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Are We Setting Ourselves Up For A Jobless Recovery?
By Tom Pauken

The Texas unemployment rate jumped from 6.6 percent in April to 7.1 percent in May. While the percentage of Texans out of work is much lower than the 9.4 percent national figure, continued unemployment claims for individuals out of work for more than a week are 175 percent higher than they were in our state a year ago.

The national jobless rate is the highest since July 1983, and this current economic environment has a more worrisome feel to it than the recession back then. What is troubling is the sense that there is no place to hide when it comes to loss of jobs in the private sector. The job losses are across the board, with the manufacturing sector being one of the hardest hit in terms of layoffs and plant closings. Moreover, debt levels are much higher today than they were back in the early 1980s.

A major reason why this national recession appears worse -- and more persistent—than previous recessions is the higher debt levels in the U.S.

During the “go-go” years of what turned out to be a bubble economy, consumers, businesses, and most governmental entities (the Texas state government being a notable exception) went on spending sprees as though there were no tomorrow – and no day of reckoning.

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The credit excesses, beginning in the 1990s and continuing throughout this decade have resulted in a “mountain load of debt.” John Riley of Cornerstone Investments has cited figures about overall debt to GDP (gross domestic product) which should concern all of us. In 1981, when President Reagan assumed office, debt to GDP – that is, consumer debt, corporate debt, and government was 91 percent. In 1930, at the time of the Great Depression, it was 300 percent. At the end of 2008, it was nearly 400 percent. That is way too much debt to get this economy moving again. Moreover, rather than reducing government debt, the Obama Administration is piling on more government debt with a stimulus package designed to get the American consumer to spend our way out of this serious national economic recession. Our federal budget deficit is expected to be nearly \$2 trillion this year. The Bush Administration tried to engineer a similar short term fix in early 2008 with a \$168 billion package of tax rebates to individuals (including money to those who had never paid taxes in the first place).

Are we setting ourselves up for a jobless recovery?

The Bush Plan didn’t work; and, I submit, the Obama stimulus plan won’t work either to get our economy out of the ditch – and growing again. Consumers aren’t going to spend if they are worried – as they are today – about whether they will have a job tomorrow, or about the very survival of their businesses. Instead, Americans are saving again – putting money away for their own “rainy day” fund. Personal savings were at 4.5 percent in April and jumped to 5.7 percent in May.

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Meanwhile, however, government spending at the national level is totally out of control. With these massive budget deficits (and huge trade deficits as well), don't we run the risk of opening the door to runaway inflation, similar to what happened to Germany in the Weimer Republic after World War I?

Government cannot create jobs – only the private sector can. While the government may seem to create jobs when it hires people or buys things, it destroys at least as many jobs as it creates when it does so. That is why you need a vibrant private sector to pay for and support the public sector.

The number one economic issue facing us today is – how do we encourage job creation in the private sector – particularly, small businesses where most new jobs originate – and put America back to work?

The federal government does not have to spend trillions of dollars it doesn't have in a vain attempt to stimulate the economy. Instead, we need to reform our job-killing, business tax system which rewards debt while penalizing companies that save and invest in order to create jobs in the United States. Under a proposal by Austin businessman David Hartman, we would replace our onerous business tax system with an 8-percent border-adjusted consumption tax. That would level the playing field with our foreign competitors for U.S. businesses operating here at home. We need to quit exporting prosperity abroad, rebuild our manufacturing base,

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lessen our dependence on foreign energy, and bring good paying jobs home to America again. The Hartman Plan would do just that.

The time for action – along with a new direction in economic policy – is now. Let's put America back to work.

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The Texas Workforce Commission is a state agency dedicated to helping Texas employers, workers and communities prosper economically. For details on TWC and the programs it offers in unison with its network of local workforce development boards call (512) 463-8556 or visit www.texasworkforce.org.