Stuck on 'Stimulus'

How Washington Democrats' Spending Spree Is Destroying American Jobs

The Office of the Republican Leader

John A. Boehner

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FOREWORD

Last week, Vice President Joe Biden turned his back on a small business owner who asked about having his taxes lowered. The Vice President then proceeded to call the man a "smartass" and went back to defending his administration's 'stimulus' spending policies.

This is the kind of Washington-knows-best arrogance that Americans are so fed up with. More than that, though, it's a reflection of the Washington-first, Washington-last economic policies that have failed to put people back to work while pushing our nation to the brink of a fiscal crisis.

It's time for a return to first principles, to common sense. If you want to boost the economy and support private-sector job creation, you don't go on a binge of taxing, spending and borrowing; you rein in spending, keep taxes low, and give small businesses the certainty they need to get back on their feet.

This is the approach Republicans are fighting for, and have fought for since President Obama took office. It's supported by the American people, hundreds of economists, and even the leaders of most of the G-20 nations, who've learned the hard way that massive government spending, seizing and borrowing is not an effective remedy for their countries' economic ills.

President Barack Obama and Washington Democrats have been slow to get the message. While the rest of the world seems dialed in on the need to rein in spending and impose fiscal discipline, Washington Democrats are still stuck on 'stimulus.'

Rather than face facts and make tough choices, Washington Democrats have chosen to cling cluelessly to their discredited 'stimulus' philosophy. To keep their spending spree going, Democrats have flat-out canceled the federal budget for the first time in modern history at a time when a fiscal blueprint has never been more badly needed.

Things reached a new low last weekend when, instead of pressing the United States Congress to do its job and pass a budget, the president traveled to Toronto, where he practically begged our allies and trading partners to spend more of their taxpayers' money on government-run 'stimulus' programs. Just as it has been with the American people, President Obama could not make the sale.

The following report, entitled *Stuck on 'Stimulus,'* examines employment disparities among certain segments of the American labor force in the wake of President Obama's trillion-dollar 'stimulus.' It goes beyond the top-line numbers the media reports on every month and provides a 360-degree view of the havoc Washington Democrats' 'stimulus' policies have wrought. It also looks at how Democrats' misguided policies are destroying American jobs, and offers better solutions to turn things around and put people back to work.

There's an appropriate term for those who suggest an alternate approach is needed to create private-sector jobs and restore real economic growth. The term isn't "smartass." It's just smart.

House Republican Leader John Boehner
Washington, D.C.
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INTRODUCTION

"Where are the jobs?" It's the question Americans have been asking since it first became clear that Washington Democrats' trillion-dollar 'stimulus' would not create jobs 'immediately' and keep unemployment below eight percent as promised.

Monthly unemployment statistics are regularly covered by the media and consumed by Americans, but they barely scratch the surface. Underlying this data is a harsh and longstanding reality of employment disparities among certain segments of our workforce. African-Americans and Hispanics, as well as low-skill and older workers, are facing disproportionately high unemployment rates. This report examines unemployment data in greater detail as well as some of the policies that are harming job creation.

Since the recession began, millions of Americans have lost their jobs and millions remain on the unemployment lines. The White House's promises of 'immediate' job creation and an unemployment rate no higher than eight percent under the trillion-dollar 'stimulus' proved to be nothing more than wishful thinking.

Carnegie Mellon economist Allan H. Meltzer, a member of Leader Boehner's economic kitchen cabinet, has outlined the two main reasons "Why Obamanomics Has Failed:"

> *"The administration's stimulus program has failed. Growth is slow and unemployment remains high. The president, his friends and advisers talk endlessly about the circumstances they inherited as a way of avoiding responsibility for the 18 months for which they are responsible. …*
>
> *"Two overarching reasons explain the failure of Obamanomics. First, administration economists and their outside supporters neglected the longer-term costs and consequences of their actions. Second, the administration and Congress have through their deeds and words heightened uncertainty about the economic future. High uncertainty is the enemy of investment and growth."* (*Wall Street Journal* op-ed, 6/30/10)

Indeed, even as it has become crystal clear that the 'stimulus' isn't working as promised, Washington Democrats have continued to forge ahead with more government spending, more tax subsidies to state and local governments, and more job-killing government takeovers of wide swaths of our economy. What's worse, Democrats have laid the possibility of new, job-killing taxes on the table so they can continue their government spending spree.

Small businesses, our nation's economic engines, have taken notice. Employers are hesitant to make capital investments or hire new workers due to overwhelming uncertainty on what tax rates will be, whether credit will be more available, or what new burdens will be placed on them. Also, employers are still sorting through the recently-enacted government takeover of health care and discovering all kinds of new mandates and taxes on the capital they depend on to grow and sustain their businesses.

<u>PART ONE: OVERALL EMPLOYMENT PICTURE</u>

National unemployment continues to hover near 10 percent, with roughly 15 million Americans still jobless. <u>With just 2.7 million job openings in March, there were 5.6 unemployed Americans seeking each available job</u>. While the economy has added at least some jobs each month of this year, the labor market remains soft. After two relatively significant months of job growth in March and April, May private sector job growth was stagnant. Economists on the left, center, and right agreed that the report was "disappointing."

The American economy has not yet reached a sufficient growth trajectory to lead employers to make new investments and hire new workers. In addition, Washington 'stimulus' policies have largely failed to help tip the balance in the economy and are easily countered by looming tax increases, massive new regulatory burdens like ObamaCare, and great uncertainty created by Congress:

> *"In a sobering reminder the labor market will take a long time to heal, the unemployment rate, which is calculated using a separate household survey, fell only moderately, to 9.7% in May from 9.9% the previous month. … Following the most severe recession that most Americans can remember, there are still around 15 million people who would like a job but can't get one. Even though the economy started to grow again almost a year ago, companies have until recently been reluctant to ramp up hiring as they waited for more evidence of a stronger economy, and focused on producing more with fewer workers."* (*The Wall Street Journal, 6/4/10*)

This isn't where President Obama expected to be after promising to make jobs a priority in 2010. Each time he has tried to 'pivot' to jobs, the President's agenda has ended up "stalled":

January 27: "Jobs No. 1 focus for 2010, Obama vows" (*UPI*)

February 26: "Jobs agenda stalled at both ends of the Capitol" (*The Washington Post*)

March 22: "Healthcare finished, House Democrats switch to jobs agenda" (*The Hill*)

April 11: "Obama Election-Year Jobs Agenda Stalls In Congress" (*Associated Press*)

June 18: "White House shifts focus to jobs, jobs, jobs" (*USA Today*)

June 19: "… his agenda is stalled on Capitol Hill…" (*The Washington Post*)

President Obama and Washington Democrats have done their best straw-grasping routine, saying that the economy has 'turned the corner,' but Americans just aren't buying it:

> *"Americans are more pessimistic about the state of the country and less confident in President Barack Obama's leadership than at any point since Mr. Obama entered the White House, according to a new Wall Street Journal/NBC News poll. … Sixty-two percent of adults in the survey feel the country is on the wrong track, the highest level since before the 2008 election. Just one-third think the economy will get better over the next year, a 7-point drop from a month ago and the low point of Mr. Obama's tenure."* (*The Wall Street Journal, 6/23/10*)

"In fact, solid majorities of Americans now disapprove of the way the president is handling almost every major challenge confronting his administration—a complete reversal from only four months ago, when he enjoyed broad public support on the issues. ***In February, only 41 percent frowned on Obama's economic leadership; now that number has risen to 58 percent.***" (*Newsweek*, 6/25/10)

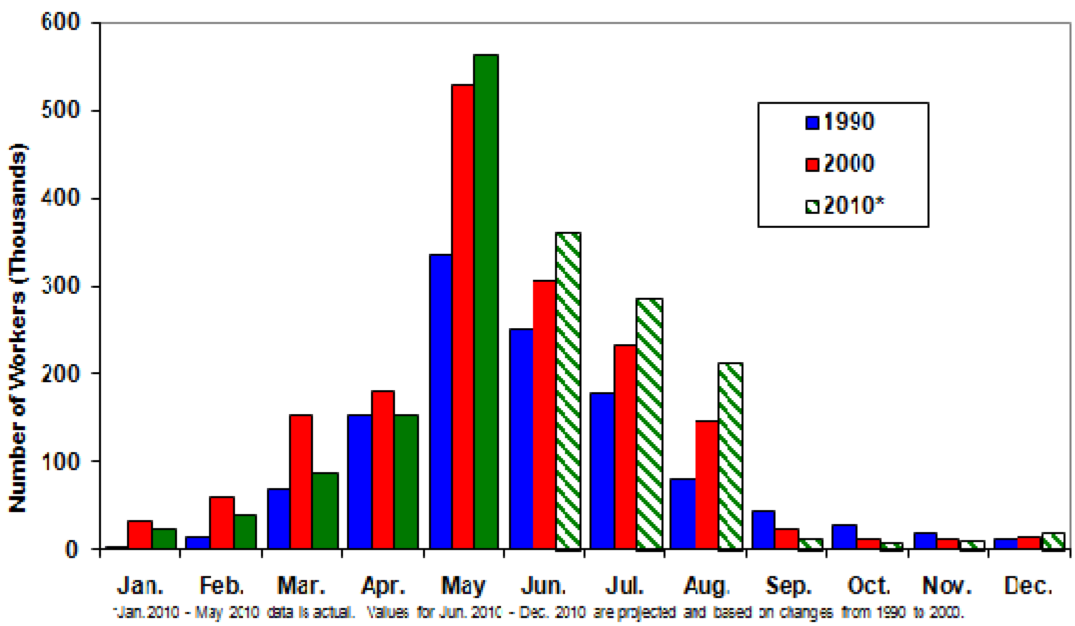
The Overall Employment Picture

Using the Obama Administration's own benchmark for the 'stimulus' – that payroll employment would equal 137.55 million by the end of 2009 – it has fallen short. In May 2010, payroll employment totaled 130.57 million, leaving the Administration – and the 'stimulus' – seven million jobs short of the standard they set. In order to make up that gap by the end of this year, the economy would need to create an unprecedented one million jobs each month for the rest of the year.

This year, the economy has produced far fewer than one million jobs per month. In fact, in every month of this year combined, the economy has not yet produced one million jobs. And, of the jobs that have been added this year, 549,000 of those have been temporary Census workers. While these temporary Census jobs may be helpful to some workers for a couple of months, they are not the type of jobs needed to right the economy and reduce unemployment over the long-term.

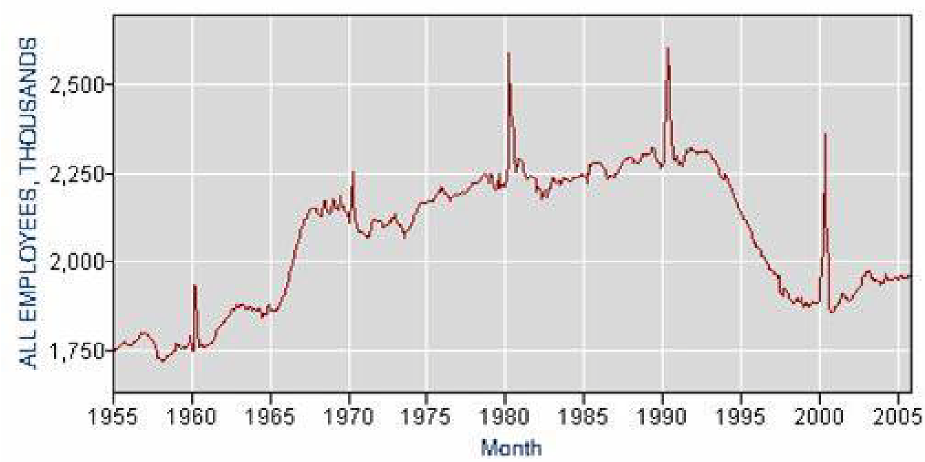
The uptick in Census hiring has had a positive impact in the first half of the year, but these gains will be fleeting, and do not represent a lasting improvement. Past and present estimates of Census hiring show this phenomenon as illustrated by Figures 1 and 2.

Figure 1: Past and Projected Census Employment, by Month



Source: Bureau of Labor Statistics, Committee on Ways and Means Republicans

Figure 2: Census' History: A Predictable but Unsustained Spike in Jobs



Source: Bureau of Labor Statistics, Committee on Ways and Means Republicans

While the modest job growth this year is a welcome sign, difficult challenges still lie ahead:

> *"Despite the improvement, the persistently high unemployment rate is a reminder of how much more is needed to fix the jobs market. As the economy recovers, improving job prospects lure more people into the labor force. Economists expect the unemployment rate to fall very slowly as discouraged job seekers who had stopped looking for work return to the labor force and are counted as unemployed.*
>
> *"In a sign of the labor market's continued weakness, the [BLS monthly employment] report showed 46% of Americans were out of work for more than six months in May. The longer someone is without a job, the harder it is to find work. With time, people lose skills -- and employers are often loathe to hire someone who hasn't been working for long periods."* (*The Wall Street Journal, 6/4/10*)

University of Maryland economist Peter Morici recently outlined these challenges and indicated what kind of economic growth is needed to fuel job creation:

> "***Overall, the economy must add more than 13 million jobs to bring unemployment down to 6 percent by the end of 2013.*** *With state and local governments facing tough financial constraints, the private sector must add at least that many jobs to accomplish the task. Accounting for productivity, population growth and labor force reentry, the economy and private business sector must grow at better than 3 percent a year to bring unemployment down, and that is a tough challenge.*
>
> *"GDP growth in the first quarter was 3.2 percent but inventory adjustments accounted for about half that growth. Private demand–private consumption, investment and net exports–only added about 1.6 percent percentage points. Government spending, even with stimulus disbursements, subtracted 0.4 percentage points from growth."* (CNBC, 5/7/10)

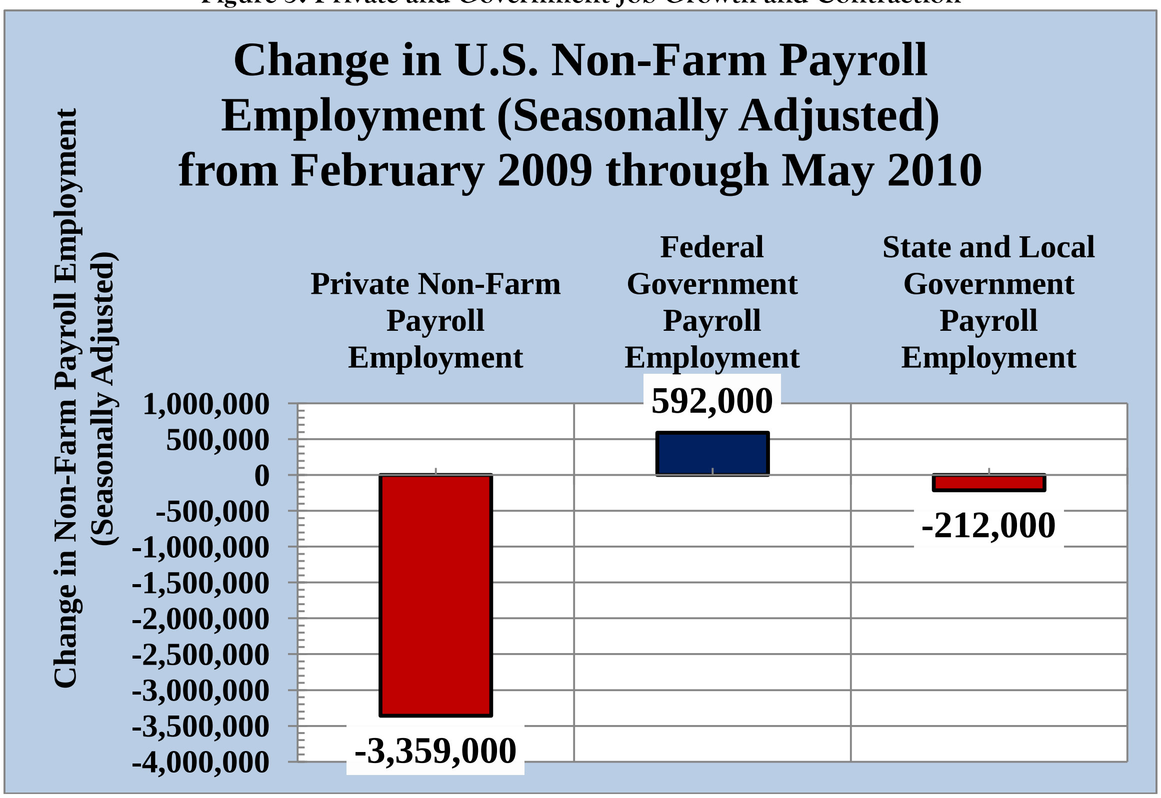
Indeed, it will likely take years before the economy returns to a level of employment that can support sustained growth and prosperity.

Part Two: Geographic and Sectoral Disparities

Reports from around the country indicate that unemployment rates are continuing to stagnate. In May, there were nine states with unemployment rates greater than 10 percent, seven states at or exceeding 11 percent, four states greater than 12 percent, two states with unemployment above 13 percent, and Nevada at 14 percent – the highest state unemployment rate since the statistical series began in 1976. In addition, the unemployment rate in 13 metropolitan areas in May exceeded 15 percent with some, such as Merced and Yuba City, California, near 20 percent. Unemployment continues to batter much of the country, with some communities having one in five members of its workforce without a job.

Disparities and spikes in unemployment are not only isolated to geographic regions, however. Disparities also exist between private sector and government job statistics. As Figure 3 illustrates, more than 3.3 million jobs have been lost in the private sector from February 2009 – May 2010. **The federal government has gained more than 590,000 jobs over the same time period.**

Figure 3: Private and Government Job Growth and Contraction



Source: Joint Economic Committee House Republicans

Of course, government jobs contribute significantly to some parts of the country, including federal, state, and local governments. This is especially the case in state capitals as well as in Washington, D.C., where government is the largest employer:

> *"Having trouble finding a job in, say, New York City or South Florida? You might give Madison, Wis., a try. It's got an unusually healthy outlook for job growth and a strikingly low unemployment rate–3.5% in October, when the national rate was 6.5%. ... A spokeswoman for the city's chamber of commerce adds that Madison is 'historically recession proof,' partly because it's the seat of state and county governments, as well as city, and*

they all provide jobs. Most of the cities on the list benefit from plentiful government jobs, but none more than Washington, D.C. Government is that town's largest employer." (Forbes, 1/5/09)

Government jobs, however, are not the kind of jobs needed to boost economic growth and lasting prosperity. Government jobs are supported by tax dollars, and that tax burden is ultimately borne by the entrepreneurs and small businesses that are the engines of economic growth. Further strain on these employers will not help facilitate a healthy economy over the long-term.

Despite massive amounts of deficit-fueled 'stimulus' spending, the construction sector – widely touted by proponents of the 'stimulus' as chief benefactors of the law – has continued to reel from the recession. The manufacturing and construction industries have been particularly hard-hit:

"Employment in professional and business services rose by 22,000. Manufacturing continued to trend up, rising by 29,000. The industry, which has been leading the economy's recovery, has added 126,000 jobs over the past five months. Construction, a sector of the economy that remains soft, lost 35,000 jobs in May. Total government employment, which includes state and local jobs, rose by 390,000, boosted by the influx of Census workers." (*The Wall Street Journal*, 6/4/10)

"Construction-sector jobs, once among the most readily available in the Charlotte region, have melted away by the thousands since the real estate bubble burst, home values plunged and foreclosures surged. Even as the market has begun to recover, and even as other sectors have begun to add jobs, the construction field, which includes everything from builders to electricians to flooring specialists, continues to bleed. Experts say new local unemployment figures, released today, probably will show a similar pattern – and that it could take years for construction jobs to return." (Charlotte Observer, 4/23/10)

"The construction industry, one of the hardest-hit business sectors during the recession, continued to hemorrhage jobs in Southern Arizona last year. And economists aren't expecting the bleeding to stop until 2011. Employment statistics showed steep losses as both commercial and residential building stagnated. Tucson had 17,900 construction jobs in 2009, a 21 percent drop from the previous year, according to the University of Arizona Eller College of Management economic outlook for Arizona." (Arizona Daily Star, 4/11/10)

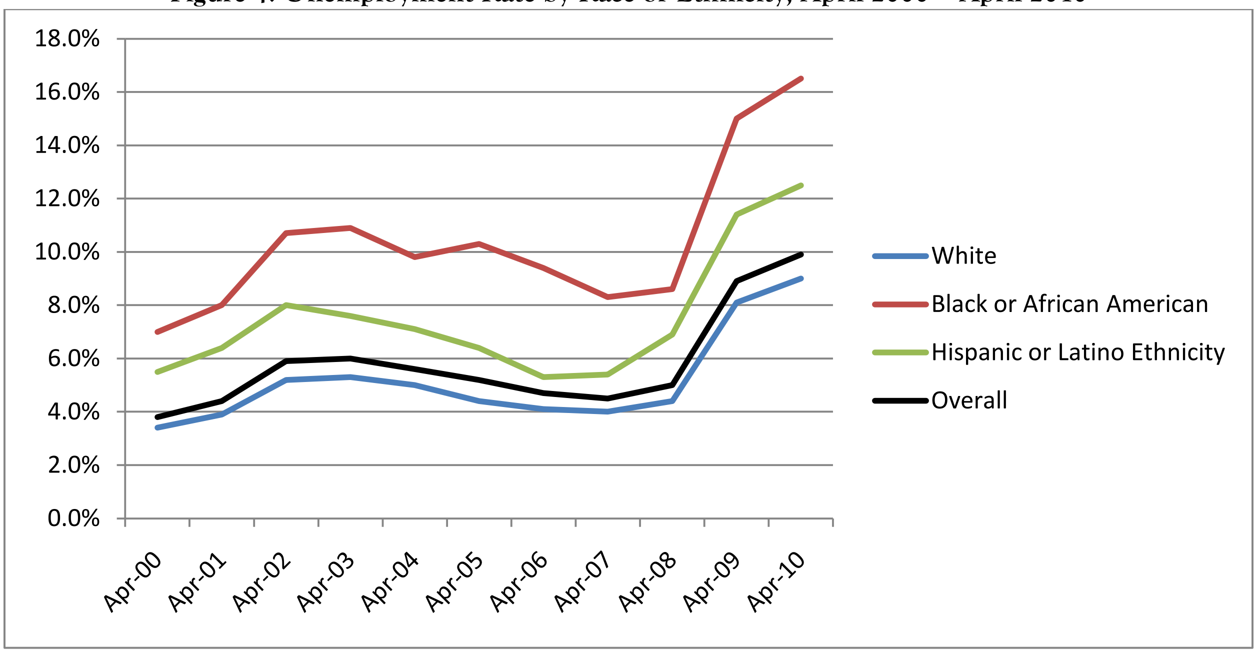
While government employment has bloomed during the recession, private sector jobs have taken a direct hit. Even accounting for the sectors with the most robust recoveries, government job creation overshadows any measure of private sector job growth.

Part Three: Racial and Ethnic Disparities

As alarming as national and regional employment figures are, a closer examination reveals even higher and more systemic rates of unemployment among specific segments of the workforce.

While much attention is paid to the national unemployment rate of 9.7 percent, the April unemployment rate for African-Americans was an alarming 16.5 percent, almost double the national rate. And jobseekers of Hispanic or Latino ethnicity faced an unemployment rate of 12.5 percent, 25 percent higher than the national rate.

Figure 4: Unemployment Rate by Race or Ethnicity, April 2000 – April 2010



Source: Bureau of Labor Statistics data, Office of the Republican Leader Staff Analysis

Unemployment among minorities has skyrocketed along with the surge in national unemployment, but the long-standing disparity among minority groups has persisted:

> *"The high unemployment rate for minorities is unacceptable, a top White House economic aide said today. 'Among minority communities, the unemployment rate is shockingly and totally unacceptably high,' Austan Goolsbee, a member of the Council of Economic Advisers, told MSNBC's Andrea Mitchell."* (The Hill, 4/2/10)

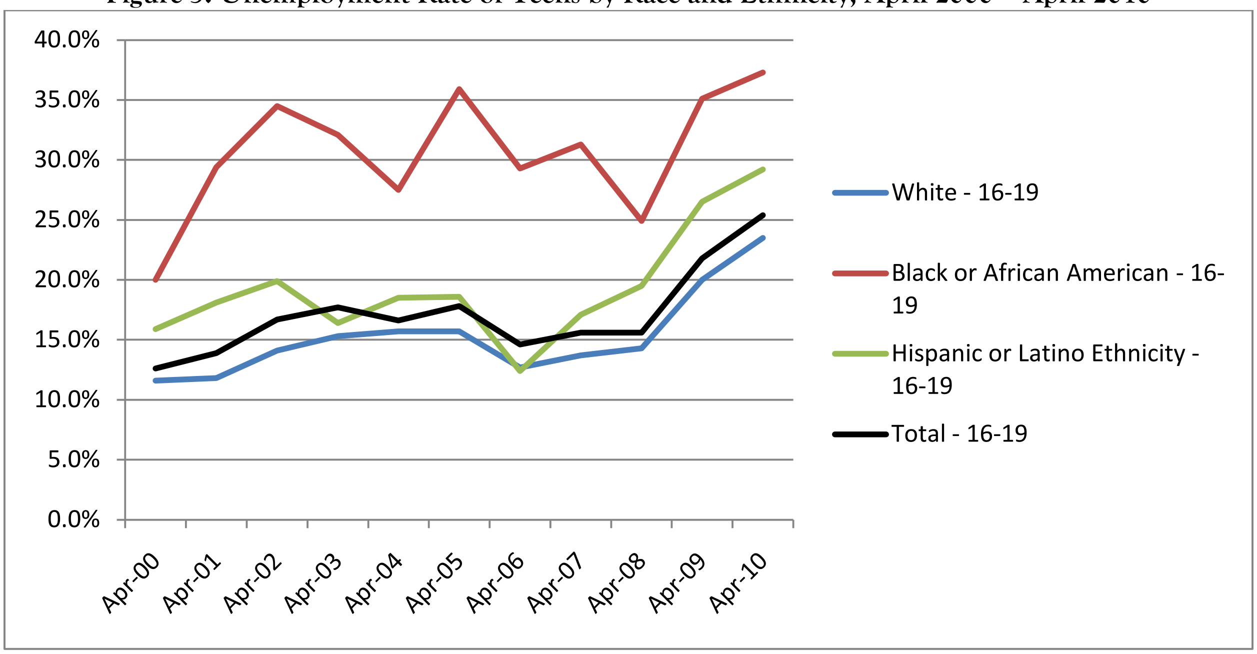
> *"While the steady creation of jobs by the federal government has largely shielded the region from the unemployment spikes experienced by much of the country, the jobless rate in the District has been hovering above the national level. Moreover, experts say, unemployment among blacks and Hispanics in D.C., Maryland and Virginia has risen in recent months -- with those groups two or three times as likely to be jobless as whites."* (The Washington Post, 1/19/10)

> *"The high rate of unemployment among minorities is prompting calls for more action in Washington and focusing attention on a long-standing and intractable problem. ... 'The times require that the federal*

government step in and provide temporary employment opportunities,' said Rep. Emanuel Cleaver, D-Mo., chairman of the Congressional Black Caucus' jobs task force. 'Not Social Security payments, not one-time checks, but jobs where people get up in the morning and go to work.' Last week, leaders of minority and civil-rights groups called for a stronger response from Congress and the Obama administration. 'We can't just go back to the economy of three to four years ago when African-Americans suffered perennial unemployment rates that were consistently twice that of whites,' said Ben Jealous, chief executive of the NAACP." (Denver Post, 2/22/10)

For minority youths, the unemployment rate disparity is even more staggering. The national unemployment rate among youths between the ages of 16-19 stood at 25.4 percent in April. For African-American teens, however, the unemployment rate was almost 50 percent higher at 37 percent, and for youths of Hispanic or Latino ethnicity the unemployment rate was 15 percent higher than the national rate.

Figure 5: Unemployment Rate of Teens by Race and Ethnicity, April 2000 – April 2010



Source: Bureau of Labor Statistics data, Office of the Republican Leader Staff Analysis

As Figure 5 details, in April 2010 nearly four out of 10 African-American teenagers seeking work could not find a job. While the unemployment rate for African-American teenagers has increased during the recession, the 10-year average unemployment rate for this demographic is more than 30 percent. At 30 percent, the 10-year average unemployment rate among African-American teenagers is a full 10 percentage points higher than for teens of Hispanic or Latino ethnicity and twice that of white teenagers.

Summer is also a time when many younger workers seek employment. This summer, like the last, could be a particularly tough time for young people looking for a job. In June 2009, there were nearly one million African-American youths, almost 800,000 youths of Hispanic or Latino ethnicity and another 3.4 million white youths unsuccessfully seeking work. Even if a 'summer jobs program' (H.R. 4213) recently passed by the House were to become law and meet its supporters' most optimistic projections, there would still be 4.7 million youths unable to find work.

Of course, many teenagers seek work as a precursor to entering the workforce or to help pay for education and living expenses while in school. The long-term effect of such high unemployment in this age group could be far-reaching:

> *"'Low-income and minority youth, who depended on part-time jobs as a significant stepping stone to future employment, have been forced out of the job market and economically marginalized,' Herman Brewer of the Chicago Urban League said in a statement. Overall, 26 percent of American teenagers aged 16 to 19 had jobs in late 2009, said the report, which was based on U.S. Census Bureau data. That figure is a record low since statistics began to be kept in 1948, the researchers said. ... Joblessness was particularly rife among high school dropouts aged 16 to 24 who were neither in school nor holding a job, the report said. Family income also had a influence on joblessness. Only 13 percent of low-income black teenagers in Illinois held a job in 2008 compared with 48 percent of more affluent white, non-Hispanic teens. The 'disconnection rate' – Americans aged 20 to 24 who were neither in school nor working – jumped to 28 percent last year from 17 percent in 2007."* (*Reuters, 1/26/10*)

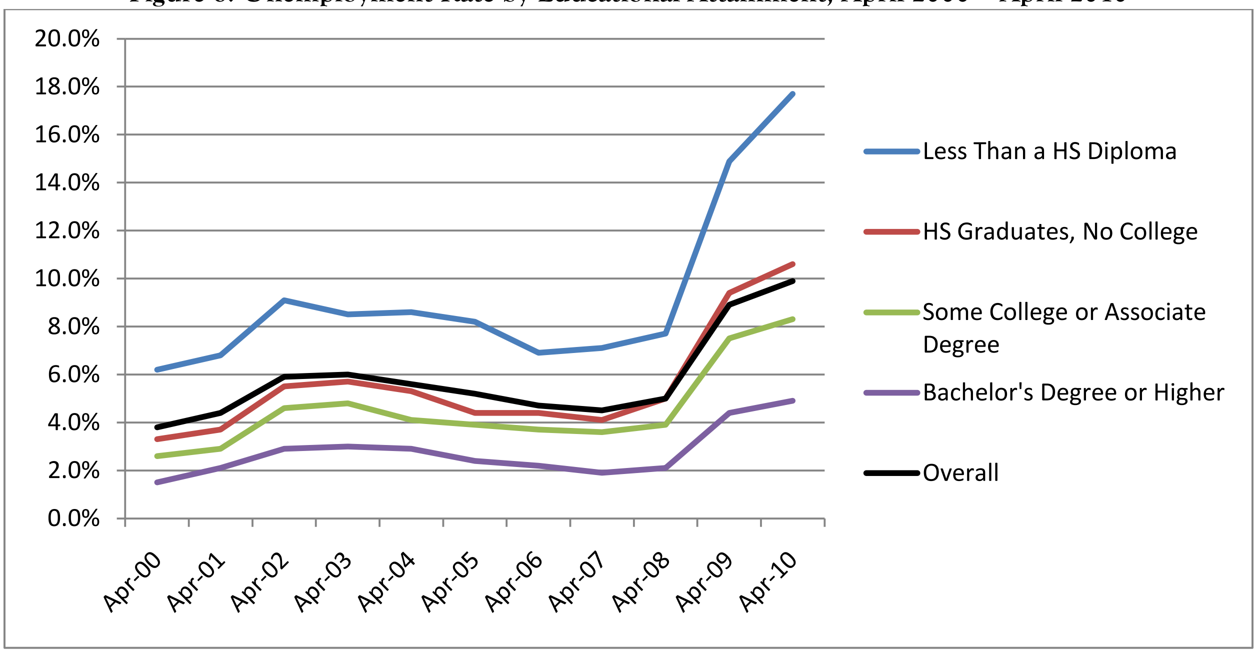
> *"The high rates of unemployment among young workers are cause for concern, and the effects can last long after the recession has ended. The 'scarring effects' of prolonged unemployment can be devastating over a worker's career. Productivity, earnings and well-being can all suffer. In addition, unemployment can lead to a deterioration of skills and make securing future employment more difficult."* (Joint Economic Committee report, May 2010)

<u>PART FOUR: OTHER DISPARITIES</u>

Other segments of the workforce enduring significantly higher rates of unemployment include low-skill workers and older workers.

While it is generally the case that workers with more education experience lower rates of unemployment, this year, workers with less education than a high school diploma have experienced an unemployment rate approaching 18 percent. While unemployment rates have also increased significantly for individuals with more education, the increase has been most pronounced for the least-educated workers. <u>In fact, the unemployment rate among job-seekers without a high school diploma is three times higher than it is for college graduates</u>.

Figure 6: Unemployment Rate by Educational Attainment, April 2000 – April 2010



Source: Bureau of Labor Statistics data, Office of the Republican Leader Staff Analysis

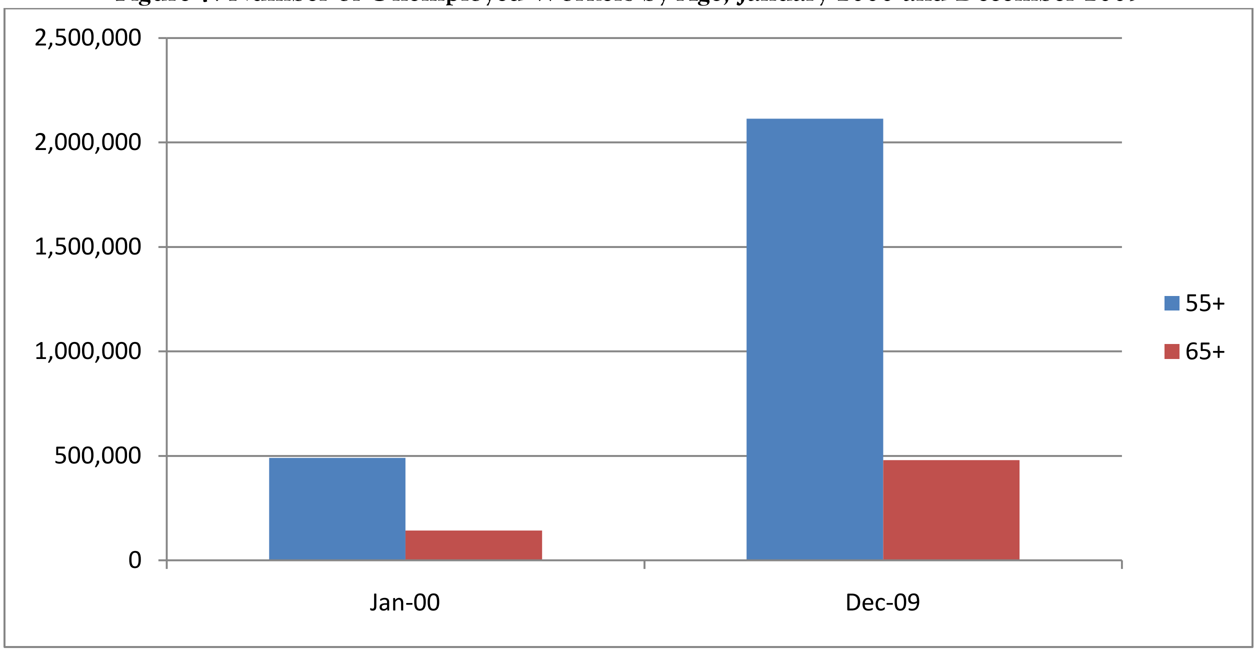
Even with a college degree, however, disparities exist between white and African-American college graduates. The nationwide jobless rate for white college graduates 25 years or older in April was four percent. African-American college graduates of the same age group were experiencing an unemployment rate of 7.4 percent, 85 percent higher than white college graduates:

> *"[O]ne hallmark of this economic downturn has been the disparities in the way the unemployment rate has affected people according to age, race and ethnicity, educational attainment, and geography. A college-educated white woman in Massachusetts has much easier time finding work than, say, an African-American man with a high school diploma who lives in Michigan, where the unemployment rate stands at 14 percent. This is a tale of two recessions."* (Newsweek, 6/4/10)

In addition to younger workers and new college graduates, the amount of older workers unable to find work have surged over the past year. While the reasons for the increase in unemployed older workers vary, some reasons may include a greater need for income to meet rising health care costs and other needs, or the decline in retirement asset values during the recession.

Workers age 55 and older in April faced a 7.7 percent unemployment rate. The average duration of unemployment for this group of jobseekers is 35 weeks, and 50 percent have been unemployed longer than 27 weeks. As Figure 7 denotes, 2.2 million older workers were seeking but could not find work in December 2009. And between 2000 and 2010, the number of unemployed workers 55 years and older surged 331 percent.

Figure 7: Number of Unemployed Workers by Age, January 2000 and December 2009



Source: Bureau of Labor Statistics data, Office of the Republican Leader Staff Analysis

Reports from around the country have highlighted the struggles of older workers seeking employment:

> *"For workers 55 and older, the rate was 7 percent as of April – more than double the rate in December 2007, when the recession began. [A] Pew report found that 29 percent of unemployed people 55 or older had been out of work for a year or more, compared with 18 percent of unemployed people between the ages of 20 and 24. And the job hunt has been particularly difficult for workers 55 and older in the current recession. Younger workers statistically are more likely to lose their jobs, but once unemployed, older workers are much more likely to stay unemployed longer."* (MSNBC, 6/3/10)

> *"'Things have been very tough for older jobseekers. Duration of unemployment for persons aged 55 and older has soared since the start of the recession and remains higher than for younger workers,' according to an analysis by Sara Rix of the AARP Public Policy Institute. 'Those numbers do not paint a rosy picture for millions of older Americans, many of whom may never find jobs comparable to the ones they have lost since December of 2007.'"* (U.S. News and World Report, 5/14/10)

<u>PART FIVE: CASE STUDIES: HOW DEMOCRATS' POLICIES ARE KILLING AMERICAN JOBS</u>

<u>Government Takeover of Health Care</u>

Washington Democrats have explicitly framed their government takeover of health care as a "jobs plan":

> *"In its life [health care reform] will create 4 million jobs, 400,000 jobs almost immediately."* (Speaker Pelosi, 2/25/10)

Yet, even before many of the provisions in the new law are fully implemented, a different story is emerging, one that suggests ObamaCare will destroy jobs and hamstring employers – particularly the small businesses vital to economic growth and prosperity. Last month, House Republicans held a public forum to hear from small business operators about the 'true cost' of the new health care law. Here's an excerpt from one entrepreneur's testimony:

> *"Small and midsized businesses that are growing are able to do so by reinvesting income from their operations to expand. These businesses have limited margins for increased labor and operating costs. Complying with the requirements of the new law will force entrepreneurs to invest less into growing their business. …* ***[T]he new health care reform law will slow or stall the growth of small and midsized businesses as we struggle to absorb its new costs.***
>
> *"Several aspects of the new law will add costs and regulatory burdens for small business owners. It establishes an employer mandate to provide health insurance coverage to employees. If employers do not purchase coverage, they will be subject to a penalty of $2,000 per full-time worker. The law restricts employer flexibility by defining a full-time employee as one who works at least a four day per week schedule. Furthermore, small businesses will now be required to calculate on a monthly basis the variable schedules of hourly employees to determine requirements under the new law and penalties.*
>
> *"Finally, the new law empowers the federal bureaucracy to determine an 'essential benefits package,' ultimately requiring employers to contribute toward a package they otherwise have not been able to afford. As crafted, I believe the new law is intended to eliminate all flexibility for employers to design a benefits package for our employees that is affordable. This inflexible, one-size-fits-all approach betrays a bias toward mandating coverage rather than curbing costs.* ***In order to comply, small employers will be faced with decisions such as cutting back wages, forgoing new hiring and raising prices for services. These measures will further stunt any economic recovery and curtail future job growth.***" *(Testimony of Gail Johnson, President / CEO, Rainbow Station, Inc., 5/27/10)*

One independent study concludes that the new law will be particularly problematic for at least one sector of the economy: the retail industry. The study highlights how many retailers are likely not currently in compliance with the requirements of the law, as well as the difficulty for employers acting in good faith to even know if they will be in compliance:

> *"The ink's barely dry on health-care reform legislation, and the regulations that will actually spell out the details of the provisions are just a twinkle in the regulatory agencies' eyes. But a report by Mercer finds that retailers may be in the not-so-sweet spot when it comes to complying with some of the new employer requirements.*
>
> *"The consultancy analyzed data from its annual survey of employer health plans and found that 62% of retailers face problems with at least one of three big requirements of the new law: to provide 'affordable' coverage, to offer coverage for part-time employees working at least 30 hours per week, and to go above and beyond the limited benefit plans sometimes offered to part-timers.*
>
> *"The mandate to provide 'affordable' coverage is one of the knottier issues. Employers aren't supposed to charge their full-time employees more than 9.5% of household income for coverage. If they do, and if even one employee receives government aid to purchase individual coverage through an exchange, the employer gets socked with a penalty. But, Mercer notes, household income is not a figure that employers typically know."* (*Wall Street Journal*, 4/27/10)

In addition to being difficult to comply with, these mandates are likely to affect low-wage workers more than other workers. At a time when these workers are already facing significantly disparate unemployment rates, a policy that decreases the odds of a low-skill job seeker's chances of being hired seems particularly misguided. Yet, that is exactly what the new health care law will do, likely exacerbating the disproportionately higher unemployment rates of this group of Americans:

> *"Employers are more likely to breach the premium cap for low-skill, low-wage workers because the premium is a higher percentage of their income. The irony is that in the name of expanding health care coverage the administration is making it harder than ever for unskilled workers to get started in the workforce. Clearly, the new health care bill enacted in March will have negative effects on the employment of low-skill workers."* (Diana Furchtgott-Roth, *Real Clear Politics*, 5/6/2010)

Various independent analyses have determined that ObamaCare will cost taxpayers more than originally estimated, increase rather than decrease health care spending, and increase rather than decrease premiums for millions of Americans. It's also clear that the new health care law will destroy many more jobs than it could possibly hope to create.

Out-of-Control Spending

Washington Democrats have spent the last 18 months racking up record deficits and debt, spending money with reckless abandon while claiming that their programs will create jobs for the millions of Americans who are unemployed or underemployed. But after spending nearly a trillion dollars on a 'stimulus' that was supposed to keep unemployment below eight percent and create private sector jobs "immediately," Americans continue to ask "where are the jobs?"

This year alone, Washington will spend a record $3.6 trillion. That's $31,000 per household, or one out of every four dollars made in America. To keep up this pace, **we will have to borrow 43 cents of every dollar we spend from our kids and grandkids**.

In recent testimony before the Republican Health Care Solutions Group, former Congressional Budget Office (CBO) Director Douglas Holtz-Eakin laid out the full extent of Washington Democrats' out-of-control spending spree:

> *"As depicted in successive versions of the CBO's Long-Term Budget Outlook, over the next 30 years, the inexorable dynamics of current law will raise outlays from about 20 percent of Gross Domestic Product (GDP) to between 30 and 40 percent of GDP. As a result, any effort to keep receipts at their post-war norm of 18 percent of GDP will generate an unmanageable federal debt spiral. In contrast, a strategy of ratcheting up taxes to match the federal spending appetite would like be self-defeating as it would cripple growth."*

The latest example of the Democrats' reckless spending binge is a bill the House passed in early June: H.R. 5297, or what the Democrats call the *Small Business Lending Fund Act*, a $30 billion slush fund modeled after the Troubled Asset Relief Program (TARP). According to Neil Barofsky, the Special Inspector General who oversees TARP, "in terms of its basic design, its participants, its application process, and, perhaps, its funding source from an oversight perspective, **the Small Business Lending Fund would essentially be an extension of TARP's Capital Purchase Program**."

The $30 billion TARP III fund comes on the heels of a recent report from the CBO indicating the deficit is nearing the $1 trillion mark – only eight months into the current fiscal year. Estimates place the deficit for the complete fiscal year at $1.5 trillion and just last month the national debt topped $13 trillion.

Things have gotten so out of hand that Democrats have canceled this year's federal budget altogether. This failure of leadership is unprecedented in the modern era. By not producing a budget, Washington Democrats are missing an opportunity to restrain spending and promote economic growth. More than 100 top economists highlighted the job-killing consequences of the Democrats' budget failure in a letter recently delivered to President Obama:

> *"The jobs report released last Friday by the U.S. Department of Labor was a source of disappointment and alarm. Of the 431,000 new jobs in May, 95% were temporary government jobs created by the Census Bureau. Only 41,000 private-sector jobs were generated, and the civilian labor force shrank by 322,000. In addition, 46% of those out of work have been jobless for six months or longer – the first time in history that such a dire statistic has been recorded for the American economy. Efforts to spark private-sector job creation through government 'stimulus' spending have been unsuccessful. Small businesses face an array of new challenges imposed on them by the federal government, including the threat of tax hikes and the newly-enacted health law, which will discourage hiring, increase the deficit, and raise health care costs, according to the chief actuary of the U.S. Department of Health & Human Services.*
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> *"As economists deeply concerned about our nation's future, we urge a change in direction. To support real economic growth and provide the spark needed to support creation of private-sector jobs, immediate action is needed to rein in federal spending, prevent job-killing tax hikes through the expiration of current tax rates, and reverse the harmful effects of the health care law on small businesses, the engine of job creation in our economy.*
>
> *"We are disturbed by reports that rather than taking such action, Congress will not even propose a budget this year – the first time in modern history that the U.S. House of Representatives has failed to even pass a*

budget. Such a failure will mark a massive missed opportunity to help our economy grow and create private-sector jobs. Failing to restrict spending growth will further balloon the national debt, impede economic growth, and threaten our nation's long-term economic health.

"This issue cannot simply be deferred to a presidential commission. As last week's jobs report illustrates, action is needed now to begin to slow government spending and support the creation of new private-sector jobs. For the sake of millions of Americans who remain out of work – and future generations of Americans, who will carry the debt burden we are accumulating today – we respectfully urge that the leaders of both parties take action immediately to eliminate unnecessary federal spending, prevent tax hikes, stop regulatory threats to job creation, and enact reforms to put our nation back on a true path to prosperity."

Tax Increases

Since taking office, President Obama has signed into law roughly $670 billion in new job-killing tax increases, many of which violate his "firm" pledge not to raise taxes on middle-class families. In addition, a variety of tax increases are on the way. These actual and looming tax increases are further driving employers to hold off on making new investments or hiring new workers:

"The US Chamber of Commerce, which represents larger corporations, says a lot of the uncertainty for its members is Washington-generated. 'Tell me what my taxes will be as a company,' says Bruce Josten, the chamber's executive vice president for government affairs in Washington. 'No one can tell me.' For example, he says, Congress failed to extend the research and experimentation tax credit, which expired last December. 'The R&E tax credit has been on the books for 30 years,' says Mr. Josten.

"The House, he says, has passed legislation (the American Jobs and Closing Tax Loopholes Act of 2010) that is raising taxes on multinationals, retroactive to Jan. 1. It has also hiked taxes on capital investments made by Subchapter S corporations, which are normally small companies that pass their profits to shareholders but don't pay federal income taxes.

"In addition, the House has passed higher taxes for venture-capital funds, hedge funds, and private-equity funds. The legislation has yet to pass the Senate. It's not just taxes, says Josten. Businesses are still unsure how much the new health-care reform bill will cost them, he says. 'Many companies are finding their premiums are rising,' he says. 'Companies like some certainty on fixed costs.'

"The uncertainty is starting to freeze business decision making, says one economic development executive in the Southwest, who preferred to speak on background. 'We have been inquiring about what's going on, and one of the clear messages about the slow pace of investment is because of the administration's policies,' he says." (*The Christian Science Monitor, 6/4/10*)

Unless Congress acts, massive tax increases are set to take effect on January 1, 2011. Among the changes: a return of the estate tax, higher marginal tax rates, the elimination of the 10 percent tax bracket, higher tax rates on dividends and on small businesses, reinstatement of the "marriage penalty," a 50 percent cut in the child tax credit, reduced earned income tax credit, reduced deductibility of student loan interest, and higher taxes on capital gains.

To be fair, President Obama has indicated that he wants to extend some of these current tax policies that are set to expire, but congressional Democrats haven't lifted a finger to carry out these intentions. Indeed, the track record of congressional Democrats getting legislation over the finish line is far from sterling. First, they set out to keep the estate tax from going off the books in 2010, but they could only manage to get legislation through the House. As a result, there is zero estate tax this year, but the estate tax will catapult to 55 percent next year. And, a package to extend relatively non-controversial employer tax provisions through 2010, has languished for months in Congress. Now, even if the bill passes, it will provide only a temporary fix before it expires again at the end of the year.

But here's where the real pain starts. Speaker Nancy Pelosi (D-CA) has already admitted that she has her eye on imposing a European-style value added tax (VAT). As editorialized by the *Wall Street Journal*:

> *"Speaking with PBS's Charlie Rose on Monday, Mrs. Pelosi mused publicly about the rising possibility of enacting a value-added tax, or VAT, as part of broader tax reform. 'Somewhere along the way, a value-added tax plays into this … in the scheme of things, I think it's fair to look at a value-added tax as well.'*
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> *"The allure of a VAT for politicians is that it applies to every level of production or service, rakes in piles of money, and is largely hidden from those who ultimately pay it—namely, consumers. With a $9 trillion 10-year budget deficit, $4 trillion in spending in fiscal 2010 alone, and a $1 trillion (at a minimum) health-care entitlement in the wings, Mrs. Pelosi knows that not even the revenue from the expiration of the lower Bush tax rates in 2011 will cover the bills. Nearly every European country that has passed national health care has also eventually imposed a VAT, and it's foolish to think the U.S. will be different.*
>
> *"Mrs. Pelosi is the second prominent Democrat to call for a VAT in recent weeks. John Podesta, an adviser to President Obama and president of the very liberal Center for American Progress, called in September for a 'small and more progressive' VAT. Mrs. Pelosi and Mr. Podesta argue a new tax is necessary to address the nation's exploding financial liabilities, as if those liabilities exploded on their own. Of course, VATs always start 'small' and get bigger. The bills for the Democratic spending blowout are coming due even sooner than advertised, and the middle class will pay, whatever Mr. Obama's campaign promises."*

Lastly, in a mid-June speech announcing House Democrats' budget failure, Majority Leader Steny Hoyer (D-MD) called for a serious discussion on whether we can afford ***not*** to increase taxes on the middle class – not exactly confidence-inspiring.

PART SIX: BETTER SOLUTIONS: LESS SPENDING, MORE JOBS

Economists say we need to cut spending now to put people back to work, and Republicans have put forward an aggressive agenda to do just that. Less spending, more jobs – it's that simple.

While Republicans have proposed a host of spending cuts that could be implemented now, President Obama recently sent a letter to Congress encouraging another $80 billion in deficit 'stimulus' spending. Also fueling economic uncertainty is the fact that Democrats are leaving open the question of what tax rates will be next year and beyond. While Republicans have said that new, job-killing tax hikes are the last thing we need, Democrats are openly considering new tax hikes on small businesses and middle-class families.

To start to rein in out-of-control spending, House Republican Leader John Boehner (R-OH) and House Republican Whip Eric Cantor (R-VA) sent President Obama a letter earlier this year asking him to force Congress to cut wasteful Washington spending and pledging bipartisan support for this critical effort. Specifically, the letter asked him to invoke his authority under the 1974 Budget Act to submit specific proposals rescinding spending already in place. Boehner and Cantor pledged that if the President grants their request and chooses to use this authority they will introduce each proposal as a stand-alone bill in the House of Representatives.

Since 1974, presidents from both parties have used this authority to submit 1,178 rescissions totaling $76 billion. Congress, under both Democratic and Republican control, has approved 461 of these rescissions totaling $25 billion. President Reagan proposed the highest number of rescissions in one year (245 in 1985) and the highest dollar value ($15.4 billion in 1981).

House Republicans, led by House Budget Committee Ranking Member Paul Ryan (R-WI) and Vice Ranking Member Jeb Hensarling (R-TX) have also proposed specific budget cuts totaling $1.3 trillion:

- **Cancel Unused TARP Funds.** Prohibit the Treasury Secretary from entering into new commitments under TARP. *Ending TARP would prevent up to **$396 billion** in additional disbursements; CBO estimates savings of **$16 billion**. H.R. 3140 introduced by Rep. Tom Price (R-GA).*

- **Cancel Unspent 'Stimulus' Funds.** Rescind all unobligated budget authority authorized under the 'stimulus' bill and dedicate it to deficit reduction. *Saves up to **$266 billion**. H.R. 3140 introduced by Rep. Tom Price (R-GA).*

- **Cut and Cap Discretionary Spending.** Return non-defense discretionary spending to pre-Obama (fiscal year 2008) baseline levels. *Saves up to **$925 billion**. Legislation introduced by Reps. Ryan (R-WI) and Hensarling (R-TX) (H.R. 3964) and Rep. Jim Jordan (R-OH) (H.R 3298) include caps on discretionary spending.*

- **Reduce Government Employment.** Hire one person for every two who leave civilian government service until the workforce is reduced to pre-Obama levels (exempting the Departments of Defense, Homeland Security, and Veterans Affairs). *Saves an estimated **$35 billion**. H.R. 5348 introduced by Rep. Cynthia Lummis (R-WY).*

- **Government Pay.** Freeze federal civilian pay for one year. *Saves an estimated **$30 billion**. H.R. 5382 introduced by Rep. Michele Bachmann (R-MN).*

- **Adopt the Legislative Line-Item Veto.** Enact a constitutional line-item veto law. The President's FY 2011 budget included terminations, reductions, and savings that would achieve $23 billion in one year. While Congress may not accept all these savings, the Line Item Veto can help reduce spending. *H.R. 1294 introduced by Rep. Paul Ryan (R-WI).*

- **Reform and Bring Transparency to Fannie Mae and Freddie Mac.** Reform these companies by ending conservatorship, shrinking their portfolios, establishing minimum capital standards, reducing conforming loan limits, and bringing transparency to taxpayer exposure. *According to CBO, the cost to taxpayers of putting government in control of Fannie and Freddie is **$373 billion** through 2020. Saves an estimated **$30 billion**. H.R. 4889 introduced by Rep. Jeb Hensarling (R-TX); H.R. 4653 introduced by Rep. Scott Garrett (R-NJ).*

- **Create a Sunset Commission.** Establish a commission to conduct systematic reviews of federal programs and agencies, and make recommendations for those that should be terminated; and provide for automatic sunset of programs unless expressly reauthorized by the Congress. *H.R. 393 introduced by Rep. Kevin Brady (R-TX).*

CONCLUSION

By the time the first anniversary of the trillion-dollar 'stimulus' came around in February 2010, it had fallen out of favor with the American people. In fact, a national survey taken around that time found that more Americans believed that Elvis Presley was still alive than that the 'stimulus' had created jobs. Unfortunately, as this report indicates, the 'stimulus' has been an even bigger failure than most people realize. Nearly 18 months after President Obama's signing ceremony, African-Americans and Hispanics as well as low-skill and older workers, are facing disproportionately high unemployment rates. National and regional joblessness figures are also significantly higher than Obama Administration officials predicted they would be if the 'stimulus' were enacted.

Perhaps most disconcerting is the fact that while the private sector has lost more than three million jobs since February 2009, **the public sector has actually gained nearly 400,000 jobs.** This isn't the picture of recovery; it's just another Washington program that overspends and underdelivers.

We can't get back to where we need our economy to be unless we are generating significant private-sector growth. To do that, we need our small businesses, which are responsible for the overwhelming majority of our economy's new jobs, to be able to operate in an environment that helps them get back on their feet. Right now, however, small businesses are hesitant to make capital investments or hire new workers due to great uncertainty on what tax rates will be, whether the credit crunch will pass, or what new burdens could be coming down the pike. The new health care law alone, with its massive tax hikes and burdensome mandates, is responsible for much of these headaches.

Yet, a day after the G-20 sent President Obama home with a stinging rebuke of his 'stimulus' spending policies, he and his administration continued to push for them. At this rate, President Obama might be the last person on Earth who believes we need to keep spending money we don't have to boost our economy.

Americans know Washington's out-of-control spending spree is hurting our economy – killing jobs, not creating them. Republicans are listening and giving the American people an opportunity to take action and get engaged in this critical fight:

- *YouCut* allows taxpayers to make the tough choices Democrats won't and select specific spending cuts for Republicans to force floor votes on each week.
- *America Speaking Out* gives taxpayers a megaphone to make their voices heard and contribute their own ideas for cutting spending and changing the way Washington works.

Earlier this month, a new report from the Treasury Department revealed that our fiscal situation is much worse than we thought. Our record national debt – which now tops $13 trillion – is on pace to exceed the size of our entire economy by the middle of this decade. Economists say that at these levels, our debt is draining enough resources from our country to cost us nearly one million jobs. We simply cannot go on like this. Republicans have offered better solutions that provide the belt-tightening economists say is needed to create jobs and get us back on track. Less spending, more jobs – it's that simple.