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Is Jobless Rate Just Bad Luck For President?

By MIKE COSGROVE

U.S. nonfarm employment totaled 132.5 million in December 2000, the last full month of President Clinton's term. The number employed stood at 131 million in April 2011. How is it possible to have fewer people employed now than more than 10 years ago, especially when the U.S. population increased by 28 million since 2000?

The U.S. is left with high unemployment rates. For instance, the national unemployment is 9% and the unemployment rate of people 25 to 34 years of age is 9.5%. Sure, there are countries with a growing population that have much higher unemployment rates for the 25- to 34-year-old age group, but those countries are not role models.

Net new jobs increased by over 20 million during Clinton's time in office. In contrast, fewer people are employed now than when President Obama took office. Is it that Clinton was lucky and Obama is unlucky?

In part, it may be.

Clinton campaigned on national health care, and during the campaign Gov. Clinton said he would never support the North America Free Trade Agreement. After the election Clinton made NAFTA passage one of his top legislative priorities.

Mandated health care for all workers was going to be the theme of Clinton's first term. Clinton's health care plan was defeated in 1994. After that, the U.S. economy boomed for the remainder of the 1990s.

Was that luck or did Clinton, once president, decide to take a different economic path?

Sen. Obama campaigned on the message that the federal government should provide health care for everyone, and he opposed free-trade agreements with countries that do not live up to certain labor standards. But Obama was not as lucky as Bill Clinton. ObamaCare passed and created a major roadblock for those wanting to start and/or expand a business. Job growth is slow and housing prices are falling.

ObamaCare was signed into law in March 2010 and acts to increase business costs for existing businesses so that at the margin jobs are shifted abroad and/or capital substituted for labor. This administration has already approved over 1,300 waivers from the health care law's requirements as entities attempt to avoid increases in labor costs.

National health care means a large incremental cost increase if a business grows beyond a few employees. At the margin that means some new businesses won't start as the roadblocks to growing a business are much higher with ObamaCare.

In February 2009 Obama had another major legislative success, passage of his $789 billion economic recovery package designed to spark an infrastructure building boom and create jobs. That didn't quite turn out as planned as there are fewer total nonfarm jobs now than when the president took office.

But that program did succeed in running the outstanding debt burden up by nearly $800 billion. Obama has managed to push federal outlays up to about 25% of GDP compared to the approximate 20% that existed for the last 50 years.

In July 2010 Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act. The uncertainty as to what those regulations will be and how the regs will be enforced has almost surely acted to slow loan growth, in particular by smaller banks. In turn that slows business expansion and job growth.

Fed Chairman Ben Bernanke summarized Obama's time in office well at his news conference on April 27 in response to a question. Bernanke discussed the major threat to the U.S. economy as being the fiscal situation, referring to the federal deficit and increase in outstanding debt.

The federal deficit this fiscal year is estimated at nearly $1.4 trillion, and the ballooning outstanding federal debt of $14.4 trillion has already increased by $3.8 trillion, or 36%, since Mr. Obama became president.

Prices of dollar alternatives move higher the longer Congress and the administration allow for erosion of confidence in the ability of the United States to pay its obligations. Taxpayers, in turn, know that their tax liability increases each year as the Obama administration and Congress toss gravel into the gears of the U.S. private-sector job-generating machinery.

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