The Washington Times September 7, 2011

THE TRUE JOBS STORY

The real changes in employment and population for each 4-year presidential term

Year	Employed civilian labor force (in millions, Jan. each year)	Change of employed civilians (%, Jan. to Jan.)	Change in total population (%)
1981 Carter	99.9		
1985 Reagan	106.3	6.35	3.70
1989 Reagan	116.7	9.79	3.72
1993 Bush (41)	119.1	2.03	5.22
1997 Clinton	128.3	7.75	4.86
2001 Clinton	137.8	7.39	4.63
2005 Bush (43)	140.2	1.79	3.57
2009 Bush (43)	142.2	1.39	3.80
2011 Obama*	139.6	–1.81	1.56

*Data from January 2009 until August 2011

Sources: Bureau of Labor Statistics, U.S. Census Bureau

THE WASHINGTON TIMES

Job-Creation Lesson from the Past

By Richard W. Rahn

WHEN GOVERNMENT SPENDING GOES UP, EMPLOYMENT GOES DOWN

The Obama administration and others on the left seemed to be stunned when the Bureau of Labor Statistics reported no new net jobs last month. When President Obama makes his “jobs speech,” the American people will see whether he and his advisers have learned anything from the three years of Obamanomics failures.

Historically, the American economy has been a phenomenal job-creating machine. In a well-functioning economy, the increase in jobs parallels the increase in population. As can be seen in the accompanying table, during eight Reagan years, jobs grew at a much faster rate than did the population, as many disheartened workers re-entered the labor force after the Carter economic fiasco. Almost 17 million new civilian jobs were created from 1981 through 1989, which was 9 million more than can be explained by population growth. Likewise, during the Clinton years from 1993 through 2001, 7 million more jobs were created than can be explained by population growth alone.

But during the presidencies of George H.W. Bush and George W. Bush, job growth did not keep up with population growth. If it had, there would have been approximately 3.7 million more jobs created between 1989 and 1993 and 5.9 million more jobs between 2001 and 2009. The Obama record is far worse. The total number of jobs actually has decreased by 2.6 million since January 2009; if job growth had merely kept up with population growth during that period, there would be 4.8 million additional jobs. At the end of recession, the number of jobs normally grows far faster than population, but not this time.

The unemployment rate is a flawed measure because during weak economic periods, many discouraged people drop out of the labor force; thus, the labor force/population ratio declines and the real unemployment rate is understated.

As President Obama searches for solutions to the jobs problem, he ought to look at the policies that worked successfully during the Reagan and Clinton administrations. The Reagan administration sharply reduced marginal tax rates in both the first and second terms, but there was only a small reduction in the tax burden as a percentage of gross domestic product (GDP) - about 1 percent of GDP from 1981 to 1989. However, the job-creating businesspeople knew with great certainty that the tax cost of hiring new workers and investing in new plants and equipment would be going down, not up. They also knew that the administration was serious about applying cost-benefit tests to proposed regulations. In spite of all the talk about reducing government spending, spending as a percentage of GDP did not fall during the first Reagan administration because the cost of the military buildup offset the reductions in domestic spending. Spending as a percentage of GDP dropped 2 full percentage points during Reagan’s second term, which was also the period of the most rapid job growth.

Government spending dropped during both terms of the Clinton administration, from 21.4 percent of GDP in 1993 to 18.2 percent of GDP in 2001. President Clinton did increase taxes during his first term but signed the reduction in the capital gains tax rate in his second term. However, most have forgotten that the economy had stagnated at the end of the second Clinton term and the economy was in recession in the first quarter of 2001, when George W. Bush took office - well before Sept. 11, 2001. In retrospect, Mr. Clinton should have cut taxes more sharply in his second term.

The first President Bush abandoned his “flexible freeze” to control spending shortly after taking office and reneged on his “no new taxes pledge,” both of which turned out to be mistakes. The second President Bush did cut tax rates but allowed spending to rise 2 full percentage points of GDP during his two terms.

The lessons should be obvious to Mr. Obama and his advisers. Increases in government spending are associated with lower - not higher - job creation and vice versa. (This has been true for the 100 years for which there are good records.) Job creators do not hire workers when they fear higher taxes in the future. Temporary tax and spending gimmicks such as infrastructure projects also have proved not to create net new jobs.

The president should say in his Thursday speech: “I pledge not to propose any increase in taxes until unemployment is under 5 percent. I promise to come forth with a budget next month that will reduce spending each year, so within four years, it will be no higher than 19 percent of GDP. And I am issuing a freeze on all new regulations, which will remain in effect until each new proposed regulation can be shown to be cost-effective.” That would take him about 30 seconds to say. Most listeners would be happy to turn to the football game, the markets would soar on Friday, businesspeople would start hiring, and the president might even be re-elected.

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