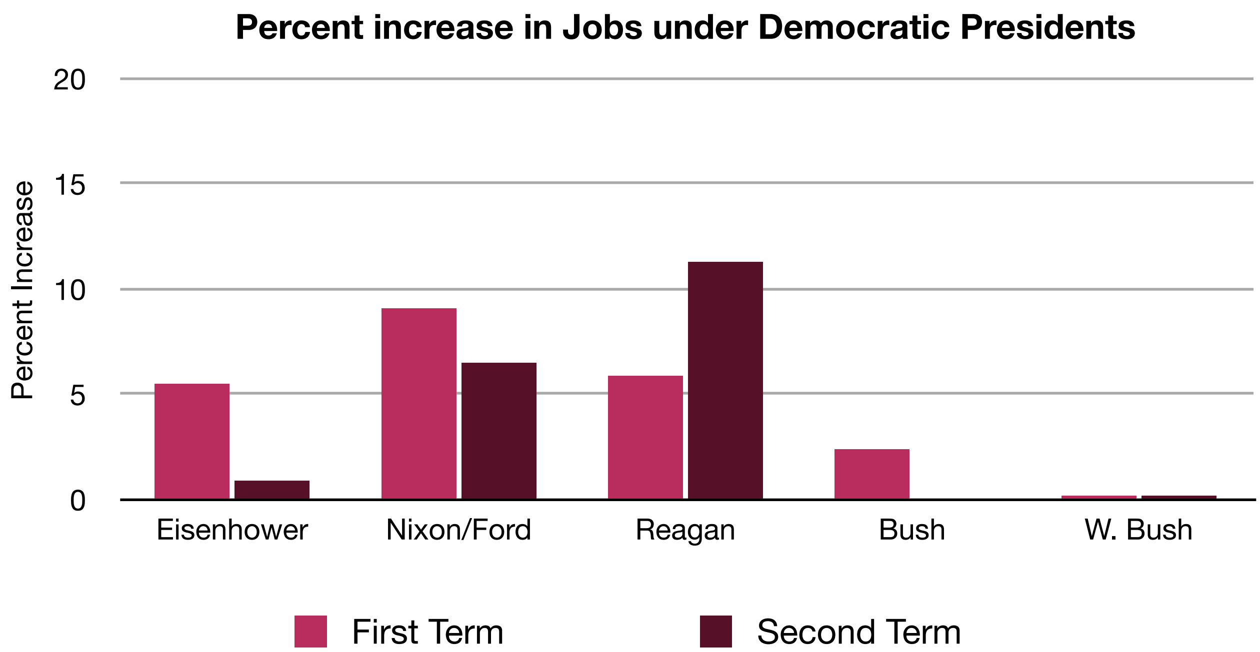


Figure 4

From these first four graphs it appears obvious that more jobs were created, on average, while Democrats were in the oval office than under Republicans. In fact, the total number of jobs created under the six Democratic Presidents was 59.6 million jobs in eight terms. The six Republican Presidents saw only 34 million jobs created during *nine* Presidential terms.

The proportional increases in jobs showed a similar trend. The average percent non-farm payroll employees increased while a Democrat was president was 10.2% per term. Republicans saw only an average 4.7% growth in employment during each of their terms

Now these numbers are for total non-farm payroll jobs. What about private sector jobs? You often hear that Republicans favor the private sector while Democrats create jobs by expanding the government. Is this true?

One way to find out is to just show the total number of private sector jobs created under each President. figure 5 below shows the number of private sector jobs created while a Democrat was President. Again, each president's first term is colored light blue while the second term is dark blue

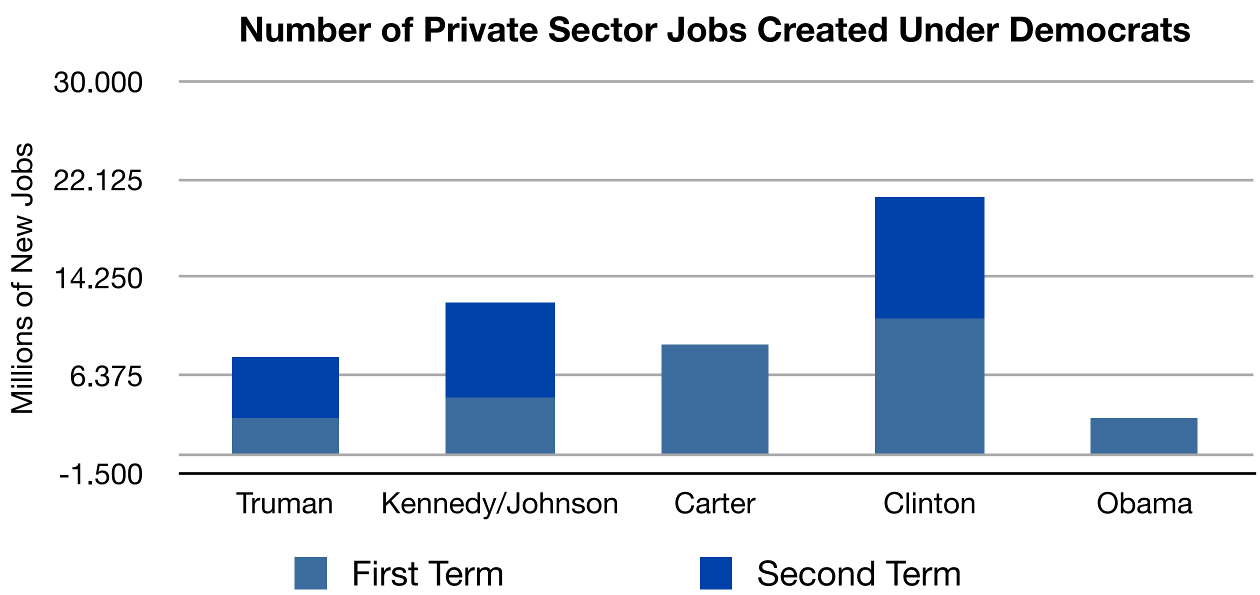


Figure 5

Figure 6 shows the number of private sector jobs created under Republican Presidents.

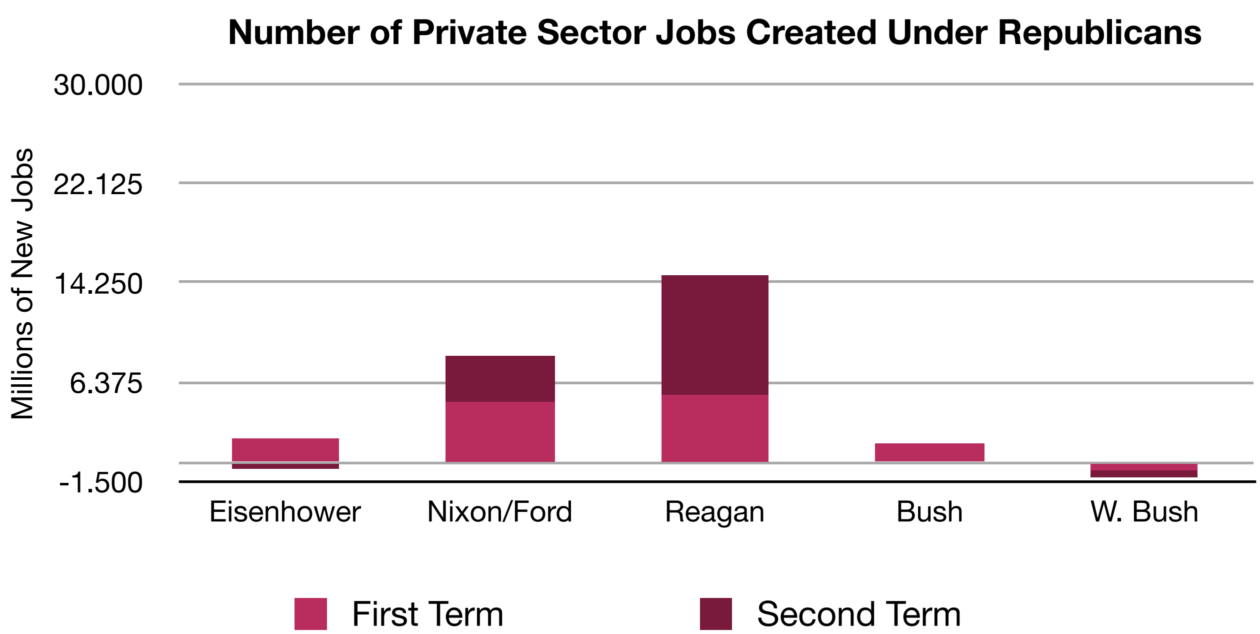


Figure 6

And again, the proportional increase in private sector jobs under Democratic Presidents (Figure 7).

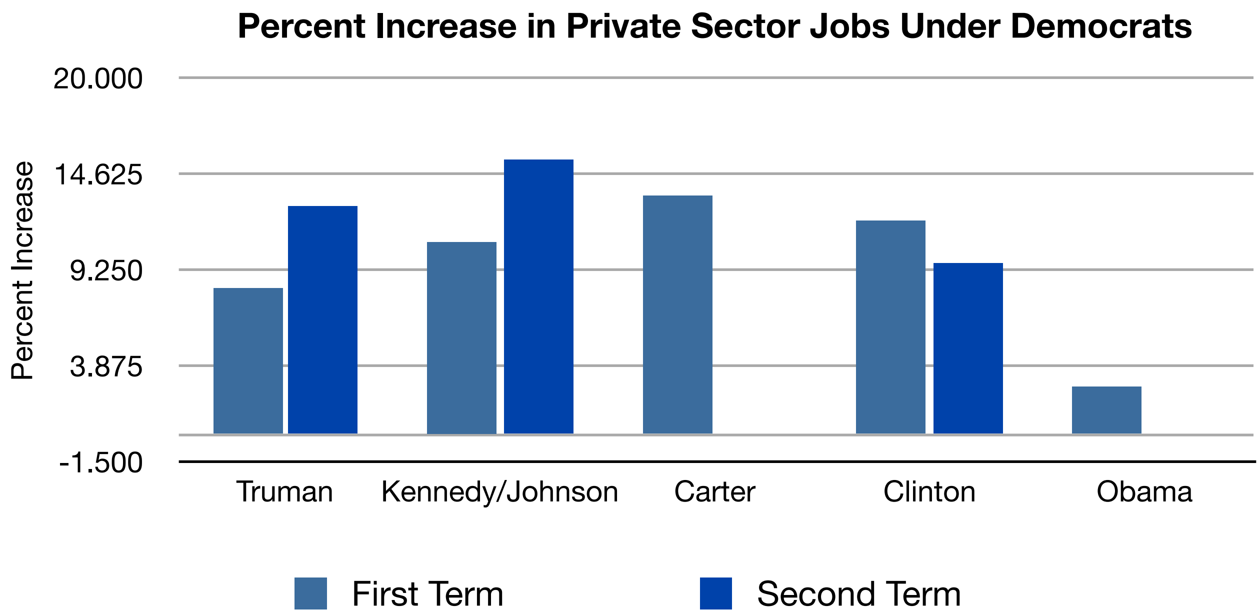


Figure 7

Versus the Proportional increase in private sector jobs under Republican Presidents (Figure 8).

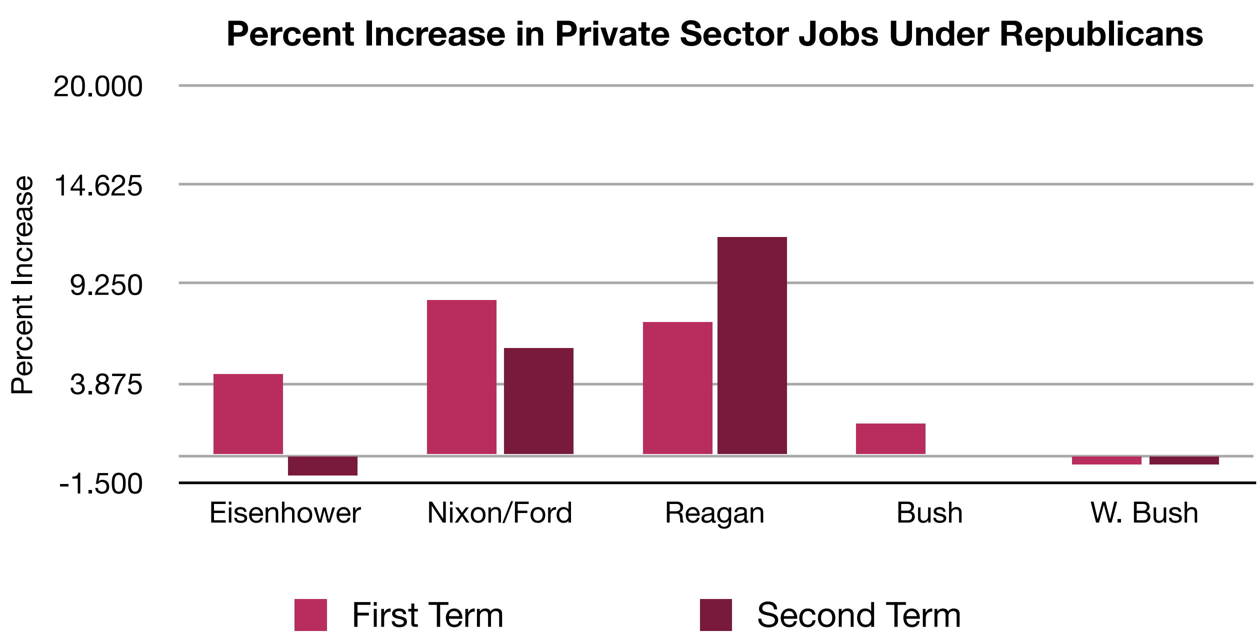


Figure 8

From the above graphs you can see that, somewhat unexpectedly, the advantage Democrats had in job creation *increased* when just looking at the private sector. The total number of private sector jobs created during the eight terms a Democrat was President was 52.6 million. That's an average of a 10.6% increase in private sector jobs each term a Democrat was President.

In contrast, the total number of private sector jobs created during all nine terms a Republican was President was only 25.1 million. That's an average of a 4.1% increase in private sector job growth for each Republican term. Put another way; *Republicans*, not Democrats, were more likely to create jobs by expanding the government.

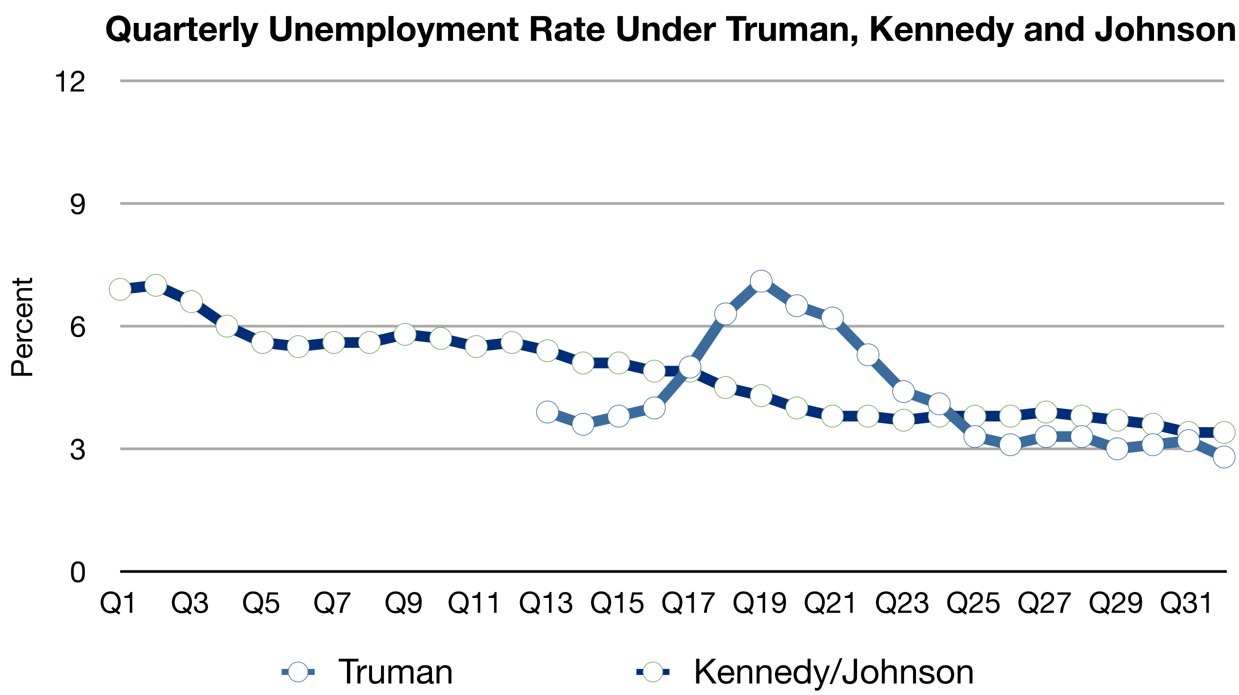
Now, the data presented here isn't 100% clear cut. For example, even though the Democrats did better overall then the Republican Presidents, Truman and Obama didn't have stellar first terms and Reagan's second term went pretty well. Still, Democratic Presidents saw 75% more total job growth and over twice as much private sector job growth in eight terms as Republican Presidents saw in *nine* terms!

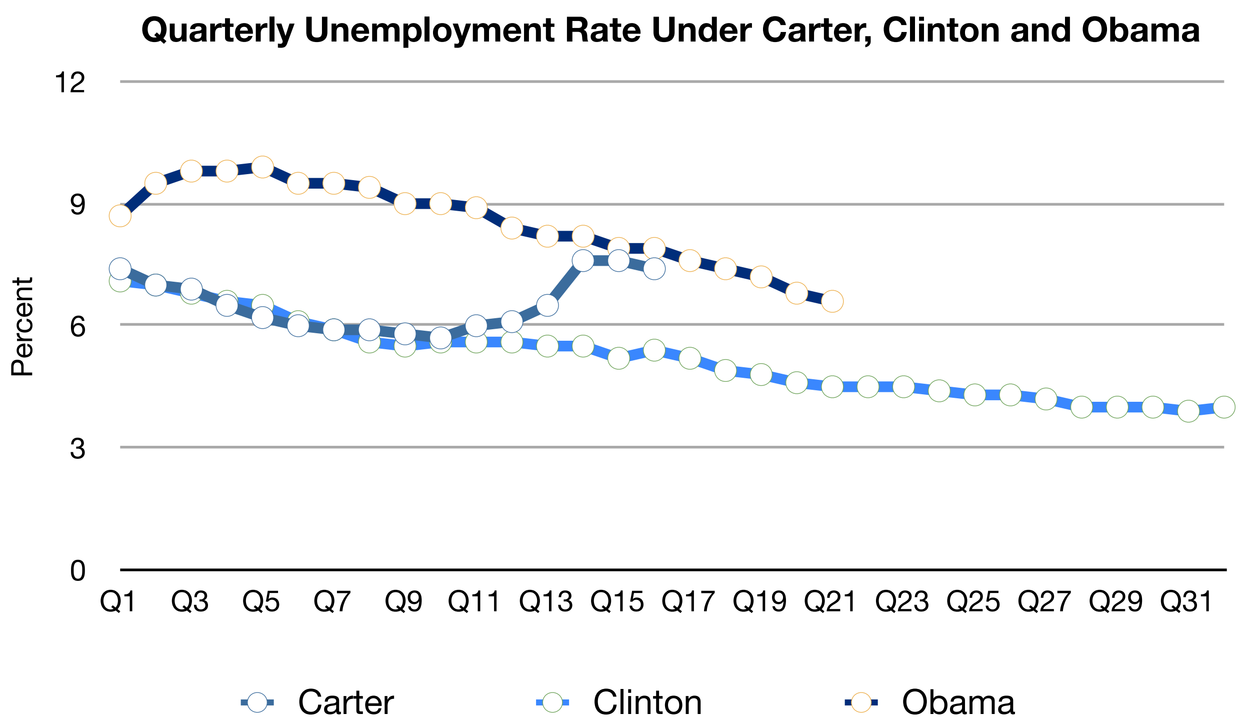
I'd call that a blowout by any standard. You can argue that the President isn't in complete control of the job market so they shouldn't get all the credit (or blame) for job creation (even though they do). Even so, it's very hard to look at the numbers presented in this section and not conclude that the Democrats must be doing something to stimulate job creation when they're in the White House.

Unemployment Rate

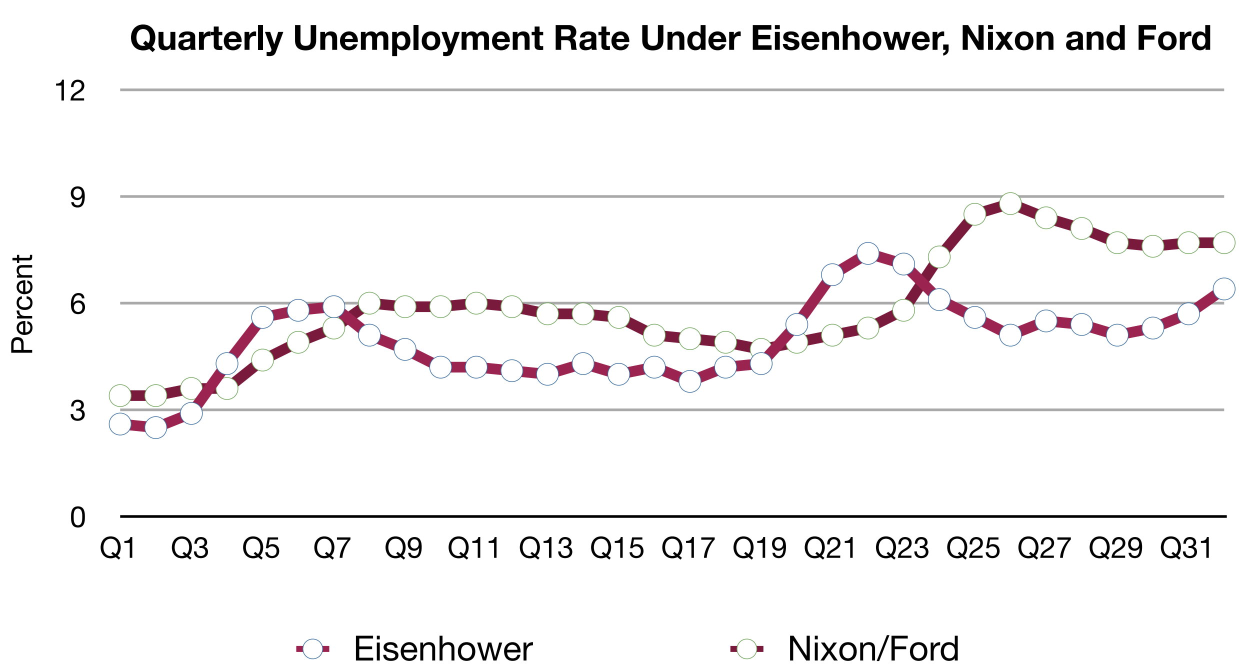
The comparison on the previous page is not perfect. Non-farm payroll tracks only those jobs for which the worker receives a regular check from an employer. It does not track (obviously) farm jobs, nor does it track independent contractors or business owners (though it does track employees of small businesses). One could suggest (though implausibly) large movements in and out of farming and independent contracting between presidential terms. But we can get a different view of the same economic issue through the unemployment rate, (i.e., number of people actively looking for jobs). This figure does not include economically self-sufficient farmers or independent contractors. Again, the data is from www.bls.gov

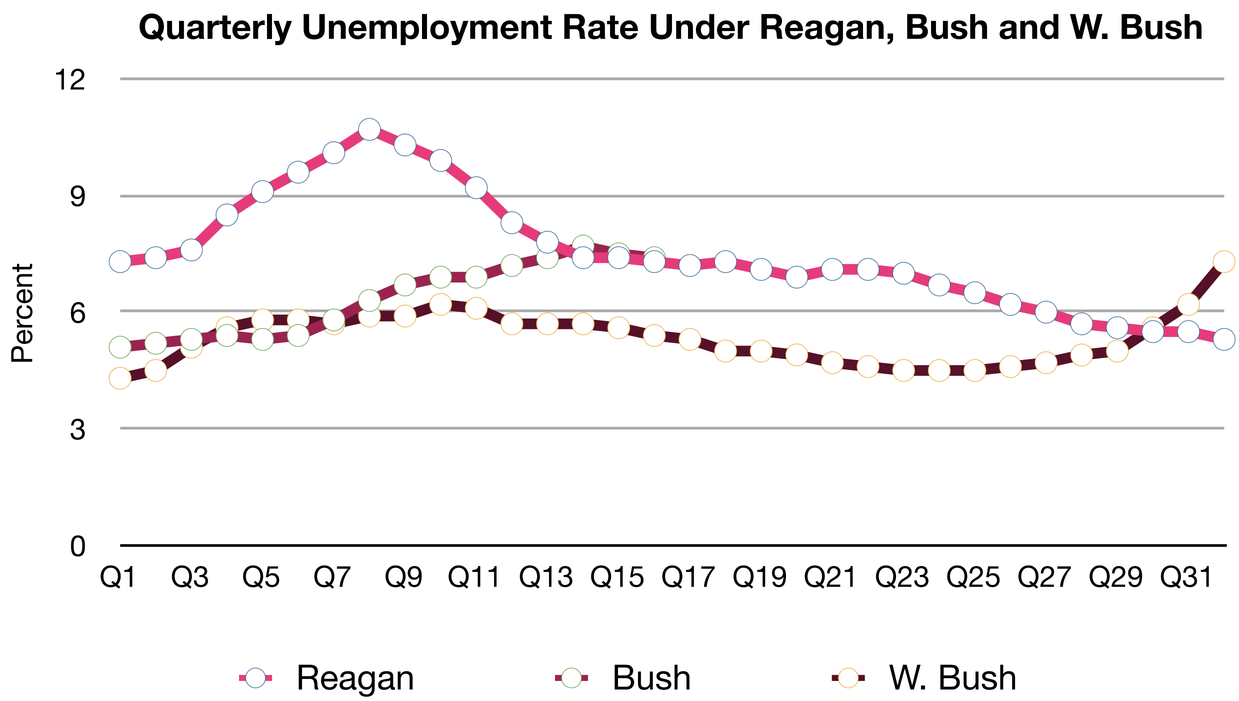
Each graph compares the quarterly unemployment rate of three presidents at a time to compare the trend under each of the presidents. First the Democrats:





Data for unemployment rate prior to 1948 is unavailable which was why Truman's line starts in the middle of the graph. Also, Obama is still in the middle of his second term. The first two graphs are somewhat challenging to interpret. Still, you can see that for each Democratic President except Carter the Unemployment rate was lower at the end of their Presidency than at the beggining. Now the Republicans:





Again, these graphs are a bit busy. However, following the trend from each president there was a relatively consistent trend toward increased unemployment under each Republican president except Reagan throughout their tenure in office in contrast to the decreased unemployment under most Democratic presidents. This can be summarized with the following table.

President	Unemployment Rate at the Beginning of their Presidency	Unemployment Rate at the End of their Presidency (and Net Change)
Truman*	3.9%*	2.8% (-1.1%)
Eisenhower	2.6%	6.4% (+3.8%)
Kennedy/Johnson	6.9%	3.4% (-3.5%)
Nixon/Ford	3.4%	7.7% (+4.3%)
Carter	7.4%	7.4% (0)
Reagan	7.3%	5.3% (-2.0%)
Bush	5.1%	7.4% (+2.3%)

President	Unemployment Rate at the Beginning of their Presidency	Unemployment Rate at the End of their Presidency (and Net Change)
Clinton	7.1%	4.0% (-2.9%)
W. Bush	4.3%	7.3% (+3.0%)
Obama*	8.7%	6.6%* (-2.1% so far)

*Again unemployment rate only goes back to 1948 for Truman, however, since Truman continued Roosevelt's policies consider that the unemployment rate was estimated to be 20-25% in 1933. Also, Obama hasn't finished his second term yet.

This augments the nonfarm payroll picture, since it represents the fraction of the population actively seeking work (thus unable to find satisfactory work).

The only exceptions to this general trend were Reagan and Carter. Reagan, alone among Republican presidents, had a modest decrease in unemployment during his second term (which was subsequently eliminated by George H.W. Bush, who ended the first post-Reagan term with the same unemployment rate as Carter). Carter began and ended his term with the same unemployment rate of 7.4%. The Reagan/Bush terms also ended with the same unemployment rate as it began. Also, the unemployment rate under Reagan peaked at 10.8% at the end of his **second** year in office – the highest unemployment rate since World War II.

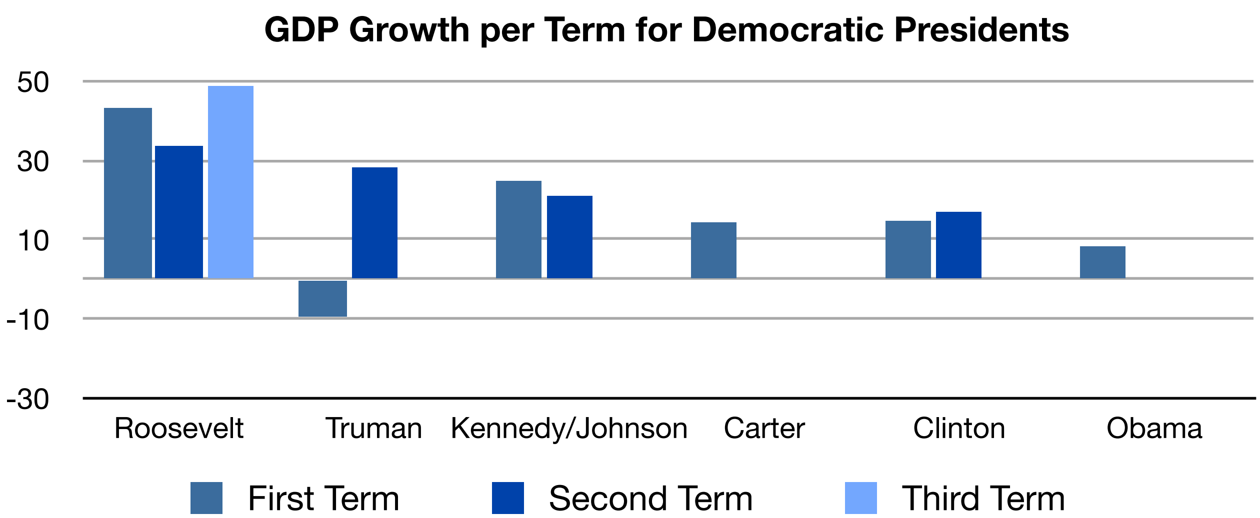
So to summarize the data since World War II, it seems clear that you're more likely to be seeking a job while a Republican is in the Oval Office, and more likely to find one under a Democrat.

GDP Growth

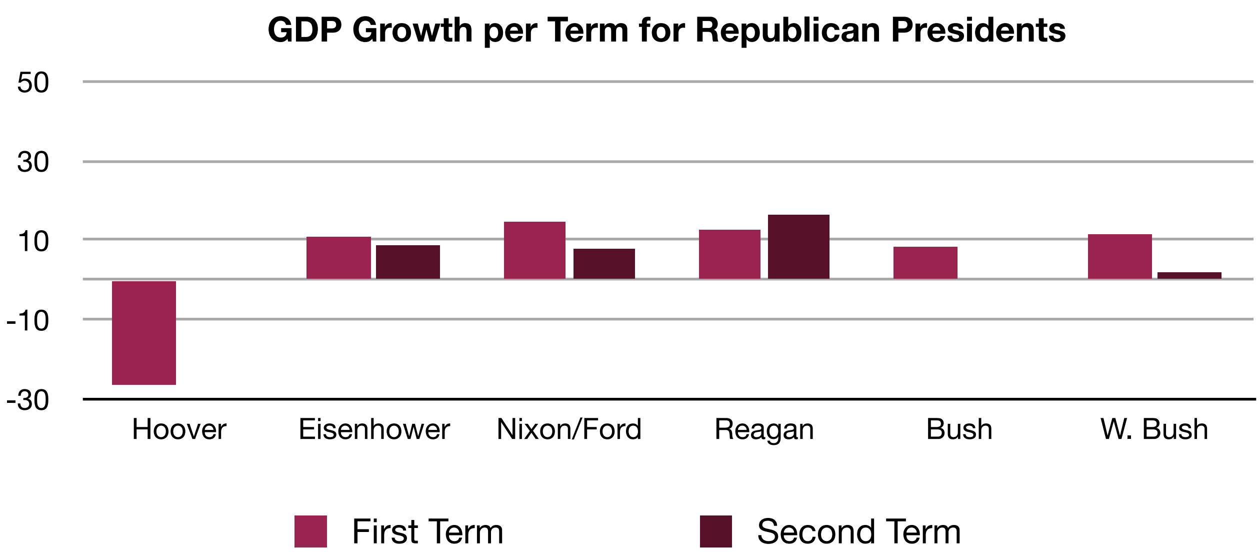
Employment is not the only measure of economic success. Reagan famously said, “a rising tide lifts all boats,” meaning that general economic growth benefitted everyone (though maybe not equally). Full employment in an unproductive economy means a low standard of living for everyone. Consider that, under the old Soviet Union, very few unemployed West Germans were ever inspired to emigrate to East Germany in search of a job.

The size of the economy is measured by the gross domestic product and GDP growth usually means a healthy economy. When the GDP decreases for two quarters in a row, the economy is “in recession”. That always means a number of other bad things, including rising unemployment. GDP also can be thought of as the average prosperity of everyone in the economy.

So, as with unemployment, a very good way to determine how the economy is doing is to watch the GDP. The next two graphs show the change (growth) of the gross domestic product for each presidential term, starting with Herbert Hoover. The first graph shows the Growth in GDP under the Democratic Presidents starting with Roosevelt:



The second graph (next page) shows GDP growth under Republican Presidents since Hoover for comparison:

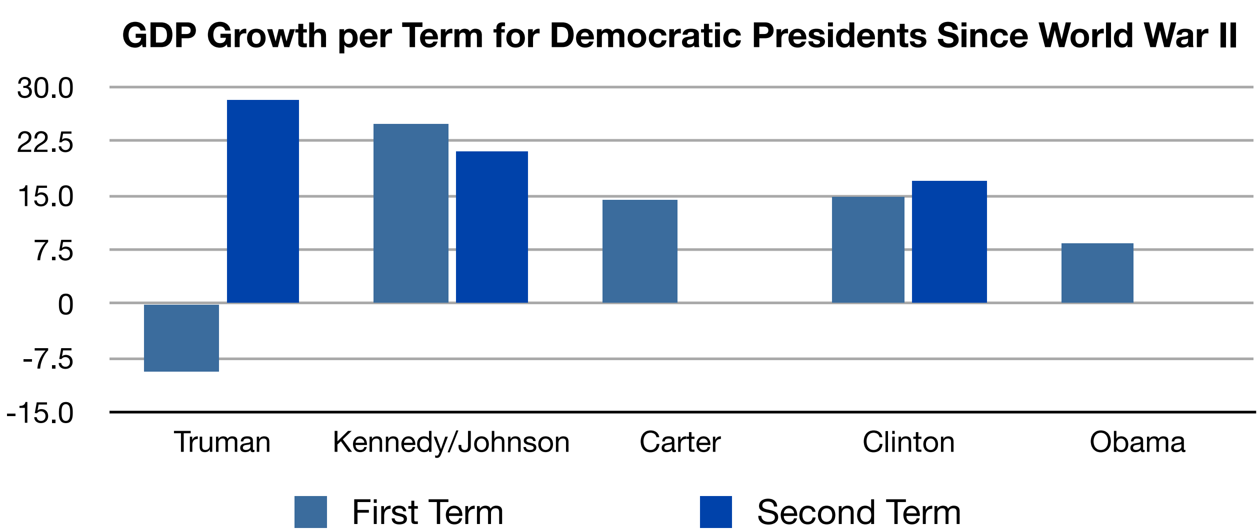


Source: [bea.gov](bea.gov)

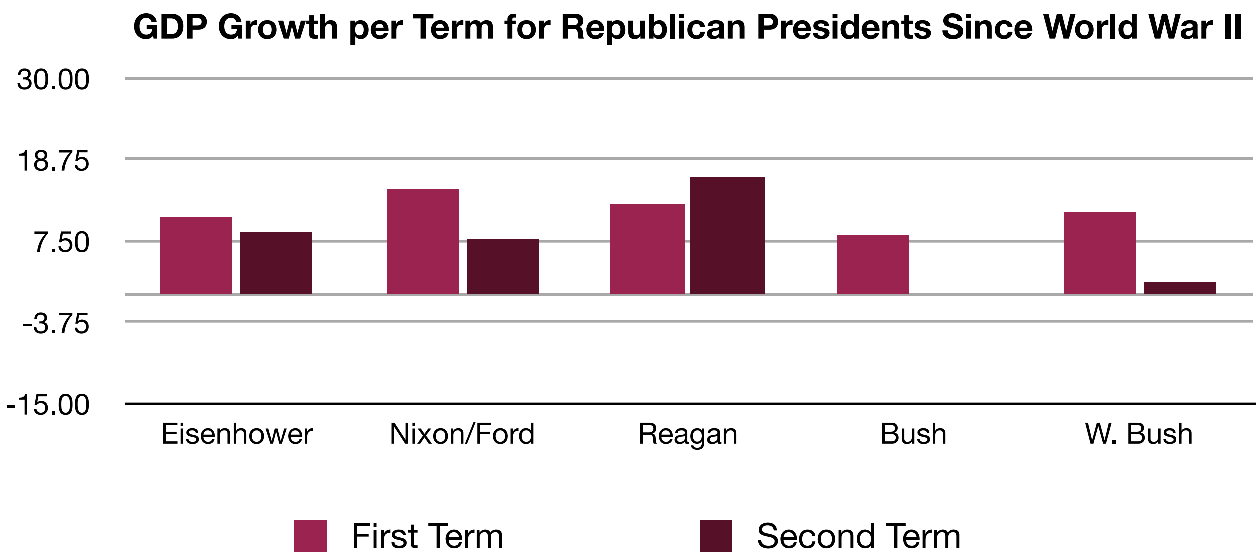
Under Hoover, who saw the start of the Great Depression, the growth was spectacularly negative, reflecting the greatest economic catastrophe of that century. The value of the domestic economy (roughly, the average standard of living) had shrunk by fully one-fourth between Hoover's inauguration in spring of 1929, and the end of his term in 1933.

Even more extraordinary is the rate the economy grew in Roosevelt's first term—erasing the losses during Hoover's term. There is a common misconception that the economy didn't begin to recover from the Great Depression until the onset of World War II. Perhaps this is because the economy started growing even faster in Roosevelt's third term, but Roosevelt had robust economic growth in each of his terms.

The next two graphs focus better on the post World War II terms starting with the Democrats:



And the Republicans:



As Truman came out of World War II in his first term, he had the only post-war presidential term of negative growth. This is not surprising, given the task of adapting to a peacetime economy from an economy that had grown in recent years almost entirely from war. Truman's second term slightly more than compensated, however, resulting in net positive growth, which you can see in the graph. All other presidents had moderate GDP growth in each term.

The comparisons are easier if we calculate the average (annualized)* growth rate per year. From the table below, it is clear that each post-war president had single-digit annual economic growth, with the largest growth being in the Kennedy/Johnson administration and the smallest under GW Bush.

This chart compares average annual increase in GDP* for each president (highest growth to lowest growth). As stated before, Truman had an almost 10% drop in his first term, (the economy that had grown almost 50% in the previous term), but he made up for it with the greater than 27% increase in his second term. In fact, the average annual GDP during the entire Roosevelt/Truman era was much greater than for any of the other presidents. (6.1% average growth per year for 20 years straight)

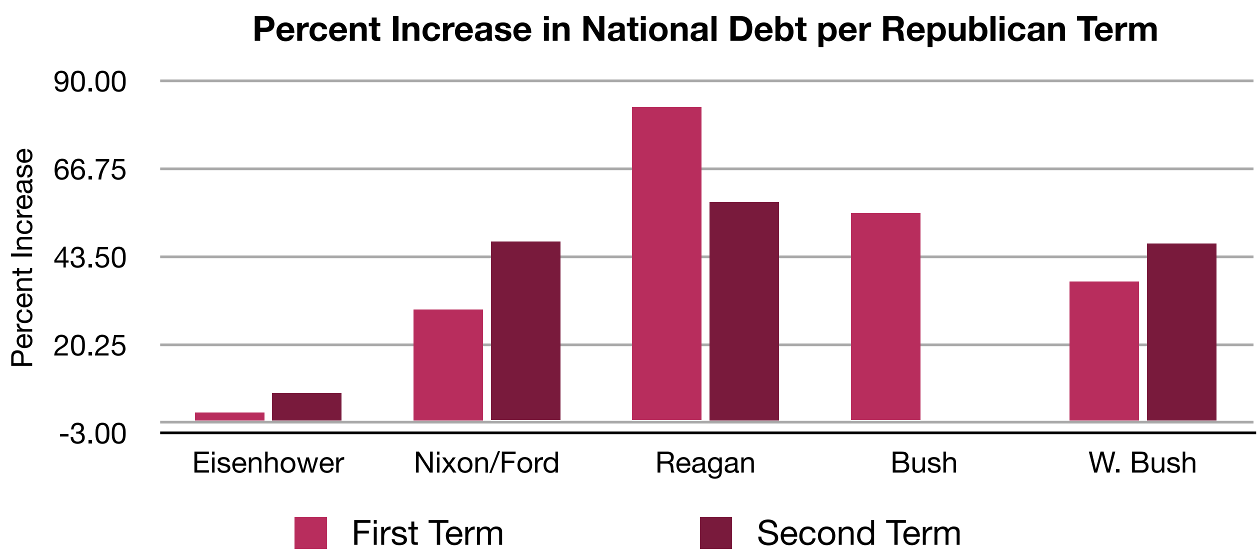
Kennedy/Johnson	5.3%
Clinton	3.8%
Reagan	3.4%
Carter	3.4%
Nixon/Ford	2.7%
Eisenhower	2.4%
Obama	2.0%
GHW Bush	2.0%
Truman	1.9%
GW Bush	1.6%

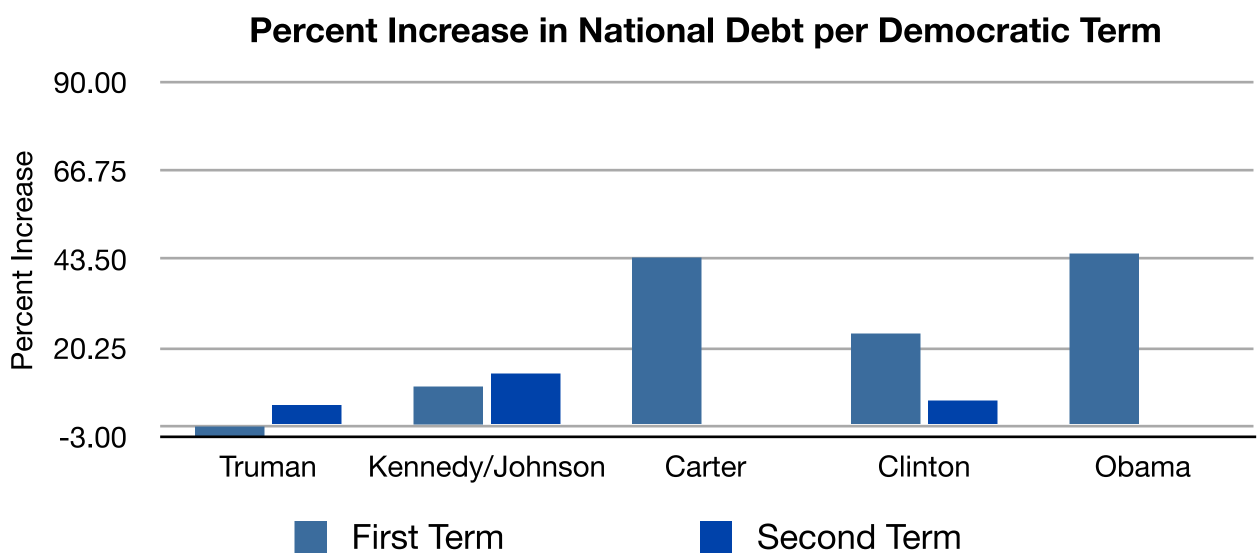
The Reagan administration is tied with Carter for the third highest GDP growth numbers, and the Truman administration ranks almost at the bottom (second only to GW Bush, and one-tenth of percent behind GHW Bush and Obama). Again, overall Democrats produced more GDP growth than the Republican administrations though not by nearly as great a margin as they did with job creation (unless you include Roosevelt's numbers).

This is interesting news for people trying to figure out economic policy. The picture is not as black-and-white as for employment (where almost all Democratic administrations did better than any Republican administration). The evidence is quite strong that the things Democratic administrations do that seem to favor employment don’t hurt economic growth at all. In fact, Democratic Presidents probably even give GDP a bit of a boost, compared to what Republicans do.

National Debt

Conventional wisdom is that Democratic administrations tend to favor borrowing, therefore increasing the national debt, while Republican administrations don't. There is significant disagreement about the danger of government debt. Borrowing money can provide crucial stimulus at difficult economic times, but borrowing is always expensive. Borrowed money not put to productive use is wasted, leaving future taxpayers with the bill. At best, borrowing is a gamble that the use of the money will result in increased productivity that will compensate for the debt. Also, excessive government borrowing can, in theory, weaken the currency, resulting in inflation.





Figures 1&2

This first graph above shows the change in national debt for each Republican presidential term since World War II. The second graph shows how much the debt grew each term a Democrat was President. Notably, there was only a single term in which the national debt actually decreased, and that was Truman's first term, which included the end of the war. Also notable, is that the increase in national debt was larger in each of Reagan's two terms than in any other single presidential term since World War II. In fact, the five largest increases in national debt (and seven of the top nine) have been terms under Republican administrations.

Measuring that national debt in dollars, as the above graph does, may not be the most useful way to examine the problem. The next graph shows the size of the national debt as a percentage of the GDP, in other words, how much we owe compared to how much we produce.

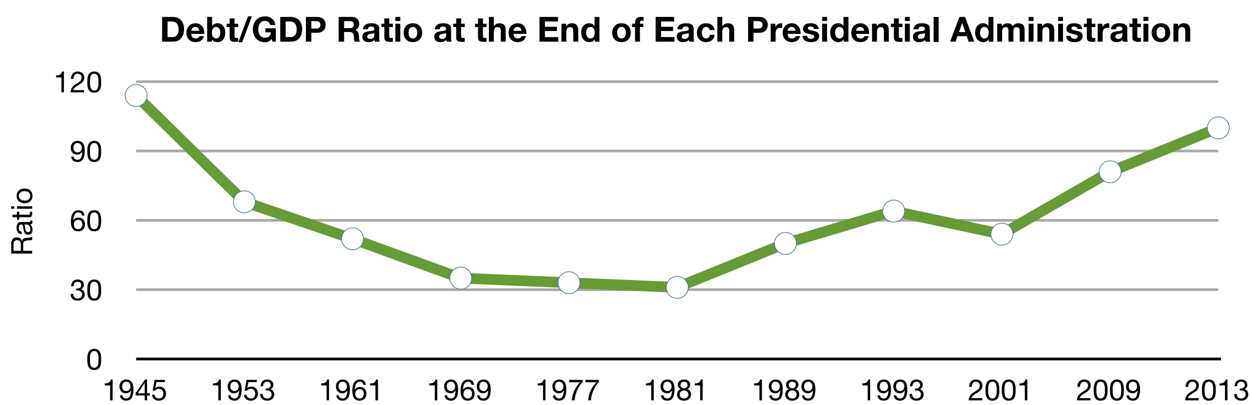


Figure 3

From this, a few things are easy to see. First, World War II was very expensive (although most would argue it was worth it). The national debt actually exceeded the GDP by the end of World War II. But we managed (largely during the Truman administration) to significantly reduce this debt, at least as a percentage of our net worth as a nation. This was done by both Democrats (Truman and Kennedy/Johnson) and Republicans (Eisenhower). The debt/GDP ratio did not start to increase substantially until 1980, when Reagan became president, and since then has decreased only under Clinton.

Second, very significant levels of debt (compared with GDP) do not necessarily lead to great economic disasters. The two decades following the massive World War II debt were generally productive, and taxes were actually cut in the 1960's by Kennedy. Finally, of all post-war Republicans, only Eisenhower significantly reduced the debt as a ratio of the GDP, but the debt/GDP ratio was reduced (often significantly) under each of the post-war Democratic administrations except for Obama's.

Again, there is great controversy on the economic impact of the national debt, even as to whether a large national debt is good or bad. Two things are clear, however. First, given an otherwise healthy economy, a smaller debt is probably preferable to a larger one, since it gives more freedom for formulating policy. Second, contrary to modern political rhetoric, Republican administrations generally increase the national debt far more than Democratic administrations.

Inflation

Inflation is a metric that shows when the prices of most products increase more than their value. The relationship between inflation and economic growth is somewhat complicated. Deflation is normally the result of a severe recession. Extremely high inflation rates can be disastrous because a persistently high rate of inflation will wipe out people's savings. Inflation rates in the low single digits are most often associated with economic growth. The problem, then, is to make sure the rate of inflation never gets too high.

Of all the economic numbers we've looked at so far, inflation is the most difficult to associate with presidential administrations, because there is a specific federal agency, the Federal Reserve, that is principally responsible for inflation. In 1913 the Federal Reserve was established to control monetary policy. Their job, in short, was to control interest rates to keep inflation in check while not causing a recession through excessively high rates. The president appoints the Chairman of the Federal Reserve, but the Chairman is not directly accountable to the president, and often serves multiple presidents. For example, Paul Volcker, the first chairman of the Federal Reserve under Ronald Reagan, was appointed by Jimmy Carter, while Carter's chairman, Arthur Burns, was appointed by Richard Nixon.

The US has never suffered catastrophic inflation like Europe did before World War II, but there have been three periods since 1913 when inflation rates were a significant economic concern: 1915-1920 where prices roughly doubled in five years, 1945-1947 (34% increase in three years) and 1972-1982 (131% increase in ten years). The next two graphs show the presidential terms that cover the last two periods of significant inflation.

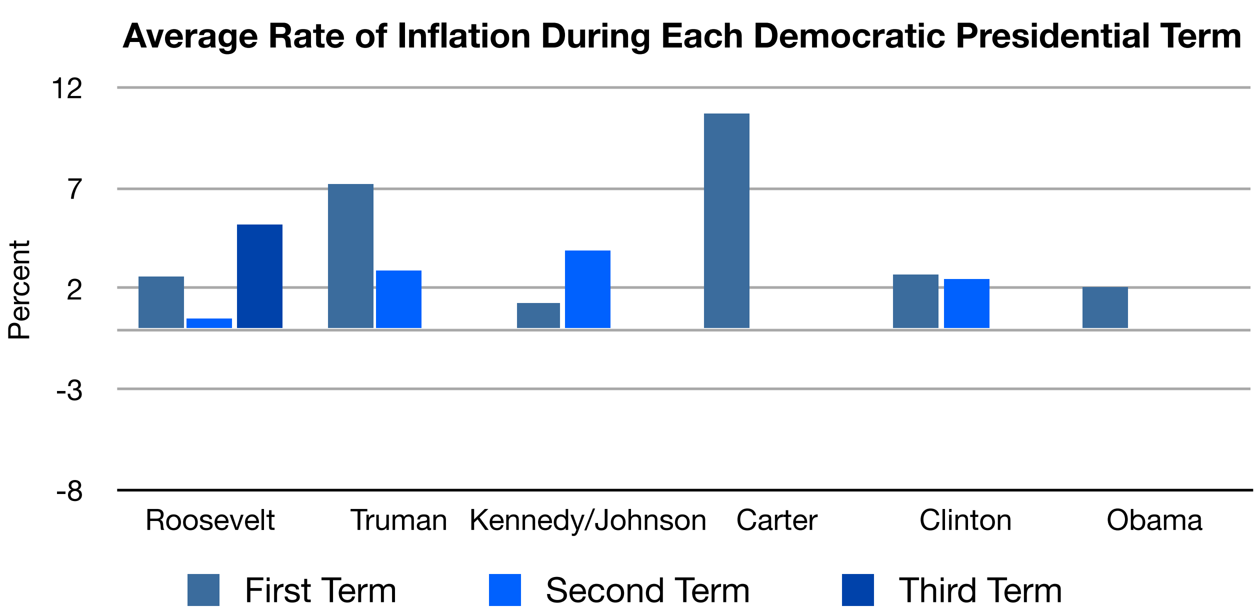


Figure 1

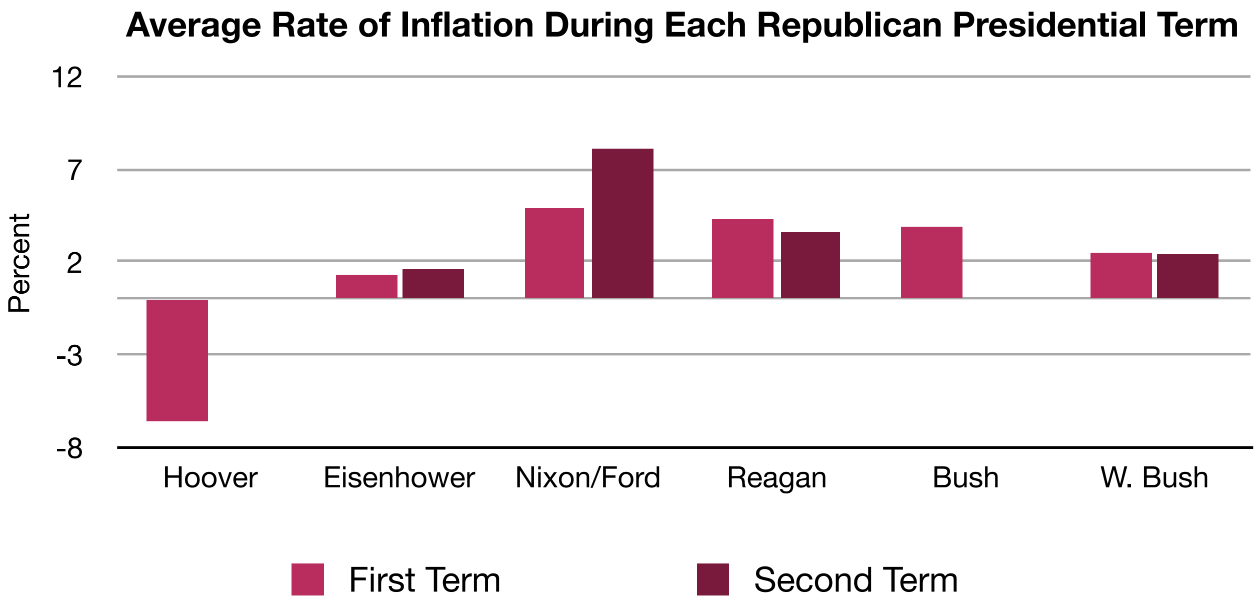


Figure 2

From the above graphs, what stands out most is that Carter had a very bad time with inflation. Apart from Carter, only Truman's first term and the Nixon/Ford era came even close. No other president, Democratic or Republican had any significant trouble with inflation. Inflation was brought under control early in Reagan's first term and hasn't been an issue since.

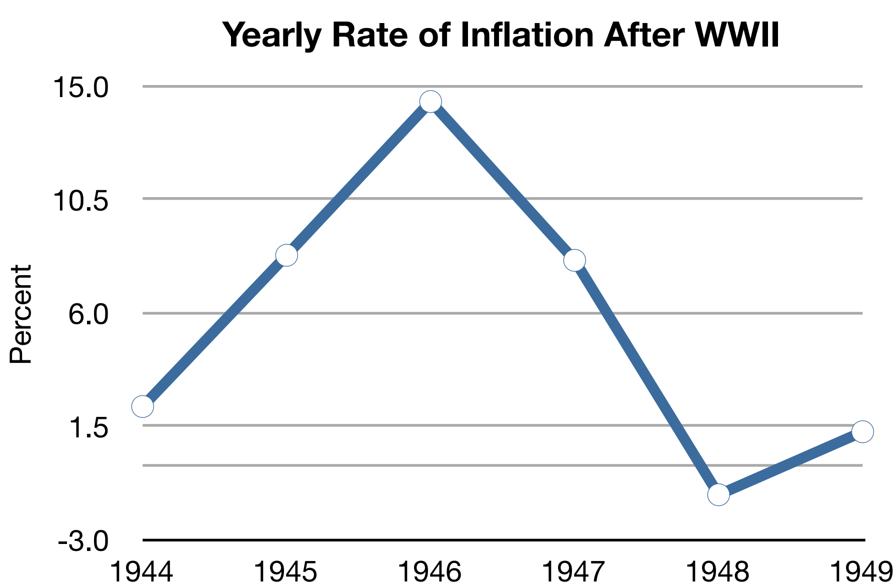


Figure 3

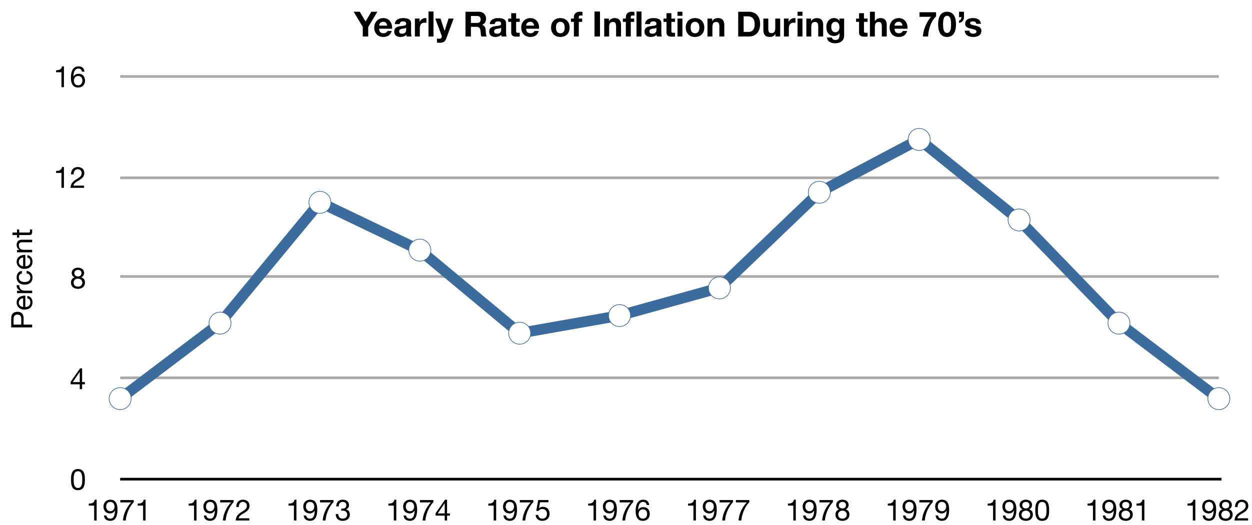


Figure 4

The above graphs show what happened to inflation each year during those periods. Truman had the highest inflation rate just after World War II, but managed to control it very quickly. The problem was much more persistent during the 1970’s, when three presidents: Nixon, Ford, and Carter all struggled with it. Again, however, the person generally considered to have the most control over inflation is the Chairman of the Federal Reserve. From 1970 to 1977, that was Arthur Burns, who was appointed by Richard Nixon, and was generally concerned (as was Nixon) that taking harsh steps to quell inflation might increase unemployment.

Inflation was one of the most significant problems during the administration of Jimmy Carter, who appointed two Federal Reserve chairmen: George Miller and, less than two years later, Paul Volker. Miller is often blamed for shortsighted credit policies that aggravated inflation rather than controlling it, but Carter successfully moved him out of the Federal Reserve and appointed Paul Volker. Notably, Volker is generally given credit for bringing inflation under control, but most of his term occurred under Ronald Reagan.

The relative absence of inflation despite widely different economic policies is probably because the Federal Reserve usually puts the inflation rate beyond immediate political control. Also notable is that the inflationary periods had little correlation with the level of debt or the deficit. Although the period of inflation under Truman occurred during a high level of debt, it resolved while the debt was still nearly equal the GDP. During the 70's, when inflation was at it worst, the debt was at its lowest point as a proportion of GDP. Furthermore it resolved during the 80's in spite of a massive increase in the deficit and debt.

Conclusion

There may be only two things on which Democrats and Republicans agree: that economic policy is important, and that they have very different views on the best economic policy. In every election cycle, analysts from all sides of the political spectrum explain why only their ideas will help the economy. The arguments all sound good, but since they often contradict each other, they can't all be right.

We disregarded all the arguments and took the simple step of finding the economic measures that seemed most important: jobs, growth, spending and inflation, and asked when they looked good and when they looked bad. We found the answer very surprising. With few exceptions, the economy usually improved when democrats were in the oval office, and got worse when republicans had taken over. It seems somehow that it can't be that simple, but we're content to let the analysts fight over that. For us, the numbers speak for themselves more clearly than any economic analyst ever has.

Epilogue: Economic Progress Under Obama

Barack Obama is now in his second term so his first term data has been added to the statistics presented in the other pages of this website. Still, we'll have to wait until after his second term is done before we can fully assess the overall effects of his economic policies. A few specific points about the unique challenges Obama faced during his first term will be discussed here to provide some context to his overall performance during his first term.

Jobs

First, the total number of jobs lost in the last recession was somewhat unprecedented for the post World War II era. More jobs were lost between January 2008 and January 2010 than in any other period since the end of1945 (Source: http://bls.gov).

In January of 2008 there were just over 138 million people employed. By December of 2009, that number dropped 6.3 percent to less than 130 million. A total of nearly 8.7 million people lost their jobs in just two years! For comparison, in the previous four economic downturns:

-1.2 million people lost their jobs between March and July of 1980 (a 1.3% drop).

-2.8 million people lost their jobs between July of 1981 and December of 1982 (a 3.2% drop).

-1.6 million people lost their jobs between June of 1990 and May of 1991 (a 1.5% drop).

-2.7 million people lost their jobs between February of 2001and August of 2003 (a 2.1% drop)

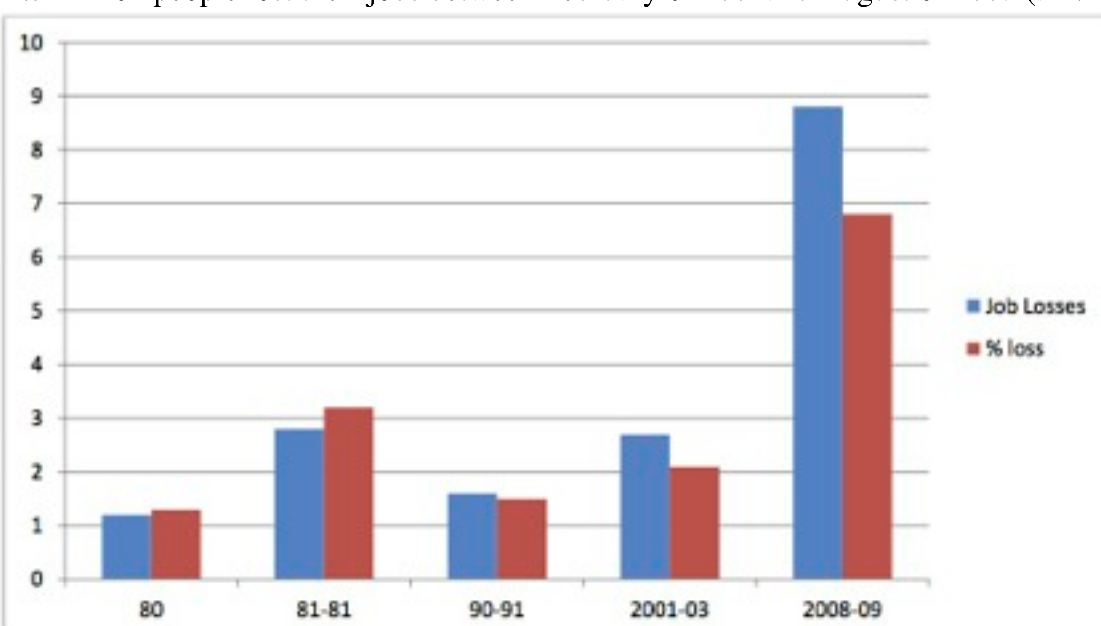


Figure 1: Number of Jobs (in Millions) and Percent Lost in Each of the Last Five Economic Downturns

As you can see from the figure above, more people lost their jobs from 2008-2009 than in the previous four downturns combined!

You have to go all the way back to the end of World War II, when 4.3 million people lost their jobs (an 11.2% drop) because the war ended, for a comparable downturn. In the last 66 years no other recession has come close!

The majority of job losses occurred between September of 2008 and June of 2009 when almost 6.3 million jobs were shed (4.8%). 3.5 million jobs were lost in Obama's first six months alone! Clearly, Obama was thrown into a very deep hole the day he entered the oval office.

So how have we done since then?

Between January 2010 and May 2014 (the month prior to when this is updated) a total of just over 8.7 million jobs were added to non-farm payrolls with nearly 9.4 million jobs having been added to the private sector. Even though more than 500,000 government jobs have been lost due to State and Local budget cuts, the number of employed finally exceeded the number they were when the recession began in January 2008. the economy was falling into a deep pit when Obama began his presidency; deeper than any President since Truman has faced and we've finally crawled out of it.

For comparison, George HW Bush netted only 1.2 million total jobs (265 thousand in the private sector) in his only term and George W Bush lost a total of 13,000 jobs his first term (13,000 fewer people were working at the end of his first term than in the beginning). In fact, 549 thousand fewer people were working in the private sector in January 2009 than January 2001 (See Jobs). And neither Bush began their presidencies with nearly as many job losses.

More people have already been employed in the private sector during Obama's presidency than during the entire eight years under George W Bush. This in spite of the huge recession Obama was handed in the beginning of his Presidency!

Unemployment

The trend in the unemployment rate under Obama so far bears an eerie resemblance to that of Ronald Reagan's first term (see Unemployment). Both Presidents started with a rather high unemployment rate (7.4% in February, 1981, 8.3% in February, 2009). For both Presidents the rate rose substantially in the beginning of their first terms only to drop back down by the end. For Reagan it rose to 10.8% by November, 1982 and then dropped back to 7.3% by the end of his first term. For Obama, it rose to 10.0% in October of 2009, leveled off, then dropped substantially in the last four years half to where it is now at 6.3%. (see graph on next page)

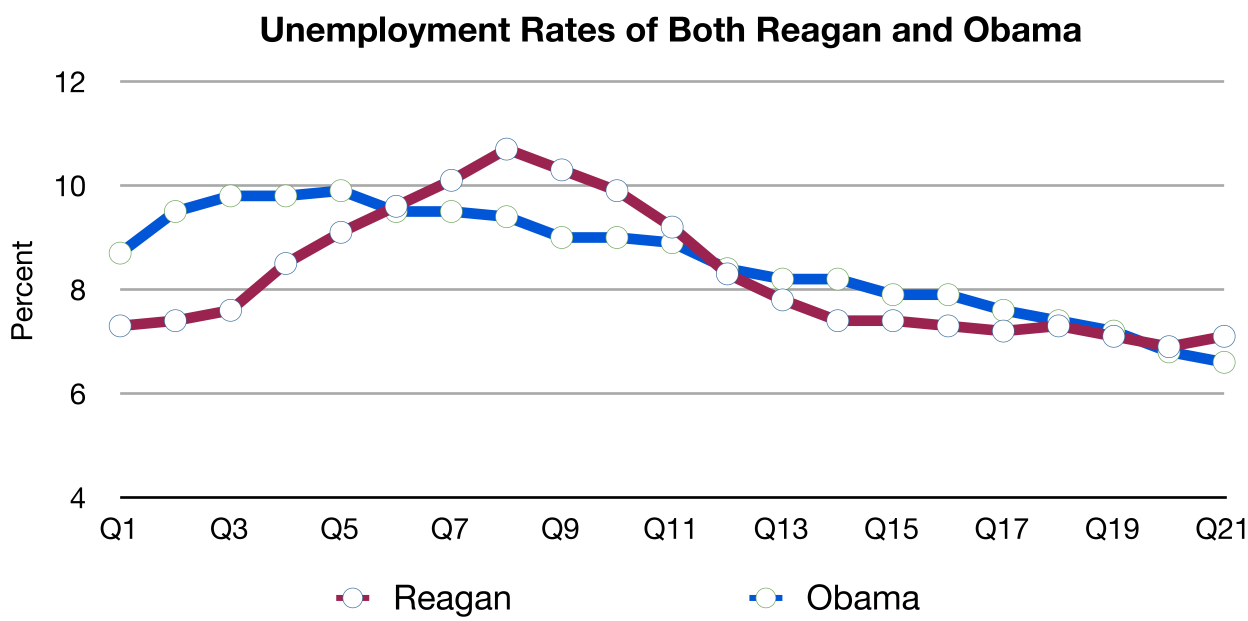


Figure 2: Comparison of the Unemployment Rates Under Reagan and Obama

The Peak under Obama isn't as high or as sharp as it was under Reagan but the overall trend is very similar. In both cases, the unemployment rate rose sharply in the beginning then dropped later in the terms.

GDP

The drop in the GDP From the second quarter of 2008 until the second quarter of 2009 was about as unprecedented as the job losses that occurred at that time. The GDP dropped about $670 billion or just over five percent over four consecutive quarters (source: bea.gov). Again, for comparison:

-The GDP lost 1.4% in the recession of 90-91.
-It dropped 2.7% in the recession of 81-82.
-It dropped 2.2% in the recession from Q1-Q3 of 1980.
-It dropped 3.2% in the recession of 73-75
-In 2000-2001 there wasn't even a recession (technically). The GDP went down in two nonconsecutive quarters but the drop was only 0.33% for the first quarter of 2001 and 0.28% in the third quarter that same year. (See Graph next page.)

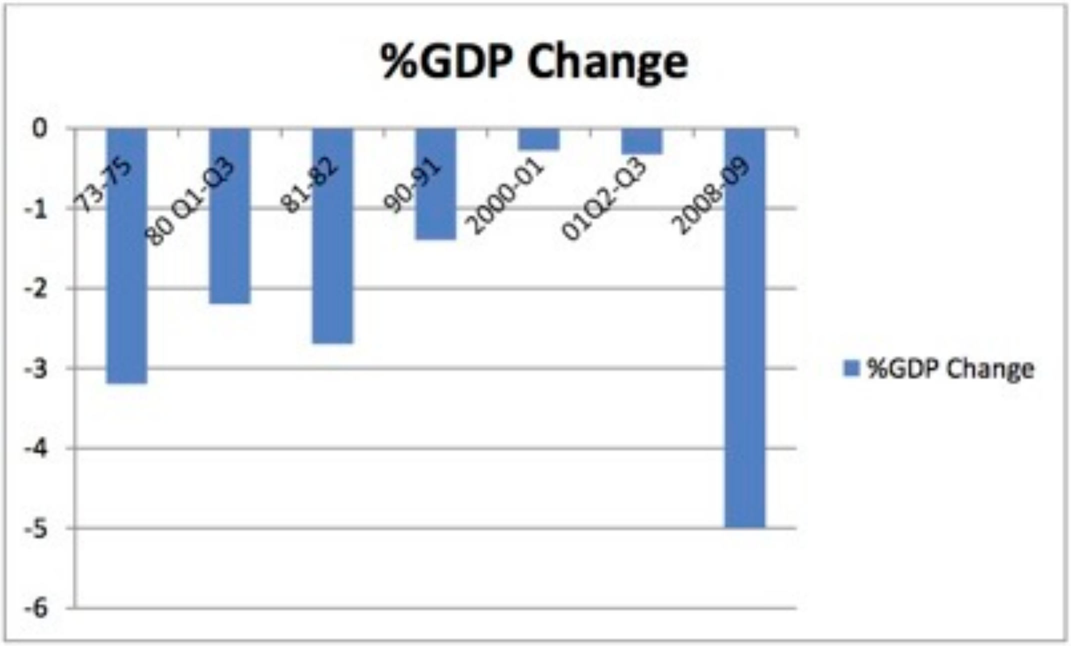


Figure 3: Total Drop in GDP (Percent) During the Last Six Recessions

Debt

The National debt rose 45% during Obama's first term. this was a bit less than it rose during George W. Bush's second term and far less than the proportion it rose under either Reagan or george Bush Sr. (see Debt).

A major reason for the increaes in debt under Obama was a drop in federal receipts as a result of the recession. When 8.7 million people lose their jobs, that many people won't pay very much in taxes. Add to that the drop in real estate revenue from all of the foreclosures, the drop in capital gains from a stock market crash, etc... you get a substantial drop in revenue at a time when our government truly needs the money.

In 2007 the federal government brought in $2.57 trillion (source: St. Louis Fed). That amount dropped to $2.1 trillion by 2009. In the last three years of Bush's presidency (2006-2008) the federal government took in $7.5 trillion. In the first three years of Obama's presidency, that amount dropped to $6.57 trillion (a 14% drop!). When you get a 14% pay cut the same year that your roof starts leaking, you're going to run up your credit card.(See Graph)

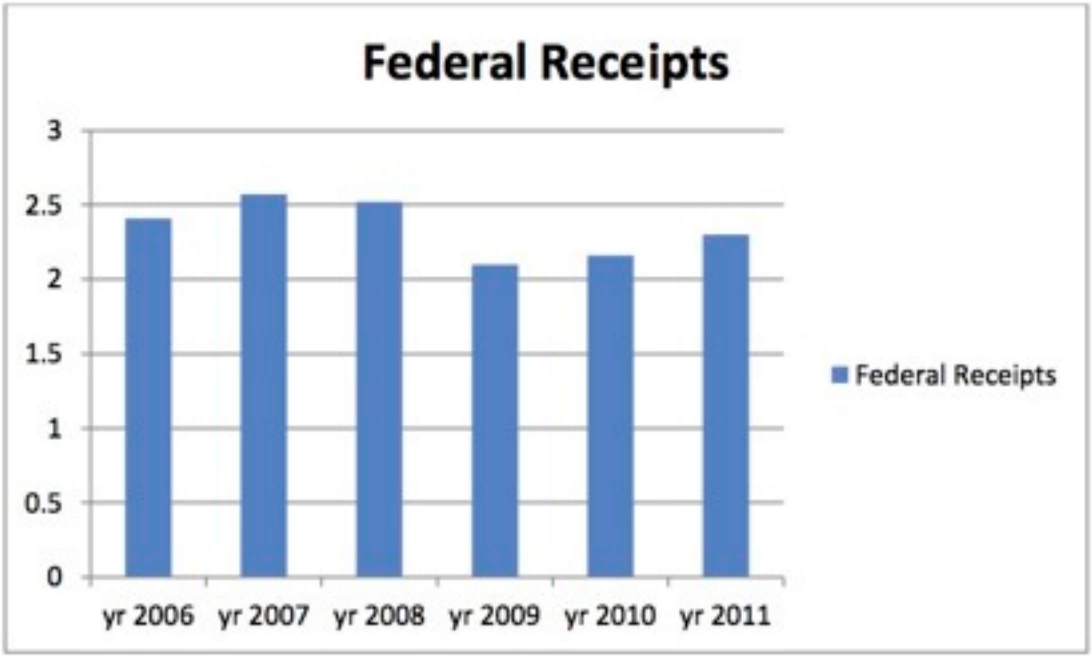


Figure 4: Federal Receipts in Trillions of Dollars per Year

Also, the deficit has been dropping each year Obama has been in office. As the following graph shows, the deficit in 2013 is less than half what it was in 2009.

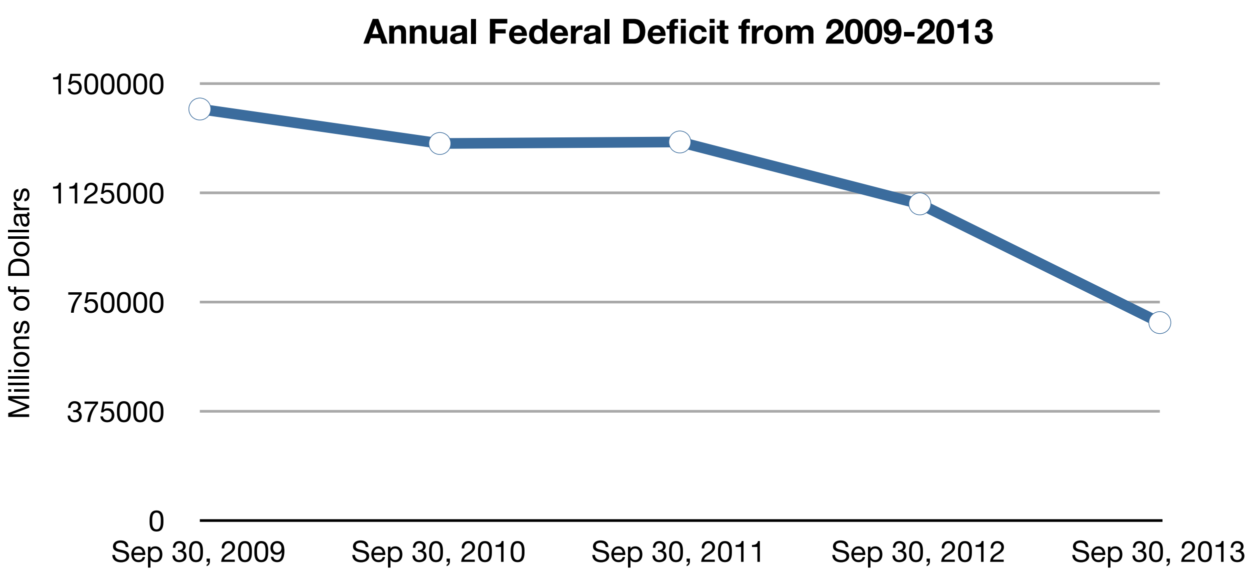


Figure 5: Deficit

Inflation

The recent rate of inflation has been negligible. The average annual rate of inflation has been 2.1% per year since 2009 which is the lowest it's been in decades. Since interest rates are near zero now and the most effective way to combat inflation is to raise interest rates, it's unlikely we will see any significant inflation in the foreseeable future. Historically, neither the debt nor the deficit have ever had any significant impact on the rate of inflation in this Country. (See Inflation).

Conclusion: A Tale of Two Bubbles

People often compare the dot com bubble to the housing bubble as though they were similar events. We find this interesting since, outside of their effects on the stock market, the two events couldn't have been more different. Certainly there was an irrational exuberance driving both markets to their extremes, but that's where the similarity ends. The dot com boom emanated from the creation of a very new industry that brought major changes to our entire society in under a decade and is still very much with us today. The housing bubble was based on a completely false assumption that, in the end, brought financial ruin to large segments of the world population whether or not they played any role in the market while it was rising.

Even though the internet has been widely used for less than two decades, it's already hard to imagine a world without it. In ten short years the internet changed our society about as much as telephones and television combined did in fifty years. It made vast amounts of information easily and instantly available to anyone with a computer and a phone line. It greatly increased both domestic and international commerce and brought the world together as it had never been before. In doing so, it also created about 22 million jobs and spawned whole new industries that wouldn't have been imagined a few years prior.

When the bubble "burst" in late 2000, the internet didn't go away. It's true that the Nasdaq lost about 70% and the Dow about 40% of their peak values over the subsequent two years. Also, a number of people (and a few major corporations) that expected too much too soon from the internet went bankrupt. But apart from people who bet more than they could afford on an industry they didn't understand, most people outside of the tech industry barely noticed the downturn. Of the 22 million jobs created between 1993 and 2001, a little more than ten percent were lost in the pullback. Afterwards, the internet continued to grow and evolve, but at a more realistic pace. The industry and its advantages never left or even shrank; only the irrational exuberance that drove up the stock prices went away.

The housing bubble was a far more insidious and destructive event in every aspect. It created an economy fueled by the building of houses nobody needed, selling them for money that didn't exist and leveraging this alleged money for the appearance of incredible wealth that had no basis in reality whatsoever. *It was in every way a make believe economy*. When it finally collapsed the destruction left in it's wake permeated nearly every aspect of the world economy and few people could escape its disastrous effects even if they tried to avoid them in advance.

Virtually every job that had been created since the Summer of 2003 (*i.e*. every job created during Bush's presidency) had vanished by January 2010! Entire nations went bankrupt and many people who played no part in speculating on housing values found that their houses had lost much of the real value because so many people in their neighborhood did play the market and ended up in foreclosure.

It's no exaggeration to call 2001-2010 the "lost decade". It wasn't just lost because of the economic hardship it brought. A large portion of our society had abandoned all realistic pursuits to chase after illusory wealth they believed could be created out of thin air. In doing so, it led our society to drift sideways for nearly a decade and, when it all finally fell apart, we had little to show for the ten years that had passed. Obama took office in the middle of the greatest economic free fall in about three generations. Whether you believe his policies helped is not important. What matters is the understanding that, by the time he took office, we needed to come back, not just from a financial calamity, but also from being off course for years.

In a sense, Truman had a much easier job. When World War II ended, millions of people in the war industry were suddenly out of work. However, entire Continents had been destroyed by the war and needed rebuilding. At the time, we were the only ones available for the job so redirecting all of those newly unemployed workers was far less difficult. Now, the challenge is to find entirely new and innovative industries in which to branch out in a world that provides very stiff competition at all levels. This after a decade of doing little more than chasing make believe money. Well, at least we still have the internet to help us face this challenge.