

Barack Obama accused of making 'Depression' mistakes

Barack Obama is committing the same mistakes made by policymakers during the Great Depression, according to a new study endorsed by Nobel laureate James Buchanan.

By Edmund Conway

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His policies even have the potential to consign the US to a similar fate as Argentina, which suffered a painful and humiliating slide from first to Third World status last century, the paper says.

There are "troubling similarities" between the US President's actions since taking office and those which in the 1930s sent the US and much of the world spiralling into the worst economic collapse in recorded history, says the new pamphlet, published by the Institute of Economic Affairs.



History repeating itself? President Obama has been accused by some economists of making the same mistakes policymakers in the US made in the Great Depression, which followed the Wall Street crash of 1929, pictured. Photo: AP

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In particular, the authors, economists Charles Rowley of George Mason University and Nathanael Smith of the Locke Institute, claim that the White House's plans to pour hundreds of billions of dollars of cash into the economy will undermine it in the long run. They say that by employing deficit spending and increased state intervention President Obama will ultimately hamper the long-term growth potential of the US economy and may risk delaying full economic recovery by several years.

The study represents a challenge to the widely held view that Keynesian fiscal policies helped the US recover from the Depression which started in the early 1930s. The authors say: "[Franklin D Roosevelt's] interventionist policies and draconian tax increases delayed full economic recovery by several years by exacerbating a climate of pessimistic expectations that drove down private capital formation and household consumption to unprecedented lows."

Although the authors support the Federal Reserve's moves to slash interest rates to just above zero and embark on quantitative easing, pumping cash directly into the system, they warn that greater intervention could set the US back further. Rowley says: "It is also not impossible that the US will experience the kind of economic collapse from first to Third World status experienced by Argentina under the national-socialist governance of Juan Peron."

The paper, which recommends that the US return to a more laissez-faire economic system rather than intervening further in activity, has been endorsed by Nobel laureate James Buchanan, who said: "We have learned some things from comparable experiences of the 1930s' Great Depression, perhaps enough to reduce the severity of the current contraction. But we have made no progress toward putting limits on political leaders, who act out their natural proclivities without any basic understanding of what makes capitalism work."

The authors of the pamphlet, Charles K. Rowley and Nathanael Smith, give their views.

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