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Obama Jobs Deficit Grows: 651,000 Reasons to Cut Tax Rates

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President Obama pledged to create 3.5 million new jobs by 2010. He has also repeatedly emphasized accountability and measuring his presidency by results. The President's jobs promise means total employment should be at least 138.6 million by 2010. Unfortunately, though, his policies will more likely decrease employment than reach his target.

The Growing Jobs Deficit. Perhaps reflecting his focus on accountability, President Obama's jobs target was chosen carefully. The original target, set earlier in the fall of 2008, was 2.5 million jobs, but as employment fell by 1 million at the end of 2008, the President increased the employment target by 1 million in December 2008 to 3.5 million.

At the time, the U.S. economy employed about 135.1 million people, according to the Department of Labor's (DOL) most commonly used measure of employment. According to the DOL's latest jobs report, total U.S. employment fell 651,000 in February to 133.8 million jobs, leaving the President with a jobs deficit to close of 4.8 million.

The February jobs report underscores how the U.S. economy is weakening rapidly. The latest estimate indicates the economy contracted at a 6.2 percent annualized rate in the fourth quarter, and indications thus far suggest the rate of contraction has changed little going into 2009. Further, the U.S. recession is now part of a deep, synchronized, and worsening downturn in much of the rest of the world.

Reaching the Jobs Target. The President has said he intends to close his jobs deficit through his various tax, spending, housing, and financial markets policies. To that end, he advocated and signed legislation to balloon the budget deficit by $787 billion. He then released a budget for 2010 and beyond that raises taxes, stimulates government spending to new heights, and doubles the national debt.

The budget also calls for a massive new cap-and-trade system to allow the government to micromanage the economy while raising hundreds of billions in new taxes on American businesses.

He provided the outline of a plan to strengthen the housing industry and another to deal with financial markets, and details of both plans continue to trickle out to little enthusiasm from the markets.

Unfortunately, the President's policies announced thus far will weaken the economy in the near term rather than strengthen it. President Obama will need to change course quickly toward true pro-growth tax and spending policies to close his jobs deficit. An effective policy would abandon efforts to grow the government and focus instead on improving incentives for individuals and businesses to grow the economy. Here again, the President's budget goes the wrong way.

Under the President's budget, the economy today faces massive tax hikes beginning in 2011,

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especially on small businesses, investors, and savers. While the tax hikes would take effect in 2011, their consequences are felt now as businesses and individuals reduce investments today that will face the higher rates tomorrow. The President should commit to opposing any tax increases at least until 2013 so market forces can focus on recovery without the near-term threat of higher taxes.

The Right Path to Job Growth. Effectively stimulating the economy requires more than not depressing it, however. It requires Congress passing legislation the President signs to reduce impediments to starting new businesses, hiring, working, and investing. That means:

- Further reducing statutory tax rates,
- Reducing regulatory burdens where possible, and
- Cutting spending to take pressure off of interest rates and leave more of the nation's productive resources in the hands of the more productive private sector.

This is the path President Obama must pursue now to close the jobs deficit and make good on his promise to drive employment to 138.6 million jobs by the end of 2010.

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