

NOTHING TO BE DONE BUT BLAME REPUBLICANS

Jake Tapper hammered Robert “a recovery that got our economy moving again” Gibbs yesterday on whether the Administration is not doing more for the economy because of political paralysis. After four attempts to avoid answering the question or focus exclusively on blaming Republicans, Gibbs finally suggested there wasn’t all that much the Administration can do to stimulate the economy.

Q Is the reason the President is not pushing for a bolder move on the economy because he doesn’t believe there is one, or because he doesn’t think he could get it through Congress?

MR. GIBBS: Well, Jake, I think you will hear the President – you heard him today after meeting with his economic team, and you will hear him over the course of the next several weeks outlining a series of ideas, some of which are stuck in Congress and some of which we continue to work through the economic team, that will be targeted measures to continue to spur our recovery and to create an environment in which the private sector is hiring.

Q But these are smaller-bore type proposals. These aren’t \$787 billion stimulus packages.

MR. GIBBS: No, they’re not. But let’s understand – when you mention small bore – some of you probably saw this article today – “Small businesses sit in holding pattern.” “Small businesses have put hiring, supply buying, and real estate expansion on hold as they wait out the vote on a small business aid bill that is stalled in the Senate earlier this

summer." Right?

As the President said in the Rose Garden, 60 percent of our job losses have come from small business. Small businesses are waiting for the Senate to act on a bill that would cut their taxes and provide them greater loans and investment opportunities with which to expand.

The Republican Party talks a lot about their support for and their helping of small business, and I think the question that the President put toward them today is, if that's what you support, why are you standing in the way of something that small businesses acknowledge would help with their hiring, with their purchasing, and with their expansion?

Q Okay, but the question I asked was, do you think – does the President think that there should be a bolder move taken beyond a \$30 billion small business lending initiative –

MR. GIBBS: Well, again, I think –

Q – and there aren't the votes for it, or he just didn't think there is such a thing?

MR. GIBBS: I think, Jake, I think the President mentioned several ideas today that he believes are important to continue that recovery that we will pursue. I think these will be areas and initiatives that are targeted towards spurring recovery and creating an environment for hiring, not some –

Q But does that mean he believes that that is the right approach, or he believes that it's the only politically possible approach?

MR. GIBBS: Well, look, I don't think there's any – I think there's no doubt

that there are – **there's only so much that can be done.**

Q Not having to do with politics?

MR. GIBBS: Not having to do with politics. [my emphasis]

At which point Gibbs promptly pivoted and adopted the most thread-bare of DC excuses: whocouldanode.

Q In retrospect, was the stimulus too small?

MR. GIBBS: Look, we always – I think it makes sense to step back just for a second. If you look at – and **I don't think anybody had – and I think we'd be the first to admit that nobody had, in January of 2009, a sufficient grasp at the sheer depth of what we were facing. I think that's, quite frankly, true for virtually every economist that made predictions.** You had – the chart that I generally show, adding the job losses for the last three recessions up doesn't get you to the job loss that we've seen in this recession alone.

It took us a long time to get to this point. We got here not simply because of one thing but because of many things. We've seen the housing market collapse. We saw what happened to credit markets. We saw what happened to the stability of our financial system. All of that accumulated after many years into one big pothole that – the size of which any stimulus was unlikely to fill.

I think that for all of the political back-and-forth on the Recovery Act, there should no longer be any doubt – despite some Capitol Hill nonbelievers – that what the Recovery Act did was prevent us from sliding even into a deeper recession, with greater economic

contraction, with greater job loss, than we have experienced because of it. [my emphasis]

Calculated Risk didn't even have to look outside of the Administration—at least as it existed when people were making predictions about the recovery act—to find an economist who had enough of a grasp on what was happening.

How about Christina Romer (the chair of the Council of Economic Advisers)? From Ryan Lizza at the New Yorker:

At the December [2008] meeting, it was Romer's job to explain just how bad the economy was likely to get. "David Axelrod said we have to have a 'holy-shit moment,' " she began. **"Well, Mr. President, this is your 'holy-shit moment.' It's worse than we thought."** She gave a short tutorial about what happens to an economy during a depression, what happened during previous severe recessions, and what could happen if the Administration didn't act. She showed PowerPoint slides emphasizing that the situation would require a bold government response.

...

The most important question facing Obama that day was how large the stimulus should be. Since the election, as the economy continued to worsen, the consensus among economists kept rising. ... Romer had run simulations of the effects of stimulus packages of varying sizes: six hundred billion dollars, eight hundred billion

dollars, and \$1.2 trillion. The best estimate for the output gap was some two trillion dollars over 2009 and 2010. Because of the multiplier effect, filling that gap didn't require two trillion dollars of government spending, but **Romer's analysis, deeply informed by her work on the Depression, suggested that the package should probably be more than \$1.2 trillion.**

So Romer thought the right size was probably about double what was actually enacted (excluding the Alternative Minimum Tax relief).

And then there are the prominent Nobel prize winning economists in the Democratic party who predicted the stimulus was too small.

So basically, the Administration's strategy for limiting the political damage of the dismal economy (to say nothing of doing something to fix it) is simply to blame Republicans, because actually admitting that the Administration fucked up—much less doing something like firing Tim Geithner and starting fresh—is just not palatable.

A pity for all those struggling Americans who have to pay for the Administration's arrogance, huh?