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Why Do Americans Feel Depressed About Their Job Prospects?

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GUEST POST WRITTEN BY

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Last month marked the five-year anniversary since the Great Recession ended. Before you cheer, consider that more than half of Americans declared in a recent [Gallup poll](http://www.gallup.com/poll/1675/most-important-problem.aspx) (<http://www.gallup.com/poll/1675/most-important-problem.aspx>) that the economy, particularly unemployment, tops their concerns facing the nation today.

Though the economy may be off life support, Washington, D.C.'s prescriptions of easy monetary policy and deficit spending created a drug-induced recovery with no discharge plan to sustain itself.

We must face the truth that these policies have failed and a new prescription must be written for Americans to fulfill their dreams: a large dose of less government tyranny and more individual freedom.

The last recession was painted by some as a classic example of the failure of free market capitalism because of too little regulation, too low taxes, and

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high income inequality. Their solution: the largest government expansion since the Great Depression.

They couldn't have been more wrong. They should have considered the level of government intrusion before the recession that distorted markets and left the economy susceptible to an exaggerated boom-bust cycle. Instead of moving more towards free market capitalism, policymakers further hampered markets with more government to "save" the economy.

These steps included the Federal Reserve (Fed) taking extraordinary actions (<http://fas.org/sgp/crs/misc/R42962.pdf>) to lower the overnight lending rate between banks to zero percent in December 2008 (where it remains today), help bailout multiple financial institutions, and conduct several rounds of quantitative easing. In conjunction, the U.S. Congress (<http://timeline.stlouisfed.org/index.cfm?p=timeline>) bailed out banks, passed numerous stimulus bills, further regulated banks through the Dodd-Frank legislation, extended unemployment benefits, and drove ObamaCare through the legislative process.

After such wide-ranging policy actions, why don't Americans feel better about their job prospects? Let's consider key economic and labor market indicators.

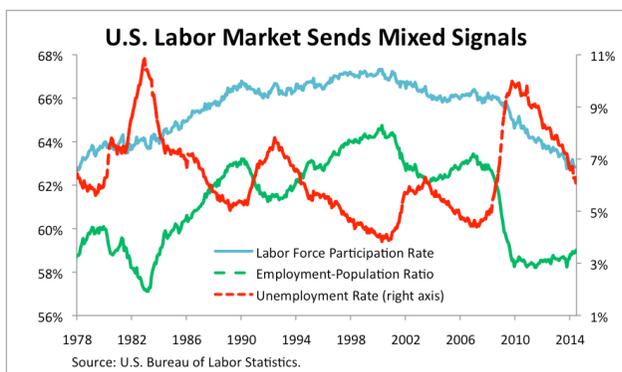
During the current expansion, the economy's quarterly average real growth rate (<http://research.stlouisfed.org/fred2/series/GDPC1>) has been only 2.1 percent. The economic expansion in the 2000s was 30 percent faster and in the 1990s was 81 percent faster than the current recovery. To make matters worse, the economy's 2.9 percent contraction in the first quarter of 2014 was the largest decline since early 2009. Not a good sign for workers.

Interestingly, job growth did not decline in the first quarter and increased at a relatively rapid pace during the second quarter of 2014. The U.S. Bureau of Labor Statistics' recent employment report (<http://www.bls.gov/news.release/empsit.nro.htm>) shows that employers created 288,000 net nonfarm jobs in June and the household survey finds that the unemployment rate dropped to a roughly six year low of 6.1 percent. These headline data give an impression of a healthy economy near full employment.

Again, these monthly data should help Americans feel better about their job opportunities. However, longer-run labor market trends reflect a weak labor market.

Over the past year there were 2.5 million net nonfarm jobs added for a monthly average of 208,000. However, the average annual job creation rate during this recovery has been an anemic 0.4 percent. The jobs recovery during the 1990s was five times faster than the current rate and during the 2000s was 75 percent higher than the current rate. The current jobs recovery is one of the slowest since the Great Depression. No wonder Americans are concerned about their future.

For many, the employment situation is worse than what the lower unemployment rate suggests because it doesn't accurately account for the millions who have stopped searching for a job. To get a better picture of the labor market, consider that the population's share in the labor force and share employed are near lows (<http://www.calculatedriskblog.com/2014/07/june-employment-report-288000-jobs-61.html>) not seen in a third of a century—and not improving (*see figure*).



Further, those fortunate to gain employment may have reluctantly taken a part-time job when they'd like a full-time position. Last month, two-thirds of all jobs added were part-time positions. Including discouraged workers and the underemployed provides a staggering unemployment rate of 12.1 percent (<http://www.bls.gov/news.release/empsit.t15.htm>) that better reflects the angst felt by many.

Given the vast expansion of government assistance during the recession and subsequent expansion, some have found it in their best interest to discontinue earnestly searching for a job or searching at all. Whether it is unemployment benefits, health insurance, disability, or other forms of welfare, often people can leverage more money from the government by not working than they can earn by working.

University of Chicago economist Casey Mulligan (<http://www.forbes.com/sites/johngoodman/2014/06/30/obamacare-is-costing-a-lot-more-than-you-think/>) calculates the "implicit marginal labor income tax rate" that accounts for the disincentive to work or earn more income because of the loss of government benefits. He finds that Obamacare raised this implicit tax rate by 6 percentage points and extending unemployment benefits (<http://www.chron.com/opinion/outlook/article/Ginn-It-s-time-to-limit-benefits-given-to-the-5358144.php>) added another 4 percentage points—both are among the top six largest income tax rate increases in the last seventy years. Combined, these policies severely diminish the will to work and cause more long-term consequences for individuals and subsequently the economy.

Concerns about future job prospects will likely worsen later this year as employers prepare for the higher cost of being forced to provide their employees with health insurance or face penalties under ObamaCare in 2015 (<http://www.forbes.com/sites/sallypipes/2014/05/19/obamacare-increases->

