

# ISSUE BRIEF

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## October's Obama Jobs Deficit One Last Clear Sign of Failure

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“You are what your record says you are.” So says Bill Parcells, three-time Super Bowl-winning coach. 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 on President Obama's economic policies is simply dismal. Despite a massive surge of deficit spending pushing publicly issued national debt to \$11.3 trillion, 12.3 million Americans remain out of work. Obama's personal metric—the Obama jobs deficit—stands at a lofty 7.7 million workers.

### **The Obama Jobs Deficit.**

President Obama promised during the 2008 campaign (and after) that under his policies, the economy would create millions of new jobs by the end of 2010. He also insisted

that he be held accountable for these results, a request that may soon come to pass. By December 2010, the Obama jobs deficit—the difference between the Obama jobs target and actual payroll employment—stood at 8.3 million jobs. That was 8.3 million examples of how Obama's policies, most especially his irresponsible deficit spending, have failed to deliver on his promised job creation.

The President's original target for job creation, 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>1</sup> At the time, employment stood at about 135.1 million, according to the Department of Labor's most commonly used measure. This establishes the current Obama jobs target at 138.6 million.

The most recent Bureau of Labor Statistics jobs report for October shows the economy continuing its lackluster performance. The economy managed only 171,000 jobs, and the unemployment rate, which had dipped mysteriously in September, jumped back up to 7.9 percent.

As noted, the original Obama jobs target was for December 2010. Yet the economy was not expected to freeze in place at that point but

continue to grow. In fact, if one adjusts the original Obama target to reflect only enough additional job growth to absorb new workers (about 125,000 a month), then the target in October 2012 becomes 141.5 million, and the Obama jobs deficit remains at 7.7 million jobs. In short, allowing for normal growth in the labor force means the Obama jobs deficit two years later has declined by less than a half-million workers.

**Recovery Despite Obama's “Best” Efforts.** The centerpiece of Obama's short-term stimulus program was \$862 billion in poorly targeted tax cuts and ineffectual spending increases that 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.

Had it worked, had employment recovered as promised, the President would have a strong case to make defending his otherwise indefensible fiscal policies. As the October jobs report underscores, his policies did not work to increase employment anywhere near what was promised, and his defense of massive deficit spending is thus rendered null and void.

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This paper, in its entirety, can be found at <http://report.heritage.org/ib3767>

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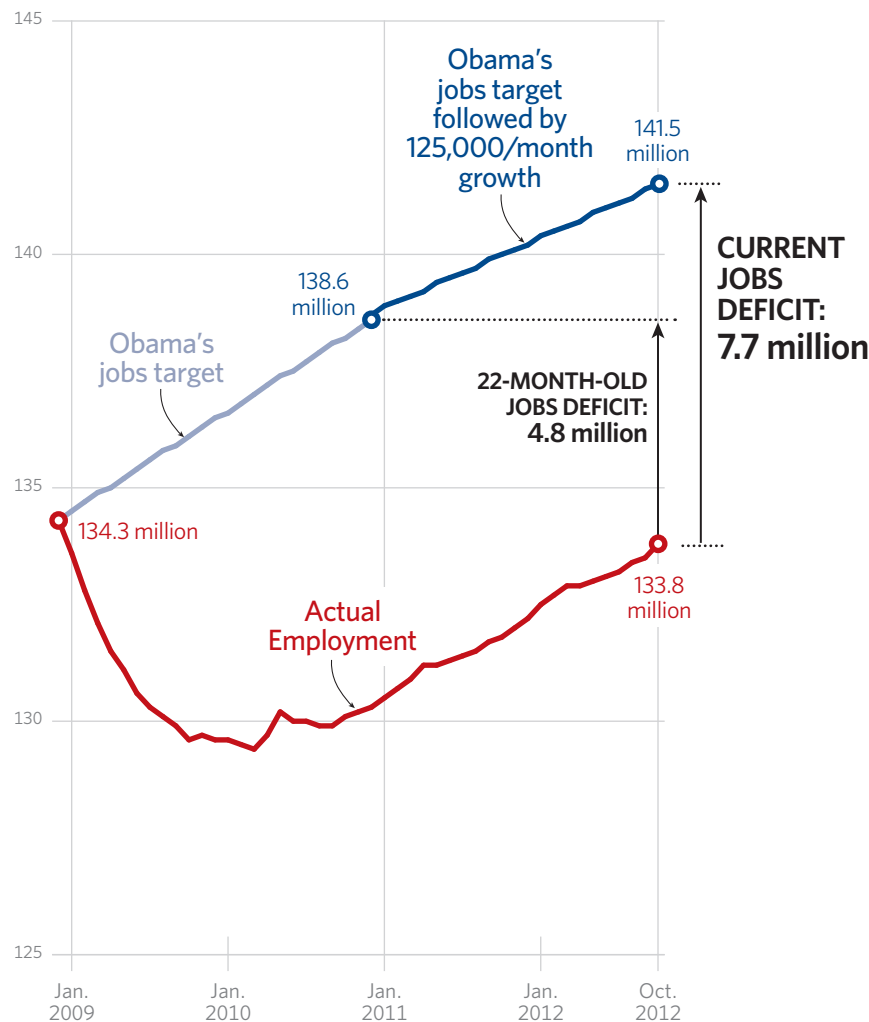
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CHART 1

## Obama Jobs Deficit at 7.7 Million

If President Obama had kept his promise to add 3.5 million new jobs by 2010, followed by monthly gains of 125,000 just to keep up with the increase in population, total employment in October 2012 would be 141.5 million. However, actual employment is only 133.8 million—a deficit of 7.7 million jobs. Current employment is still 5 million short of his original promise for 2010.

TOTAL U.S. EMPLOYMENT, IN MILLIONS



Source: Heritage Foundation calculations and U.S. Department of Labor, Bureau of Labor Statistics, "The Employment Situation—October 2012," Table B-1, <http://www.bls.gov/news.release/pdf/empst.pdf> (accessed November 2, 2012).

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As short-term economic stimulus, the Obama deficit surge 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>2</sup> In effect, the theory says that if I take a dollar from my right pocket and put it in my left, then I'm a dollar richer. No wonder it always fails.

**Obama Tax Hike Weakening Job Creation.** The federal government cannot stimulate the economy in the short term by increasing its borrowing and reshuffling total demand through wasteful (or even wise) deficit spending. But government *can* stimulate the economy by improving incentives and the general economic environment. The massive tax hike President Obama has proposed to unleash on the economy by allowing the most vital parts of the 2001/2003 tax relief to expire at the end of this year goes in the diametrically opposite direction and is already draining the vitality from the economy and job creation.

1. Christianne Klein, "Obama's 3.5 Million Jobs Wishful Thinking?," NECN, January 10, 2009, <http://www.necn.com/Boston/Business/2009/01/10/Obamas-35-million-jobs/1231629605.html> (accessed November 2, 2012).  
 2. See J. D. Foster, "Keynesian Fiscal Stimulus Policies Stimulate Debt—Not the Economy," Heritage Foundation *Backgrounder* No. 2302, July 27, 2009, <http://www.heritage.org/Research/Economy/bg2302.cfm>.

Seemingly bent on perpetuating joblessness, Obama and his allies are seeking to raise some of the most damaging taxes possible. They seek to raise tax rates on the investors who are needed to provide seed corn for new businesses and on small businesses that use this seed corn to spur innovation and job growth. Foolish in the best of times, raising these economically punishing taxes

in the face of high unemployment is indefensible.

**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 permanent vacation. The intentions of Obama and his congressional allies to raise tax rates on small

businesses, on savers and investors, on the risk takers who propel the economy with their successes goes well beyond ideology to economic policy malpractice.

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