



REPUBLICAN STAFF COMMENTARY

America Needs a Growth Dividend

Stronger Economic Growth Can Reduce the Budget Deficit

October 26, 2012

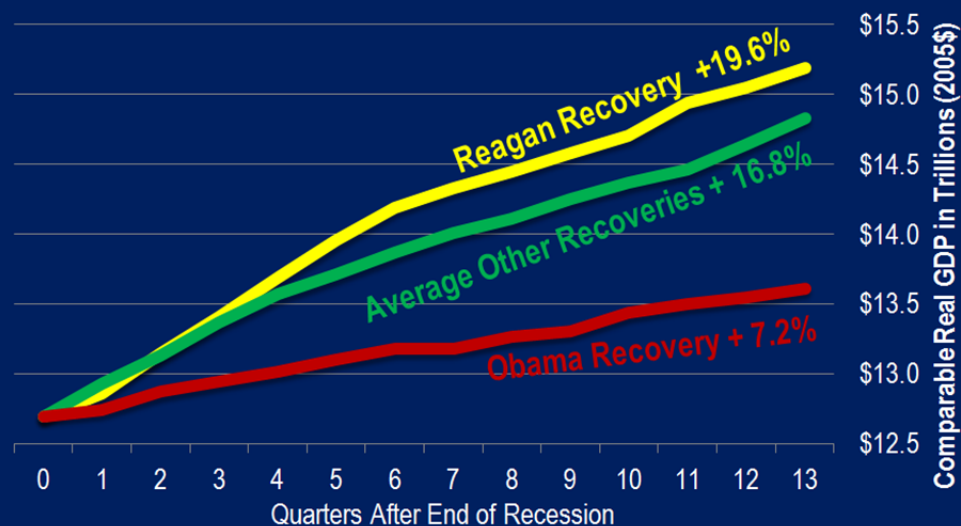
Obama Recovery Significantly Worse than Average

In the more than three years since the recession ended in June 2009, real gross domestic product (GDP) has only increased by a total of 7.2%.

The average increase in real GDP for the other nine post-World War II recessions that lasted longer than a year over a comparable 13 quarters is 16.8%. In the strong Reagan recovery of the 1980s, real GDP increased by a total of 19.6%!

The anemic economic growth of the Obama recovery has cost the U.S. economy \$1.2 trillion (2005\$) compared to the average of other recoveries and \$1.6 compared to the strong recovery of the 1980s.

Obama Recovery's Growth Gap is Large and Growing Lags Behind Average Recovery by \$1.2 trillion and Reagan by \$1.6 trillion



Source: BEA, JEC Republican Staff Calculations

Lack of Growth = Lack of Job Creation

Growth in private sector payrolls since the low point in February 2010 (the Obama metric) has totaled roughly 5 million or 4.8%. Using the same metric, private sector payrolls grew an average 8.5% in the other recoveries and the in the Reagan recovery private sector payrolls grew by 11.3%.

President Obama's anemic recovery has a shortfall of 3.8 million private payroll jobs compared to the average of other recoveries and an astonishing 6.9 million below the pace of the Reagan recovery.

Obama recovery lags average of other recoveries in private sector job creation by 3.8 million jobs and Reagan by 6.9 million.

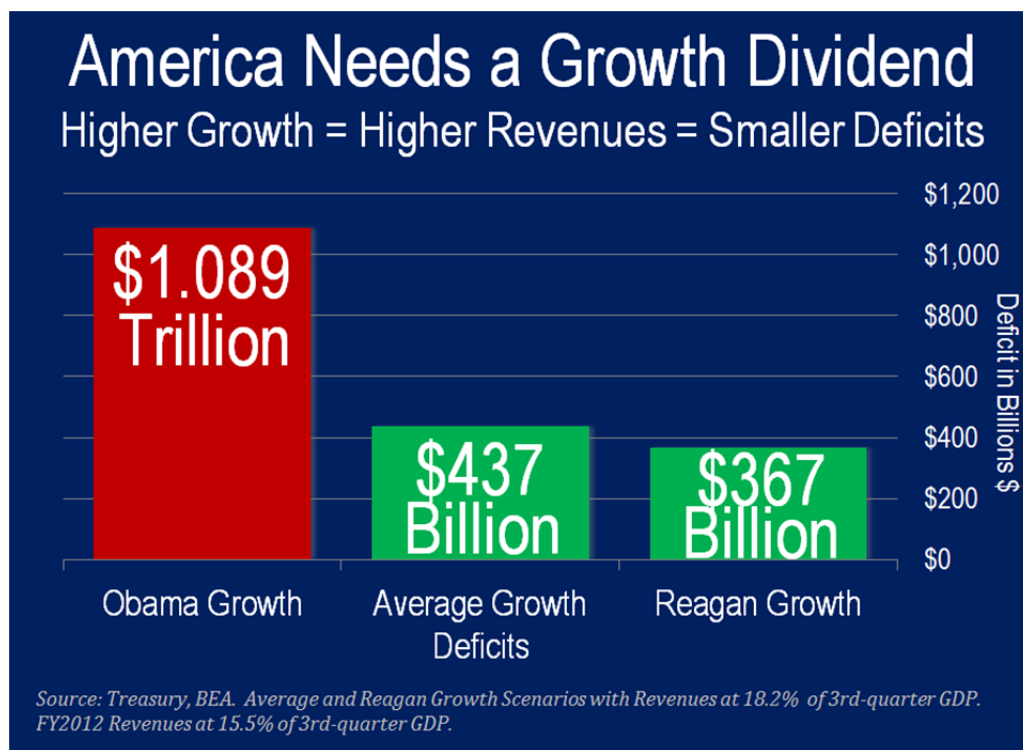
Deficit could have been cut in half with pro-growth policies.

Lack of Growth = Bigger Deficits

This lack of economic growth and private sector job creation has adversely affected our nation's fiscal position. The U.S. government just ran its 4th consecutive budget deficit of more than \$1 trillion. The President's pledge to cut the deficit in half is a distant memory as he clamors for higher taxes and imposes new regulatory burdens like ObamaCare on private sector job creators.

Ironically, the President could have honored his pledge to the American people if he had focused on growing incomes and wealth instead of focusing on how to re-divide the pie.

Prior to the start of the recession, fiscal year 2007 revenues rose to 18.2% of 3rd-quarter GDP. Federal government receipts stood at roughly \$2.6 trillion in fiscal year 2007, the highest on record and 25% greater than in fiscal year 2000. In the fiscal year just ended, the U.S. government collected \$2.4 trillion in revenues or 15.5% of 3rd-quarter GDP.



If the economy had grown by 16.8% like it averaged in the other recoveries and revenues had returned to the 18.2% of 3rd-quarter GDP that they were in fiscal year 2007, the U.S. government would have collected an additional \$653 billion in revenue. That would have cut last year's deficit by more than half. And that's before you even begin to take into account the lower spending that would result from fewer Americans needing public assistance.

A Reagan-style recovery would have generated even more revenue. At 18.2% of 3rd quarter GDP, revenues would have been \$722 billion higher and the deficit chopped by two-thirds. And that's without raising anyone's taxes. By focusing on pro-growth policies and generating even an average recovery, the President could have kept his promise to cut the deficit in half.