

# WebMemo

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## Obama Jobs Deficit Swells Again by Nearly Half a Million

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Today's release of the nation's employment figures by the Department of Labor (DOL) show that the nation is still waiting for even a few of President Obama's 3.5 million jobs saved or created, or his 600,000 jobs saved or created, or even his 150,000 jobs saved or created. So far in his term in office employment has dropped by about 2.6 million jobs, while the unemployment rate has hit 9.5 percent, the highest in almost 26 years.<sup>1</sup>

No one knows for sure how many of these job losses are due to the recession Obama inherited and how much is due to his own policies whether executed, enacted, or proposed. He does bear the responsibility for the ineffectiveness (at best) of those policies in restoring the economy and the immense damage those policies will do to the economy in the longer term. This responsibility was memorialized in the President's repeated pledge to create 3.5 million jobs by the end of 2010. His jobs promise means total employment should be at least 138.6 million in 2010, leaving him with a total deficit to close that now stands at 6.9 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 the Treasury Department has decided it likes managing 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 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 DOL's most commonly used measure of employment. According to the latest jobs report, total U.S. employment fell 467,000 in June to 131.7 million.

The President's original jobs claim was soon followed by a claim that the economic stimulus had saved or created 150,000 jobs in the first half of the year, this at a time when employment fell 1.6 million.<sup>2</sup> This claim was followed by another that economic stimulus would save or create 600,000 jobs this summer, an outcome that, under the circumstances, would be nothing short of miraculous.

Much has been made of the President's carefully chosen wording that jobs would be "saved or created." As Senator John Ensign (R-NV) argued in his cross-examination of Treasury Secretary Timothy

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Geithner on March 4, the reference to jobs saved is a sophistry that cannot be taken seriously:

You created a situation where you cannot be wrong. If the economy loses 2 million jobs over the next few years, you can say yes, but it would've lost 5.5 million jobs. If we create a million jobs, you can say, well, it would have lost 2.5 million jobs. You've given yourself complete leverage where you cannot be wrong, because you can take any scenario and make yourself look correct.<sup>3</sup>

The President's promise with regard to employment is meaningless if it cannot be verified, and it can be verified only against a standard of job gains.

From where the economy stands today, employment would have to grow by 6.9 million jobs by the end of 2010 to reach the President's target. Another perspective is provided by charting the progress employment would need to make over 2009 and 2010 to reach the target of 138.6 million against actual employment to date. As Chart 1 indicates, there is a yawning gap between the President's hoped-for trajectory and actual employment levels.

**Reaching the Jobs Target.** The June jobs report underscores how the U.S. economy continues to weaken. The latest estimate indicates the economy contracted at a 5.7 percent annualized rate in the first quarter, almost matching the 6.3 percent rate of decline in the fourth quarter.

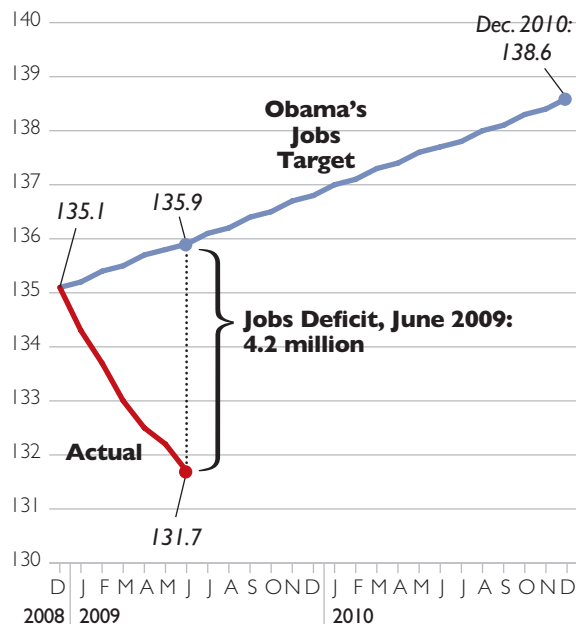
While the economy is exhibiting pockets of somewhat greater strength, further contraction in the second quarter is likely. Further, the U.S. recession is now part of a deep, synchronized, and worsening downturn in much of the rest of the world, making recovery in the U.S. economy that much more difficult.

The President has said he intends to close his jobs deficit through his various tax, spending, hous-

## Obama Jobs Deficit Swells to 4.2 Million

President Obama pledged to create 3.5 million new jobs by 2010, which would place total U.S. employment at 138.6 million. Following that trajectory, Obama's jobs deficit grew from 3.6 million to 4.2 million in June.

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



Sources: Heritage Foundation calculations and U.S. Department of Labor, Bureau of Labor Statistics, "The Employment Situation," January to June 2009, Economic News Releases, Table A-1, at <http://www.bls.gov/news.release/pdf/empstat.pdf> (July 2, 2009).

Chart 1 • WM 2520 [heritage.org](http://heritage.org)

ing, 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.

1. See U.S. Department of Labor, Bureau of Labor Statistics, "Employment Situation Summary," July 2009, at <http://data.bls.gov/cgi-bin/print.pl/news.release/empstat.nr0.htm> (July 2, 2009).
2. The economy lost 1.6 million jobs in the second quarter of 2009, roughly corresponding to the first three months following enactment of the economic stimulus legislation.
3. CQ Congressional Transcripts, "Senate Finance Committee Holds Hearing on the Fiscal 2010 Budget," March 4, 2009, at <http://www.cq.com/display.do?dokey=/cqonline/prod/data/docs/html/transcripts/congressional/111/congressionaltranscripts/111-000003065966.html@committees&metapub=CQ-CONGTRANSCRIPTS&searchIndex=2&seqNum=1> (July 2, 2009).

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 indi-

viduals 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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