



Written by [William P. Hoar](#) on August 4, 2010

“Stimulated” Out of Jobs

Item: Speaking in Canada where he was attending the Group of 20 summit, “President Barack Obama said on Sunday he would follow through on a pledge to rein in soaring U.S. budget deficits and said that would involve presenting Americans with ‘some very difficult choices’ next year,” reported Reuters for June 27. The President, continued the wire service, “has said the deficits are a legacy of the Bush administration.”



Item: “President Barack Obama on Thursday praised construction of a new, \$303-million automotive battery plant paid for in part with government money,” reported the *Detroit Free Press* for July 16.

“The Obama administration has doled out \$2.4 billion in grants to battery makers around the U.S.,” noted the paper. “Obama said while the government cannot create jobs, it can lay the foundation for businesses to build and expand, and for families to receive training for those new manufacturing jobs. ‘Our goal has never been to create a government program but to unleash private-sector growth,’ he said.”

Correction: Maybe the President’s teleprompter buys into the White House line, or perhaps it’s believed by *New York Times* economist Paul Krugman — who still insists that even more deficit spending is needed to avoid another Depression — but few cognizant beings think that spending more money that we don’t have will lead to national prosperity.

This administration doesn’t seem to know the meaning of “enough.” Indeed, the Obama administration can’t even keep its talking points straight.

For many months, we have been assured that the spending of hundreds of billions of dollars of “stimulus” monies by the government has been a remarkable economic success. For instance, as noted by *Bloomberg Businessweek* in mid-July, a new report released by the White House’s Council of Economic Advisers, headed by Christina Romer, “said the stimulus has saved or created about 3 million jobs and is moving toward a goal of 3.5 million jobs by the end of the year.”

Unfortunately, with some exceptions, when you look for all the jobs that have supposedly been created, they just aren’t there.

An analysis by the minority staff of the House Ways and Means Committee, using Labor Department and Administration statistics, found that after 18 months most sectors of industry had not registered even one net new job. The only exceptions were in the government sector and that of education, health, and social services. Many of the industry sectors analyzed (construction, manufacturing, information, and transportation and warehousing) actually lost more jobs than the Obama administration predicted they would gain from all of that supposed stimulation.



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Over about the same time period (February 2009 though May 2010), according to figures compiled by the Republicans on the House Joint Economic Committee, private non-farm payroll employment lost 3,359,000 jobs. Not everybody suffered of course. While all those hundreds of billions of dollars were torn out of the pockets of taxpayers and businesses, and private jobs fell by the wayside in droves, there were some winners. Federal government payroll employment spiked a hefty 592,000 jobs. Nice work, if you can get it — as the old Depression-era song put it.

Christina Romer, whose job involves rationalizing previous unsupportable predictions, claimed that the 3.5 million new jobs that she promised when the stimulus was being debated on Capitol Hill would arrive “two quarters earlier than anticipated.” As the *Wall Street Journal's* editors remarked:

Yup, the official White House line is that the plan is working better than even they had hoped.

We almost feel sorry for Ms. Romer having to make this argument given that since February 2009 the U.S. economy has lost a net 2.35 million jobs. Using the White House “created or saved” measure means that even if there were only three million Americans left with jobs today, the White House could claim that every one was saved by the stimulus.

The White House also naturally insists that things would be much worse without the stimulus billions spent on the likes of Medicaid payments, high speed rail projects, unemployment benefits and windmills. Mr. Obama said recently ... that the economy “would have been a lot worse” and the unemployment rate would have gone to “12 or 13, or 15 [percent]” if government hadn’t spent all of that money.

This is called a counterfactual: a what would have happened scenario that can’t be refuted. What we do know is what White House economists at the time said would happen if the stimulus didn’t pass.

The administration has been tripping over its own words as well as the truth, which are rarely the same thing.

Rep. Kevin Brady, the ranking member of the Joint Economic Committee, recalls what was promised ... and what actually happened. If Congress were to pass the \$787 billion “stimulus,” this is what would take place, or so we were told:

- The unemployment rate would remain below 8 percent.
- Non-farm payroll employment would increase to 137.6 million by the fourth quarter of 2010.
- Ninety percent of the jobs created would be in the private sector.

So the bill was rammed through. The Texas Congressman has recapitulated what followed:

- Since the stimulus was enacted, the unemployment rate has never been below 8 percent. It has been as high as 10.1 percent and was 9.5 percent in June.
- In June 2010, non-farm payroll employment was 130.5 million, 7.1 million payroll jobs short of the forecast.
- Since February 2009, only the federal government has added payroll jobs. The private sector has actually lost 3.3 million payroll jobs.

One reason that the official unemployment numbers are not even worse is that so many have ceased looking for work.

While Romer has been left to defend her projections on behalf of the White House, the President, Vice



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President, and others in the administration have started to change the story, at least to some audiences. As Obama said in Las Vegas not long ago, “The greatest generator of jobs in America is our private sector. It’s not government.” While true, that has not been the mantra repeated for so long. On the other hand, if there is a new job anywhere, he wants credit for it.

In such an uncertain climate, about all that can be predicted with certainty is how the Obama administration wants to “fight” the deficit and the huge accumulation of debt: by raising taxes. That is what the President meant when he was asked in Canada about his promises to meet his deficit-reductions goals. He vowed, “I’m serious about it.”

The plan, boiled down to basics, is to spend like a madman, then try to raise taxes to “fight” the resulting deficit. Those who oppose the new taxes will be blamed for the further explosion of debt. If the so-called Bush tax cuts are allowed to expire in January 2011, it will effectively be a tax hike of a trillion dollars, the largest in history. But that’s not all that is in the works. The buzz on Capitol Hill is for a lame-duck session of Congress that could do even more damage — since many Representatives would be insulated from the voters. One strategy under consideration is to adopt a value-added tax. That possibility is another reason why business has been reluctant to invest.

Paul Krugman notwithstanding, too little government spending is hardly our problem. We spend entirely too much on unconstitutional projects, running deficits that have accumulated into crippling debt. This year alone, our solons in Washington will expend \$3.6 trillion of our money. Per family, that’s about \$31,000. It represents one of every four dollars made in the entire country. Trying to cover this spending requires borrowing an incredible 43 cents of every dollar, and then leaving the fiscal disorder to our children and grandchildren.

President Bush’s budget deficits, as noted in a Heritage Foundation compilation, averaged \$447 billion; yet, Obama’s budget projections average deficits of about twice that, about \$851 billion annually over eight years, if he were to be reelected.

As a result of such “bipartisan profligacy,” writes Michael Tanner in the *New York Post*,

Federal spending topped 24.7% of gross domestic product last year, the highest peacetime percentage in U.S. history. The optimistic projections of the most recent Obama budget see that declining ever so slightly to 23.7% by 2020 (for comparison, the historical average has been roughly 21% of GDP). But that respite, such as it is, will be only temporary. As the full force of entitlement programs kicks in, the federal government will consume more than 40% of GDP by the middle of the century, and rise to an unfathomable 80% of GDP beyond that.

Congress doesn’t seem to care, treating debt as an abstraction, monopoly money, someone else’s problem. Let them deal with what happens when the U.S. becomes Greece. Except that day may be sooner than they think.

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