



COMMITTEE ON WAYS AND MEANS

It's Official: On Unemployment and Jobs, Democrats' 2009 Stimulus Was a Huge Failure

How the Democrats' 2009 Stimulus Resulted in Fewer Paychecks, More Unemployment Checks

Committee on Ways and Means
Chairman Dave Camp
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INTRODUCTION

For the last two years, Washington has ignored the plight of the American people and job creators. Instead, a Democratic-led Congress saddled them with policies that fostered uncertainty and eliminated jobs. Democrats' continued pursuit of misguided economic policies and reckless spending have driven our debt to \$14 trillion - a level that has cost the U.S. economy as many as 1 million jobs and that continues to undermine our nation's economic recovery.

In January of 2009, Christina Romer and Jared Bernstein, then President Obama's chief economic advisors, put together an analysis predicting that the Democrats' stimulus package would "save or create" at least 3 million jobs by the end of 2010. Similarly, Romer and Bernstein claimed that passage of the stimulus package would keep the unemployment rate under 8 percent, falling to 7 percent by the end of 2010. But since that time, the unemployment rate has remained above 9 percent for 20 consecutive months, and there are 6.8 million fewer jobs than Romer and Bernstein predicted in their now-infamous report.

The arrival of 2011 has ended the era of the failed economic policies embraced by the Democratic Administration and advanced by unchecked Democratic Congressional Leaders. Instead, in the 112th Congress, the new Republican House Majority will pursue a contrasting agenda that creates the climate of certainty necessary to usher in a new era of private sector job creation. Congress sent a strong signal of that commitment in December by extending the current tax rates and preventing a massive tax hike on Americans and small businesses. If there is any hope of getting Americans back to work, Washington must get out of the way and let employers do what they do best and what America needs most – create jobs.

THE FAILURE OF DEMOCRATS' STIMULUS

	Democrats' 2009 Prediction*	Actual Result*	Difference
Unemployment	7.0%	9.4%	3.7 million more unemployed
Jobs	137.6 million	130.7 million	6.8 million fewer jobs

**Through December 2010*

OVERVIEW

Prior to the passage of their February 2009 stimulus plan, the Obama Administration released detailed projections for the economic effects they expected that legislation to have on jobs and the U.S. economy. Those estimates, in the Administration's January 2009 report titled "[The Job Impact of the American Recovery and Reinvestment Plan](#)" (informally called the Romer/Bernstein Report after the senior Administration economists who authored it), provided detailed jobs and unemployment projections through the end of 2010. With the January 7, 2011 release of the U.S. jobs report for December 2010, the nation now has actual - and complete - jobs and unemployment data to compare with the Obama Administration's pre-stimulus projections.

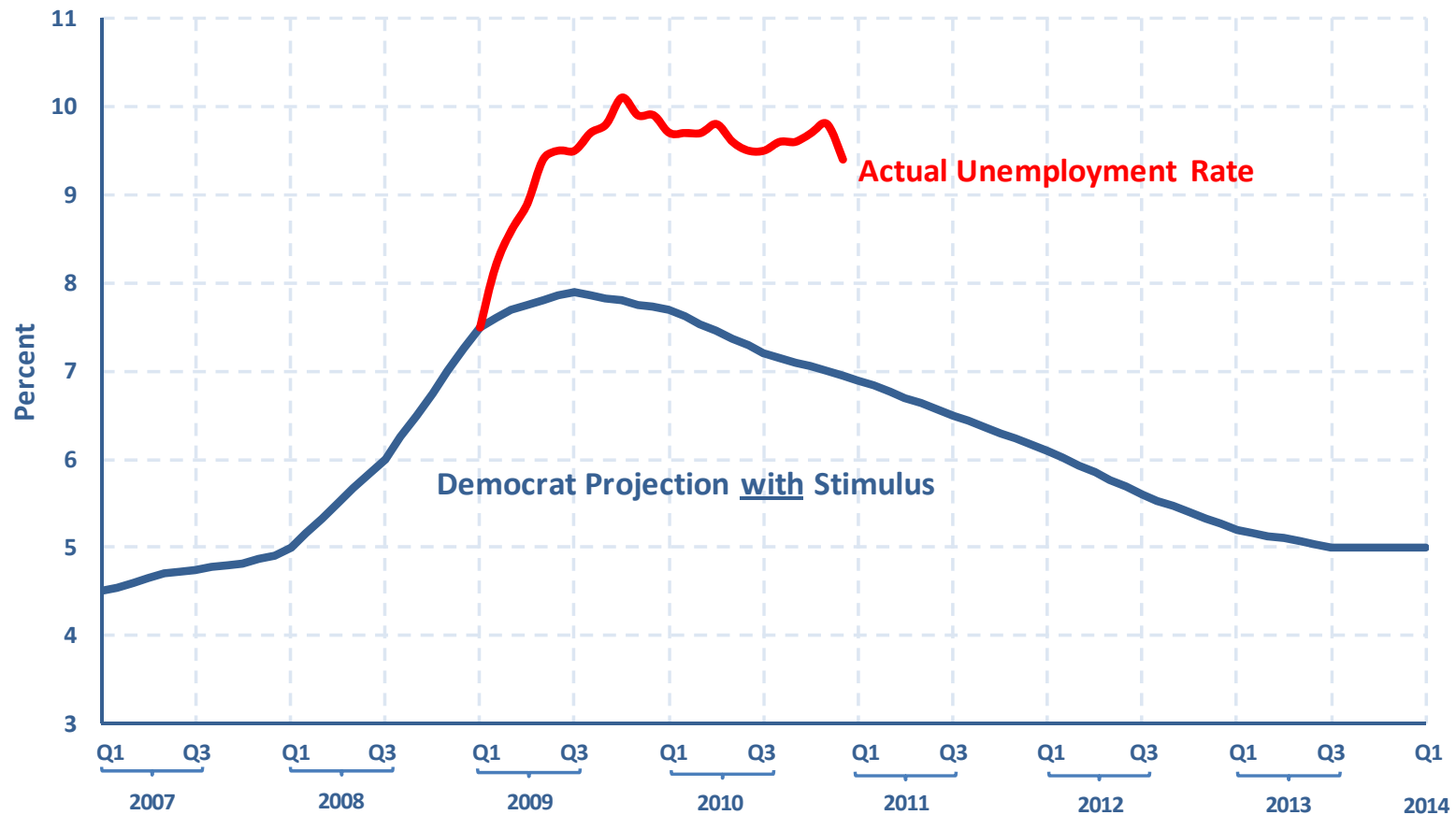
This report provides a detailed comparison of Administration projections for jobs and unemployment with the harsh reality actually felt by U.S. workers during the past two years. It finds:

- (1) **The unemployment rate is far higher** than Administration officials predicted it would be if their stimulus plan passed, leading to at least 3.7 million more unemployed people;
- (2) There are now **6.8 million fewer jobs than the Administration predicted** there would be if their stimulus plan passed;
- (3) A total of **47 out of 50 States have lost jobs** since Democrats' February 2009 stimulus;
- (4) Instead of creating millions of private sector jobs as promised, key industries have lost millions of jobs since Democrats' stimulus. **Overall, the private sector has shed 1.8 million jobs**, including over 1.5 million jobs lost in construction and manufacturing alone;
- (5) Instead of the current official unemployment rate of 9.4 percent, **the unemployment rate would be 11.3 percent if it included all the "invisible unemployed"** -- American workers who have simply given up looking for work or didn't even bother to try to enter the labor market; and
- (6) The staggering 70 percent combined rise in debt and unemployment during President Obama's term has created **an enormous "Obama Misery Index."**

(1) UNEMPLOYMENT IS FAR HIGHER THAN PROJECTED

The actual December 2010 unemployment rate of 9.4 percent is far higher than the 7.0 percent the Administration predicted if their stimulus passed. This has left at least 3.7 million more Americans officially unemployed than the Administration predicted in January 2009.

Democrat Projection of Unemployment Rate with Stimulus vs. Actual Unemployment Rate



Source: January 2009 [Romer/Bernstein Report](#) and actual [U.S. Department of Labor data](#)

(2) NEARLY 7 MILLION FEWER JOBS THAN THE ADMINISTRATION PREDICTED

In December 2010, there were 130.7 million jobs in the U.S. economy, 6.8 million fewer jobs than the Administration predicted there would be if their stimulus plan passed.

- According to the selection below from the Administration's January 2009 [Romer/Bernstein Report](#), "with stimulus" there would be 137.55 million jobs in the U.S. economy at the end of 2010:

Aggregate Effect of the Recovery Package on GDP and Jobs in 2010Q4

	Real GDP (billions of chained 2000 \$)	Payroll Employment
Without Stimulus	\$11,770	133,876,000
With Stimulus	\$12,203	137,550,000
Effect of Package	Increase GDP by 3.7%	Increase jobs by 3,675,000

- In reality, according to the latest [official U.S. Department of Labor statistics](#), there were a total of 130.712 million jobs in the U.S. in December 2010 – 6.8 million fewer jobs than the Administration predicted if their stimulus plan passed.

(3) JOB LOSSES IN ALL BUT THREE STATES SINCE STIMULUS

47 out of 50 States have lost jobs since stimulus, and the only place in America that actually achieved the Administration's job creation projection is Washington, D.C.:

State	Administration Projection of Change in Jobs (Through December 2010)	Actual Change in Jobs (Through November 2010)
Alabama	+52,000	-46,600
Alaska	+8,000	+3,600
Arizona	+70,000	-67,100
Arkansas	+31,000	-8,300
California	+396,000	-537,600
Colorado	+59,000	-81,300
Connecticut	+41,000	-36,900
Delaware	+11,000	-11,700
District of Columbia	+12,000	+22,400
Florida	+206,000	-180,000
Georgia	+106,000	-123,700
Hawaii	+15,000	-7,600
Idaho	+17,000	-16,000
Illinois	+148,000	-159,900
Indiana	+75,000	-43,400
Iowa	+37,000	-21,000
Kansas	+33,000	-35,900
Kentucky	+48,000	-8,900
Louisiana	+50,000	-14,900
Maine	+15,000	-9,700
Maryland	+66,000	-14,600
Massachusetts	+79,000	-43,100
Michigan	+109,000	-115,100
Minnesota	+66,000	-27,900
Mississippi	+30,000	-21,300
Missouri	+69,000	-72,000
Montana	+11,000	-9,800
Nebraska	+23,000	-9,500
Nevada	+34,000	-82,600
New Hampshire	+16,000	+3,600
New Jersey	+100,000	-93,200
New Mexico	+22,000	-20,500
New York	+215,000	-133,000
North Carolina	+105,000	-95,900
North Dakota	+8,000	+7,200
Ohio	+133,000	-165,400
Oklahoma	+40,000	-27,400
Oregon	+44,000	-35,900
Pennsylvania	+143,000	-70,300
Rhode Island	+12,000	-16,700
South Carolina	+50,000	-25,500
South Dakota	+10,000	-800
Tennessee	+70,000	-52,600
Texas	+269,000	-23,100
Utah	+32,000	-20,900
Vermont	+8,000	-5,500
Virginia	+93,000	-31,600
Washington	+75,000	-70,800
West Virginia	+20,000	-10,500
Wisconsin	+70,000	-73,000
Wyoming	+8,000	-9,300

Source: Administration February 2009 [projection](#) and Ways and Means Republican Staff calculations based on Department of Labor [data](#)

(4) KEY PRIVATE SECTOR INDUSTRIES HAVE SHED MILLIONS OF JOBS

Instead of creating millions of private sector jobs as promised, key industries have lost millions of jobs since Democrats' stimulus. Overall, the private sector has shed 1.8 million jobs, including over 1.5 million jobs lost in construction and manufacturing alone through December 2010.

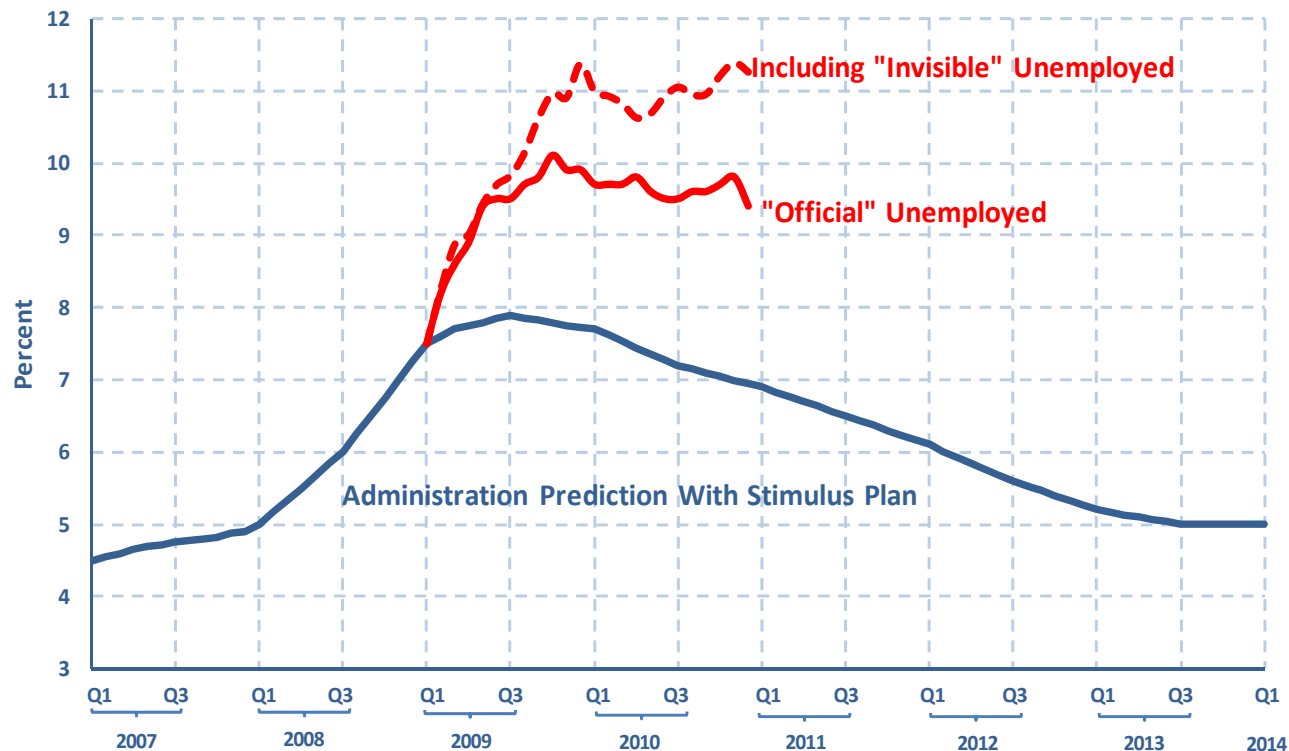
Industry	Administration Prediction of Job Creation by the End of 2010	Actual Change in Jobs since Stimulus (February 2009 – December 2010)
Construction	678,000	-832,000
Manufacturing	408,000	-707,000
Government	244,000	-310,000
Financial Activities	214,000	-309,000
Retail Trade	604,000	-246,900
Information	50,000	-162,000
Transportation and Warehousing	98,000	-100,700
Wholesale Trade	158,000	-91,300
Professional and Business Services	345,000	-66,000
Other Services	99,000	-31,000
Utilities	11,000	-10,700
Mining	26,000	+26,600
Leisure and Hospitality	499,000	+48,000
Education, Health and Social Services	240,000	+687,000
Total	3,675,000	-2,105,000

Source: January 2009 [Romer/Bernstein Report](#) and [U.S. Department of Labor data](#)

(5) THE HIGH OFFICIAL UNEMPLOYMENT RATE ACTUALLY UNDERSTATES THE PROBLEM

Instead of today's official unemployment rate of 9.4 percent, the unemployment rate would be over 11 percent if it included all the "invisible unemployed" - American workers who have simply given up trying to find a job. This compares with the 7 percent unemployment rate the Administration in January 2009 projected for December 2010 if its stimulus plan was enacted:

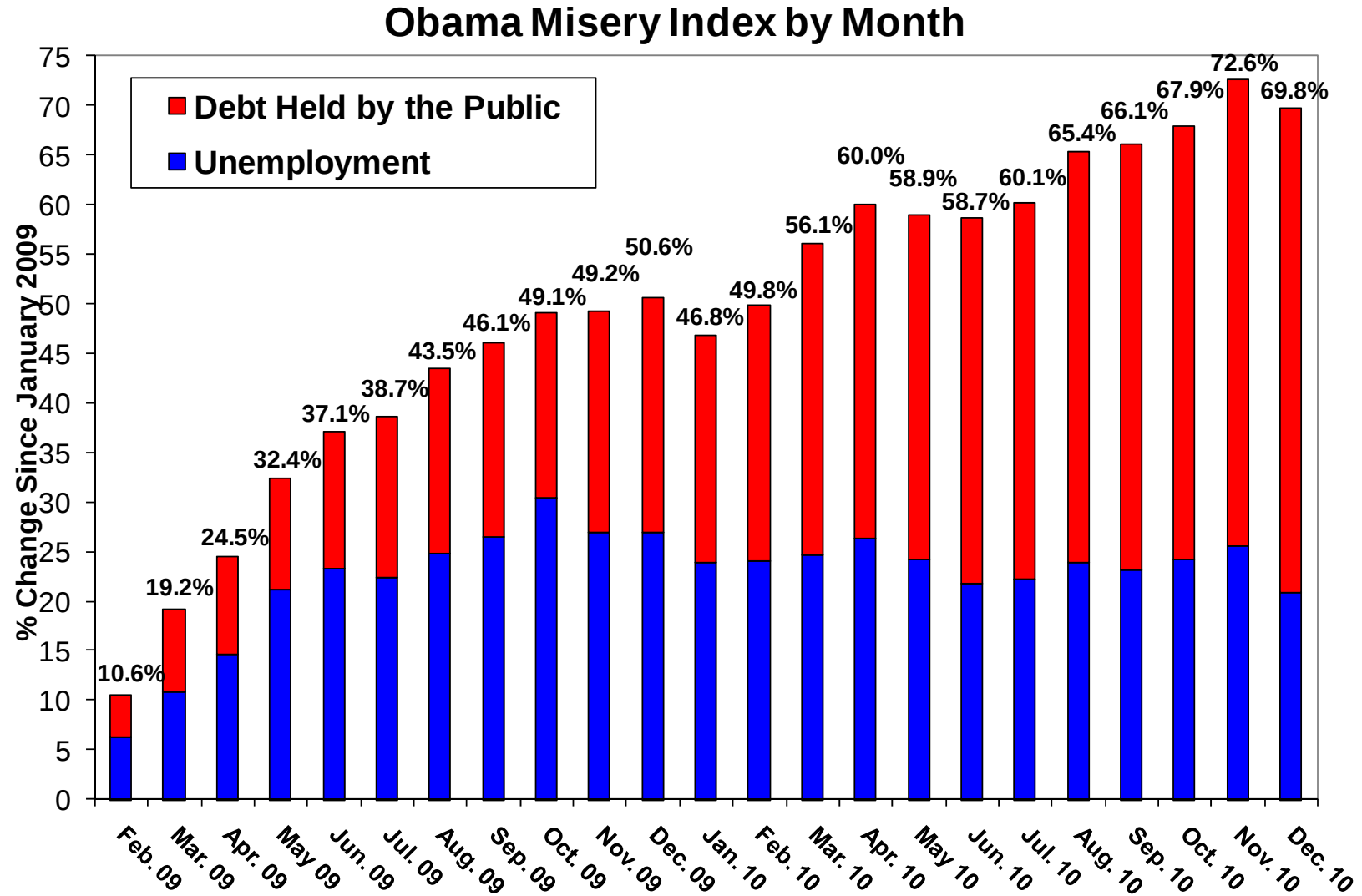
**Unemployment Rate: Administration 2009 Prediction With Stimulus Plan
Versus "Official" and "Invisible" Unemployed (Through December 2010)**



Source: January 2009 [Romer/Bernstein Report](#) ("Administration Prediction With Stimulus Plan"), actual [U.S. Department of Labor data](#) and Ways and Means Republican staff calculations of "invisible unemployed," defined as unemployed persons not included in official unemployment rate calculations because they are not currently in the labor force, compared with the month Democrats' stimulus passed (February 2009). This includes people who quit looking for jobs since stimulus passed and dropped out of the labor force, plus other working-age adults who never entered the labor force, but would have if the labor force participation rate was the same as when stimulus passed.

(6) MASSIVE AND RISING DEBT AND UNEMPLOYMENT CAUSE ECONOMIC MISERY

The staggering 70 percent combined rise in debt (which has [already cost an estimated 1 million jobs](#)) and unemployment during President Obama's term has created an enormous "Obama Misery Index":



Source: Ways and Means staff calculations, using [Department of Labor](#) and [Department of Treasury](#) data.

CONCLUSION

This past November, American families and businesses demanded a climate for sustained, robust economic growth. The House Republican Majority in the 112th Congress is committed and unified towards one goal: private sector job creation. Legislation must be seen through the prism of whether it will create jobs. We can foster the needed economic climate by taking four concrete steps:

- 1) Streamline the tax code that today is too costly, too complex and too burdensome for families and employers;
- 2) Pass the pending free trade agreements so American businesses can make and then sell more goods and services around the world;
- 3) Repeal the Democrats' health care overhaul and replace it with common sense reforms that lower health care costs; and
- 4) Control spending so our debt isn't crushing families and job creators.

We must restore our nation's fiscal future through pro-growth, pro-job solutions and return to an era when we no longer must ask "where are the jobs?"