



Joint Economic Committee

Republicans

Representative Kevin Brady
Vice Chairman

REPUBLICAN STAFF COMMENTARY

Obama Recovery Slides into Last Place Using Administration Metrics

July 6, 2012

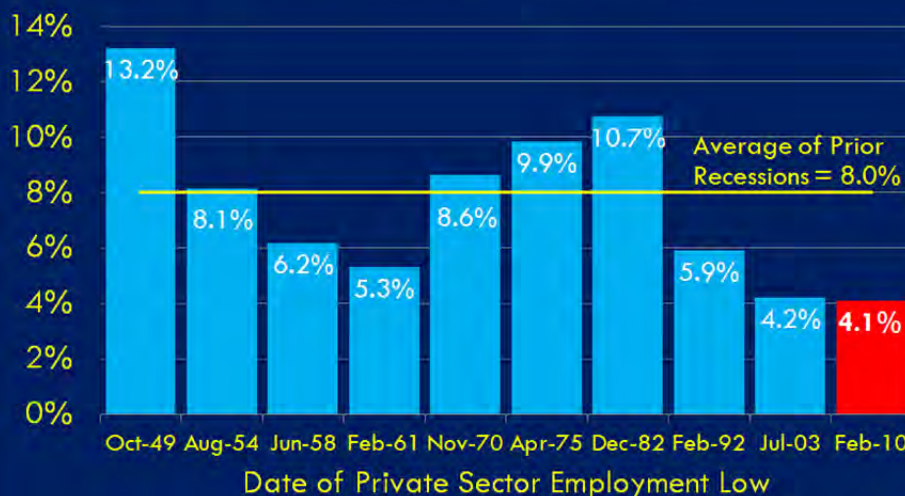
Today's Jobs Report Continues String of Disappointing News

Despite today's disappointing jobs report, the Administration continues to tout the President's success in creating private sector jobs. The White House notes that there have been 28 consecutive months of private sector jobs growth with nearly 4.4 million private sector jobs created, or an increase of 4.1%. The White House makes its calculation by picking the recent low point for private sector payroll employment that occurred in February 2010.

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Comparing Recoveries: Private Sector Job Growth Percent Change 28 Months after Cycle Low



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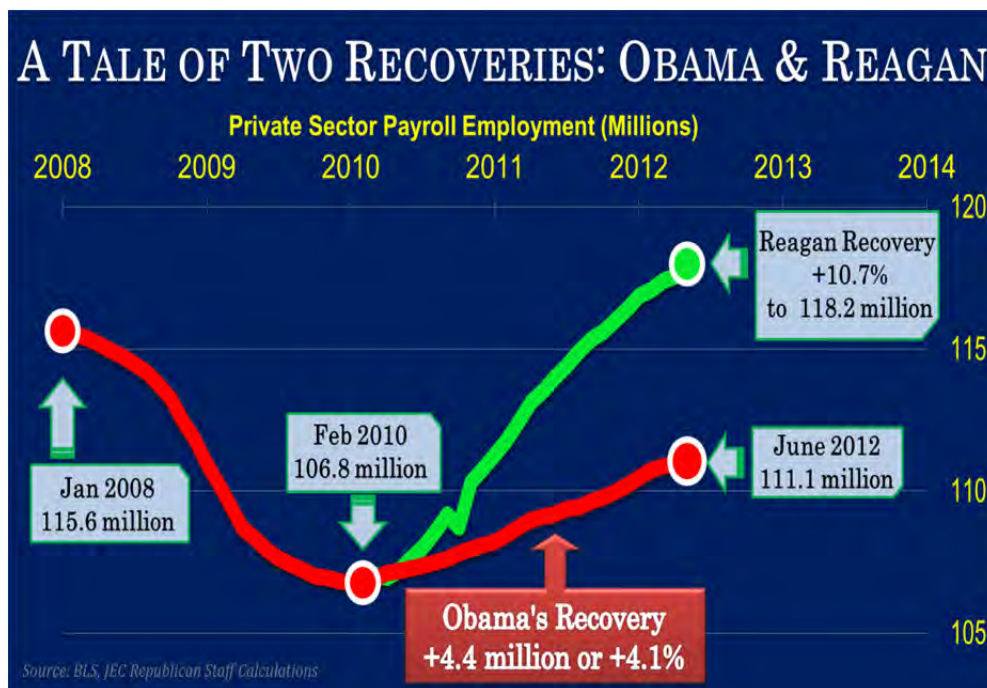
Prior to the most recent recession that ended in June 2009, the last severe recession occurred in the early 1980s. During that recession, unemployment rose to 10.8%. However, that recovery was significantly stronger than the current recovery in terms of private sector job creation. Over the comparable 28 months of the Reagan recovery, private sector payrolls jumped by 10.7%. If private sector payrolls had increased by the same 10.7% during this recovery, instead of only 4.1%, private sector

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If this recovery had progressed at the pace of the Reagan recovery, the United States would not be down 4.5 million jobs from the January 2008 peak, but would have all those jobs back PLUS another 2.6 million private sector jobs.

payrolls would have increased by 11.5 million instead of 4.4 million. Put another way, the Obama recovery is running behind the pace of the Reagan recovery by 7.1 million private sector jobs.

As the following chart illustrates, if this recovery had progressed at the pace of the Reagan recovery, the United States would not be down 4.5 million jobs from the January 2008 peak, but would have all those jobs back PLUS another 2.6 million private sector jobs. There would be more private sector jobs than at any point in history. If this recovery had only achieved the average of past recoveries lasting more than a year, there would be an additional 4.2 million private sector jobs.



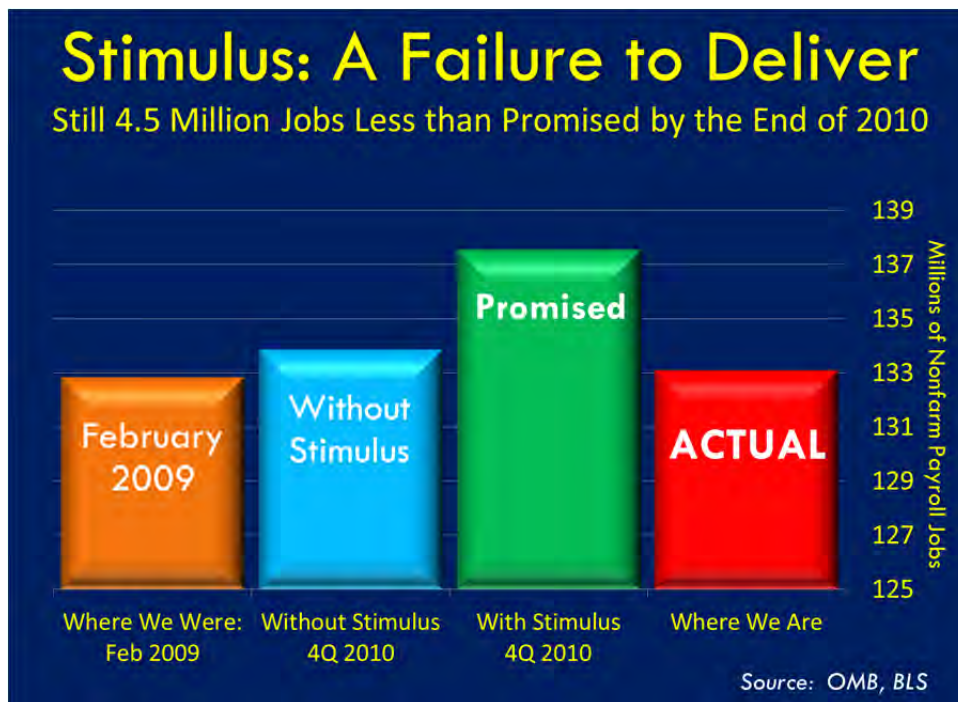
Numbers Continue to Reinforce Failure of Obama Stimulus

The White House has avoided discussion of the results of its highly touted stimulus legislation passed in February 2009. At that time, the Obama Administration claimed that nonfarm payroll employment would rise by 4.7 million by the end of 2010 if Congress enacted the President's stimulus plan.

The reality falls well short of the promise. We have 4.5 million fewer payroll jobs than promised by the end of 2010 and 788,000 fewer nonfarm payroll jobs than the Obama Administration projected if Congress didn't enact his stimulus program.

In fact, more than three years after the passage of the massive stimulus legislation, there are only 251,000 more nonfarm payroll jobs than in February 2009.

The chart at the top of next page illustrates the results of stimulus versus the claims made by the Administration in support of its passage.



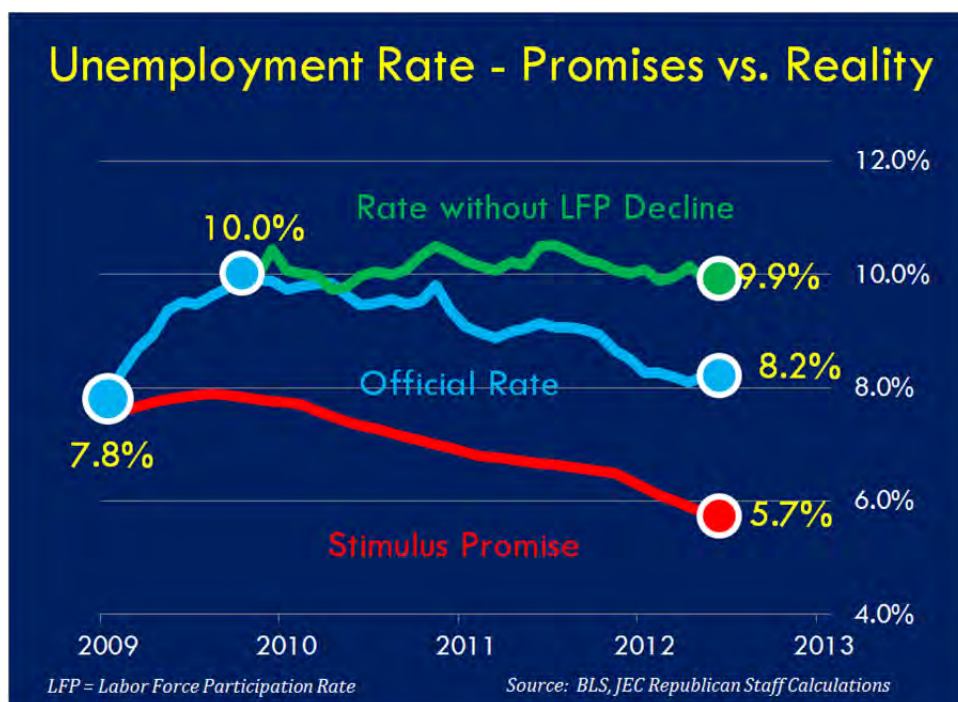
Stimulus failed to deliver. We have 4.5 million fewer nonfarm payroll jobs than promised. And only 251,000 more than we had when stimulus passed.

Progress on Unemployment Rate is Largely an Illusion

The Administration also likes to note that after peaking in October 2010 at 10.0%, the unemployment rate has dropped to 8.2%. The Administration does not highlight the fact that the unemployment rate has remained above 8.0% for a post-World War II record 41 consecutive months.

However, the decline in labor force participation since the unemployment rate peaked in October 2009 from 65.0% to 63.8% masks the magnitude of the unemployment problem. Absent that decline, the unemployment rate would have only declined by 0.1 percentage point.

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Absent that decline, the unemployment rate would have only declined by 0.1 percentage point from 10.0% to 9.9%, well above the promised 5.7%.

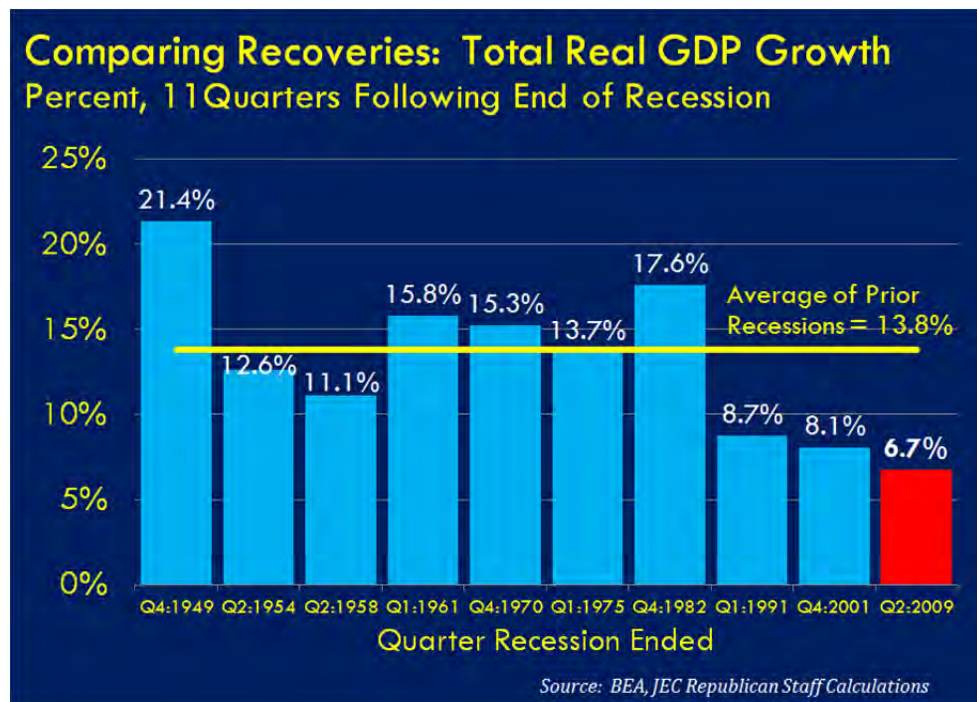
By contrast, in the 32 months following the December 1982 unemployment rate peak of 10.8%, the unemployment rate dropped by 3.7 percentage points – more than double the 1.8 percentage point drop since the October 2009 peak. And unlike the current recovery, in the Reagan recovery the labor force participation rate increased over the comparable 32 months.

Obama Recovery Also Dead Last for Economic Growth

The Obama recovery has produced real gross domestic product growth that ranks it dead last.

In the eleven quarters since the recession ended, total real GDP has increased by a paltry 6.7% (quarterly average of 2.4%) compared to an average for the other recoveries of total real GDP growth of 13.8% (quarterly average of 4.8%).

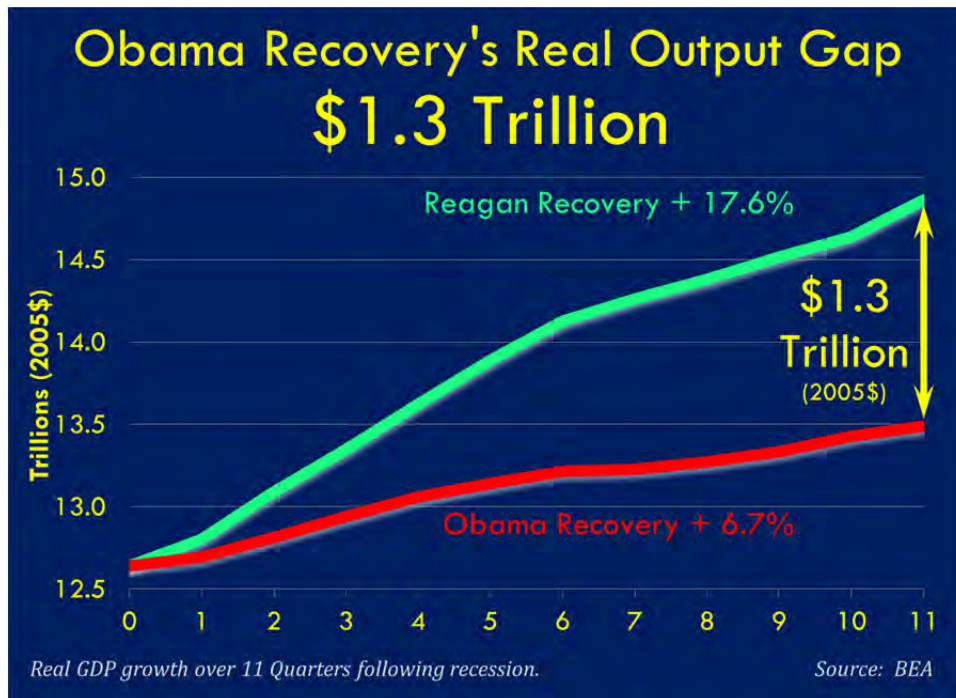
A growing economy is essential for creating private sector job growth. When measured against the other nine post-World War II recoveries lasting more than a year, the Obama recovery has produced real gross domestic product (GDP) growth that ranks it dead last. In the eleven quarters since the recession ended, total real GDP has increased by a paltry 6.7% (quarterly average of 2.4%) compared to an average for the other recoveries of total real GDP growth of 13.8% (quarterly average of 4.8%).



The lack of real economic growth has broad implications for the nation's economic and fiscal situation. While the economy has grown for eleven consecutive quarters, it has grown at only about half the pace that it has grown in prior recoveries. Consumer spending (as measured by the personal consumption expenditures (PCE) component of GDP) is above its pre-recession level. Total government consumption and investment has retreated from recent highs, but remains above its pre-recession level. Private investment remains the missing component in this recovery.

Clearly, the economic policy proposals of the Obama Administration have served as a drag on private investment. ObamaCare and concern over the future path of tax and regulatory policies stand as a wall of uncertainty in the path of the American economy. Removing the uncertainty surrounding tax and regulatory policies is critical to accelerating the pace of economic growth.

The following chart illustrates the effect on the size of the economy of the current recovery's paltry rate of growth. If the recovery had expanded at the pace of the Reagan recovery, real GDP would more than \$1.3 trillion (2005\$) higher. Expressed in current dollars, the GDP gap of the current recovery compared to the Reagan recovery stands at nearly \$1.6 trillion.



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Conclusion

The economy continues to recover. The private sector is creating more jobs. Yet in terms of both private sector job creation and economic growth, using the Obama Administration's own metrics, this recovery ranks dead last.

Instead of continuing to pursue policies that make government bigger and more intrusive, the Obama Administration needs to reverse course and place its faith in the American people and the free enterprise system that made the United States the greatest economic power in the history of the world.

Continuing to pursue policies that create disincentives for investment and hiring will insure that the recovery remains substandard and that Americans will continue to have difficulty finding jobs.