Slate: The next president will be lucky

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WASHINGTON — Partisans always prefer victory to defeat, but in retrospect some elections look like poisoned chalices. Jimmy Carter's narrow victory over Gerald Ford in 1976, for example, merely saddled the Democrats with the blame for economic problems that were global in scope and paved the way for Ronald Reagan's 1980 election. In 2004, Democrats were desperate to boot George W. Bush from office, but his second term wound up being uneventful in policy terms, and John Kerry's defeat allowed his party to duck a financial crisis that almost certainly would have come about one way or another.

While anything's possible, 2012 is shaping up to be the reverse kind of election: Whoever wins is poised to preside over a return to economic normalcy that's bound to make any kind of basically competent governance look fantastic compared to the last decade of misery.

Consider Mitt Romney's assertion that his policies would lead to 12 million new jobs. This has gotten him in trouble with fact checkers for an unusual reason. Many people think it's too likely to happen.

Moody's Analytics, for example, published an analysis of the economic outlook back in April that has 11.7 million jobs over the next four years as its baseline forecast. Macroeconomic Advisers has made a similar forecast, calling for 12.3 million jobs over the next four years.

To be sure, not everyone is so optimistic. The Congressional Budget Office takes a relatively gloomy view, suggesting 9.6 million jobs will be added during the period in question. That said, for the purposes of its forecasting, the CBO is assuming that the full "fiscal cliff" of tax hikes and spending cuts will be implemented as currently required by law. Given that neither candidate favors this course of action, the odds that some alternative will be agreed upon are extremely high. More to the point, even if we get only 9.6 million jobs — or even many fewer than that — it'll look and feel like enormous success compared to what we've seen recently.

Consider that over the course of George W. Bush's eight years in office, net employment increased by about a million jobs while we've added a bit more than half a million in Obama's first term. By historical standards, that's abysmal. More than 11 million jobs were added in each of Bill Clinton's two terms in office.

But over the past 18 months, the economy has added an average of 162,000 jobs per month. Simply holding that current trend steady for four years without any improvement in underlying economic policy would give us 7.8 million jobs.

If a re-elected Obama can manage even that mediocre growth, he could easily paint a picture in which the awful numbers of his first term are just Bush recession hangover and he saved the day. President Romney, facing the same numbers, could claim he saved the economy from years of stagnation under Obama's big government policies. But all he'd really be doing is continuing the mildly disappointing pace of recovery we've seen over the past year.

The key reason jobs will almost certainly grow at at least a tepid rate is monetary policy. Ellis Tallman and Saeed Zaman have shown in research for the Cleveland Federal Reserve bank that the kind of objective economic conditions that existed in 2009 would have justified a federal funds rate of minus 5 percent — if such a thing were possible. But it's not possible for the Fed to set nominal interest rates below zero, and the Fed hasn't been willing to try to raise its inflation target to reduce real interest rates. Consequently, with interest rates stuck at zero, we got exactly what you would expect in a country where the central bank sets rates five percentage points too high — soaring unemployment and a sluggish recovery.

But as the economy heals, the appropriate interest rate gets higher. Tallman and Zaman estimate that by the second quarter of 2012, the right number would have been around minus 2 percent. So rates, though still too high, were closer to appropriate. Over the course of 2013, the zero-interest-rate policy will naturally become closer to the target, meaning growth is likely to be sustained and whoever's in office is likely to reap credit he doesn't really deserve.

There's no reason to think 2013-2016 will see the kind of super-fast growth we saw in the late-1930s or mid-1980s, but it's overwhelmingly likely that the next four or five years will look a lot better than the past four or five. That means whoever wins the election is likely to get a similar halo, and our understanding of Obama's legacy will hang in the balance.