Jump-Start This Jobless Recovery *(Santa Barbara News-Press)*

(May 27, 2011) The economic numbers continue to disappoint. The U.S. economy grew at only a 1.8% annual pace in the first quarter, even though the Obama administration projected 3.3% growth for 2011. Just this past week, 424,000 people filed unemployment claims, 10,000 more than the previous week – the 7th straight week topping 400,000. As a benchmark, I have been stating for more than a year that the economy needs to add 300,000 new jobs per month for 36 months to get back the 11 million jobs lost to the recession. Seven weeks at over 400,000 unemployment filings per week is almost 3 million workers without jobs. That's clearly going in the wrong direction. Some reply by pointing to the 244,000 jobs added in April. But with that, the unemployment rate actually went UP to 9%. This provides insights into the true state of this current jobless "recovery" and reflects the continued uncertainty about the economy and the overall business environment, due to expected higher taxes, higher energy costs, and more government legislation such as Obamacare and cap-and-trade.

Consider this basic example. If there are 100 ready and willing workers in the job market, and 90 have jobs while 10 do not, the unemployment rate is 10%. That makes sense. But when 2 of those unemployed stop actively looking for a job next month, the unemployment rate actually drops to 8.2% – because 8 have no job out of only 98 total. Yes, the unemployment rate dropped even though no new jobs were added.

The next month, 2 others stop looking for work, leaving 96 in the active labor market. But 2 of the prior 90 who had jobs get laid off, leaving only 88 with jobs. But the unemployment rate looks relatively unchanged at 8.3% (8 out of work from the 96 total), even as more jobs were lost.

If in the following month, the active in the job market dropped again to 92 (8 workers no longer looking), while 3 more get laid off. That leaves only 85 people with jobs, but the unemployment rate is reported as down to 7.3% because 7 are out of work from the new adjusted 85 "total" workers. However, it's very plain to see that the true unemployment rate is actually quite high at 15%, because only 85 of the original 100 in the workforce have jobs.

This apparent contradiction describes our current economic malaise. Even when the economy adds jobs (244,000 in April), there have been even more people filing for unemployment benefits (over 400,000 per week for 7 weeks), as well as thousands coming back to actively look for work. This explains how last month there were 13.7 million people unemployed – about the same as in March and February – even though 193,000 jobs were added in March and 244,000 were added in April. When those people who are no longer actively looking for work, and those working temporary jobs (who are seeking permanent positions) are added back to both the total labor market, while also being counted as "unemployed," the true unemployment rate today is right around 17% – almost twice the 9% "official" rate.

It's time to recognize that sub-2% annual growth and 9% (or 17%) unemployment – that's still on the upswing – do not constitute economic recovery. So what will jump-start this jobless "recovery"?

I was invited to Washington, DC two weeks ago – along with my coauthor – to give four talks about job creation and the economy.

What struck me most was there are really only two basic schools of thought on this in our nation's capital. When the Q&A sessions began, one group of legislators would start off by asking, "So what kinds of federal programs would you like to see us propose to help create jobs?" This simple question clearly demonstrates the huge gap between how government and the private sector view job creation. That's why our job creation book is subtitled: *How it really works and why government doesn't understand it.* That question believes that politicians are the drivers of the economy, who come up with spending programs to orchestrate new hiring via legislated manipulation. Thankfully we spoke to members from both houses of Congress who clearly understood the private sector does not need more government intervention, but less legislation, lower taxes, fewer tax-funded spending (stimulus?) programs, reductions in the multiple layers of regulatory compliance, and a more business-friendly free market environment.

In another session's Q+A, among dozens of members of the online press and blogosphere, it was again demonstrated that "government doesn't understand it", as one senior policy analyst asked, "Are there specific programs you would like to see the president put in place to help with job creation?" Again, our response was that the president and his programs do not create jobs – businesses do! I explained the difference between a tax-funded, tax consuming, temporary, unsustainable work programs, compared to a private capital funded, tax producing, permanent, sustainable jobs at a company.

Finally, at a public forum we addressed, someone wanted to know what government initiatives could best add more workers to the nation's employment ranks. I explained again that robust job creation remains solely and inherently a business decision of the private sector, and not a federal, state, or local government activity. Businesses will invest capital, modernize plant and equipment, expand infrastructure, open new facilities, and add more workers NOT when new federal spending programs are legislated, but when less government intrusion provides the private sector with an acceptable degree of certainty to make new profit opportunities worth their capital investments.

The focus then turned to Obamacare and we explained that hundreds of firms are now opting out via federal exemptions because it is so cost-prohibitive and burdensome for businesses, it will actually result in higher operating expenses and less jobs. As my coauthor often states on behalf of companies all across the country, “We don’t need to be programmed, we don’t need to be stimulated, we need to be left alone.” But one die-hard official pressed further with, “So what exactly would you like to see happen to get firms investing their capital and hiring more workers?”

The fact then remains, that the greatest economic jump-start to the U.S. economy, as well as the local Central Coast, would be a huge NON-program. There is a prime-time televised address to the nation the president could make that would instantly jump-start the economy with sustained, significant job creation (and I mean companies would literally be on the phone that same evening making plans for the next business day). The speech would go something like this. “Good evening my fellow Americans and businesses nationwide. Effective immediately, capital gains taxes are eliminated, corporate taxes are reduced to 15%, a fair (flat) tax will be implemented for individuals, and as part of social security reform, the payroll tax will be cut to 5% for employees and zero for employers. Finally, federal spending will be rolled back to 2008 levels, and the Patient Protection and Affordable Care law will be rescinded by executive order. The United States is once again ‘OPEN

FOR BUSINESS.' Thank you, and wait 'til you see the growth that will be coming."

That would be the best NON-program jump-start for the U.S. economy. But sad to say, without such presidential and legislative leadership, all that's on the horizon are more federal programs, runaway government spending, greater regulatory burdens, higher taxes, and increased energy costs, and continued wondering, "Where are all the new jobs if this is the recovery?"