

# ***PERSONALLY SPEAKING***

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## **OBAMA SELLS HIS LATEST MIDDLE-CLASS TAX CUTS ON MISLEADING CLAIMS**

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*Permission to quote is granted when the source is acknowledged.*

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**On July 9 President Obama proposed extending the Bush middle-class tax cuts for one more year, at the same time allowing the cuts to expire for anyone making more than \$250,000 a year, thereby boosting their taxes. In the past, he has argued that the wealthy ought to pay more in taxes because under the Bush tax regime, which is set to expire on January 1, they have not been paying their fair share. This time, however, his argument is different: “top-down” economics hasn’t worked.**

**Obama asserted that over the last decade the Bush tax cuts promised “more jobs and higher income for everybody, and that prosperity would start at the top but then trickle down.” In addition, he asserted that the United States had the “slowest job growth in half a century.”**

**In January 2001, when George Bush was sworn in a president, total employment according to the BLS household survey was 137.8 million. When Bush’s second term ended eight years later in January 2009, total employment had climbed to 142.2 million. That’s an increase of 4,400,000 or 3.2 percent. Drop the data for 2008, and the increase amounted to 8,619,000 or 6.3 percent. Based on the BLS payroll survey, on the other hand, the increase in the number of jobs for Bush’s full eight years in office was just 1,095,000.**

**The household survey counts persons, the payroll survey counts jobs. One important difference is that a dual jobholder is counted once in the household survey but twice in the payroll survey.**

**Since Obama was inaugurated as president, the number of persons employed has increased by 228,000. At the same time, however, the number of payroll jobs has *decreased* by 473,000. A reminder: the Great Recession ended officially in June 2009. It’s Obama’s own employment record that is the weakest in the last 50 years, and his payroll record is even worse.**

**In December 2008, the last full month of Bush’s presidency, the jobless rate stood at 7.3 percent – higher than at any time in his eight years in the White House. In none of the following 41 full months that Obama has served as president has unemployment dropped below 8.1 percent. The last time joblessness stayed at 8 percent or higher for an extended period of time was the 27 consecutive weeks from November 1981 through January 1984 after the Federal Reserve cranked up the prime rate of interest to 21.5 percent in December 1980 to rein in inflation. In sharp contrast, Obama’s dismal jobless record occurred in spite of historic lows in interest**

rates, bailouts, and a massive stimulus package.

Regarding income, Obama is fond of citing figures on household or family income that can be misleading because over time household and family composition has changed. Household and family size has been getting smaller due to fewer babies being born, and more households and families breaking up. For those reasons, Mayo Research Institute examined instead real hourly compensation for workers in the business sector because that metric is not subject to those changes. With the exception of 2008, real compensation improved in every one of the Bush years. Even including 2008, it climbed by a total of 6.6 percent. During Obama's years in office, real compensation dropped in 2011 and again in the first quarter of 2012.

Obama wants a return to the Clinton era tax regime because, as he claims, under Clinton nearly 23 million additional jobs were created and we had the "the biggest budget surplus in history." The first part of that claim is accurate; the second is not. In every one of Clinton's eight years the federal budget closed with a deficit raising the public debt from \$4.411 trillion at the end of FY 1993 to \$5.807 trillion at the end of FY 2001, an increase of \$1.4 trillion. The budget surpluses Obama is talking about are the surpluses in the budgets Clinton submitted to Congress, surpluses based on rosy projections of tax revenues before the start of the fiscal year, and not on the actual revenues and expenditures as recorded at the end of the fiscal year.

Real hourly compensation during the Clinton years actually fell in each of the first three years of his tenure in office, and then rose in the last five years. The overall increase for his eight years in office was 14 percent.

There are two lessons to be drawn from the kinds of claims made by Obama on July 9. First, because they are ambitious human beings politicians tend to pick and choose the numbers that best serve their purposes at the moment, and as it often turns out the data pickings are as rich and varied as the offerings on the buffet line at a swanky casino. Second, because they can be devious human beings politicians may call attention to a certain data point, leaving out important details about its reliability, relevance, statistical significance, and historical context, and hoping that no one will take the time to unpack their claims.

In all of this we are reminded of the warning of founding father Ben Franklin: "it is in the religion of ignorance that tyranny begins."

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