
Economic Policy Institute

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FOR FULL REPORT: http://www.epinet.org/content.cfm/issuebriefs_ib197

The full report can also be found at: <http://www.cbpp.org/2-12-04ui.pdf>

ADMINISTRATION'S JOB PROJECTIONS MISS THE MARK

Latest forecast would need unlikely 460,000 new jobs every month to come true

After a lackluster 2003 in which job creation fell 2.1 million jobs short of the administration's projections for the year, the President's Council of Economic Advisers has responded with another overly optimistic projection. Not only did the 1.7 million increase in new jobs that the CEA had projected, on average, for 2003 fail to materialize, we actually lost 400,000 jobs.

The CEA's new claim that in 2004 the average number of jobs will be 2.6 million higher than in 2003 is out of sync with labor market realities, according to three experts from the Center on Budget and Policy Priorities and the Economic Policy Institute. Reaching that level of job creation would require growth averaging 460,000 new jobs every month from now through December 2004.

A new report issued jointly today by the two research groups offers a detailed indictment of the administration's jobs projections over the past two years and spotlights the administration's failure to revive the sagging labor market.

"Missing the Moving Target," authored by EPI Senior Economist Jared Bernstein and Research Director Lee Price and by CBPP Senior Fellow Isaac Shapiro, criticizes the administration's projections as both faulty economic analysis and evidence of failed economic policies.

"The administration's forecasts are looking less and less like projections based in economic reality and more and more like exercises in wishful thinking," said Bernstein. "The CEA keeps telling us we're about to turn a corner, but we never seem to make it to the corner. That should send the administration a crystal clear signal that its job growth policies are ineffective."

The report notes that the CEA's unduly optimistic projections have forced the administration to continually shift the target as actual job creation falls short of the projections. The report notes that the CEA has downgraded its projections for employment in 2004 from the 138.3 million forecast in 2002 to 135.2 million in its 2003 forecast and now to 132.7 million in this latest forecast. Even so, the rate of job growth required to reach even this scaled back target is far beyond any recent performance in the economy.

*The Economic Policy Institute is a nonprofit, nonpartisan economic think tank founded in 1986.
The Institute can found on the web at <http://www.epinet.org>.*

“The unmistakable pattern of job growth failing to meet the administration’s own expectations casts doubt on its unbridled optimism about the positive effects of its tax cuts on employment and its frequently rosy characterization of recent economic trends,” said Shapiro.

The report also criticizes the administration’s attempts to explain away its jobs deficit by alluding to 9-11, corporate scandals, and war.

“There is no question that these big events had transitory negative effects on the economy, but those effects have been exaggerated and should have been accounted for in the administration’s projections,” Price said. “Instead of acknowledging the mistakes in their own economic policies, the administration has persisted in making unrealistic fair weather predictions and then making excuses when they don’t come true.”

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