

# WebMemo



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## Obama Jobs Deficit Stubbornly High

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Initial estimates from the Department of Labor (DOL) suggest that the unemployment rate increased in April to 9.9 percent, while the U.S. economy created on net 290,000 jobs.<sup>1</sup> While the figures are artificially elevated by the temporary surge of federal government hiring due to the decennial census, they nevertheless suggest an economy in recovery. They also mean that the Obama jobs deficit now stands at over 7.6 million workers, an enormous gap given the number of “jobs” bills Congress has passed, including Obama’s signature \$862 billion stimulus program.<sup>2</sup>

**Promises, Promises, and the Growing Jobs Deficit.** According to current figures the U.S. economy has now grown for three consecutive quarters, and total employment has grown four months in a row. This welcome news, in conjunction with other economic indicators, suggests a recovery gaining traction. This is a remarkable achievement given the enduring strains in financial markets, the depth of the recession, and the ongoing threats to prosperity issuing forth from Washington, from higher taxes on investment and small businesses to a heavier regulatory burden.

But this good news on the economy has done little to close the Obama jobs deficit—the difference between current total employment and the millions of jobs Obama promised to create through new economic policies, beginning with the massive economic stimulus package.

The President’s original target, set during the campaign in the fall of 2008, 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.<sup>3</sup> At the time, employment 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 April, which means the cumulative Obama jobs deficit—the difference between the end target and the current employment level—stands at over 7.6 million.<sup>4</sup>

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 that his policies have failed.

**Why Has the 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 eco-

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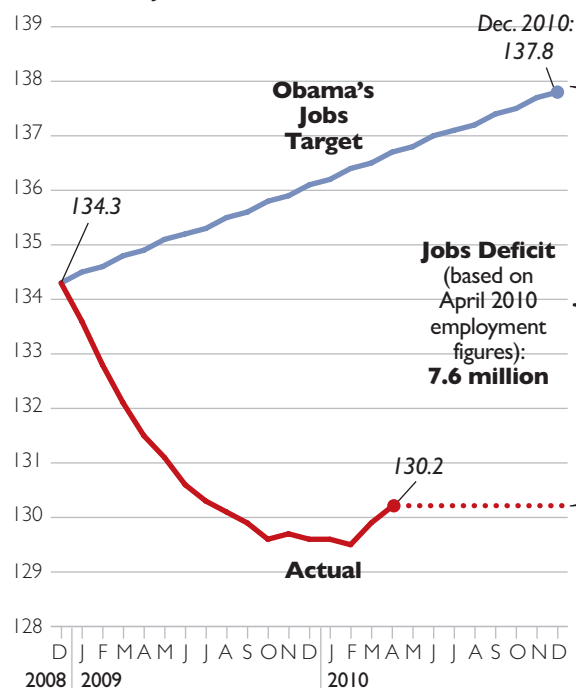
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## Obama Jobs Deficit: 7.6 Million Jobs

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—April 2010," Table A-1, at <http://www.bls.gov/news.release/pdf/empisit.pdf> (May 7, 2010).

Chart 1 • WM 2890 heritage.org

conomic 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.<sup>5</sup> 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.

**Next Steps.** The federal government can stimulate the economy in the short term not by increased borrowing and shuffling demand across the economy through wasteful deficit spending but rather by improving incentives and the general economic environment.

Businesses invest not when they are manipulated by Washington, but 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, and 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, and still others are hold-

1. Press release, "Commissioner's Statement on the Employment Situation," U.S. Department of Labor, Bureau of Labor Statistics, May 7, 2010, at <http://www.bls.gov/news.release/pdf/empisit.pdf> (May 7, 2010)
2. The original Congressional Budget Office (CBO) estimate of the bill was \$787 billion, but CBO included a re-estimate in its January 2010 Budget and Economic Outlook report. See Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2010 to 2020," January 2010, at <http://www.cbo.gov/ftpdocs/108xx/doc10871/frontmatter.shtml> (May 7, 2010).
3. *The Boston Globe*, "Obama's Goal Is 3.5 Million Jobs," January 10, 2009, at [http://multimedia.boston.com/m/21747745/obama-s-goal-is-3-5-million-jobs.htm?col=en-vid-pod\\_bcom-ep#q=creation](http://multimedia.boston.com/m/21747745/obama-s-goal-is-3-5-million-jobs.htm?col=en-vid-pod_bcom-ep#q=creation) (May 7, 2010).
4. The actual figure is 7.58 million (138.58 million in December 2010 minus 131 million in November 2009).
5. 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>.

ing back because existing tax and regulatory burdens are already excessive.

For private sector job creation to accelerate to bring down both the unemployment rate and the Obama jobs deficit, step one is for Washington's job destruction machine to take a long vacation.

**No Time for Experimentation.** The Obama budget deficit for is now projected by the Congressional Budget Office to reach \$1.5 trillion in 2010, pushing the national debt as a share of the economy to over 63 percent.<sup>6</sup> So while the Obama stimulus failed to strengthen the economy or create jobs, it did manage to push the United States on

a newly unsustainable path of unprecedented budget deficits.

The U.S. economy is on the precipice of recovery, but numerous serious threats remain, from a surge in domestic inflation to a sovereign debt crisis emanating out of Europe. The federal government needs to do what it can to shore up the recovery in fact, not in fantasy. The time for ideological experiments and feel-good policies is over.

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6. Douglas W. Elmendorf, Director, Congressional Budget Office, letter to the Honorable Daniel K. Inouye, March 5, 2010, at <http://www.cbo.gov/ftpdocs/112xx/doc11231/03-05-apb.pdf> (May 7, 2010).