June 11, 2013

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But overall employment in the United States remained 2.1 percent below where it was at the end of 2007, according to the statistics bureau. By comparison, over the same period, between December 2007 and March 2013, the number of jobs was up 8.1 percent in Australia; Germany, the biggest economy in the troubled euro zone, has managed a 5.8 percent gain in employment.

"The United States is way below where it should be," said Lawrence F. Katz, a professor of economics at Harvard. "We had a massive downturn and a tepid recovery."

Still, Friday's jobs report appeared to be just what Wall Street was hoping for. Major stock market indexes jumped by 1.3 percent as traders bet that the modest employment gains and the uptick in joblessness meant that the Federal Reserve would be forced to keep pumping money into the economy in a bid to stimulate greater growth. ...

John Hinderaker posts on the Times' angst, and the fact our performance lags Canada and MEXICO!

We are now nearly five years into the Age of Obama, and I think pretty much everyone understands that, economically speaking, the record is poor. If you think unprecedented levels of unemployment and poverty, declining labor force participation, booming food stamp use and so on are the signs of a healthy economy, then you should be satisfied with the Obama administration. Otherwise, not.

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... So how does the current recovery in the U.S. stack up, compared with the same period of time in Canada and Mexico?

Using consistent data on the [United States](), [Canada]() and [Mexico](), I plotted GDP growth for the three countries on a quarterly basis from first quarter of 2010 to the present. That timing is significant, because in all three countries the recession was over by 2010 and recovery was in progress. So what we are comparing is the strength of the recovery in the three adjacent countries. This chart shows the quarterly increase in GDP from 2010 Q1 through Q1 of 2013:

As you can see, on a quarter by quarter basis, the U.S. has lagged behind Canada and, especially, Mexico. ...

IBD Editors on the missing 7.6 million jobs.
Although somewhat better than expected, the 175,000 net jobs created in May continues the historically tepid jobs growth trend that has come to characterize the now four-year-old economic recovery.

The result has been continued high unemployment, a vast pool of long-term jobless, and an unprecedented number of people who've dropped out of the labor force.

Highlighting the weakness of the May report is the fact that the number of unemployed climbed by nearly the same amount as jobs created — 101,000 — nudging the unemployment rate up to 7.6%.

As a result, there are still 2.4 million fewer people working than there were in January 2008, the previous jobs peak. And since the recovery started in June 2009, the number of jobs has increased a mere 3.9%, well below the post-World War II average of 9.7%.

In fact, had this jobs recovery merely kept pace with the average of the previous 10, there would be 7.6 million more people working today, and the unemployment rate would be less than half its current level. ...

Sherman Frederick of the Las Vegas Review-Journal has more on the economy.
... But how bad is it, really?

Up until very recently, this was hard to quantify and thus became in large part a political argument. Today, however, enough time has passed that economists now have data points to scientifically put President Barack Obama's economic policy in its proper place.

On the old legacy-o-meter, things aren't looking good for Obama and his supporters, who so desperately wanted him to succeed.

I'm tempted to compare Obama's performance on the economy to this year's Phoenix Suns basketball team. But that might be too harsh — on the Suns.

The Suns were a crummy basketball team this season, for sure. They were pathetic from start to finish. But when things were not going well, they at least changed things up to get a better *outcome. The Suns finished ahead of Cleveland and Charlotte. Had they suited up their old star, Connie Hawkins, they might have finished ahead of a few other teams, too.*

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Michael Strain of American.com has another way to look at the lack of recovery.
The two numbers that will get the most attention, by far, from today's jobs report are 7.6 and 175,000. In May, the unemployment rate increased just a bit to 7.6%, and employers added 175,000 nonfarm payroll jobs. The basic story of the labor market recovery remains the same: it is steady but too slow.

But I encourage you to pay attention to three other numbers which, to my mind, are much more important than 7.6 and 175,000. They are 2.4, 4.4., and 0.4.

We still have 2.4 million fewer jobs than when the recession officially began 66 months ago. Relative to previous downturns, this performance is quite bad.

We still have 4.4 million workers who have been unemployed for six months or longer. This is a very large number. Outside this downturn, the previous post-war record was under 3 million, back in the 1980s. Over 37% of the total unemployed are long-term unemployed. The previous post-war record, also back in the 1980s, was a comparatively low 26%.

When the Great Recession began in December 2007, 62.7% of the working-age population was employed; today it is a staggeringly lower 58.6%. The share of the working-age population with jobs has increased by only 0.4 percentage points since its low point in the official recovery. Though it doesn't get much attention, many labor economists prefer the employment-to-population ratio as the best measure of the broad health of the labor market. That this measure has improved so little indicates that the economy is creating just a few more jobs than are needed to keep up with population growth. But this is not enough. We need to create enough jobs to handle the growth of the working-age population and to recover the jobs lost in the Great Recession. To put it simply, we are not succeeding. ...

NY Times

[Many Rival Nations Surge Past the U.S. in Adding New Jobs]

by Nelson D. Schwartz

The American economy may be the world's biggest, but when it comes to job creation since the recession hit at the end of 2007, it is far from a leader.

Indeed, contrary to the widespread view that the United States is an island of relative prosperity in a global sea of economic torpor, employment in several other nations has bounced back more quickly, according to a new analysis by the Bureau of Labor Statistics.

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But overall employment in the United States remained 2.1 percent below where it was at the end of 2007, according to the statistics bureau. By comparison, over the same period, between December 2007 and March 2013, the number of jobs was up 8.1 percent in Australia; Germany, the biggest economy in the troubled euro zone, has managed a 5.8 percent gain in employment.

A factory in Germany, where there has been a 5.8 percent gain in employment since 2007

"The United States is way below where it should be," said Lawrence F. Katz, a professor of economics at Harvard. "We had a massive downturn and a tepid recovery."

Still, Friday’s jobs report appeared to be just what Wall Street was hoping for. Major stock market indexes jumped by 1.3 percent as traders bet that the modest employment gains and the uptick in joblessness meant that the Federal Reserve would be forced to keep pumping money into the economy in a bid to stimulate greater growth.

The Fed’s push to keep short-term interest rates near zero and flood the economy with trillions of dollars since the onset of the recession has been credited with staving off a far deeper downturn. It also has helped stabilize the housing market and given Wall Street a major lift since the dark days of early 2009, when the Dow Jones industrial average was below 7,000. On Friday, the Dow closed at 15,248.12, more than double the recession low.

The United States economy is performing relatively well by some yardsticks — a steady increase in economic output, a surge in corporate profits and new stock market highs — but the robust job market that is a key focus now of Ben S. Bernanke, the chairman of the Federal Reserve, and other Fed policy makers remains out of reach.

While several European countries have fared worse, Canada, Sweden and even Britain, which is trapped in yet another recession, have enjoyed healthier job gains than the United States. In fact, of the nine countries surveyed by the Bureau of Labor Statistics, only perennially-troubled Italy and Japan performed worse.

A big part of the problem, economists say, is just how big a hole the American economy fell into in the first place. Not only did the global economic downturn begin here, it also enveloped the housing market and the banking system, sectors that were largely spared in many other countries.

“Canada didn’t really have much of a housing bust,” Mr. Katz said.

A new paper by two economists from the University of British Columbia, Florian Hoffmann and Thomas Lemieux, concludes that over half of the recent variation in employment trends between the United States on the one hand, and Canada and Germany on the other, can be attributed to the construction sector.

Although the construction field gained 69,000 jobs in the first five months of 2013, with 5.8 million jobs in May, that was still nearly two million fewer jobs than in 2007, according to the Labor Department.

Other countries have generated jobs on the basis of strong exports. Germany’s economy, for example, was powered until recently by shipments of machinery, cars and other products of its high-end manufacturing industries. Australia emerged largely unscathed from the downturn, thanks to booming Chinese demand for raw materials.

The German government also went to great lengths to discourage outright layoffs, instead encouraging employers to keep workers in a part-time capacity. At the same time, letting workers go in Europe is a much more costly proposition for big employers than it is in the United States.

Another challenge in the United States, Mr. Katz said, is the fiscal squeeze in the public sector, as the government continues to shed jobs at a rapid rate.

The federal government, for example, lost 14,000 jobs in May, in part because of the across-the-board spending cuts, known as sequestration, put in place by Congress in March. Over the last three months, the federal government has shed 45,000 jobs, not including furloughs.

The fitful recovery that began in 2009 is also different from the trend that prevailed after the deep recession of the early 1980s, said Laurence M. Ball, a professor of economics at Johns Hopkins University in Baltimore. While economic growth has struggled to top 2 percent in recent years, annual gains in output briefly topped 7 percent when the economy bounced off the bottom three decades ago.

Mr. Ball noted that the weak trajectory of the labor market in the United States mirrored the pattern for overall economic output. While the Australian economy was 13 percent larger in terms of output than it was in 2007, and Canada had expanded by 6 percent, the American economy had grown by only 3 percent over the same period.

The overall employment picture in the United States remained better than many other Western countries, despite the slow pace of job creation since the recession. For example, unemployment in Spain was 27.2 percent, Italy had a jobless rate of 12 percent, and the unemployment rate in France was 10.8 percent.

Justin Wolfers, an economist at the University of Michigan, said that focusing on Sweden or Germany could be deceptive because of the economic carnage in other parts of the Continent. In addition, he said, the Labor Department study "tells us more about the dip in the U.S. than the recovery. We fell into a deeper hole, faster."

Still, at 7.6 percent in May, unemployment in the United States is half a percentage point higher than in neighboring Canada. The United States population is nearly 10 times that of Canada, yet the Canadian economy added 95,000 jobs in May compared with 175,000 in the United States.

Another sign of distress is the persistence of long-term unemployment four years into the recovery. While the number of workers who have been out of a job for less than five weeks is almost unchanged from 2007 levels, there are roughly 4.4 million Americans who have been unemployed for more than six months, a 257 percent increase since 2007.

"As the economy recovers, we are going to see growth," said Alexandre Mas, a professor of economics at Princeton and a former chief economist at the Labor Department. "But we haven't fully recovered yet."

Power Line

How Bad Is Obama's Record on the Economy? This Bad

by John Hinderaker

We are now nearly five years into the Age of Obama, and I think pretty much everyone understands that, economically speaking, the record is poor. If you think unprecedented levels of unemployment and poverty, declining labor force participation, booming food stamp use and so on are the signs of a healthy economy, then you should be satisfied with the Obama administration. Otherwise, not.

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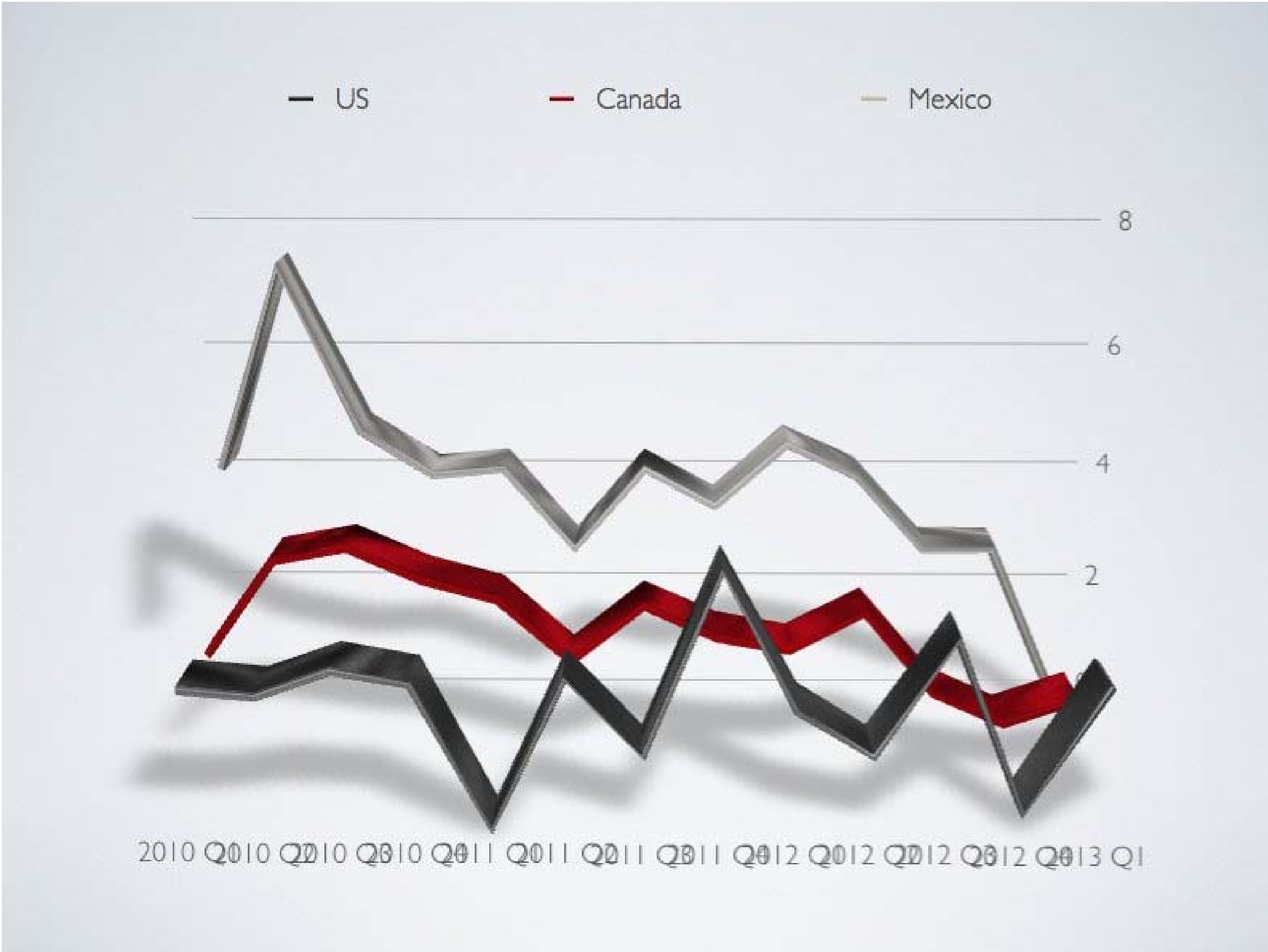
“The United States is way below where it should be,” said Lawrence F. Katz, a professor of economics at Harvard. “We had a massive downturn and a tepid recovery.”

The Times offers several possible explanations for our poor performance, while avoiding the most obvious one: we have an utterly inept government, which, on top of its incompetence, places little value on economic growth.

As the Times acknowledges, the U.S.’s economic performance over the last five years has been awful compared with that of Germany or Australia. But let’s stay closer to home: how have we done compared with Canada and Mexico? Canada has historically been both more liberal and poorer than the United States. Yet in the last few years, with a Conservative government in power, the average Canadian has become wealthier than the average American, for the first time in history. Mexico is, of course, a complete mess, with drug cartels massacring people in the streets. Yet the Mexican government, despite that country’s largely socialist roots, consumes less of Mexico’s wealth than our own governments (federal, state and local) do of America’s GDP.

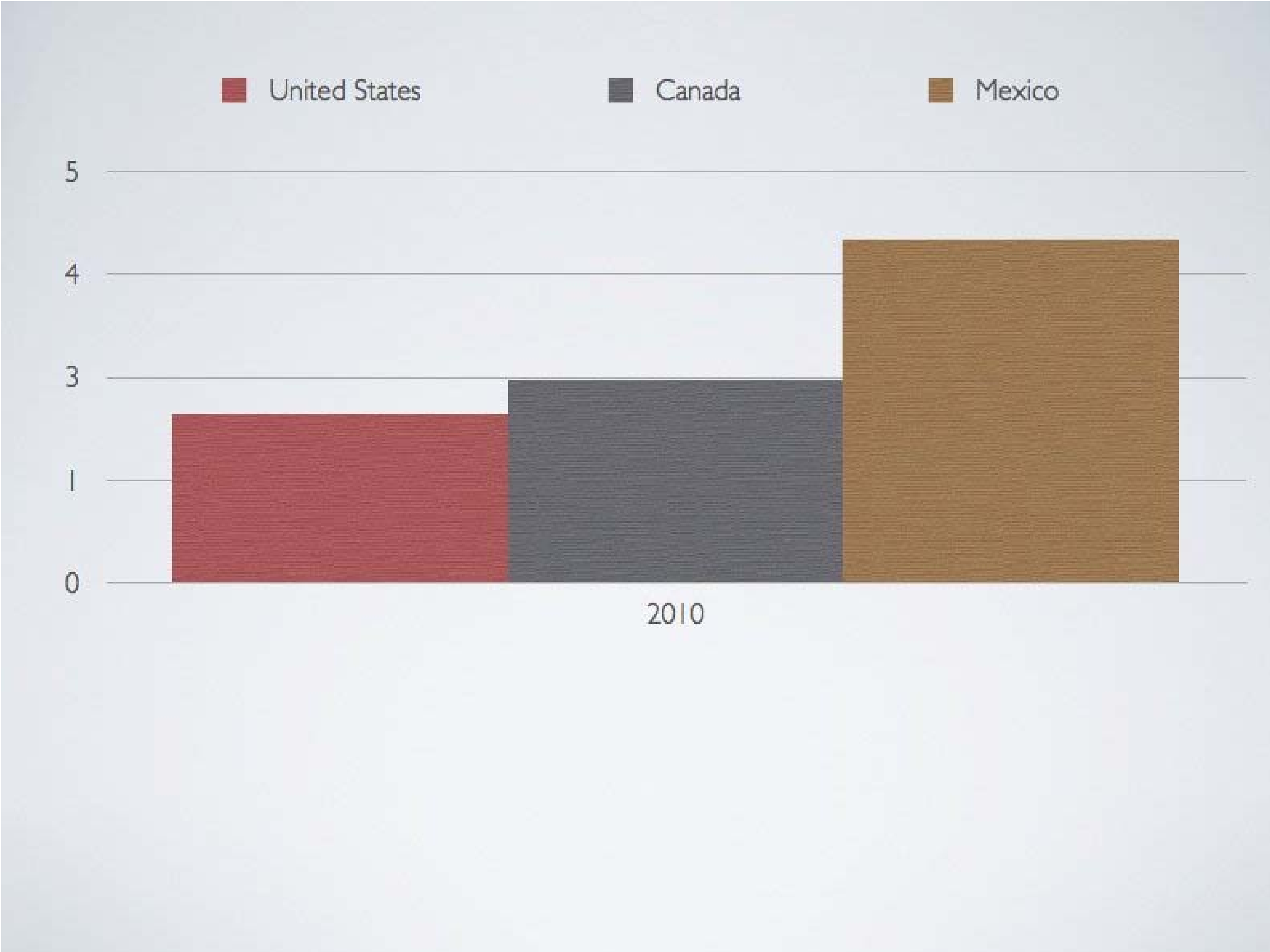
So how does the current recovery in the U.S. stack up, compared with the same period of time in Canada and Mexico?

Using consistent data on the United States, Canada and Mexico, I plotted GDP growth for the three countries on a quarterly basis from first quarter of 2010 to the present. That timing is significant, because in all three countries the recession was over by 2010 and recovery was in progress. So what we are comparing is the strength of the recovery in the three adjacent countries. This chart shows the quarterly increase in GDP from 2010 Q1 through Q1 of 2013:



As you can see, on a quarter by quarter basis, the U.S. has lagged behind Canada and, especially, Mexico. It is important to understand that this chart is not cumulative; rather, it shows the increase in GDP for each quarter on a percentage basis. If the U.S. catches up in the last quarter, it doesn't negate the effect of the last three years, in which we have fallen farther and farther behind.

This chart is very simple. It shows the average GDP growth per quarter, for 2010 Q1 through 2013 Q1, for the U.S., Mexico and Canada:



Americans tend to be complacent about our economy. Many, especially Democrats, seem to believe that it produces a bottomless well of wealth from which they can borrow or steal. The truth is quite different. Economic leadership depends on economic intelligence; intelligence which is sorely lacking in the Obama administration. During the Obama administration, the U.S. economy's performance has been poor, by any measure. We have consistently fallen behind better-run countries like Germany and Australia, and even basket cases like Mexico. Incompetence has a price, and every American is paying it. If high levels of poverty, unemployment and dependence on welfare are your goals, then the Obama administration is on the right track. But when it comes to economic growth–the creation of wealth which generates the jobs on which our children's futures depend–the administration has been a disaster.

IBD - Editorial

Obama Recovery: Still 7.6 Million Jobs Below Average

Economy: Although somewhat better than expected, the 175,000 net jobs created in May continues the historically tepid jobs growth trend that has come to characterize the now four-year-old economic recovery.

The result has been continued high unemployment, a vast pool of long-term jobless, and an unprecedented number of people who've dropped out of the labor force.

Highlighting the weakness of the May report is the fact that the number of unemployed climbed by nearly the same amount as jobs created — 101,000 — nudging the unemployment rate up to 7.6%.

As a result, there are still 2.4 million fewer people working than there were in January 2008, the previous jobs peak. And since the recovery started in June 2009, the number of jobs has increased a mere 3.9%, well below the post-World War II average of 9.7%.

In fact, had this jobs recovery merely kept pace with the average of the previous 10, there would be 7.6 million more people working today, and the unemployment rate would be less than half its current level.

Democrats have tried to lay blame for weak job growth on the sequester's automatic spending cuts.

Democratic National Committee communications director Brad Woodhouse, for example, tweeted Friday: "175k jobs added is a solid number. Imagine what our economy would be doing if not for #GOPSequester, GOP refusal to make needed investments."

But the sequester is clearly not to blame.

First, the automatic spending cuts it imposed only started in March, and even then, the budget cuts actually enacted so far have been relatively minor.

Also, the total number of government jobs climbed more than 7,000 since January (not including U.S. Postal Service jobs, which get included in government statistics even though the USPS is independently run).

And overall job growth was far worse while the government was furiously spending the more than $830 billion in economic stimulus money than hiring since the stimulus funds ran out.

Other bad news hidden in the jobs report:

• The unemployment rate among the nation's youths climbed to 24.5% in May, up from 23.4% in January. It was around 16% before the recession started.

• The unemployment rate for blacks is now 13.5%. It was 9% when the recession started in December 2007.

• There are still 4.4 million people who have been unemployed 27 weeks or longer, and the average length of unemployment is 36.9 weeks — a figure that is still significantly higher than it was when the recovery started in June 2009.

• Despite a slight decline in May, there are still 8.8 million more people who are not in the labor force than when the recovery started four years ago.

Las Vegas Review-Journal
[Obama falls flat on economy]
by Sherman Frederick

You don’t have to be a financial whiz to know that the economy isn’t good. Times are tough, and they’ve been tough for some time. The middle class has shrunk; wealth has diminished; poverty is up; and unemployment, especially for minorities, is nothing short of miserable.

But how bad is it, really?

Up until very recently, this was hard to quantify and thus became in large part a political argument. Today, however, enough time has passed that economists now have data points to scientifically put President Barack Obama’s economic policy in its proper place.

On the old legacy-o-meter, things aren’t looking good for Obama and his supporters, who so desperately wanted him to succeed.

I’m tempted to compare Obama’s performance on the economy to this year’s Phoenix Suns basketball team. But that might be too harsh — on the Suns.

The Suns were a crummy basketball team this season, for sure. They were pathetic from start to finish. But when things were not going well, they at least changed things up to get a better outcome. The Suns finished ahead of Cleveland and Charlotte. Had they suited up their old star, Connie Hawkins, they might have finished ahead of a few other teams, too.

President Obama, meanwhile, kept the same economic game plan and failed policies in place for 4½ years. Clear evidence is mounting to show that Obama’s stubbornness (or shall we call it ignorance) might earn him the title of Worst Economic President Ever.

An overreach, you say? Au contraire, mon ami. Ponder this: In what historians consider one of the most unsuccessful presidential terms in modern history, Jimmy Carter still produced four times as much economic growth as Barack Obama. If that doesn’t put it into perspective for you, nothing will.

For a definitive analysis of Obama’s economic failure, Peter Ferrara, the director of entitlement and budget policy for the Heartland Institute, writes in Forbes magazine this month that by all rights, Obama should be presiding over a robust recovery.

Because historically speaking, the worse the recession, the stronger the recovery, “Obama should have had an easy time producing a booming recovery by now,” says Ferrara.

Instead, Ferrara continues, “What is clear is that Obamanomics has produced the worst recovery from a recession since the Great Depression.”

Ferrara points out that the record shows it takes an average of two years for the economy to recover all the jobs lost after a recession. But in the 4½ years of Obama's reign, he has failed to accomplish that, and it's now been 5½ years since the previous jobs peak.

Ferrara goes on to cite Jeffrey H. Anderson, a senior fellow at the Pacific Research Institute, to point out that as bad as the economic performance under President George W. Bush was, Obama's is even worse.

In an article for Investor's Business Daily, Anderson writes: "Prior to Obama, the second term of President Bush featured the weakest gains in the gross domestic product in some time, with average annual (inflation-adjusted) GDP growth of just 1.9 percent ... but average annual real GDP growth during Obama's entire first term was less than half as much at a pitiful 0.8 percent."

That performance will establish Obama firmly as the worst president ever on the economy. Obama's GDP growth is less than half as much as the worst president in the past 60 years.

Let that process slowly. That means that if President Obama could go back in time and find a way to double his GDP performance, he'd still hold the record for the worst economic president in the past 60 years.

That's bad. So bad, in fact, I want to circle back and apologize to the Phoenix Suns. You're bad, but you're not Obama bad.

American.com

These are the most important numbers from the latest jobs report

by Michael R. Strain

The two numbers that will get the most attention, by far, from today's jobs report are 7.6 and 175,000. In May, the unemployment rate increased just a bit to 7.6%, and employers added

175,000 nonfarm payroll jobs. The basic story of the labor market recovery remains the same: it is steady but too slow.

But I encourage you to pay attention to three other numbers which, to my mind, are much more important than 7.6 and 175,000. They are 2.4, 4.4., and 0.4.

We still have 2.4 million fewer jobs than when the recession officially began 66 months ago. Relative to previous downturns, this performance is quite bad.

We still have 4.4 million workers who have been unemployed for six months or longer. This is a very large number. Outside this downturn, the previous post-war record was under 3 million, back in the 1980s. Over 37% of the total unemployed are long-term unemployed. The previous post-war record, also back in the 1980s, was a comparatively low 26%.

When the Great Recession began in December 2007, 62.7% of the working-age population was employed; today it is a staggeringly lower 58.6%. The share of the working-age population with jobs has increased by only 0.4 percentage points since its low point in the official recovery. Though it doesn't get much attention, many labor economists prefer the employment-to-population ratio as the best measure of the broad health of the labor market. That this measure has improved so little indicates that the economy is creating just a few more jobs than are needed to keep up with population growth. But this is not enough. We need to create enough jobs to handle the growth of the working-age population *and* to recover the jobs lost in the Great Recession. To put it simply, we are not succeeding.

I frequently claim that the labor market represents our most serious present-day public policy issue. I was on the radio yesterday afternoon, and the host expressed a common attitude in response to my claim: you're telling me that the government should be focusing its energy on helping the labor market to heal. But what about civil liberties? What about the IRS scandal? What about the government going after journalists?

I hear this (or some variant of it) a lot. And I should mention that the interview was held before news of PRISM broke and my Twitter account exploded.

It is easy for Washington to get caught up in The News Of The Moment — especially when the news cycle lasts a few minutes and not a day. And there is no question that these scandals — perhaps especially the IRS scandal, and, if the initial reports are true, PRISM — are extremely important, and deserve the attention of lawmakers and official Washington.

But I would caution against letting breaking news crowd out long-simmering problems. Our labor market crisis is extremely serious. Its effects will last with us for years. Millions of our fellow citizens are suffering. The long-term damage to our economy is significant. The human dimension of this crisis should not be ignored or forgotten — millions of Americans want to be working but can't, want to be contributing but can't, want to be earning their own success and realizing their full potential but can't, because the labor market is badly damaged and needs help. Yet it is largely ignored by lawmakers and the rest of Washington, so much so that Stanford professor and former Bush CEA chair Edward P. Lazear's Wall Street Journal op-ed this week was titled "The Hidden Jobless Disaster."

There are steps government can take. Steps that don't involve massive stimulus packages that are poorly targeted, take years to spend, and give gifts to corporate cronies. Steps that conservatives can support.

I describe them in the June 3rd issue of *National Review*: Publicizing and encouraging worksharing as an alternative to layoffs; lowering the minimum wage for young, inexperienced, and long-term unemployed workers; allowing the unemployed to use their UI benefit as a relocation voucher to move to a low-unemployment area; providing lump-sum bonuses to unemployed workers when they find a job; giving loans to some of the long-term unemployed to help them start businesses; allowing more high-skill, job-creating immigrants to come to our shores and contribute to our economy; pushing for right-to-work-laws; getting the government off the backs of aspiring entrepreneurs; encouraging domestic energy production and the jobs it creates; and more.

Some of these suggestions involve shrinking government. Others allow that active but limited government can be helpful. All should be considered.

2.4, 4.4, and 0.4. These numbers tell the real story of the labor market. And they compel us to take notice and to take action.

Michael R. Strain is *a research fellow* at the American Enterprise Institute.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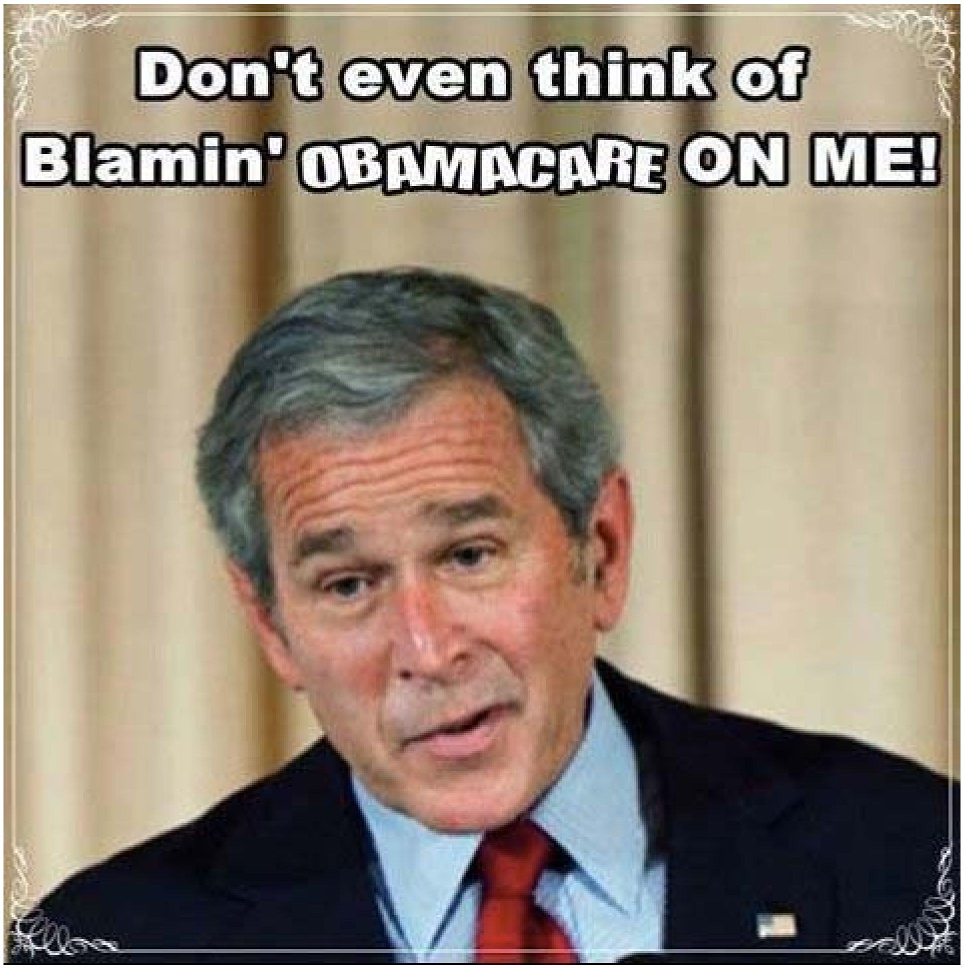
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