

Obama's US\$300B job creation pitch

[Tim Shufelt](#) Sep 7, 2011 – 6:25 PM ET | **Last Updated: Sep 7, 2011 7:04 PM ET**

Having largely failed to put Americans to work, U.S. President Barack Obama will take another US\$300-billion stab at job creation, an issue pivotal to his political fate.

In a nationally televised speech to Congress on Thursday, Mr. Obama is expected to propose a mix of tax cuts and infrastructure spending aimed at reducing the ranks of the 25 million Americans who remain unemployed, underemployed or out of the job hunt altogether.

Like past attempts to shore up employment, the plan is bound to fizzle. To expect much more is to ignore the serious long-term structural problems crippling the U.S. job market.

“Part of the problem is that we place way too much faith in the ability of politicians to manipulate a \$14-trillion economy,” said Tad DeHaven, a budget analyst at the Cato Institute.

To be fair, the governing Democrats placed that burden on their own shoulders in projecting that the US\$830-billion stimulus bill of 2009 would cap unemployment at 8%.

“He set himself up as someone who could get the economy going and then failed on his promise,” said William Conerly, senior fellow at the National Centre for Policy Analysis. “His biggest mistake was making the promise.”

Now, with the unemployment rate sticking at 9.1%, and after the alarming news that the U.S. economy created roughly zero net new jobs in August, Mr. Obama is once again looking for a fiscal solution to unemployment.

About half of the new stimulus will come from tax cuts for employees and employers, the rest from new spending on infrastructure projects, and increased transfers to state and local governments. The cost of the plan will be offset by increasing tax revenue in later years.

Looming over the plan are employment imbalances stemming from a depressed housing market that has not yet found its bottom.

The unsustainable lending and borrowing practices leading to the housing bubble also built up a bloated construction workforce that has few options now that new home building has dried up.

Almost half of the 8.7 million jobs lost during the recession were in the construction and manufacturing industries, according to a TD Economics report.

The jobs created during the recovery, however, are more so based in health and education. “If we had a way to transform carpenters into nurses, we’d solve a lot of the problem right away,” Mr. Conerly said.

With a housing recovery nowhere on the horizon, millions of unemployed construction workers face the difficult prospect of retraining, a process requiring years.

U.S. manufacturing has, on the other hand, made an impressive post-recession recovery, notching 26 consecutive months of expansion.

“It is really the pioneer of this economic recovery,” said Benjamin Tal, deputy chief economist at CIBC World Markets. “But where are the jobs?”

In tapping into demand from emerging markets for U.S. exports, manufacturers have expanded by investing in productivity-enhancing capital rather than hiring.

Meanwhile, fallen home values are preventing the unemployed from moving in search of jobs, having been trapped in homes with negative equity and shut out from credit by delinquency.

Further, years of debt accumulation related to the housing boom have manifested in household deleveraging in the United States, with consumers increasingly likely to save.

“The majority of stimulus intended to boost household incomes is likely to be saved rather than spent, blunting the positive feedback loop to more job creation,” according to the TD report.

All of which undermines the plan Mr. Obama is set to announce.

Still, there are options to encouraging job growth, the U.S. Chamber of Commerce said in a letter to the president and Congress, calling for improvements to the country’s infrastructure through the involvement of private capital, tax incentives for job creators, and the facilitation of domestic energy projects.

“If you are serious, then we ask you to enact policies aimed at growing the private sector, not at growing the government,” Chamber president Thomas Donohue wrote.

Among the recommendations is the approval of the controversial Keystone XL oil pipeline project connecting Canada to refineries in Texas, a project that would support the creation of 250,000 jobs, he said.

The long-term fixes, on the other hand, include recovery of the housing sector, restoration of fiscal balance and retraining workers with out-of-demand skills.

“Even with well-crafted, forward-looking policies targeted at these areas, structural problems take years to resolve and require patience from the American public,” the TD report said.

But patience is a lot to ask from out of work voters, who will have a chance to register their collective response next November.

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