Dispute on how many jobs Obama created begins with where to begin

By John Lantigua
Palm Beach Post Staff Writer

How many jobs have been created during the administration of President Obama?

While the president’s campaign puts the number at 4.5 million private-sector jobs, supporters of GOP nominee Mitt Romney insist that figure is inflated. They say the president doesn’t start counting until 2010, but if you do your figuring from when Obama took office in January 2009, when the country was bleeding jobs, and include those negative numbers, Obama’s job creation record is abysmal.

“Here is where the political debate begins,” says University of Miami economist Maria Lorca-Susino. “Where do you start counting an increase in employment?”

According to the U.S. Bureau of Labor Statistics, from January 2009 through February 2010, Obama’s first 13 months in office, the country lost 5.135 million non-farm jobs, which includes the public sector. That came on top of more than 3 million jobs losses the previous year, under the George W. Bush administration.

Whether Obama’s policies were the best way to stem the bleeding is a question on which there is deep disagreement, with some saying that his health care and financial industry reforms have slowed the recovery. And what would be best for the country moving forward is also a matter of opinion.

But can Obama be held responsible for those 2009 job losses? Asked to cut through the political claims and counter claims, most economists say he can’t.

“The lead time or lag time for these massive layoffs is a long one,” says Douglas Emery, chairman of the University of Miami’s finance department. “The idea that you have these kinds of layoffs based on recent events is absurd. Lag time can be two to three years.”

Emery notes that while the stock market didn’t plummet until 2008, in 2007 the Federal Reserve already was moving in hopes of heading off an economic plunge. It was too late, and in late 2008 and throughout 2009, jobs went off a cliff. Between January and April 2009 alone, 3 million jobs were lost.
“Some people want to pin this on the Obama administration, but I won’t pin it on them,” Emery says. “It’s like turning a large ship around. It takes time.”

Florida Atlantic University economist Eric Chiang concurs.

“You can’t blame the Obama administration for what happened in 2009,” he says. “What occurred during that year was the result of an economic cycle already under way. Most economists will tell you that.”

Chiang says even though the recession officially ended in June 2009, and gross domestic product began to grow again, employers still were slashing jobs.

“There is lag of several months before the layoffs end and employers begin thinking of hiring again,” he says. “You want proof the economy is growing before you add workers. That makes complete sense.”

In March 2010, the job numbers began to turn around, and by May, 516,000 jobs were created. But that summer – June through September — the nation once again lost jobs.

“Consumers had been badly damaged and weren’t ready to spend,” says University of Central Florida economist Sean Snaith. “Humpty Dumpty couldn’t be put back together again that quickly.”

Every month since has seen job creation, with some months encouraging, but others slow and worrisome.

What did the Obama administration have to do with that job growth? Most economists point to the $787 billion stimulus program passed in February 2009 as having some positive effect, especially because it delayed large layoffs in public-sector jobs.

“Without the stimulus, 2009 would have been much worse,” says Emery. “The stimulus provided a cushion. It delayed the laying off of state and local employees. If we had seen large layoffs in the public sector at the same time that would have been gasoline on the fire.”

Snaith agrees in general, although he says the stimulus should have been much larger and better focused on infrastructure projects. But he says the Obama administration’s early forays into health care and financial industry overhaul may have hurt the recovery.

For that reason, Snaith says, Obama can’t be absolved for all the job losses early in his administration. “They put a cloud over the economy” and stifled job creation by complicating life for the business world, Snaith says of the reform bills. “They left the private sector a little bit stymied. What are the costs of labor going forward? Uncertainty is created and the prudent thing is to hold tight on hiring. Those policies changed the rules of the game and may have undermined the effectiveness of the stimulus.”
On the positive side for Obama, supporters point to his bailing out of the U.S. auto industry, saving as many as 1 million jobs.

Meanwhile, his critics say he didn’t do enough to fight the foreclosure crisis, which is still a large drag on the economy.

Cem Karayalcin, economics department chairman at Florida International University

is interested in what has happened since 2009 and how that compares with George W. Bush, who faced a smaller economic downturn starting in 2001. He says the two administrations saw approximately the same amount of job growth – more than 4 million — in the same time frame.

That leads him and other economists to a larger question that looms over the issue of job creation and the coming election. Economists, in general, question how much influence the White House has on the economy, including job creation, no matter who happens to be living there at the moment.

“Politicians get more credit and more blame than they deserve for business cycles,” says Snaith.

Emery, for one, is baffled by the notion that presidents are considered principal figures in the economy.

“Where the idea came from that a president’s policies are the critical issue that drive the economy, I don’t know,” he says.

He and other economists point to the Federal Reserve, an independent entity that controls monetary policy, as a much larger player. Congress, which must pass taxing and spending legislation, also plays a more direct role.

“The president acts largely as a cheerleader for certain policies,” says Emery. “Ronald Reagan, for example, was a very good cheerleader.”

While Obama and GOP challenger Mitt Romney have outlined very different policies on taxing and spending, Snaith sees the November presidential election as important to the economy largely because it will remove uncertainty about the near future in the minds of job creators, many of whom are sitting on their cash.

“If Obama is re-elected, business owners will know health reform isn’t going anywhere; we will also find out more about how financial industry reform works and they will adjust,” he says. “If Romney wins there will be less of health care reform and financial reforms to worry about and that could loosen them up some more.”

“But either way, the election will answer a lot of questions for business owners,” Snaith says. “We are at a fork in the road. They will know which way we are going. Either way, it will remove uncertainty. Either way, we should see better growth in 2013.”
Staff researchers Michelle Quigley and Niels Heimeriks contributed to this report.