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Debunking Some Common Myths about U.S. Economic Policy

The analysis provided in the 2015 Economic Report of the President (ERP) debunks some common myths about the economy's performance in recent years and the macroeconomic impacts of policy.

MYTH: The U.S. recovery is unusually slow.

FACT: The current U.S. recovery is outpacing recoveries of other advanced economies.

- It is misleading to compare the current recovery to "average" economic recoveries because the Great Recession was the result of a particularly severe global financial crisis. The current recovery follows the deepest and most protracted economic decline since the 1930s.
- Research by economists Carmen Reinhart and Kenneth Rogoff shows that economic recoveries from systemic financial crises are typically much slower than recoveries from other kinds of recessions.
- It is fairer to compare the current U.S. recovery with the recoveries of other leading advanced economies from the recent financial crisis. The current U.S. recovery has significantly outpaced the recoveries of many of those other economies. It also has been faster than recoveries from other sharp recessions due to financial crises over the past two centuries.

MYTH: The declining unemployment rate is a "big lie."

FACT: The accelerated decline in the unemployment rate over the past year and a half is almost entirely due to job growth, as labor force participation has been relatively stable over that period.

- A recent opinion piece by Gallup CEO Jim Clifton claims that the official unemployment rate is misleading because, among other reasons, it does not include people who have stopped looking for work and dropped out of the labor force.
- By definition, the official unemployment rate does not count individuals who have not actively searched for work in the past four weeks as unemployed. However, as discussed by The Washington Post's Wonkblog, although the official unemployment rate does not fully capture the slack in the labor market, it is one consistent measure of labor underutilization.
- A broad range of indicators suggest that the labor market has made significant progress during the recovery. The private sector has added jobs for 60 consecutive months and nearly all of these gains have been in full-time jobs. Long-term unemployment also has dropped significantly and real wage growth has begun to pick up.
- While it is true that labor force participation has declined since the start of the recession, an analysis by the Council of Economic Advisers echoes that of other economists in identifying that most of this stems from ongoing shifts in demographics that predate the recession—mainly, the effects of the baby boom generation entering retirement (the oldest baby boomers reached 65 years old in 2011).

MYTH: 92 million Americans aren't working.

FACT: Most of the 92 million are either school-aged or retirees.

- The independent fact-checking website PolitiFact recently rated this claim as "Mostly False." The 92 million (now more like 93 million) is misleading because it includes many individuals who are unlikely to be looking for work, including Americans who are: retirement-age (37 million), high school-age (11 million), college- and grad school-age (7 million), and disabled (24 million).

- The number of unemployed Americans is actually below 10 million and has fallen by more than 40 percent over the past five years. Even if you add in individuals who want a job but are out of the labor force because they have given up looking for work, the total is just over 15 million—not even remotely close to 92 million.

MYTH: The Affordable Care Act (ACA) will lead to job losses.

FACT: Critics distort the findings of the Congressional Budget Office's (CBO) report on the impact of the ACA on employment.

- Opponents of the ACA claim that it imposes regulatory burdens that will cause businesses to shed jobs. However, their claim is based on a misinterpretation of a CBO report that shows that likely reductions in hours worked would be small (1.5 to 2 percent between 2017 and 2024) and almost entirely stem from workers voluntarily choosing to work less.

- There is no evidence that health policy is causing job losses—private-sector job growth has accelerated in the years since the ACA was enacted. Over the course of 2014, private employment grew at its fastest rate (2.6 percent) since 1997.

- The ACA is helping to improve financial security for lower-income Americans, boosting productivity by making it easier for people to get preventive care and stay healthy and contributing to a slowdown in health care costs.

MYTH: The ACA has increased involuntary part-time employment.

FACT: Involuntary part-time employment has dropped for five consecutive years.

- Critics claim that because the ACA requires medium and large businesses to provide health coverage for their full-time employees, it creates incentives for employers to hire part-time instead of full-time workers. But involuntary part-time employment has dropped every year since the passage of the ACA. In 2014 alone, the number of workers employed part time for economic reasons declined by more than one million.

- The greatest increase in involuntary part-time work occurred over the course of 2008—before President Obama even took office.

- The current trend in part-time work for economic reasons over the recent recession and recovery is broadly in line with other recent business cycles. Involuntary part-time employment tends to spike during economic downturns and then decrease more slowly than the unemployment rate over the course of the ensuing economic expansion.