President's Estimates Versus Actual Unemployment After Stimulus

Source: Office of Mangement and Budget, Bureau of Labor Statistics
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In 2009, President Obama promised that the American Recovery and Reinvestment Act (ARRA) would "create or save" 3.5 million jobs over the next two years and that the unemployment rate would not rise above 8.5 percent. Rather, he said that, by the end of 2010, unemployment would have dropped to 7.25 percent. Furthermore, White House economists forecast that without ARRA spending, the unemployment rate would increase from 7 percent to 8.8 percent. Unfortunately, the administration's estimates were wrong by a vast margin.

This week, Mercatus Center Senior Research Fellow Veronique de Rugy compares unemployment estimates from the president's 2010 Budget—which contains the original proposed estimates for the impact of the stimulus on unemployment—with actual unemployment rates from the Bureau of Labor Statistics.

While the cost of ARRA has risen to $840 billion—from the original $787 billion signed in 2009—the data reveal no marked improvement in employment as stimulus spending has increased. The large disparity between what the president promised and of the current unemployment levels contradicts the original claims about ARRA's ability to improve unemployment conditions.

The data show that since the enactment of ARRA in February 2009, unemployment has not approached previous unemployment levels again (7.6 percent when Obama took office, 9.1 percent today). Unemployment peaked at 10.2 percent in October 2009, an amount significantly higher than the Administration's caveat for an unemployment level without the stimulus (8.8 percent).

As the prospect of yet another increase in stimulus spending for the sake of job creation looms, we need to be reminded that sustainable job creation comes from the private sector. True "stimulus" legislation is that which creates a stable, low-regulatory regime that will enable businesses to hire workers in sustainable jobs—jobs that will last long after stimulus funds have run out.

Veronique de Rugy blogs why stimulus spending didn't deliver the promised jobs at NRO.

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