



Joint Economic Committee

Republicans

Representative Kevin Brady
Vice Chairman

MEMBER VIEWPOINT: SENATOR JIM DEMINT

Define “Fine”

A look at the private sector President Obama said is “doing fine”

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Following on the heels of multiple disappointing economic reports, President Obama recently proclaimed that “the private economy is doing fine.” A closer examination of the data shows why President Obama has since retracted that statement.

- Real GDP growth for the 1st quarter of 2012 was revised downwards to an annual pace of just 1.9%
- Employment growth averaged only 73,000 over the past two months (about half the 130,000-150,000 new jobs needed to keep pace with healthy labor force growth)
- The unemployment rate has been above 8% for a record 40 months
- Median household income fell \$950 since the end of last year and is down more than \$4,600 since President Obama took office
- Median family net worth declined 40 percent from 2007 to 2010, back to levels of the early 1990s
- A record-high 31% of homeowners are underwater as home prices remain 22.9% below their 2006 peak

If this is what the President intrinsically considers “fine,” I shudder to think what his idea of a *real* downturn would look like.

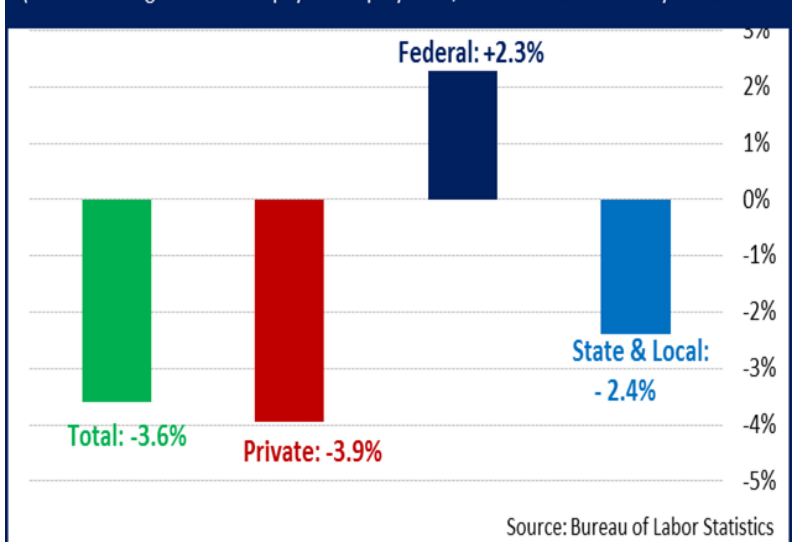
The struggling labor market is arguably the most troublesome component of the stalled economic recovery. Private employment comprises roughly 83% of total employment, so if private employment is doing fine, total employment should be doing fine as well. It isn't.

Since the recession began, private employment has actually suffered a *greater* decline than government employment and remains down 3.9%, compared to a decline of 1.8% for government employment (+2.3% federal government and -2.4% state and local government).

Since President Obama took office in January 2009, private employment is up ever so slightly (0.05%) while government employment is down 0.73%. But compared to past post-WWII recessions and recoveries, the current one is the worst on record not only for total employment, but even more so for private employment. Private

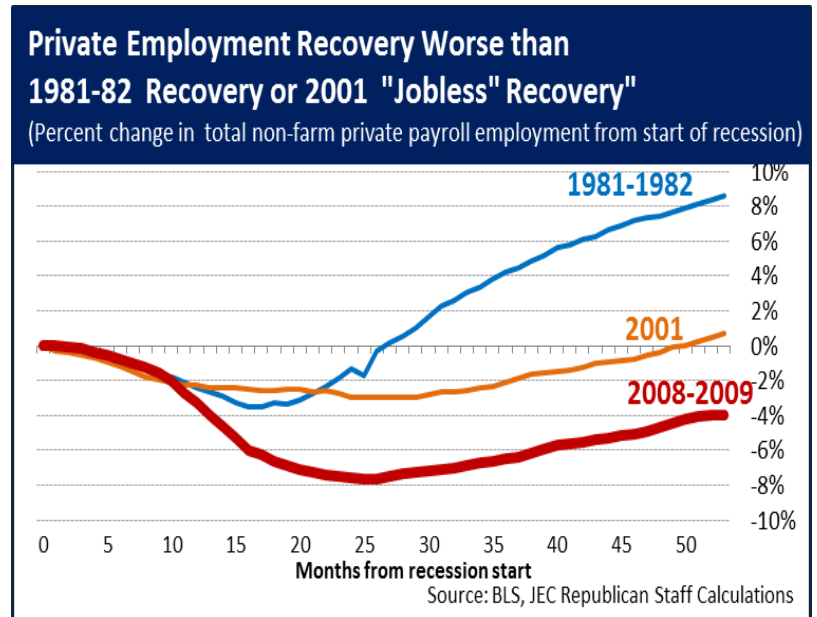
Change in Employment by Sector Since Start of Recession

(Percent change in nonfarm payroll employment, December 2007 to May 2012)



employment today is 3.9% below what it was at the start of the recession, four and a half years ago. This compares to an average increase of 6.0% at the same point following previous post-WWII recessions. Private employment today is far worse than even the deep recession of 1981-1982 or the "jobless recovery" following the 2001 recession.

It's true that there have been 4.3 million private sector jobs added to the economy since February 2010, but that figure cherry-picks the lowest level of employment. Since President Obama was elected, a mere 55,000 private sector jobs have been added. Over the past year, there have been 1.9 million new private sector jobs, but this is only slightly more than needed to keep pace with healthy labor force growth. So yes, private employment has been up recently, but the more sizeable gains of late 2011 and early 2012 are fading away as the economy appears to be stalling out, rather than kicking into "overdrive."



President Obama's solution to the stalled recovery is more federal stimulus to state and local governments. But to close the gap in unemployment since the recession began would require an additional 5 million jobs – the equivalent of a more than 25% increase in state and local employment.

Taking money from the private sector, channeling it through the federal government, down to state and local governments so that they can then put what's left back into the private sector is essentially like a child taking a \$20 bill from his parents and bringing home the change. What's brought back in return is far less than what was taken to begin with.

Stimulus has been tried and failed (the stimulus was supposed to keep the unemployment rate from reaching 8% – instead, it rose to 10% and has been above 8% for a record 40 months). Instead of more stimulus, we need policies and an economic climate that will produce sustainable private sector job growth. This means repealing Obamacare, reducing regulations, preventing tax increases, and significantly cutting government spending to eliminate fears of future tax increases or a full-fledged, Euro-style debt crisis.