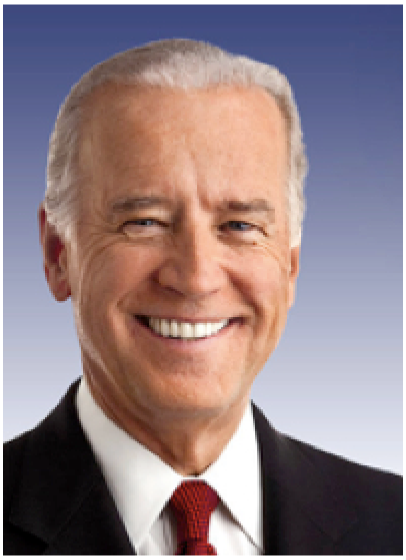
Biden Predicts Job Growth — but Where's the Evidence?



Vice President Joe Biden predicted job growth of 250,000 to 500,000 jobs a month in the next two months, according to CNBC on Monday. Biden was speaking at a political fundraiser in Pittsburgh, where he said, "We caught a lot of bad breaks on the way down. We're going to catch a few good breaks because of good planning on the way up…. All in all, we're going to be creating somewhere between 100,000 and 200,000 jobs next month." Even though some have cautioned Biden about his excessive and premature enthusiasm, Biden continued: "I'm here to tell you some time in the next couple of months we're going to be creating between 250,000 jobs a month and 500,000 jobs a month."

However, the evidence and logic backing up Biden's prediction are clearly lacking. Moody's Economy.com forecasted job growth by geographic regions, industries, and the country as a whole in its April 7 study, which gave a one-year overall forecast for new jobs to be created this year at an anemic *fourth-tenths of one percent*. With a workforce of about 135 million at the present time, Moody's forecast translates to 540,000 new jobs for the year, or about 45,000 new jobs a month.

While Biden claimed that the new jobs will be "because of good planning," the National Federation for Business Economics reported that 73 percent of respondents to the April Industry Survey said that "the fiscal stimulus enacted in February, 2009 *has had no impact on employment to date*." (Emphasis added.) And nearly seven out of 10 surveyed believe that "a jobs bill such as the one recently enacted into law will have no impact on payrolls."

Gary Barnett wrote that of the 162,000 jobs "created" in March, 48,000 of them were temporary positions associated with the Census Bureau, and that while those phony numbers would inflate the Bureau of Labor Statistics' reports for the next couple of months, "nothing will have been resolved in the real job market … and that none should be fooled into thinking that private employment is improving when [so] many indicators say otherwise."

Jim Quinn, Director of Strategic Planning for a major university, acknowledges that the official U3 unemployment numbers coming from the BLS show that the unemployment rate is just under 10 percent. But, he points out, "using the broader, more realistic (U6) measurement, the rate is 16.3 per cent. If you add in the discouraged workers who were defined out of the calculation during the Clinton Administration, the rate has reached 22 per cent." Quinn adds, "There are now 22.5 million government employees in the U.S.…one in every six jobs in the U.S. is a government job. But what the government workers produce, build or sell is nothing at all. Nada by the carload."

And Ken Spain, Communications Director for the National Republican Congressional Committee, said that this "unemployment rate is a far cry from where President Obama and the Democrats said it would be." David Axelrod, Senior Advisor to President Obama, cautioned that job growth could be "choppy" over the coming months and "there's still a lot of misery and devastation [out there]."

The latest report on small business optimism, published by the National Federation of Independent Business on April 13, showed a decline in March compared to February. William Dunkelberg, NFIB's chief economist, was surprised by the unexpected decline, saying: "Usually we see the small businesses leading the way out [of the recession] since they're the first ones to see the consumer come back, but what's happened this time is the customer didn't come back." In that same report, NFIB showed that small businesses weren't ready to add workers, and in fact their earnings expectations showed a large decline in March to a "minus 43 per cent." When asked if small business owners had plans to hire over the next three months, the results were a "minus 2 percent."

American Express recently polled the owners of businesses with 100 or fewer employees and reported that "one in five businesses said their companies were 'sinking ships', while more than half said they were merely 'staying afloat.'" And of those few who were looking to hire, most said they're only looking for part-time or "freelance" help.

Since small businesses represent more than 99 percent of all U.S. employers, and have created 64 percent of all new jobs in the past 15 years, according to the U.S. Small Business Administration, these current negative numbers provide more proof that Biden's prediction is not backed by the evidence. Gary North concluded his analysis of the economy by saying, "Since small firms produce half the private sector GDP, it is hard to envision a sustained recovery [and new hiring] without their participation. Once the gains from inventory rebuilding are exhausted, it is hard to see what will fuel growth. Small firm capital spending is at 35 year low levels and plans for future expenditures are equally low."

Adding further to the evidence that, contrary to Biden's predictions, job growth is going to remain muted, David Stockman, President Reagan's budget director, also argues that the job market is not going to recover any time soon. His careful and detailed analysis of the current state of the economy points out that the economy's "core private sector income" dropped an amazing 6.2 per cent since the third quarter of 2008. He writes, "Quite simply, there's never been a sustained drop in private sector money incomes of any magnitude — let alone 6 per cent — during modern economic history." Stockman goes on to say that "there's been a *massive permanent* [emphasis added] loss of jobs in the US, and that [any] growth going forward will be anemic, at best." He concludes his analysis:

> Consequently, job gains from purely cyclical recalls are likely to be modest in scale, slow in coming, and generally not at all commensurate with the [administration's] recovery scenario. The problem is one of pure math. With government-funded income growth now likely to slow sharply (if not cease), consumer credit still contracting (and not likely to rebound) and private income growth tepid, there's simply little prospect of sufficient strength in final demand to trigger a rapid or extensive recall of the cyclically unemployed. It will be a slow slog.
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> At the end of the day, the central missing ingredient is the absence of any apparent prospect for significant secular growth in most job categories across the US economy.

It's fair, then, to ask the Vice President: Where is the evidence? And if such evidence is lacking, then what is his logic behind making such a prediction? Since the stimulus packages have not worked so far, what would lead him to think that all of a sudden they will start working? And what about the timing? If the March employment numbers clearly don't reflect reality in the economy, why would April or May numbers be any more realistic? Is this just wishful thinking on his part? Or fantasy? Or is it just a willingness to play along with the continued deliberate distortions coming from the administration?

Photo: Vice President Joe Biden