# Obamanation: Crash Course US History #47

Crash Course: U.S. History
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Hi, I'm John Green, this is Crash Course U.S. History, and we've done it! We've reached the end of history! Eh, Stan says that history never ends, but whatever, we've reached that me from the present is in. So we aren't going to cover the astonishing results of the 2016 presidential election. What we are going to do is try to talk about historical events that are also current events.

Future John Green here to tell you that in a stunning turn of events the 2020 presidential election will be won by, Harry Styles. I know that he's English, and under 35, but we're gonna change the Constitution to make it possible, because that's how much we love Harry Styles in 2020.

(Intro)

So when we last left George W. Bush, his approval rating was dropping to the lowest number in President of the United States approval rating history. And the U.S. was facing what turned out to be the second worst economic crisis in the past 150 years. A crisis that remains unnamed, because we're kind of still in it. But I'd like to propose a couple names: the Wall Street Wamboozle, the Financial Fartstorm. However, knowing historians, they will inevitably call it like, "The Major Recession of 2008-2012". Booooo!!!

So what caused the Financial Fartstorm that began in late 2008? Well, it was a mixture of public and private activities that tilted towards short-term economic thinking, speculation, and irresponsible spending. First there was the Federal Reserve's policies of keeping interest rates freakishly low in response to the 2001-2002 recession. Now, this worked, but the recession ended and interest rates stayed low. And this, combined with unscrupulous mortgage lenders encouraged people to buy houses they could not afford.

In the early 2000s, many millions of Americans, including certain Crash Course US History hosts, bought real estate assuming that its value would increase rapidly and forever so that when you were unable to make payments you'd just sell it, pay off the mortgage, and make a tidy profit. It turns out this was essentially a pyramid scheme, and, my friends, I was not at the top of the pyramid.

So back then you could buy a house with a so-called "NINJA loan", which sadly did not involve mutant ninja turtles or pizza. NINJA stands for "No Income, No Job, and No Assets." Traditionally, people in this situation can't borrow hundreds of thousands of dollars, but in the early 2000s these loans were given the benign-sounding designation "sub-prime." So what's important to understand is that it wasn't just, like, big Wall Street financing huge deals with debt. Regular people were doing it-- like me!

All this, of course, created a classic housing bubble, which was doomed to burst. Also, with the interest on government treasury bills effectively zero, investors had to look elsewhere for better returns, which led to the idea of issuing securities, these bond-like instruments, that were backed by mortgages. The thinking was that the interest people paid on their mortgages would supply the underlying value of the security the way that, like, tax revenues are the source of the value of a government bond. Now, of course, there would be a minority of people who would fail to pay off their securitized mortgages, but most people would pay because, you know, they wanna keep their houses.

But it turns out that if you haven't paid any money to own your house, you don't feel that invested in it.

Now, there were even more reasons why these securities were terrible ideas, but the important thing is that when the mortgages turned bad, these securities became toxic assets. Basically, the people who held them suddenly didn't know what they were worth, if anything, and banks overreacted to this uncertainty, as banks like to do, by not lending out any money. And that's called a credit freeze, which is very bad. So that's how a housing bubble turned into a full-fledged financial crisis.

All right, let's go to the Thought Bubble. When banks stop lending, business can't function. So the stock market collapsed, with the Dow Jones Industrial Average dropping from about 14,000 to around 8,000, which wiped out $7 trillion of shareholder wealth, and the majority of Americans had money invested in the stock market, much of it into former retirement funds.

With it being harder to borrow money, Americans finally cut back on their spending, which resulted in many businesses failing, and by the end of 2008, 2.5 million jobs had been lost, many of which were in manufacturing and construction. And because those were both male-dominated fields, it led to another change. By mid-2009, more women than men held paying jobs for the first time in American history. In the last three months of 2008 and the first three months of 2009, our GDP dropped 6%. And world trade cratered, and that led to unemployment and misery worldwide.

The event that triggered the chaos was the failure of the failure of the investment bank Lehman Brothers in September, just two months before the presidential election. The Bush Administration tried to stop the damage by getting Congress to pass the Troubled Assets Relief Program, or TARP, which was basically a $700 billion bailout for banks like Citigroup and Bank of America and insurance companies like AIG and mortgage insurers like Fanny Mae and Freddie Mac. Regular individuals also received tarps, but they had to buy them. And they weren't as cool.

Anyway, these bailouts were probably necessary to stop a complete failure of the financial system, but they were very unpopular. Most of the banks that received a rescue from the taxpayers didn't help the homeowners facing foreclosure, and despite receiving millions of federal dollars, AIG famously continued to pay huge bonuses to its top executives. Thanks, Thought Bubble.

So the end of the Bush years looked a lot like the end of the Hoover years. After a decade of Americans spending more money than they had, government taking a backseat to business interests, and deregulation of industries going hand in hand with increasing corruption, Barack Obama was faced with America's biggest economic challenge since the Great Depression. Oh, by the way, we got a new president. Barack Obama, who 50 years before his election couldn't have sat in the front of a bus in Alabama.

So I know all the green parts of not-America are mad at us for causing the great financial meltdown and whatever, and fair enough, but we do make some progress now and again. Barack Obama was young, he was relatively new on the national scene, and he represented change. He appealed to young people and minorities and he harnessed the power of social media to communicate with supporters and get out the vote and also raised tons of money. Also he was on the cover of *Us Weekly*. You didn't see Martin Van Buren on the cover of *Us Weekly*. What's that? It didn't exist? Of course it existed!

In 2008, Obama's election seemed like a political watershed, and not just because he was the first African-American president. He appeared to break Republicans' solid hold on the South. He won Virginia, and North Carolina, and Florida. And his supporters represented a coalition of African Americans, and Hispanics, and white liberals, and especially young people.

Oh, it's time for the open letter? I hope it's from that *Us Weekly profile*. "The rules here are simple" he said for the final time. I'll tell you one thing that's gonna change here at Crash Course, no more

shock pens. I guess the author of the Mystery Document, if I'm wrong, I get shocked. All right, let's see what we got here today.

"For everywhere we look, there is work to be done. The state of our economy calls for action, bold and swift. And we will act, not only to create new jobs, but to lay a new foundation for growth. We will build the roads and bridges, the electric grids, and digital lines that feed our commerce and bind us together. We'll restore science to its rightful place, and wield technology's wonders to raise health care's quality and lower its cost. We will harness the sun and the winds and the soil to fuel our cars and run or factories. And we will transform our schools and colleges and universities to meet the demands of a new age. All this we can do. All this we will do."

Speaking of things that we will do, I will get this right! It's Barack Obama's first inaugural! Ba-bam! No more shocks! The getting-shocked part of my life has come to an end! Hopefully in Crash Course Literature when I get things right I'll get a puppy and when I get things wrong I'll get a rainbow! Stan says that my only reward is not being punished.

So Obama promised to change the culture of Washington. He would end partisan squabbling-- sorry, I couldn't even get through that sentence. To be fair, he did end the squabbling. It became full-blown yelling. He also wanted a foreign policy based on diplomacy. He wanted to reduce inequality and increase access to health care. He wanted to curb greed and irresponsibility that had helped bring on the economic crisis. And he wanted to end the Bush tax cuts. He also wanted to end the wars in Iraq and Afghanistan and, as critics mocked, reverse global warming. It's a tall order.

So how has he done? Not bad. Well, some would say not great either. For instance, he launched diplomatic outreach to the Muslim world, but a lot of this was more rhetoric than action, as in his verbal support for the revolution that overthrew Hosni Mubarak in Egypt. And he did keep some of his campaign promises. For instance, he signed into law the Lilly Ledbetter Fair Pay Act, which made it easier for women to sue when they had been systemically underpaid. And he also reversed an earlier executive order that limited women's reproductive rights. And, speaking of women, he appointed two of them to the Supreme Court: Elena Kagan and Sonia Sotomayor, the Court's first Hispanic member.

He also followed through on his promise to end the war in Iraq, although, to be fair, the Bush administration had really set him up for success there. And he increased the number of US troops in Afghanistan as part of a longer-term plan to end the war there, which has sort of worked? He also authorized a successful military operation that killed Osama bin Laden on May 2nd, 2011. I was in Amsterdam at the time, and the Dutch media came to my house to ask me how Americans felt about this, and I said "Good."

On the other hand, Obama has been criticized internationally for backing of his promise to close the Guantanamo Bay Detention Camp, and he has largely followed the Bush Administration's policies with the War on Terror. But the Obama administration has deployed far more unmanned drones to kill suspected militants around the world. Despite provoking outrage on the left and the right, Americans generally appear to support the use of drones, and also extralegal assassinations of accused terrorists. Obama also kept in place Bush's executive power. In fact, he expanded it in some ways with the NSA's PRISM program.

What about that financial mess he inherited? Well, Obama was fortunate to have a Democratic Congress for his first term in office, so he could push through a lot of legislation. This included a sweeping stimulus package with nearly $800 billion of new spending, most of it on infrastructure, that was signed into law on February 17th, 2009, just 28 days into Obama's presidency. In the end, the Recovery Act cost $787 billion, more than the government had spent on a package of programs ever. Like, more than The Great Society. More than The New Deal. Did it work? Well, it depends on who you ask.

Among 9 large studies, 6 found that the stimulus did have a positive effect on growth and employment. 3 found that it had little or no effect, and economists are equally divided. The stimulus is estimated to have saved about 3 million jobs, but it also increased the deficit quite a bit. So liberal economists see America's current 7% unemployment rate as evidence that the stimulus' Keynesian policies should have gone further, while conservatives say that the stimulus exploded the federal deficit and debt. Regardless, the recovery for the past few years has been steady, but quite slow.

Lastly, let's turn to Obama's signature policy proposal, the Affordable Care Act, better known as ObamaCare. The Affordable Care Act is arguably the most significant piece of social legislation since Medicare, and it seeks to move the United States into the ranks of countries with universal health care. A list that includes every industrialized nation on Earth. We're number one!... among countries that don't have universal health care.

So, ObamaCare aims to reduce the number of Americans without health insurance by making it easier and less expensive for the uninsured to buy it privately. It's not a government insurance plan, but the government will subsidize those who can't afford insurance. That's going to be expensive, but fortunately our health care system is so astonishingly inefficient that there are lots of places to save money, and the Congressional Budget Office at least thinks that it's gonna be a wash. But controversially, the act's insurance mandate means that if you don't have insurance from your employer you must buy it or else you have to pay a penalty. In 2012 the core of the law was upheld by the Supreme Court when they ruled that this was a constitutional use of the government's taxing power.

As for Obama's success at ending partisan politics, not one congressional Republican voted for ObamaCare, and many used it to campaign against Democrats in the 2010 midterm elections. And while the success of the Affordable Care Act won't be able to be determined for many years, there was a huge backlash against both Obama and his policies on Facebook and Twitter and also the mysterious world of not-the-Internet.

One of these responses was the Tea Party, a reference to the Boston Tea Party and an acronym for Taxed Enough Already! For the record, I just wanna say that the vast majority of Americans' taxes are lower now than they have been at any point in the last hundred years. But the Tea Party is also very concerned that deficits are out of control and that rising government spending is going to ruin America. Bolstered by eighty or so new Tea Party congresspeople, the Republicans took control of the House in 2010 and John it's pronounced Boehner became the Speaker of the House.

All these Tea Party freshmen took their mandate to cut taxes and reduce spending very seriously, and that made it difficult for Boehner to compromise with the Obama Administration. Over in the Senate, Democrats held a slim majority, but because of the filibuster needed 60 votes to do anything. Which made them look very dysfunctional. In fact the 111th Congress was one of the least productive in American history.

Obama was reelected president in 2012, the Republicans continued to control the House, the Democrats continued to have the slim majority in the Senate, and now America is facing something of a political crisis. Unwillingness to compromise has precipitated a series of mini fiscal crises over things like the budget and raising the debt ceiling. Things that Congress used to be able to hash out

back when their business was governing, not ideological rigidity.

Meanwhile, the economy has slowly added jobs and looks halfway decent at the moment, mostly because Europe looks so bad. Yay? That qualified questioning "yay" is about the last word I have to say on American history. The particular brands of ideological certainty we see today may seem new, but if you look at American history you realize that this has been going on for a long time.

The Tea Party is right that the Founding Fathers would be astonished by the extent of the American government and the extent to which it's involved in the lives of Americans. And Progressives are right that people around the world have benefited from government investment in health care, and infrastructure, and transportation.

We have to ask ourselves again: what does freedom really mean? Can you be free when you live in poverty, or when you're one injury away from bankruptcy? Can you be free when the government can go to a secret court to read your text messages? We know that you can't be free if you're dead, so is the government's job to protect you not only by having a standing army but also by making you wear your seat belt?

Those are ultimately ideological questions, but we have to grapple with them in a real, practical way, and the great story of American governance is compromise. But that has also often been the tragedy of American governance, as when the Constitutional Convention compromised over whether African American people were people.

So if you've learned anything this year, I hope it's been that the American story that we find ourselves in now isn't entirely novel. And I think we have much to learn from those who came before us, both from their successes and from their many, many failures.

Thank you so much for washing Crash Course World History. Next, we will be discussing literature. Your first reading assignment: The *Odyssey*. It's a great book, I pro-- it seems-- it's--it's-- you're gonna like it. Thanks again for watching. I'll see you then.

Crash Course US History is made with the help of all of these nice people, and it exists because of your continuing support through Subbable.com. There's a link right there that you can click to go voluntarily subscribe to Crash Course and keep this show, you know, rollin'!

Thank you so much to everyone who has watched and supported this show over the last two years. I'm wearing the same shirt that I wore at the first episode of Crash Course World History to celebrate two successful years of teachin' history!

This has been one of the great professional joys of my life and I'm so grateful to everyone who's helped make the show and to everyone who's watched it. You can find a full list of your reading for Crash Course Literature in the doobly-doo.

Thank you again for watching. As we say in my hometown, don't forget to be awesome.