The Amateur

The first estimate of fourth quarter US GDP was [released this week](http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm). It showed that the US economy shrank in the fourth quarter. The White House’s response to slow US growth was to [blame congressional Republicans](http://www.reuters.com/article/2013/01/30/us-usa-economy-obama-idUSBRE90T15120130130) and [disband the US Jobs Council.](http://www.usnews.com/news/politics/articles/2013/01/31/obamas-jobs-council-shutting-down-thursday) Apparently there is no great need for more jobs now that the 2012 election is over.

Never mind that the [January unemployment rate](http://www.cnbc.com/id/100426559) climbed to 7.9% even as another 169,000 Americans left the workforce in January. ([Eight and a half million](http://newsbusters.org/blogs/noel-sheppard/2013/02/01/85-million-americans-left-labor-force-obamas-first-term#ixzz2Jehi6Wet) Americans left the workforce during President Obama’s first term in office). Only people looking for work count in the unemployment rate, so these almost nine million Americans are not counted as being unemployed even though they no longer show up for work.

Still, GDP accounts did look a little odd in 2012. Here is the percentage change in US GDP from the previous quarter during 2012:

2012 2012 2012 2012

I II III IV

2.0 1.3 3.1 -.1

The third quarter (whose first estimate results were released the week before the election) stands out as being a much higher growth rate than the rest of the year. The interesting question is: why is this the case? Here is the percentage change in federal government spending from the previous quarter for 2012:

2011 2012 2012 2012 2012

IV I II III IV

-4.4 -4.2 -.2 9.5 -15

It turns out that the federal government went on a spending spree during the third quarter. It looks like they may have moved forward end of the calendar year spending to before the election to make it appear as if the economy was growing faster than it was. Having the government spend extra during an election is not new. Economists have previously noted the [existence of political business cycles](http://eh.net/encyclopedia/article/heckelman.political.business.cycles). What does seem new is that they didn’t just change the amount of spending but also the timing of the spending.

Then again, that really isn’t new either. Anyone acquainted with local governments knows roads tend to get paved in October right before elections. To outside observers this local act of shifting spending to influence local voters has always seemed a bit amateurish. To now see this tactic used at the federal level is a little disheartening. It is local Chicago politics writ large. I guess that is yet another reason why Edward Klein’s book on President Obama is entitled: [The Amateur](http://www.amazon.com/Amateur-Edward-Klein/dp/1596987855).

Speaking of Chicago, or Illinois, politics writ large, the state of Illinois had to [delay a new bond issue](http://articles.chicagotribune.com/2013-01-30/news/ct-met-quinn-bond-sale-0131-20130131_1_bond-sale-bond-houses-credit-downgrade) this week as their credit rating was downgraded to the worst state in the nation. The state of Illinois has refused to deal with its unfunded pension liabilities and it has wrecked state finances. The President from Illinois (sort of) also refuses to tackle unfunded entitlement liabilities at the federal level. If Illinois is really his blueprint don’t expect President Obama to offer solutions to the entitlement problem even after the US credit rating gets further downgraded. Amateur is as Amateur does.