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WHAT IS PRESIDENT OBAMA'S ECONOMIC LEGACY?

By Andrew Ross Sorkin

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Two months ago, across an assembly-room table in a factory in Jacksonville, Fla., President Barack Obama was talking to me about the problem of political capital. His efforts to rebuild the U.S. economy from the 2008 financial crisis were being hit from left, right and center. And yet, by his own assessment, those efforts were vastly underappreciated. “I actually compare our economic performance to how, historically, countries that have wrenching financial crises perform,” he said. “By that measure, we probably managed this better than any large economy on Earth in modern history.”

It was a notably grand claim, especially given the tenor in which presidential candidates of both parties had taken to criticizing the state of the American economy — “Many are still barely getting by,” Hillary Clinton said, while Donald Trump said that “we’re a third-world nation.” Asked if he was frustrated by all the criticism, Obama insisted that he wasn’t, at least not personally. “It has frustrated me only insofar as it has shaped the political debate,” he said. “We were moving so fast early on that we couldn’t take victory laps. We couldn’t explain everything we were doing. I mean, one day we’re saving the banks; the next day we’re saving the auto industry; the next day we’re trying to see whether we can have some impact on the housing market.”

The result, he said, was that he lacked the political capital to do more. As his presidency nears its end, this has become an increasingly common refrain from Obama, who, despite his prodigious skills as an orator, has come to seem more confident about his achievements than about his ability to promote them. “I mean, the truth of the matter is that if we had been able to more effectively communicate all the steps we had taken to the swing voter,” he said, “then we might have maintained a majority in the House or the Senate.”

The president had come to this factory, built by Saft America for the manufacture of state-of-the-art lithium-ion batteries, for a kind of belated victory lap. One of Obama’s first major acts as president was to sign the American Recovery and Reinvestment Act, and some of the money in that bill went to Saft. Now batteries were rolling off the line, and Obama had stopped by to shine the national spotlight on how far we had come since the financial crisis.

But the president did seem frustrated. As he tried to sum up his economic legacy in Florida, our discussion stretched to twice as long as planned, seemingly to the consternation of the Secret Service. When we got back on Air Force One, he sent an aide to ask if we could continue the conversation; when I joined him again, he looked as if he'd been stewing over something. He quickly returned to the topic of public perception. "If you ask the average person on the streets, 'Have deficits gone down or up under Obama?' probably 70 percent would say they've gone up," Obama said, with some justifiable exasperation — the deficit has in fact declined (by roughly three-quarters) since he took office, and polls do show that a large majority of Americans believe the opposite.

Obama is animated by a sense that, looking at the world around him, the U.S. economy is in much better shape than the public appreciates, especially when measured against the depths of the financial crisis and the possibility — now rarely even considered — that things could have been much, much worse. Over a series of conversations in the Oval Office, on Air Force One and in Florida, Obama analyzed, sometimes with startling frankness, nearly every element of his economic agenda since he came into office. His economy has certainly come further than most people recognize. The private sector has added jobs for 73 consecutive months — some 14.4 million new jobs in all — the longest period of sustained job growth on record.

Unemployment, which peaked at 10 percent the year Obama took office, the highest it had been since 1983, under Ronald Reagan, is now 5 percent, lower than when Reagan left office. The budget deficit has fallen by roughly $1 trillion during his two terms. And overall U.S. economic growth has significantly outpaced that of every other advanced nation.

Gene Sperling, the former director of the National Economic Council who spent hours inside the Oval Office debating and devising the president's economic strategy, told me, "If we were back in early 2009 — when we were coming to work every morning with clenched stomachs, with the economy losing 800,000 jobs a month and the Dow under 7,000 — and someone said that by your last year in office, unemployment would be 5 percent, the deficit would be under 3 percent, AIG would have turned a profit and we made all our money back on the banks, that would've been beyond anybody's wildest expectations."

There are, of course, many reasons so few Americans seem to be celebrating. "How people feel about the economy," Obama told me, giving one part of his own theory, is influenced by “what they hear.” He went on: “And if you have a political party — in this case, the Republicans — that denies any progress and is constantly channeling to their base, which is sizable, say, 40 percent of the population, that things are terrible all the time, then people will start absorbing that.”

But as Obama also acknowledged, the public anger about the economy is not without empirical basis. A large swath of the nation has dropped out of the labor force completely, and the reality for the average American family is that its household income is $4,000 less than it was when Bill Clinton left office. Economic inequality, meanwhile, has only grown worse, with the top 1 percent of American households taking in more than half of the recent gains in income growth. “Millions and millions and millions and millions of people look at that pretty picture of America he painted and they cannot find themselves in it to save their lives,” Clinton himself said of Obama’s economy in March, while on the campaign trail for his wife. “People are upset, frankly; they’re anxiety-ridden, they’re disoriented, because they don’t see themselves in that picture.”

It is this disconnect that haunts Obama. He has, by his own lights, managed the recovery as well as any president ever could, with results that in many cases exceeded his own best hopes. But despite the gains of the past seven years, many Americans have been left behind. Something has changed, and as he prepares to leave office, Obama seems to understand that his economic legacy might be judged not just by what he has done, but by how the results compare to a bygone era of middle-class opportunity, one that perhaps no president, faced with the sweeping changes transforming the global economy, could ever bring back.

The economic meltdown that would define every aspect of Obama’s economy came to a head well before he became president, of course, and so did the legislation that would be the basis for everything that came after. In September 2008 — as Lehman Brothers filed for bankruptcy and AIG, the world’s biggest insurance company, accepted a federal bailout — Senator John McCain of Arizona, in what was widely viewed as a political move, suspended his presidential campaign and called on Obama to rush back to Washington for a bipartisan meeting at the White House. Obama recalled the moment: “I still remember Bush calling me and saying, ‘Look, I doubt this is going to be particularly useful, but I felt obliged to say yes, and I hope you can come.’ ”

The next day Obama found himself in the Cabinet Room just down the hall from the Oval Office, along with McCain and congressional leaders from both parties. Henry M. Paulson Jr., the Treasury secretary, was developing a bank bailout by which the Treasury would buy up to $700 billion in shaky mortgage-backed securities — "troubled assets" — a plan that eventually became the Troubled Asset Relief Program, or TARP. He needed votes, and Republicans weren't going for it. Nobody wanted to be seen as a friend of the banks.

"We're sitting around a table, McCain is on one side, I'm on the other, Bernanke and Paulson and President Bush," Obama recalled. "Paulson says, 'If we don't take action now, we could go into a free fall.' And given how bad the politics were, it was still very tempting for Nancy and Harry" — that is, the House speaker, Nancy Pelosi, and the Senate majority leader, Harry Reid — "to let the Republicans do what they needed to do."

Many within Bush's own party were supporting an alternative bill that was focused on mortgage-asset insurance and tax cuts. But Obama, convinced that anything short of a major bailout could lead to economic catastrophe, said Democrats should back Paulson's plan. They did.

It was a rare moment of bipartisanship, with long-term political consequences. To Obama, this was a necessary alliance with Wall Street and a Republican president. To many others, it looked like a sweetheart deal for the same people who created the mess; some critics wondered why he was not equally quick to help aggrieved homeowners through an aggressive mortgage-relief or forgiveness program. "The whole thing about financial crises is the tools that work are the ones that will make you look like you're in bed with the banks," said Timothy Geithner, an architect of TARP whom Obama made his Treasury secretary.

The strange hot-cold relationship with Wall Street made the next part of Obama's program extremely complicated. When Obama took office, he turned immediately to trying to pass a stimulus package. If TARP was meant to keep the economy out of free fall, the stimulus was meant to help it get back into good shape. The crucial questions was: How much money was needed?

Feb. 26, 2016 | President Obama touring the Saft America Advanced Batteries Plant in Jacksonville, Fla.CreditJim Watson/AFP/Getty Images

Many argue today that Obama's $800 billion plan, the one that eventually became law, was not enough. With a bigger boost, the economy would have recovered much more quickly and years of needless suffering could have been allayed. In truth, of course, the political headwinds against stimulus were extraordinary. Republicans dismissed it as an irresponsible shopping spree that would leave the country in even greater debt. Boehner physically threw the bill on the ground, arguing that it was "nothing more than spending, spending and more spending." But Democrats, led by the "deficit hawk" wing of the party, also fought against anything too ambitious, and Obama, still in the first month of his presidency, was left in the position of negotiating with his own party, such that he was just barely able to get the $800 billion on a straight party-line vote.

At first, the results of the stimulus were just as feeble as a stalwart Keynesian might predict. The economy needed a big injection, but it got only a medium-size one, so it continued to falter. A January 2009 report from the president's Council of Economic Advisers projected that the stimulus would keep unemployment below 8 percent. Instead, it climbed to 10 percent in 2009 and only fell back below 8 percent in 2012, leading to criticism that the stimulus was ineffective. Obama's critics regularly trot out the talking point that Obama's economy is "the worst recovery since World War II."

Judged solely by the growth of gross domestic product, that is accurate. But Kenneth Rogoff, a Harvard economics professor and co-author of "This Time Is Different," a well-regarded history of financial crises, scoffed when I mentioned the "worst recovery" epithet. "Well, have we had a systemic financial crisis since World War II?" he asked rhetorically. "I mean this was like nothing we've experienced since World War II. The 1982 Volcker recession was nothing compared to this, and so you have to look at the nature of the shock."

Obama, though, was unable or unwilling to rhetorically underscore the severity of the crisis as it unfolded, so perhaps what should have been seen as successes were seen as failures. "It was a delicate balance throughout 2009 and 2010 to be straight with the American people about the depths of the problem, how close we were to disaster, without scaring the heck out of them," Obama said.

Beyond the messaging challenge, Obama faced a practical bind as well: Just as he was trying to reinflate the economy, he was also being forced to cut government jobs, under pressure from Republicans who contended that government bloat and the cost of it could create our next financial crisis. Call it an anti-stimulus. "This is the first recovery where you actually saw the government work force decline, and that created this massive fiscal drag throughout the recovery," Obama said.

Despite all this, over the course of his presidency, Obama has actually been able to oversee a much larger stimulus than has been typically reported. If you add up all of his administration's classic stimulus measures, including the many tax breaks the administration extended, you get $1.4 trillion, a figure that is nearly twice the original figure. The anti-stimulus, then, was counteracted by a stealth stimulus.

"Progressives don't fully appreciate the degree to which the 2011 budget deal not only averted a potential default but actually limited the potential damage of a newly emboldened Congress in imposing austerity on a still-fragile recovery," Obama said. "And by me winning in 2012 and getting the Bush tax cuts for the upper 2 percent repealed, we ended up getting a grand bargain. It's just we got it sequentially instead of all at once."

When I asked Barney Frank about how history will judge the recovery, he was simultaneously rueful and amused. As chairman of the House Financial Services Committee, Frank was one of the major legislative architects of Obama's economic program. "You get no credit for disaster averted or damage minimized," Frank said. By way of illustration, he described a bumper sticker that a friend made him in 2010, with a slogan that could have worked just as well for Obama: "Things would have sucked worse without me." Frank, with a halfhearted laugh, added, "That's not a very salable message."

Often in our conversations, the president expressed a surprising degree of identification with America's business leaders. "If I hadn't gone into politics and public service," Obama told me, "the challenges of creating a business and growing a business and making it work would probably be the thing that was most interesting to me." His showy embrace of capitalism was especially notable given his fractious relationship with Wall Street and the business community for much of his first term.

In December 2009, Obama was not reluctant to chastise bankers. "I did not run for office to be helping out a bunch of fat-cat bankers on Wall Street," he told Steve Kroft on "60 Minutes." "The people on Wall Street still don't get it. They don't get it. They're still puzzled, 'Why is it that people are mad at the banks?' "

Given the national mood at the time, Obama's words shouldn't have come as a surprise to the business leaders. But the financial sector had buoyed Obama's campaign, giving him $16 million in political support, nearly twice what McCain received from it, and some executives responded to his new populism in emotional terms. "It's a war," Stephen Schwarzman, a co-founder of Blackstone Group, the giant private-equity firm, said of Obama in 2010 and his effort to close a tax loophole that benefited the industry. "It's like when Hitler invaded Poland in 1939." (Schwarzman later apologized.) Others seemed more concerned with the language itself. In 2011, Leon Cooperman, a billionaire hedge-fund manager, wrote a public letter to Obama, saying: "The divisive, polarizing tone of your rhetoric is cleaving a widening gulf, at this point as much visceral as philosophical, between the downtrodden and those best positioned to help them. It is a gulf that is at once counterproductive and freighted with dangerous historical precedents."

When I asked him about these reactions, Obama laughed. The criticism he leveled at Wall Street "was extraordinarily mild," he said, but "it hurt their feelings. I would have some of them say to me, 'You know, my son came home and asked me, 'Am I a fat cat?' " He laughed again.

July 21, 2010 | Obama signing the Dodd-Frank Wall Street Reform and Consumer Protection Act alongside members of Congress, his administration and Vice President Joe Biden in Washington.CreditRod Lamkey Jr./AFP/Getty Images

Obama's rhetoric does seem mild, at least compared with the withering contempt of, say, Franklin Roosevelt, who, laying out the objectives for the second stage of the New Deal in 1936, said that reckless bankers and speculators are "unanimous in their hate for me — and I welcome their hatred." Obama, to the contrary, seems to find their hatred irritating. "One of the constants that I've had to deal with over the last few years is folks on Wall Street complaining even as the stock market went from in the 6,000s to 16,000 or 17,000," he said. "They'd be constantly complaining about our economic policies. That's not rooted in anything they're experiencing; it has to do with ideology and their aggravations about higher taxes."

Wall Street's biggest fight with Obama was over the Dodd-Frank Wall Street Reform and Consumer Protection Act, which Obama signed into law in the summer of 2010. The legislation, which runs to 2,223 pages, limited Wall Street's riskiest trading schemes, established the Consumer Financial Protection Bureau and created a system to wind down failing banks without taxpayer-funded bailouts and break up banks that don’t comply. Like the stimulus, Dodd-Frank has been seen as both going too far and not far enough.

Some economists have suggested that the reform package, combined with the Federal Reserve’s efforts to force the banks to hold more capital, most likely slowed lending and potentially economic growth in the short term. The new rules may have been sensible in the aftermath of the crisis, but they did take an economic toll. “Growth requires access to capital to finance investments in plant, equipment, technology, and workers,” said Douglas Holtz-Eakin, a former director of the Congressional Budget Office who now runs American Action Forum, a right-leaning research group. “Dodd-Frank made capital scarcer and more expensive at a time when the weak economy desperately needed a boost to growth.” Holtz-Eakin estimated in 2015 that the regulations would shave $895 billion off gross domestic product over the next decade.

Obama sees the legislation in more complicated terms. He said that he liked the film “The Big Short” — a vivid portrayal of the 2008 crisis with a special emphasis on the avarice of its main architects — but not its ending. It suggests, wrongly, he said, that nothing has changed on Wall Street. The financial sector “is bigger, absorbs more resources and maybe most importantly, more talent than I would like to see. I would like folks who are really good at math to be going into engineering and the sciences more than they’re going into trying to build algorithms to beat the market and to work arbitrage,” he said.

“But there is no doubt that the financial system is substantially more stable,” he said. “It is true that we have not dismantled the financial system, and in that sense, Bernie Sanders’s critique is correct” — a reference to the Vermont senator and presidential aspirant who regularly calls to break up America’s biggest banks. “But one of the things that I’ve consistently tried to remind myself during the course of my presidency is that the economy is not an abstraction. It’s not something that you can just redesign and break up and put back together again without consequences.”

The Saft America plant, a giant 235,000-square-foot mass of concrete, is a modern marvel: its roof covered in row upon row of solar panels, embodying the renewable future that the batteries manufactured within are meant to sustain. (The main customer for the batteries was originally meant to be electric-car manufacturers, but the company is now selling mostly to utilities who want to store solar and wind energy.) Obama spoke from a makeshift stage set up at the center of the factory floor, an

American flag and a Saft logo perfectly positioned behind him to catch the sight lines of the photographers.

"The reason I'm here today is because Saft is telling a story about the amazing work that people all across this country have done to bring America back from one of the worst financial crises in our history," Obama said, surveying the crowd.

He added: "Anybody who says we are not absolutely better off today than we were just seven years ago, they're not leveling with you. They're not telling the truth."

The story Obama told was one of American ingenuity and growth since the financial crisis. Unemployment in Florida peaked at 11.2 percent in 2009, higher than the national average, and the state was a center for home foreclosures. Saft America was an example not of the government's effort just to reduce unemployment right now, which it has, but also to spur investment in the next-generation green technologies, like lithium-ion batteries, that will help the economy expand for decades to come.

In a way, though, the plant was inadvertently telling a more complicated story, about globalization and the changing nature of commerce. Saft America is a unit of Saft Groupe, a French company with holdings around the world. Sales of lithium-ion batteries have been considerably slower than anticipated, and the factory has yet to turn a profit. The French parent doesn't expect profitability for another two or three years and has already written down part of its investment on the factory.

Here was a factory built, in part, with U.S. government dollars for the benefit of the local and national economy. Yet the factory, its technology and its patents are all owned by a foreign corporation. Its French chief executive is almost completely detached from the community here in Jacksonville; he did not even attend Obama's speech. And the factory's profits, to the extent they ever come, may very well be sent abroad instead of being reinvested here.

June 17, 2009 | Obama and the Treasury secretary, Timothy F. Geithner, left, and Ben Bernanke, chairman of the Federal Reserve, meeting with bank regulators in the White House. CreditMandel Ngan/AFP/Getty Images

The factory visit might also tell a more complicated story about the presidency. It has always been the case that voters credit or, more often, blame the president for the nation's economic performance. But it is also the case that the president generally has considerably less sway to move the economy than even he might like to acknowledge.

And as the economy continues to disperse, that sway may be diminishing further. A president has less power than ever, in either a hard- power (legal/regulatory) or soft-power (cultural) sense, over American chief executives, let alone over the chief executives of multinationals based in France or China or other places where many U.S. employers make their headquarters.

In the assembly room after the speech, Obama acknowledged as much. "When you're talking about inversions," Obama said, referring to the practice whereby American companies effectively move overseas, "or you're talking about C.E.O. perks or the gap between what the assembly-line worker is making compared to what the C.E.O. is making, all those things used to be constrained by the fact that you live in the city, you're going to church in that city, your kids might be going to the same school as the guy who is working on the assembly line because public schools actually were invested in," Obama said. "And all those constraining factors have been greatly reduced or, in some cases, eliminated entirely. And that contributes to the trends toward inequality. That contributes to, I think, a divergence between how the people who run these companies and economic elites think about their responsibilities and the policies that they promote with political leaders. And that's had, I think, a damaging effect on the economy overall."

Leaning forward in his chair, Obama described the profound structural shifts in the economy over the past two decades that voters often don't appreciate or acknowledge. "If you are a blue-collar worker, you saw manufacturing head out to China," he said. "You're in a town, the plant closes. But — in part because of the housing bubble — a whole bunch of blue-collar manufacturing workers could suddenly shift into construction."

The underlying economic decay was covered up by cheap credit, as homeowners made up for the shortfall in wage growth with low-interest second mortgages and unprecedented loads of credit-card debt. And that "meant that people felt pretty good in terms of their purchasing power even though their underlying situations hadn't improved appreciably," Obama said. Then the bubble bursts, "and suddenly they get washed away." Those construction jobs have returned slowly, and many of those manufacturing jobs never came back at all.

"They'd be much worse off had we not taken the steps that we took," Obama said. "But they have a sense that it's a little more of a struggle for them than it might have been for their parents or for their grandparents."

Obama considered the problem from a political perspective. "In some ways," he said, "engaging in those hard changes that we need to make to create a more nimble, dynamic economy doesn't yield immediate benefits and can seem like a distraction or an effort to undermine a bygone era that doesn't exist. And that then feeds, both on the left and the right, a temptation to say, 'If we could just go back to an era in which our borders were closed,' or 'If we could just go back to a time when everybody had a defined-benefit plan,' or 'We could just go back to a time when there wasn't any immigrant that was taking my job, things would be O.K.' " He didn't mention Donald Trump or Bernie Sanders by name, but the implications were obvious.

Perhaps the biggest economic shift during Obama's presidency came from a piece of legislation that wasn't sold as such. On March 21, 2010, Congress passed the Affordable Care Act, better known as Obamacare.

It was Obama's boldest piece of legislation and the one that will most likely define him. It has been largely viewed as a social program, a way to provide health insurance to tens of millions of uncovered citizens. But the bill, which affected not just insurance companies but doctors, hospitals and pharmaceutical companies, also had an immediate and growing impact on the economy as a whole. The health care industry accounts for 17.5 percent of the U.S. gross domestic product, and health care spending accounts for 8 percent of the average household budget. Of course, the largest economic challenge most Americans ever confront comes in the form of a sudden health crisis. "In the long term," Sperling told me, "the Affordable Care Act will actually be seen as one of the great economic accomplishments, not just health care, economic. Because it actually is closing a key part of the insecurity gap."

In closing that gap, though, Obama has been confronted with a knotty economic and political paradox. The legislation was designed to slow the growth of health care costs, even as it extended coverage. Slowing the growth of an industry that accounts for nearly a fifth of the U.S. economy is inevitably going to mean slowing the growth of the economy as a whole. The legislation was also designed to exert a more subtle economic influence. For most of the postwar era, most Americans received health insurance from their employers, in the form of benefits. If they quit their jobs or were fired, they could lose those benefits, and if they had a pre-existing condition, they could have a hard time getting them back, even if they got a new job with good benefits elsewhere. That meant they would be much less likely to leave a job, and that meant employers could be a little less worried about raising wages, because they had a somewhat captive work force. In the age of the gig economy, more portable insurance could transform the way we work and potentially have a real effect on wages in some sectors.

In 2014, the Congressional Budget Office released a report estimating that the Affordable Care Act would "reduce the total number of hours worked, on net, by about 1.5 percent to 2.0 percent during the period from 2017 to 2024" — a seemingly disastrous outcome for the economy. But, the director of the office, Doug Elmendorf, later wrote, "The reason for the reduction in the supply of labor is that the provisions of the A.C.A. reduce the incentive to work for certain subsets of the population." In other words, a lot of people worked because they had to, in order to keep their insurance. Now they could quit, even if they were sick; a positive development for them, but with a perverse effect on the economy.

And for all of that, Americans do not yet seem to be feeling the benefits of the new program, in part because the benefits remain uncertain. "If your health care premiums go up by 6 percent, you're still irritated," Obama said, "even though the trend lines have been those premiums are going up 15 percent."

Oct. 9, 2013 | Obama, Bernanke and Janet Yellen leaving the State Dining Room of the White House after Obama nominated Yellen to be Bernanke's successor. CreditJewel Samad/AFP/Getty Images

Republicans were unanimously opposed to the bill, and Obama could pass only so much major legislation before the congressional election that many expected to flip House control from the Democrats to the Republicans, as it indeed did. That meant that he had to choose the A.C.A. over any number of other high-priority agenda items, including another stimulus, perhaps in the form of a massive infrastructure bill, which would have given the economy an unambiguous boost. "If you went back a few years, you might say, 'Well, he should've focused even more on pushing through a bigger fiscal stimulus, which he could have if he wasn't going for the Affordable Care Act," Rogoff said. "That was a trade-off he made, and it cost him."

Obama knows it. “The fact of the matter is, is that our failure in 2012, 2013, 2014, to initiate a massive infrastructure project — it was the perfect time to do it; low interest rates, construction industry is still on its heels, massive need — the fact that we failed to do that, for example, cost us time,” Obama said. “It meant that there were folks who we could have helped and put back to work and entire communities that could have prospered that ended up taking a lot longer to recovery.”

After 2010, all that was available to Obama was executive action: The ascendant G.O.P. made anything else nearly impossible. So the president turned more and more to regulatory rule changes and executive orders. He raised the minimum wage for federal contract workers to $10.10; he overhauled immigration policy to protect some illegal immigrants from deportation (the Supreme Court just heard a case to overrule the action); he signed an order calling on government agencies with oversight of industry to find ways to make them more competitive, like pressing cable companies to let customers use cable boxes made by rivals. But without Congress, the big legislative moves, the ones that would really change history, seemed past.

“I can probably tick off three or four common-sense things we could have done where we’d be growing a percentage or two faster each year,” Obama said. “We could have brought down the unemployment rate lower, faster. We could have been lifting wages even faster than we did. And those things keep me up at night sometimes.”

When the president’s motorcade left Saft to head back to Air Force One, I noticed something unusual: The plant’s parking lot was extremely small. It dawned on me that Obama’s tour of the factory, filled with photo ops and handshakes, had included very little interaction with workers. Instead, he was shown machine after machine, mostly operated by computers. At one point, he was introduced to WALL-E, a robot named after the Pixar film that takes battery components from a tray. No employees necessary. This giant mecca of innovation, a physical marvel that if built several decades ago would have easily employed a few thousand people, employs only 300.
It was a scene that underscored a challenge facing the U.S. economy and one that may be the driving factor behind greater inequality: We’re not only losing jobs to overseas competition, we’re losing them to technology. Obama noted the robots, too. “We just saw here those robots were pretty impressive, but also pointed to the direction the economy is going,” he said.

He clearly recognizes the problem — he said he spends a lot of time thinking about it — but he also knows the solutions will come only when he is long out of office. Many citizens, he said, back on Air Force One, "have to worry about retraining at some point in their careers, because they can't anticipate being in one place for 30 years. The occupational mix in the economy places greater demands on people because it's changing more rapidly. And all of this makes people feel that they don't know what's around the corner." For whatever sense of "uncertainty" business leaders lament, this may be a much more profound sense of uncertainty.

"It's one of the reasons that I pursued the Trans-Pacific Partnership," he said, bringing up the free-trade pact that, uniquely, has divided both parties, "not because I'm not aware of all the failures of some past trade agreements and the disruptions to our economy that occurred as a consequence of globalization, but rather my assessment that most trends are irreversible given the nature of global supply chains, and so we better be out there shaping the rules in ways that allow for higher labor standards overseas, or try to export our environmental standards overseas so that we have more of a level playing field."

Whether a president can truly improve, or damage, an economy remains an open question. The greatest economic power might in fact remain in the hands of the Federal Reserve. Economists credit the Fed's policy of keeping interest rates at historic lows with helping to pump up the economy and bring unemployment down. At the same time, the Fed has been blamed for widening inequality, swelling the price of real estate and corporate profits, even as savers and retirees dependent on fixed-income assets have suffered.

That can cut either way in terms of a president's economic legacy. Critics of Obama, including the new House speaker, Paul Ryan, credit Ben Bernanke, the former Federal Reserve chairman, and Janet Yellen, the current chairwoman, for whatever recovery we've had since the crisis, contending it happened in spite of the president. "I think the Federal Reserve has done more," Ryan said at a January news conference. Frank, for his part, almost jumped through the phone when I mentioned that argument during an interview. "And Bernanke and Yellen were appointed by whom? Neither Bernanke or Yellen would have been able to do what they were doing without his full backing."

Ultimately, however, Obama said the lessons of his time in office are being misunderstood in the election campaigns. "If you look at the platforms, the economic platforms of the current Republican candidates for president, they don't simply defy logic and any known economic theories, they are fantasy," Obama said. "Slashing taxes particularly for those at the very top, dismantling regulatory regimes that protect our air and our environment and then projecting that this is going to lead to 5 percent or 7 percent growth, and claiming that they'll do all this while balancing the budget. Nobody would even, with the most rudimentary knowledge of economics, think that any of those things are plausible."

He continued: "If we can't puncture some of the mythology around austerity, politics or tax cuts or the mythology that's been built up around the Reagan revolution, where somehow people genuinely think that he slashed government and slashed the deficit and that the recovery was because of all these massive tax cuts, as opposed to a shift in interest-rate policy — if we can't describe that effectively, then we're doomed to keep on making more and more mistakes."

Andrew Ross Sorkin is a financial columnist for The New York Times, founder and editor at large of DealBook and co-anchor of CNBC's "Squawk Box."

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