

# WONKBLOG

## Wonkbook: Happy jobs day!

Posted by [Ezra Klein](#) 01/06/2012

Job seekers wait in line to enter a San Francisco job fair. (Justin Sullivan - GETTY IMAGES) The December jobs figures will be released at 8:30am this morning. The consensus forecast is a gain of 150,000 jobs. But the ADP payroll survey -- which is [predictive](#), if imperfect -- is forecasting a gain of 325,000 jobs in the private sector. If ADP is too high by 75,000 jobs, that would still be a gain of 250,000 jobs.

December, of course, is just another month. The jobs figure it produces is as likely to be a false dawn or a misleading dip as any other month. But it somehow feels more significant. Of late, the economy feels like it's recovering. The pundits are starting to [explain](#) why a recovery makes sense. The stock market is starting to come back. Gallup's [economic confidence measure](#) is registering its best result since June.

And yet, a few times a week I look in my e-mail and find the latest economic forecasts. On Wednesday, Macroeconomic Advisers said growth in the fourth quarter of 2011 was tracking at 3.6 percent -- a pretty strong number -- but growth in the first quarter of 2012 was looking more like 2.0 percent. Moody's mostly agrees. They say growth last quarter was 3.5 percent. But, they warn, "the decent end to 2011 will not become the norm. As 2012 is ushered in, the U.S. economy will moderate, held back by Europe's recession, choppy markets, and U.S. fiscal policy." Thanks, Captain Buzzkill.

Moody's and Macroeconomic Advisers could well be wrong. Just as many forecasters were too optimistic about 2011, they could prove too optimistic about 2012. But let's be clear: this isn't just a guessing game. The U.S. Congress could *make* them too pessimistic about 2012. A better year isn't simply something we need to hope for. It's something we could govern towards.

Start with the simplest possible example: the payroll tax cut. Democrats and Republicans agree that cutting the payroll tax creates jobs and accelerates the economy. That's why they cut it by two percentage points in 2011, and look likely to extend that cut through the end of 2012. But we could go further: The Obama administration has proposed expanding the payroll tax cut to three percentage points for workers, and cutting the employer-side payroll tax by three percentage points for businesses with less than \$5 million in payroll. There are other ways to develop the same idea: If a modest payroll tax cut is good for recovering economy, a bigger one is better. And it wouldn't hurt anything

for the market to see that, lo and behold, Congress actually can do something positive for the economy.

You can take this logic further, of course. Infrastructure investment is an obvious winner. Mass mortgage refinancing for creditworthy borrowers, as some of Mitt Romney's top economic advisers have [suggested](#), makes sense. In all cases, the point is the same. There's much in the economy right now that is outside our control. Fiscal policy, however, is not. In a few hours, we might get news suggesting the economy is getting better. That's not a signal that Congress can stop worrying about it. It's a signal that it's time for them to pitch in and help.

### *Top stories*

**1) The Labor Department will release new jobs numbers today [reports](#) Michael Fletcher:** "Indications are that the nation's gloomy jobs picture continues to brighten, but experts disagree on two crucial points: the pace of improvement and whether the recent gain in momentum will continue through 2012. The Labor Department will add a piece to the puzzle Friday when it releases its monthly jobs report offering the official take on what happened last month in the nation's job market. The consensus estimate is that 150,000 jobs were added in December, although some predictions ranged much higher. Forecasters expect the unemployment rate to rise from 8.6 to 8.7 percent, which would mean that more people began looking for work. If the consensus prediction is correct, it would mean that employment growth was stronger in December than a month earlier when employers added 120,000 jobs, helping to push the jobless rate to its lowest level in more than two years."

[@CitizenCohn](#): The most important number you'll hear tomorrow won't be a poll. It will be the January jobs report. #StillTheEconomyStupid

**2) Other indicators are encouraging, [reports](#) Josh Mitchell:** "Fresh signs point to continuing strength in the labor market as private employers slow the pace of layoffs and step up hiring. The number of Americans applying for initial jobless claims--an indicator of whether layoffs are abating--fell by 15,000 to a seasonally adjusted 372,000 last week, the Labor Department said Thursday. Separately, Automatic Data Processing Inc. said private employers added 325,000 jobs in December, the highest total in the payroll firm's records. Economists cautioned that those reports aren't as reliable as the government's December snapshot of the jobs picture, which is set to come out Friday. But they said the reports are the latest indicators the labor market is improving and the recovery is gaining steam."

**3) Romney's tax plan benefits high-income earners, [reports](#) John McKinnon:** "A new analysis of Mr. Romney's tax plan could provide more ammunition for his increasingly aggressive foes, including rivals for the Republican presidential nomination as well as the Obama campaign. But the analysis also underscored how cautious Mr. Romney has been in constructing his relatively modest plan. Highlights of Mr. Romney's tax plan include extending the current Bush-era tax levels for all earners; lowering the

corporate rate to 25% from the current 35%; eliminating taxes on investments for incomes under \$200,000; and repealing the estate tax. [The analysis](#) by the Washington-based Tax Policy Center concluded that Mr. Romney's plan would reduce taxes significantly for high-income earners (by 6.9% or \$146,000 for households making more than \$1 million), and increase federal deficits by \$180 billion in 2015 compared to current tax levels."

**GRAPH:** Mitt Romney's tax plan vs. Obama's, Perry's, Cain's, and Gingrich's.  
<http://wapo.st/wpywLb>

[@DKThomp](#): If you think taxes should be lower and that everyone should pay fed income taxes, you are asking for the poor to pay for rich's tax cuts

**4) The Obama administration unveiled a new military strategy [report](#) Julian Barnes and Nathan Hodge:** "President Barack Obama on Thursday proposed a historic shift in the U.S. military's size and ambitions, scaling back its ability to wage the type of war and occupation that just concluded in Iraq as the administration seeks to cut defense spending over the next decade. Under the proposal, the Army would face a 14% reduction in troops--leaving it with too few to conduct two grueling ground wars at once, long a strategic imperative of the Defense Department. The plan also indicates reductions in the nation's nuclear arsenal and a delay in the Pentagon's most expensive weapons, such as the F-35 stealth jet made by Lockheed Martin Corp. Overall, the plan envisions shrinking military spending by \$487 billion over 10 years, a cut of about 8% in coming years, according to Pentagon figures. While the president has wide latitude to set military priorities, specific cuts the Pentagon will announce in coming weeks must be approved by Congress."

**5) New CFPB head Richard Cordray outlined his agenda, [reports](#) Edward Wyatt:** "The new director of the Consumer Financial Protection Bureau outlined a vigorous oversight and enforcement agenda on Thursday, saying that financial companies that take unfair advantage of consumers would face 'real consequences.' The director, Richard Cordray, who was appointed to the post on Wednesday by President Obama, encouraged consumers to contact the agency through its Web site with complaints about banks, payday lenders and other financial institutions that they think have sold deceptive products or engaged in abusive behavior. 'The consumer bureau will make clear that there are real consequences to breaking the law,' Mr. Cordray, who had been in charge of enforcement at the agency, said in remarks prepared for a speech at the Brookings Institution."

### *Top op-eds*

**1) Romney's claims on jobs are deeply misleading [writes](#) Paul Krugman:** "America's recovery from recession has been so slow that it mostly doesn't seem like a recovery at all, especially on the jobs front. So, in a better world, President Obama would face a challenger offering a serious critique of his job-creation policies, and proposing a serious alternative. Instead, he'll almost surely face Mitt Romney. Mr. Romney claims that Mr.

Obama has been a job destroyer, while he was a job-creating businessman. For example, he told Fox News: 'This is a president who lost more jobs during his tenure than any president since Hoover. This is two million jobs that he lost as president.' He went on to declare, of his time at the private equity firm Bain Capital, 'I'm very happy in my former life; we helped create over 100,000 new jobs.' But his claims about the Obama record border on dishonesty, and his claims about his own record are well across that border."

[@mattyglesias](#): The quantity of good ideas undercut by fatalism a couple levels down from the top in the Obama administration is amazing.

**2) Candidates tend to follow through on campaign promises, [writes Jonathan Bernstein](#):** "Presidents usually try to enact the policies they advocate during the campaign. So if you want to know what Mitt Romney or the rest of the Republican crowd would do in 2013 if elected, the best way to find out is to listen to what they are saying right now. I suspect that many Americans would be quite skeptical of the idea that elected officials, presidents included, try to keep the promises they made on the campaign trail...Political scientists, however, have been studying this question for some time, and what they've found is that out-and-out high-profile broken pledges like George H. W. Bush's are the exception, not the rule. That's what two book-length studies from the 1980s found. Michael Krukones in *Promises and Performance: Presidential Campaigns as Policy Predictors* (1984) established that about 75 percent of the promises made by presidents from Woodrow Wilson through Jimmy Carter were kept. In *Presidents and Promises: From Campaign Pledge to Presidential Performance* (1985), Jeff Fishel looked at campaigns from John F. Kennedy through Ronald Reagan. What he found was that presidents invariably attempt to carry out their promises; the main reason some pledges are not redeemed is congressional opposition, not presidential flip-flopping. Similarly, Gerald Pomper studied party platforms, and discovered that the promises parties made were consistent with their postelection agendas. More recent and smaller-scale papers have confirmed the main point: presidents' agendas are clearly telegraphed in their campaigns."

**3) Santorum's rise marks the return of compassionate conservatism [writes Michael Gerson](#):** "Perhaps the most surprising result of the Iowa caucuses was the return of compassionate conservatism from the margins of the Republican stage to its center. Rick Santorum is not just an outspoken social conservative; he is the Republican candidate who addresses the struggles of blue-collar workers and the need for greater economic mobility. He talks not only of the rights of the individual but also of the health of social institutions, particularly the family. He draws out the public consequences of a belief in human dignity -- a pro-life view applied to the unborn and to victims of AIDS in Africa. Electability Republicans can live with Santorum's populism and moralism. Anti-government activists cannot and have begun their assault. Santorum is referred to as a 'pro-life statist.' David Boaz of the Cato Institute [cites evidence](#) implicating him in shocking ideological crimes, such as 'promotion of prison ministries' and wanting to 'expand colon cancer screenings for Medicare beneficiaries.' But Santorum is not engaged in heresy; he represents an alternative tradition of conservative political

philosophy. Libertarians may wish to claim exclusive marketing rights, but there are two healthy, intellectual movements in American conservatism: libertarianism and religious (particularly Catholic) social thought.”

**4) Santorum's rise demonstrates the puzzling absence of Sam's Club conservatives, [writes Ezra Klein](#):** "for all the hype around Rick Santorum's blue-collar roots and pro-family message, his economic plan is a massive tax cut for the rich, a balanced-budget amendment with an 18 percent spending cap (meaning government spending would need to be cut by hundreds of billions of dollars annually), and deregulation. He's also argued for privatizing Medicare, block-granting Medicaid, and raising the Social Security retirement age. He's got a few sops in there, like a larger child-tax credit, but they're tiny compared to the rest of the plan. So, campaign rhetoric aside, if you're wealthy and your primary interaction with the federal government is paying taxes, Santorum's got a great deal for you. If you're low-income, or elderly, and your interaction with the government is receiving services or support, his policies are a terrible deal for you. The irony is that though Romney looks like an artist's sketch of the top 1 percent, his policies are actually friendlier to the bottom, say, 40 percent than Santorum's. His tax cuts are smaller and less regressive, which means the resulting cuts to social spending won't have to be as deep. His Medicare plan maintains a traditional Medicare option and, unlike the Ryan plan that Santorum endorsed, doesn't appear to save money by cost-shifting onto seniors (I say appear because Romney has remained mum on crucial details). His spending cap is set at 20 percent, rather than Santorum's even more draconian 18 percent."

**Indie hip-hop interlude:** [Dessa plays "Seamstress" live on KEXP.](#)

**Got tips, additions, or comments?** [E-mail me.](#)

**Still to come:** New data from Europe looks bad; Santorum wants to end CMS; deadlock in Indiana over labor rights; toxic releases rose; and a four year-old finds mistakes with a dinosaur toy.

### *Economy*

**New data pours cold water on European recovery hopes, [report Nick Cawley, Tom Mudd and Costas Paris](#):** "Doubts over Europe's strategy to overcome its debt woes re-emerged Thursday amid fresh evidence that the region is in recession, reinforced by concerns about the fragility of its banks. With investors worried about the government funding needs this year--euro-zone governments will need to refinance more than €1 trillion (about\$1.29 trillion) of maturing short-term and long-term debt in 2012--yields on Italian 10-year bonds crept above 7% and Europe's bailout fund had to offer higher interest rates than in the past to place €3 billion of debt...Worries about the weakness of the region's banks depressed stock markets, reinforced by questions about Hungary's ability to pay its way and concerns about Spain, where the regional government of Valencia said Wednesday that it was a week late in repaying a €123 million loan to Deutsche Bank. Declines in bank stocks were led by Italy's UniCredit SpA, whose shares dropped more than 14% after it said Wednesday that

a €7.5 billion rights issue it planned to boost capital would be heavily discounted. Local rival Intesa Sanpaolo SpA was down 6.2%.”

**Greece debt negotiations are nearing a deal, [reports](#) John McKinnon:** "The Greek government expects to wrap up talks seeking a 50% writedown on its debt owed to creditor banks by the end of this month, after banks appeared to make concessions on the terms they would accept under a new bailout, said people with knowledge of the situation. In exchange, Greece has agreed to consider that the new bonds be governed by English law, which means creditors would be allowed to seize Greek assets if the country fails on its payments. Until now Athens had refused to offer such collateral...On Wednesday, Greek Prime Minister Lucas Papademos said Greece faces the risk of a disorderly default in March if it doesn't complete negotiations for the country's second bailout loan. Greece faces a daunting €14 billion (\$18 billion) in debt redemptions coming due that month.”

**Fed official says inflation target may come this year [reports](#) Michael Derby:** "The U.S. central bank may well get an inflation target this year, a top Federal Reserve official said Thursday. ‘We are very close’ to tying monetary policy explicitly to some measure of overall inflation, Federal Reserve Bank of St. Louis president James Bullard said. He said the Fed may also be near making a collective statement about what level of unemployment is the natural rate, below which inflation pressures tend to rise. Bullard was interviewed Thursday on Bloomberg radio. The official isn’t currently a voting member of the monetary policy setting Federal Open Market Committee. Bullard has been skeptical of the need for additional stimulus for the economy, even as many in the markets believe the odds remain high the Fed will provide more stimulus at some point over the next year.”

**Manufacturing is now an area of strength for the economy [reports](#) Floyd Norris:** "For the first time in many years, manufacturing stands out as an area of strength in the American economy. When the Labor Department reports December employment numbers on Friday, it is expected that manufacturing companies will have added jobs in two consecutive years. Until last year, there had not been a single year when manufacturing employment rose since 1997. And this week the Institute for Supply Management, which has been surveying American manufacturers since 1948, [reported that its employment index](#) for December was 55.1, the highest reading since June. Any number above 50 indicates that more companies say they are hiring than say they are reducing employment.”

**House Democrats want a transparent payroll tax committee [reports](#) Felicia Sonmez:** "Top House Democrats said Thursday that they want the new payroll tax conference committee to be open and transparent, in contrast to the bipartisan supercommittee that largely worked behind closed doors in its failed attempt to draft a debt-reduction plan...Ultimately, it’s up to the members themselves to decide how the panel conducts its business. Recent conference committees, such as the one last month on the national defense authorization bill, largely carried out their work in private. The debt supercommittee had started out on a promise of openness but quickly dissolved into a series of closed-door meetings and later in separate huddles of a handful of

lawmakers...Rep. Xavier Becerra (D-Calif.), who served on the debt supercommittee and is tapped to serve on the payroll tax panel, noted Thursday that there is one key difference between the two: The payroll tax committee faces a narrow task, while the supercommittee was given broad jurisdiction in devising ways to rein in the nation's debt."

**Ron Paul's views on banking are worth taking seriously** [writes Simon Johnson](#): "We should take Ron Paul seriously. The Texas congressman had an impressive showing in the Iowa caucuses on Tuesday and his poll numbers elsewhere are resilient - he is running a strong third among Republicans nationally and is currently second in New Hampshire polling. He may well become the Republican candidate with populist momentum and energy in the weeks ahead. Mr. Paul also has a clearly articulated view on the American banking system, laid out forcefully in his 2009 book, 'End the Fed.' This book and its bottom-line recommendation that the United States should return to the gold standard - and abolish the Federal Reserve System - tend to be dismissed out of hand by many. That's a mistake, because Mr. Paul makes many sensible and well-informed points. But there is a curious disconnect between his diagnosis and his proposed cure, and this disconnect tells us a great deal about why this version of populism from the right is unlikely to make much progress in its current form."

**Interview interlude:** [Jonah Weiner talks to Louis C.K.](#)

### *Health Care*

**Santorum wants to eliminate the CMS** [reports Sam Baker](#): "Republican presidential candidate Rick Santorum says he not only supports privatizing Medicare, but wants to eliminate the agency that oversees the program. 'You want the private sector out there competing, driving down costs, improving efficiency,' Santorum said. "You want to get rid of this -- of CMS [the Centers for Medicare and Medicaid Services], where government basically micromanages all healthcare through Medicare and Medicaid.' The remarks came during an interview with CNN host John King, who asked Santorum about his support for Rep. Paul Ryan's (R-Wis.) controversial plan to convert federal Medicare funding into subsidies that seniors would use to buy private insurance. Many policy experts have said the vouchers would probably not keep pace with the rising cost of healthcare, forcing seniors to spend more of their own money."

[@jbarro](#):

Certainly, if we're going to dismantle any government bureaucracy, the cost control parts should be the last ones to go, not first.

**The future of the Affordable Care Act is uncertain,** [writes Harold Pollack](#): "Like everyone else who supported passage of the Affordable Care Act (ACA), I've been worried about what will happen to Obama's signature legislative accomplishment if he loses in 2012. Specifically, I'm wondering if a new president would really overturn the law, as all Republican candidates have vowed to do...With majorities in both houses, Republicans would surely try to pass a full repeal of the ACA. If Obama is reelected, he

will veto it. Yet if Obama loses, what leverage or incentive would President Romney really have, come January 2013, to wage an internecine party fight to preserve elements of his predecessor's signature domestic policy legacy? None that I can think of...One is far less comforted, however, after considering some realities of the budget reconciliation process, the Senate procedure that allows budget-related bills to be voted on and passed with only fifty-one votes."

### *Domestic Policy*

#### **Santorum's pro-family policy is flawed [writes](#) Conor Friedersdorf:**

"Compared to the old status quo, wherein gay couples were everywhere prohibited from marrying, and often made less financially secure, healthy, and happy as a result -- wherein the children of gays and lesbians enjoyed less stability -- the advance of gay marriage has been the most important and successful pro-family reform of the 21st century, and it's only going to expand as more jurisdictions permit same-sex unions as younger people vote their conscience. There are, of course, Americans who are opposed to gay marriage. Barack Obama, for example, turned against equal rights for gays so that he could advance politically. But Obama's shameful political calculation isn't going to do anything to prevent states from making gay marriage legal, nor does he threaten the unions that have already been entered into. Rick Santorum does."

**Child prodigy interlude:** [A four year-old finds mistakes with a dinosaur toy.](#)

### *Energy*

#### **Toxic releases rose in 2010, [reports](#)**

**Juliet Eilperin:** "The amount of toxic chemicals released into the environment nationwide in 2010 increased 16 percent over the year before, reversing a downward trend in overall toxic releases since 2006, according to a report released Thursday by the Environmental Protection Agency. The spike was driven largely by metal mining, but other sectors -- including the chemical industry -- also contributed to the rise in emissions, according to the new analysis from the annual federal Toxics Release Inventory. Air releases of dioxin, which is linked to cancer as well as neurological and reproductive problems, rose 10 percent from 2009 to 2010, according to the report. Other releases, such as landfill disposal, increased 18 percent. Dioxins are formed as a byproduct of some processes with intense heat, such as smelting and recycling metals. The 2010 increase stemmed largely from the hazardous-waste-management and mining industries, according to the EPA."

**Republicans would end the EPA as we know it [writes](#) David Roberts:** "Conservatives have inveighed against federal regulations since time immemorial, but the antipathy they harbor toward the EPA is unique in its intensity, particularly under the Obama administration. To appreciate the threat the agency faces if the GOP sweeps the 2012 elections, it helps to understand the roots of that animosity...The pace of rule making combined with the extension of the rules to greenhouse gases has given conservatives the 'regulatory overreach' story they need to declare war, not only on the individual rules

coming out of the EPA, but on the agency's ability to implement rules at all...Republican proposals today are unprecedented in their sheer scope and ambition. They do not simply block this or that rule (though just about every proposed EPA rule has been voted down by the House at one point or another). Instead, they reshape the basic operations and independence of executive branch agencies.”

*Wonkbook is compiled and produced with help from Karl Singer and Michelle Williams.*