



## Where Are the Jobs? US Economy Still Limping Along

*"For decades before the economic crisis, local communities were transformed as jobs went overseas and middle class Americans worked harder and harder but found it more difficult to get ahead."*

President Obama

Jan 8, 2014 at Alamo Chamber of Commerce

The White House and the Federal Reserve have spent the last six years doing more talking and "spinning" their policies than making honest assessments of their success.....or lack of it. The ongoing mess that is called fiscal policy (which is determined by the White House) and monetary policy (which is determined by the Federal Reserve) were on full display last week with the jobs number release.

Headlines focused on +200,000 jobs created six months in a row, but for a \$17 trillion US economy, these are not great numbers. The US economy sustained a real rate of economic growth of 3.3% from 1945 to 1973. From 1982 to 2007, the growth rate was.....yep 3.3%. But President Obama's supposed economic recovery during his first five years hit high points of only 2.5% in 2010 and 2.8% in 2012. The high point for Reagan's recovery was nearly 7% in 1984, the highest in 50 years. And given the decline in 2008-09, logically the bounce should be bigger. The average for 19 quarters for Obama was 2.2%. The average for all post 1960 recoveries is 4.1% and under Reagan the average was 4.9%.

So what gives, given we've had the lowest interest rates in history and central bank stimulus never seen before?

The fundamental transformation of America that Obama promised his supporters is happening, but it's taking the world's greatest economy, and turning the global economic superpower, to a stagnating "also ran." And that slower economic growth is costing every American family, and ironically, given the Presidents claims, is creating less economic equality under Obama and hurting those at the lower end of the scale.

So while Obama spins 200,000+ jobs a month as terrific, let me remind you that in one month during Reagan's recovery (Sept 1983), he created over one million jobs.....in one month. The last recession officially ended five years ago, and despite all the stimulus, this President can't get any traction on jobs. Instead, President Obama's economic recovery is the single worst economic recovery from a recession since the Great Depression.

The big difference between President Reagan (or even Clinton/Kennedy) and Obama is that all believed in smaller government and were pro business. In the Reagan-Clinton prosperity cycle, the size and scope of government was greatly reduced, which is a huge pro growth measure. There were also major tax reform and reduction, deregulation, bigger push for free trade, entitlement (Welfare/Social Security) reform; all pro growth.

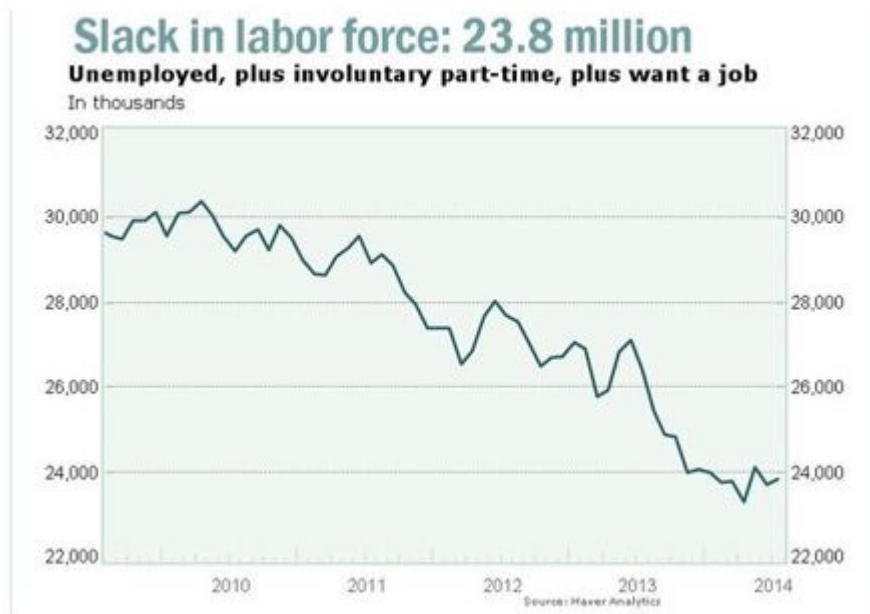
Reagan and Kennedy both cut income taxes across the board for everyone, together reducing the top rate from 91% when Kennedy entered office to 28% when Reagan left office.

Obama, by contrast, has slammed job creators from day one, introduced the largest tax hike of all time via Obamacare, watched (and encouraged) as entitlements exploded, and has raised the tax rates of virtually every federal tax, while maintaining the highest marginal corporate income tax rates in the world.

Reagan's first major act in 1981 was to cut federal spending by 5%, ultimately reducing federal spending as a percentage of GDP by 10% from its peak. Obama's first major act was to lead to an increase of almost \$1 trillion spending in what was sold as a "shovel ready" stimulus package but what ended up as spending on a Democrat pork belly wish list, with virtually no economic benefits.

He followed that in 2010 with the new mega entitlement of Obamacare that will add trillions to future spending.

You'll hear the Obama-ites spin the 6.2% unemployment rate, but not about the millions who literally gave up looking. When president Obama took office, there were 2.7 million people who'd been jobless for more than 27 weeks, now there are 3.9 million, an increase of 44.4% (Source: The Gartner Letter Mar 12, 2014). The fact that 27 million Americans are working part time on top of the 3 million who remain long term unemployed, pose serious red flags. When Federal Reserve Chair Janet Yellen talks about "slack" in the labour market, she's bang on. Since 2009, the US labour force has lost over 11 million people.



So when the right idolizes Ronald Reagan, it's easy to see why, the USA prospered under him:

GDP	Reagan	Obama
Year 1	+2.6%	-2.8%
Year 2	-1.9%	+2.5%
Year 3	+4.6%	+1.8%
Year 4	+7.3%	+2.8%
Year 5	+4.3%	+1.9%
Average	+3.4%	+1.2%

So the bottom line is Kennedy and Reagan adopted pro-growth economic policies across the board (mostly maintained under Clinton). President Obama (and to an extent President G.W. Bush) abandoned, and in many respects, reversed those bipartisan pro-growth policies.

Even comparing those two, 54 months into the Obama recovery unemployment was at 6.7%. Under Bush, same time frame, the unemployment rate was 5.1%; just saying. (Source: The Gartner Letter Jan 21, 2014).

In early January, President Obama rolled out his "Promise Zone" initiative aimed at leveling the playing field. The program was to begin in five neighborhoods in different cities, eventually being applied to 20 cities. The original five were San Antonio, LA, Philadelphia, SE Kentucky and the Choctaw Nation in Oklahoma.

The premise was that these areas would receive comprehensive assistance from multiple federal agencies, with the goal of expanding educational opportunities, affordable housing, and ultimately creating jobs.

The fact is, it seemed more like a public relations gimmick that will be more successful in securing votes, than changing lives. The interesting point (and irony) in my mind, was at the time, the President proposed, and called Congress to act, to cut taxes on hiring and investment in those areas designated as Promise Zones – *"to attract businesses and create jobs."*

So if cutting taxes on hiring and investments are a proven model that attracts businesses and creates jobs, why not apply that logic to the entire country, rather than just a few "zones?"

With an approval rating at an all time low of about 40% (and a disapproval rating of 54%), it seems less and less of even his supporters are in the mix. As his once large crowds get smaller and smaller, and fewer people swooning in the wake of his presence, the best we can hope for in the short term is the Republicans regain the Senate in the November mid-terms; in effect making this Presidency a true lame duck, more than it has been already.

Stay tuned,

Vito Finucci  
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