

WebMemo



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Obama Jobs Deficit Further Evidence of Failure

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“You are what your record says you are.” So says Bill Parcells, three-time Super Bowl-winning coach. Professional sports, athletes, coaches, and commentators can spin the numbers with the best of politicians, but in the end you are what your record says you are. The record for the first two years of President Obama’s economic policies is pretty dismal: National debt up \$2.9 trillion; unemployment rate holding at a lofty 9.6 percent; and Obama’s personal metric—the Obama jobs deficit—up to 7.6 million workers. (See Chart 1.)

Not Your Father’s Recovery. The Great Recession ended in June 2009. The economy should be accelerating smartly, creating jobs at a prodigious rate. At this stage of the Reagan recovery from the last deep recession in the early 1980s, the economy had created almost 4 million jobs, or 6 million jobs when adjusting for the size of the labor force. In contrast, under Obama the economy has lost nearly a half million jobs since the recovery began; the growth rate remains stuck around 1 percent; and the economy is sufficiently weak that the Federal Reserve is about to embark on yet another round of quantitative easing to fend off deflation.

The latest jobs report from the Department of Labor (DOL) tells the tale. The unemployment rate remains stuck at 9.6 percent, and would be much higher but for the nearly 800,000 who have left the workforce and the hundreds of thousands of potential new entrants who remain on the sidelines. Though down from a peak of 10.1 percent a year ago, the modest improvement through the early summer has now stalled.

Initial estimates from the payroll survey indicate the economy overall lost another 95,000 jobs in September. This is the fourth consecutive month of net job loss due largely to government shedding jobs associated with the decennial census. The private sector managed to create 64,000 net jobs consistent with a slow-growth recovery, but the rate of private sector job growth has declined two months running and is now half what it was just two months ago.¹

The weak jobs data also means the Obama jobs deficit (the difference between current employment and the jobs Obama promised to create by the end of 2010) now stands at 7.6 million workers—7.6 million citizens, promised jobs if Obama was elected and his economic program instituted, are still out of work. Unfortunately, continued weakness in the economy indicates they will be out of work for months or years to come, perhaps as long as Obama adheres to his big-government, anti-business ideology.

Obama Failing to Make Good on Jobs Promises. Set during the campaign in the fall of 2008, the President’s original target for jobs creation was 2.5 million jobs. But as employment fell at the end of 2008, he increased the employment target by 1 million to 3.5 million jobs.² At the time, employment

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stood at about 135.1 million, according to the DOL's most commonly used measure. This establishes the Obama jobs target for December 2010 at 138.6 million. It also establishes a basic trajectory

for employment the economy would need to approximate to hit that target.

According to the latest jobs report, total U.S. employment stood at 130.2 million in September, which means the cumulative Obama jobs deficit—the difference between the end target and the current employment level—stands at 7.6 million.³

Accompanying his jobs promise, the President also emphasized accountability and measuring his presidency by results. By his own official forecast and by his own standard, the Obama jobs deficit attests to the failure of his policies.

Why Has the Obama Stimulus Failed? The centerpiece of Obama's short-term stimulus program was \$862 billion in poorly targeted tax cuts and ineffectual spending increases he signed into law in February 2009, since supplemented by a number of smaller budget-busting "jobs" bills. Obama had one big shot at really helping the economy and he took it, holding nothing back. As short-term economic stimulus it was doomed from the outset because it was based on the erroneous assumption that deficit spending can increase total demand in a slack economy.

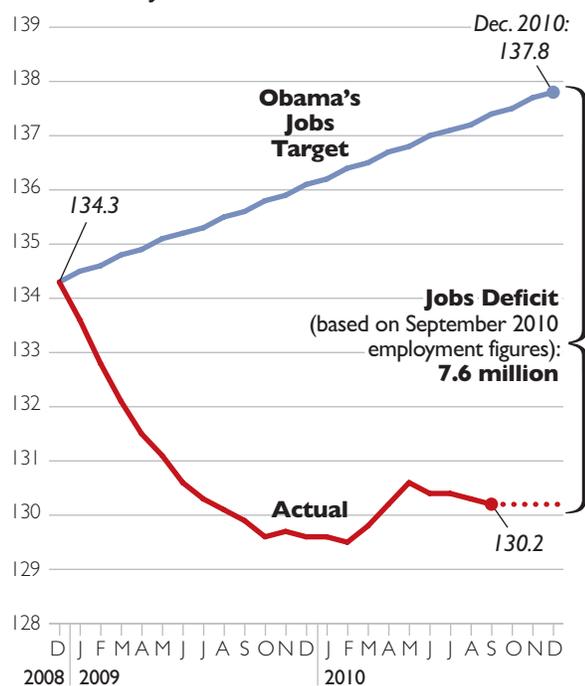
The theory underlying Obama's stimulus was that the economy was weak because total demand was too low. The suggested solution is then to increase demand by increasing government spending, exploding the deficit in the process.

This theory of demand manipulation through deficit spending ignores the simplest of realities: Government spending must be financed. So to finance deficit spending, government must borrow from private markets, thereby reducing private demand by the same amount as deficit spending increases public demand.⁴ In effect, the theory says that if I take a dollar from my right pocket to my left, then I'm a dollar richer. No wonder it always fails.

Obama Jobs Deficit: 7.6 Million Jobs

President Obama pledged to create 3.5 million new jobs by 2010, which would place total U.S. employment at 137.8 million. Using that figure as a target, Obama's jobs deficit currently stands at 7.6 million.

Total U.S. Employment, Targeted and Actual, in Millions of Jobs



Note: Figures have been rounded.

Source: Heritage Foundation calculations and U.S. Department of Labor; Bureau of Labor Statistics, "The Employment Situation—September 2010," Table B-1, at <http://www.bls.gov/news.release/pdf/empst.pdf> (October 8, 2010).

Chart 1 • WM 3035 heritage.org

1. Press release, "Commissioner's Statement on the Employment Situation," U.S. Department of Labor, Bureau of Labor Statistics, October 8, 2010, <http://www.bls.gov/news.release/empst.nr0.htm> (October 8, 2010).
2. Christianne Klein, "Obama's 3.5 Million Jobs Wishful Thinking?," NECN, January 10, 2009, at <http://www.necn.com/Boston/Business/2009/01/10/Obamas-35-million-jobs/1231629605.html> (October 7, 2010).
3. The actual figure is 7.58 million (138.58 million in December 2010 minus 131 million in November 2009).
4. See J. D. Foster, "Keynesian Fiscal Stimulus Policies Stimulate Debt—Not the Economy," Heritage Foundation Backgrounder No. 2302, July 27, 2009, at <http://www.heritage.org/Research/Economy/bg2302.cfm>.

Obama Tax Hike Weakening Job Creation. The federal government cannot stimulate the economy in the short term by increased borrowing and shuffling demand across the economy through wasteful deficit spending. But government can stimulate the economy by improving incentives and the general economic environment. Unfortunately, the massive tax hike Congress and the President are threatening by allowing the 2001/2003 tax relief to expire at the end of this year is already draining vitality from the economy and job creation.

Businesses invest when they are confident enough to take risks in pursuit of opportunity. Individuals and businesses across the nation see tremendous opportunities for starting new businesses, investing, hiring new workers, expanding into new markets. Many are holding back, however, due to concerns about the economy, while others are holding back due to concerns about the threatening policies from Washington, most espe-

cially the tax hikes Obama promised and Congress intends to deliver.

Economic Malpractice. For private sector job creation to accelerate to bring down the unemployment rate and the Obama jobs deficit, step one is for Washington's job destruction machine to take a long vacation. The intentions of Obama and his congressional allies to raise tax rates on small businesses, on capital gains and dividends, and through the death tax goes well beyond ideology to economic policy malpractice. Obama should press Congress to forgo all tax hikes—especially those on work effort, small businesses, savers, and investors—at least until the economy has created enough jobs to return the country to full employment.

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