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Employment Data May Be the Key to the President's Job

By BINYAMIN APPELBAUM

WASHINGTON — No American president since Franklin Delano Roosevelt has won a second term in office when the unemployment rate on Election Day topped 7.2 percent.

Seventeen months before the next election, it is increasingly clear that [President Obama](#) must defy that trend to keep his job.

Roughly 9 percent of Americans who want to go to work cannot find an employer. Companies are firing fewer people, but hiring remains anemic. And the vast majority of economic forecasters, including the president's own advisers, predict only modest progress by November 2012.

The latest job numbers, due Friday, are expected to provide new cause for concern. Other indicators suggest the pace of growth is flagging. Weak manufacturing data, a gloomy reading on jobs in advance of Friday's report and a drop in auto sales led the markets to their worst close since August, and those declines carried over into Asia Thursday.

But the grim reality of widespread unemployment is drawing little response from Washington. The Federal Reserve says it is all but tapped out. There is even less reason to expect Congressional action. Both Democrats and Republicans see clear steps to create jobs, but they are trying to walk in opposite

directions and are making little progress.

Republicans have set the terms of debate by pressing for large cuts in federal spending, which they say will encourage private investment. Democrats have found themselves battling to minimize and postpone such cuts, which they fear will cause new job losses.

House Republicans told the president that they would not support new spending to spur growth during a meeting at the White House on Wednesday.

“The discussion really focused on the philosophical difference on whether Washington should continue to pump money into the economy or should we provide an incentive for entrepreneurs and small businesses to grow,” said Eric Cantor, the majority leader. “The president talked about a need for us to continue to quote-unquote invest from Washington’s standpoint, and for a lot of us that’s code for more Washington spending, something that we can’t afford right now.”

The White House, its possibilities constrained by the gridlock, has offered no new grand plans. After agreeing to extend the [Bush-era tax cuts](#) and reducing the payroll tax last December, the administration has focused on smaller ideas, like streamlining corporate taxation and increasing American exports to Asia and Latin America.

“It’s a very tough predicament,” said Jared Bernstein, who until April was economic policy adviser to Vice President Joseph R. Biden Jr. “Is there any political appetite for something that would resemble another large Keynesian stimulus? Obviously no. You can say that’s what we should do and you’d probably be right, but that’s pretty academic.”

More than 13.7 million Americans were unable to find work in April; most had been seeking jobs for months. Millions more have stopped trying. Their inability to earn money is a personal catastrophe; studies show that the chance of finding new work slips away with time. It is also a strain on their families, charities and public support programs.

The Federal Reserve, the nation’s central bank, has the means and the mandate to reduce

unemployment by pumping money into the economy.

As financial markets nearly collapsed in 2008, the Fed unleashed a series of unprecedented programs, first to arrest the crisis and then to promote recovery, investing more than \$2 trillion. The final installment, a \$600 billion bond-buying program, ends in June.

Now, however, the leaders of the central bank say they are reluctant to do more. The Fed's chairman, Ben S. Bernanke, [said in April](#) that more money might not increase growth, but there was a growing risk that it would accelerate inflation.

Congress charged the Fed in 1978 with minimizing unemployment and inflation. Those goals, however, are often in conflict, and the Fed has made clear that inflation is its priority. Fed officials argue in part that maintaining slow, steady inflation forms a basis for enduring economic expansion.

Eric S. Rosengren, president of the Federal Reserve Bank of Boston, said in a recent interview that the Fed had reached the limits of responsible policy.

“We’ve done things that are quite unusual. We’re using tools that we have less experience with,” Mr. Rosengren said. “Most of the criticism has been that we’re being too accommodative. That is a concern that we have to put some weight on.”

Heather Boushey, senior economist at the Center for American Progress, a liberal research group, said that the Fed was being too cautious about inflation and too callous about joblessness.

“We have a massive unemployment problem in this country right now. It is festering. It’s not good for our economy. It’s not good for our society. And we have the tools to fix it,” she said. “We certainly need to be concerned about what happens down the road, but shouldn’t we first be concerned about getting the U.S. economy back on track?”

Ten presidents have stood for re-election since Mr. Roosevelt. In four instances the unemployment rate stood above 6 percent on Election Day. Three presidents lost: Gerald Ford, Jimmy Carter and

George H. W. Bush. But Ronald Reagan won, despite 7.2 percent unemployment in November 1984, because the rate was falling and voters decided he was fixing the problem.

The Obama administration hopes to tell a similar story.

“We have undertaken some of the biggest policy actions to create jobs that any administration has ever done,” said Jason Furman, deputy director of the National Economic Council, which advises the president on economic policy. Mr. Furman said that the economy was still benefiting from last year’s tax cuts, and from the dollop of federal stimulus spending that Democrats pushed through in 2009.

The White House is pursuing a number of smaller initiatives, like persuading China to buy more American goods and services; increasing business confidence in the health of the economy, to spur new investment; and striking a deal with Republicans to [overhaul corporate taxation](#).

It is also pushing to renew federal financing for transportation projects with an important twist: The six-year plan would be front-loaded so that \$50 billion would be spent in the first year.

But Christina Romer, who headed the president’s Council of Economic Advisers until fall 2010, said in a recent speech at Washington University in St. Louis that no part of the government was addressing unemployment with sufficient urgency or hope.

“Urgency, because unemployment is a tragedy that should not be tolerated a minute longer,” she said.

“And hope, because prudent and possible policies could make a crucial difference.”

Jackie Calmes contributed reporting.



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