

- The Foundry: Conservative Policy News. - <http://blog.heritage.org> -

## Obama's Bogus 8 Million Jobs Saved

Posted By [Conn Carroll](#) On August 3, 2010 @ 1:00 pm In [Enterprise and Free Markets](#) | [3 Comments](#)

28

tweets

By the only objective standard available, President Barack Obama's \$862 billion economic stimulus has been a complete failure. His administration [promised the American people](#) <sup>[1]</sup> that if the stimulus passed unemployment would never be higher than 8%. [It blew past that and hit 10.1% in March 2009 and currently stands at 9.5%](#) <sup>[2]</sup>.

Faced with this inconvenient truth the President is now falling back on the same failed Keynesian models that betrayed him the first time to make the case that the recession would have been even worse without his policies. So last week on [The View](#) <sup>[3]</sup> President Obama told Elizabeth Hasselbeck: "There was a report that came out by a couple of economists just today, including John McCain's former economist, that said that had we not taken the steps that we had took, you would have actually seen millions of more jobs lost and we would be in a Great Depression."

Then on Friday, President Obama repeated the same line to [CBS News](#) <sup>[4]</sup>: "John McCain's economist from the campaign, estimated that if we hadn't made the decisions we've made, you would have had an additional eight million people unemployed, and we would be in a Great Depression."

The President is referring to a computer simulation run by [Mark Zandi](#) <sup>[5]</sup>, who was on a list of then-Presidential candidate John McCain's "advisory committee of economists", and Alan Blinder, who served on President Bill Clinton's Council of Economic Advisors. Their unpublished working paper is very similar to the Congressional Budget Office reports which, while they claim the stimulus "saved" 1.5 million jobs, [the CBO has admitted](#) <sup>[6]</sup> are "essentially repeating the same exercise" as their initial projections.

Commenting on the Zandi paper at his blog, Stanford University economics professor John Taylor [writes](#) <sup>[7]</sup>:

I have now had a chance to read the paper and have more to say. First, I do not think the paper tells us anything about the impact of these policies. It simply runs the policies through a model (Zandi's model) and reports what the model says would happen. It does not look at what actually happened, and it does not look at other models, only Zandi's own model. I have explained the defects with this type of exercise many times, most recently in testimony at a July 1, 2010 [House Budget Committee](#) <sup>[8]</sup> hearing where Zandi also appeared. I showed that the results are entirely dependent on the model: old Keynesian models (such as Zandi's model) show large effects and new Keynesian models show small effects. So there is nothing new in the fiscal stimulus part of this paper.

Cato Institute adjunct scholar Arnold Kling adds at [EconLog](#) <sup>[9]</sup>:

I do not think we will ever know what would have happened to the economy without the fiscal stimulus and the large monetary interventions. My guess is that the overwhelming majority of economists would agree that we will never know the answers to those questions. However, in the competition for public attention, Blinder and Zandi have two advantages. First, they support a narrative in which government experts did the right thing, which is comforting to government experts and all who believe in them. Second, at a tactical level, their use of an esoteric computer model along with those two decimals of precision, they intimidate journalists and other laymen.

---

Article printed from The Foundry: Conservative Policy News.: <http://blog.heritage.org>

URL to article: <http://blog.heritage.org/2010/08/03/obamas-bogus-8-million-jobs-saved/>

URLs in this post:

[1] promised the American people: [http://otrans.3cdn.net/45593e8ecbd339d074\\_l3m6bt1te.pdf](http://otrans.3cdn.net/45593e8ecbd339d074_l3m6bt1te.pdf)

[2] It blew past that and hit 10.1% in March 2009 and currently stands at 9.5%:

[http://www.google.com/publicdata?](http://www.google.com/publicdata?ds=usunemployment&met=unemployment_rate&tdim=true&dl=en&hl=en&q=unemployment+rate+US)

[ds=usunemployment&met=unemployment\\_rate&tdim=true&dl=en&hl=en&q=unemployment+rate+US](http://www.google.com/publicdata?ds=usunemployment&met=unemployment_rate&tdim=true&dl=en&hl=en&q=unemployment+rate+US)

[3] The View: [http://www.youtube.com/watch?v=Th838Spaffw&feature=player\\_embedded](http://www.youtube.com/watch?v=Th838Spaffw&feature=player_embedded)

[4] CBS News: <http://www.cbsnews.com/stories/2010/08/01/sunday/main6733746.shtml>

[5] Mark Zandi: <http://blogs.wsj.com/economics/2007/07/13/all-the-candidates-economists-mccains-team/>

[6] the CBO has admitted: <http://blog.heritage.org/2010/03/26/cbo-admits-that-1-5-million-%E2%80%98stimulus-jobs%E2%80%99-estimate-ignored-deepening-recession-misspent-funds/>

[7] writes: <http://johnbtaylorblog.blogspot.com/2010/07/more-on-blinder-zandi-working-paper-on.html>

[8] House Budget Committee: [http://www.stanford.edu/~johntayl/2010\\_pdfs/Budget-Committee-written-testimony-7-1-10.pdf](http://www.stanford.edu/~johntayl/2010_pdfs/Budget-Committee-written-testimony-7-1-10.pdf)

[9] EconLog: [http://econlog.econlib.org/archives/2010/07/how\\_the\\_blinder.html](http://econlog.econlib.org/archives/2010/07/how_the_blinder.html)

Copyright © 2008 The Heritage Foundation. All rights reserved.