Q&A

Debacle: Obama's War on Jobs and Growth and What We Can Do Now to Regain Our Future

with Grover Norquist and John Lott

Q **In Debacle, you say that this has been the worst recovery on record – how so?**

A Unemployment stayed at least at 9 percent 30 months into Obama's economic recovery. The very recent decline in unemployment is largely an illusion created by many workers giving up looking for work. Since the beginning of the Obama administration, labor force participation shrunk by over 4 million, and that was true despite a steadily growing working-age population. This phenomenon of discouraged workers typically occurs during a recession, not during the subsequent recovery.

Looking at GDP growth, median household income, poverty and other measures there has never been such a bad recovery. The only comparable recovery is during the Great Depression, another case where large government spending was tried in an attempt to speed up the recovery.

Q **What would you say was Obama's greatest mistake?**

A No doubt the biggest mistakes were the original Stimulus and the four other stimulus packages, such as the Public Sector Jobs Bill. The resources are taken out of one part of the private sector and moved someplace else. That is true regardless if it is financed by higher taxes or additional government borrowing.

When government interferes and causes money and people to move from one sector to another—say, from oil to wind energy in the preceding example—that increases unemployment. Workers cannot just instantly move from one job to another. In reality, it takes awhile to find out where the new jobs are, so even if the total number of jobs destroyed is the same as the total numbers of jobs eventually created by government, unemployment increases at least temporarily.

Q **Wouldn't the economy have been even worse without the Stimulus?**

A No, it would not. Look at other countries, countries that did not institute massive spending increases. They fared much better getting out of the recession.

Also looking across the various states one would have expected the ones receiving more stimulus money to be the ones creating the most additional jobs, but that is not the case. The Stimulus failed to create more jobs in the states that got the most money.

Furthermore, it appears that Stimulus money was spread around according to political criteria, not according to where the resources would come to the best economic use. States that got hit hardest received the least Stimulus money. Instead, it was the most heavily Democratic states that got the most money.

Q **What recommendation would you make to restore economic strength?**

A There are hundreds of trillions of dollars around the world available to invest, and there are obvious reasons they are not flowing into America. A tax structure that had once made the United States a relatively attractive place to invest now punishes investors. Why continue investing in the United States when investors get to keep 15 cents more of every dollar they make when they invest in a country such as Canada? The gap with other developed countries is even larger.

Our rank in terms of business regulations has slipped the least, falling from tenth in 2008 to thirteenth in 2011. But the other changes have been dramatic, particularly when one considers how short a period of time is involved. Over the same time period, rankings on investment and financial regulations have plummeted from eleventh to twenty-eighth and from eighth to eighteenth, respectively. Property rights in the United States are also much less secure relative to other countries than they used to be, with the U.S. rank falling from fifth to seventeenth. Our tax system has also become particularly dysfunctional, going from 48th in rank in 1995 to 139th in 2011.

If we want to increase worker productivity and thus raise wages, we are going to increase investments. To do that, we are going to have to make the US a more attractive place to invest in.