



Written by [Bob Adelman](#) on January 23, 2012

Unemployment Numbers, Regime Uncertainty, and Regulatory Surge

Last Friday's unemployment numbers, on the surface at least, appeared to reflect a growing, albeit slowly, economy. The number of new unemployment claims for the week ending January 14th dropped to 352,000, down from 402,000 the previous week, and down from 415,000 a year ago. The four-week moving average also dropped, from 382,500 to 379,000.



The December numbers were less than November's which prompted [USA Today](#) to note that this was "an even stronger finish to the year than economists had forecast." The monthly gain of 212,000 private-sector jobs also reported "means American businesses have replaced more than 3 million of the 4.2 million private-sector jobs lost in the past 13 months," according to the paper. This "is the strongest recovery since the rebound after the 1990-1992 recession, when U.S. businesses added 4.2 million jobs in the same period of time by late 1993."

The ebullience of *USA Today* failed to take note of the Department of Labor's announcement that, along with the reduction in initial claims there was an *increase* in the number of people making claims in all unemployment insurance programs, rising by nearly 500,000, an increase from December of *seven percent in a single month*.

Economics Professor Robert Higgs was [singularly unimpressed](#). From his analysis of the Department of Labor's (DOL) numbers dating back to the year 2000 he found that the number employed in the country's private sector at the end of 2011 was 109 million, less than those employed in the private sector in the year 2000. And it's also five million jobs fewer than recorded by the DOL in 2007. He said that although there was a gain in private employment, year over year, from 2010 to 2011 of 1.6 percent, at that rate "it will take almost 4 years to get back to the private employment level in 2007, before the current recession began."

Higgs blames "regime uncertainty" for the continuing reluctance of employers to hire, citing "major threats of government regulation, potential increases in taxes and other damaging intervention in the market process."

Higgs left out a key part of the equation necessary for a complete understanding of how poorly the economy is fairing, despite *USA Today's* claims. According to the Census Bureau the population of the country in 2000 was 281 million; in 2011 it had increased to 312 million. If the same percentage of



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those employed privately in 2000 (39.5 percent) were employed today, private employment should be 123 million rather than 109 million. Put another way, the last 10 years have successfully eliminated about 12 million jobs and the slight gain reported by the DOL and celebrated by *USA Today* is small comfort to those still looking for work or who are coming into the labor force for the first time looking for work.

An editorial in the *Wall Street Journal* [agreed with Higgs](#) that uncertainty is clouding the future and dimming the prospects for a quick recovery in employment. It listed some of the uncertainties facing private employers as they make decisions about whether to hire new workers or not. The opinion piece noted:

The evidence is overwhelming that the Obama regulatory surge is one reason the current economic recovery has been so lackluster by historical standards. Rather than nurture an economy trying to rebuild confidence after a financial heart attack, the Administration pushed through its now-famous blitz of liberal policies on health care, financial services, energy, housing, education and student loans, telecom, labor relations, transportation and probably some other industries we've forgotten. Anyone who thinks this has only minimal impact on business has never been in business.

The *Journal* also provided the skeptics with a startling visual graphic of the increasing number of regulations being issued by government agencies. In June 2009 there were 90 "economically significant" rules (proposed rules costing employers more than \$100 million a year) in process. At the end of 2011 that number had *increased by two-thirds*, to 150.

All of which is more than enough to intimidate the bravest and most intrepid entrepreneur and keep him from doing anything more than just keeping his doors open and waiting for the tide of uncertainty and regulatory surge to recede. If the policies of the present Obama administration continue into another four years, he is going to have a very long wait indeed.



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