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OP-ED COLUMNIST

## Bye-Bye, Bush Boom

By **PAUL KRUGMAN**

**W**hen does optimism — the Bush campaign's favorite word these days — become an inability to face facts? On Friday, President Bush insisted that a seriously disappointing jobs report, which fell far short of the pre-announcement hype, was good news: "We're witnessing steady growth, steady growth. And that's important. We don't need boom-or-bust-type growth."

But Mr. Bush has already presided over a bust. **For the first time since 1932, employment is lower in the summer of a presidential election year than it was on the previous Inauguration Day.** Americans badly need a boom to make up the lost ground. And we're not getting it.

When March's numbers came in much better than expected, I cautioned readers not to make too much of one good month. Similarly, we shouldn't make too much of June's disappointment. The question is whether, taking a longer perspective, the economy is performing well. And the answer is no.

If you want a single number that tells the story, it's the percentage of adults who have jobs. When Mr. Bush took office, that number stood at 64.4. By last August it had fallen to 62.2 percent. In June, the number was 62.3. That is, during Mr. Bush's first 30 months, the job situation deteriorated drastically. Last summer it stabilized, and since then it may have improved slightly. But jobs are still very scarce, with little relief in sight.

Bush campaign ads boast that 1.5 million jobs were added in the last 10 months, as if that were a remarkable achievement. It isn't. During the Clinton years, the economy added 236,000 jobs in an average month. Those 1.5 million jobs were barely enough to keep up with a growing working-age population.

In the spring, it seemed as if the pace of job growth was accelerating: in March and April, the economy added almost 700,000 jobs. But that now looks like a blip — a one-time thing, not a break in the trend. May growth was slightly below the Clinton-era average, and June's numbers — only 112,000 new jobs, and a decline in working hours — were pretty poor.

**What about overall growth? After two and a half years of slow growth, real G.D.P. surged in the third quarter of 2003, growing at an annual rate of more than 8 percent. But that surge appears to have been another blip. In the first quarter of 2004, growth was down to 3.9 percent, only slightly above the Clinton-era average. Scattered signs of weakness — rising new claims for unemployment insurance, sales warnings at Target and Wal-Mart, falling numbers for new durable goods orders — have led many analysts to suspect that growth slowed further in the second quarter.**

And economic growth is passing working Americans by. The average weekly earnings of nonsupervisory workers rose only 1.7 percent over the past year, lagging behind inflation. The president of Aetna, one of the biggest health insurers, recently told investors, "It's fair to say that a lot of the jobs being created may not be the jobs that come with benefits." Where is the growth going? No mystery: after-tax corporate profits as a share of G.D.P. have reached a level not seen since 1929.

What should we be doing differently? For three years many economists have argued that the most effective job-creating policies would be increased aid to state and local governments, extended unemployment insurance and tax rebates for lower- and middle-income families. The Bush administration paid no attention — it never even gave New York all the aid Mr. Bush promised after 9/11, and it allowed extended unemployment insurance to lapse. Instead, it focused on tax cuts for the affluent, ignoring warnings that these would do little to create jobs.

After good job growth in March and April, the administration declared its approach vindicated. That was premature, to say the least. Whatever boost the economy got from the tax cuts is now behind us, and given the size of the budget deficit, another big tax cut is out of the question. It's time to change the policy mix — to rescind some of those upper-income cuts and pursue the policies we should have been following all along.

One last point: government policies could do a lot about the failure of new jobs to come with health benefits, a huge source of anxiety for many American families. John Kerry is right to make health care a central plank of his platform. I'll analyze his proposals in a future column.

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