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Obama Jobs Deficit Grows by Another 563,000

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Today's release of the nation's employment figures by the Department of Labor puts the final touches on the "Obama's first 100 days story."[1] Through his first 100 days in office, employment has dropped by about 2 million jobs[2] while the unemployment rate has hit 8.9 percent, the highest in almost 26 years.[3]

Of course, President Obama's policies cannot be blamed for these job losses. They reflect the Global Great Recession, which was well underway before his term in office began. However, the President has repeatedly 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, leaving him with a deficit to close of about 6.2 million jobs.

Unfortunately, the President's policies will more likely decrease employment than help to reach his target. Policies like higher tax rates on small businesses, sustained massive budget deficits, doubling the national debt (and the consequent upward pressure on interest rates), and the building threats of government meddling in companies are eroding the foundations of the economy today and for the future.

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 to 3.5 million in December 2008. At the time, the U.S. economy employed about 135.1 million people according to the Department of Labor's most commonly used measure of employment.

According to the latest jobs report, total U.S. employment fell 539,000 in April. Combined with downward revisions to the February and March estimates, employment now stands at 132.4 million jobs, leaving the President with a jobs deficit to close of 6.2 million.

The April jobs report underscores how the U.S. economy continues to weaken. The latest estimate indicates the economy contracted at a 6.1 percent annualized rate in the first quarter, almost matching the 6.3 percent rate of decline in the fourth quarter.

While the economy is exhibiting pockets of somewhat greater strength, further contraction in the second quarter is likely. Further, the U.S. recession is now part of a deep, synchronized, and worsening downturn in much of the rest of the world, making recovery in the U.S. economy that much more difficult.

Reaching the Jobs Target. The President has said he intends to close his jobs deficit through his vari-

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ous 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. At this point, the only measure growing faster than the President's jobs deficit is his budget deficit, which is expected to increase by almost $1.4 trillion compared to 2008.

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, 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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1. See U.S. Department of Labor, April 2009 Employment Report, at *http://data.bls.gov/cgi-bin/print.pl/news.release/empsit.nr0.htm* (May 8, 2009).
2. This is the total jobs lost in a pro-rated estimate for January, plus jobs lost in February through April.
3. For analysis of the jobs report, see James Sherk, "April Employment Report Showers Doubt on Detroit Bailout," Heritage Foundation *WebMemo* No. 2428, May 8, 2009, at *http://www.heritage.org/Research/Economy/wm2428.cfm.*