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Misrepresentations, Regulations and Jobs

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Republicans have a problem. People are increasingly concerned about unemployment, but Republicans have nothing to offer them. The G.O.P. opposes additional government spending for jobs programs and, in fact, favors big cuts in spending that would be likely to lead to further layoffs at all levels of government.

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Republicans favor tax cuts for the wealthy and corporations, but these had no stimulative effect during the George W. Bush administration and there is no reason to believe that more of them will have any today. And the Republicans' oft-stated concern for the deficit makes tax cuts a hard sell.

These constraints have led Republicans to embrace the idea that government regulation is the principal factor holding back employment. They assert that Barack Obama has unleashed a tidal wave of new regulations, which has created uncertainty among businesses and prevents them from investing and hiring.

No hard evidence is offered for this claim; it is simply asserted as self-evident and repeated endlessly throughout the conservative echo chamber.

On Aug. 29, the House majority leader, Eric Cantor of Virginia, sent a memorandum to members of the House Republican Conference, telling them to make the repeal of job-destroying regulations the key point in the Republican jobs agenda.

"By pursuing a steady repeal of job-destroying regulations, we can help lift the cloud of uncertainty hanging over small and large employers alike, empowering them to hire more workers," Mr. Cantor said.

Evidence supporting Mr. Cantor's contention that deregulation would increase unemployment is very weak. For some years, the Bureau of Labor Statistics has had a program that tracks mass layoffs. In 2007, the program was expanded, and businesses were asked their reasons for laying off workers. Among the reasons offered was "government regulations/intervention." There is only partial data for 2007, but we have data since then through the second quarter of this year.

The table below presents the bureau's data. As one can see, the number of layoffs nationwide caused by government regulation is minuscule and shows no evidence of getting worse during the Obama administration. Lack of demand for business products and services is vastly more important.

Bureau of Labor Statistics

These results are supported by surveys. During June and July, Small Business Majority asked 1,257 small-business owners to name the two biggest problems they face. Only 13 percent listed government regulation as one of them. Almost half said their biggest problem was uncertainty about the future course of the economy — another way of saying a lack of customers and sales.

The Wall Street Journal's July survey of business economists found, "The main reason U.S. companies are reluctant to step up hiring is scant demand, rather than uncertainty over government policies, according to a majority of economists."

In August, McClatchy Newspapers canvassed small businesses, asking them if regulation was a big problem. It could find no evidence that this was the case.

"None of the business owners complained about regulation in their particular industries, and most seemed to welcome it," McClatchy reported. "Some pointed to the lack of regulation in mortgage lending as a principal cause of the financial crisis that brought about the Great Recession of 2007-9 and its grim aftermath."

The latest monthly survey of its members by the National Federation of Independent Business shows that poor sales are far and away their biggest problem. While concerns about regulation have risen during the Obama administration, they are about the same now as they were during Ronald Reagan's administration, according to an analysis of the federation's data by the Economic Policy Institute.

Academic research has also failed to find evidence that regulation is a significant factor in unemployment. In a blog post on Sept. 5, Jay Livingston, a sociologist at Montclair State University, hypothesized that if regulation were a major problem it would show up in the unemployment rates of industries where regulation has been increasing: the financial sector, medical care and mining/fuel extraction. He found that unemployment rates in these sectors were actually well below the national average. Unemployment is much higher in those industries that one would expect to suffer most from a lack of aggregate demand: construction, leisure and hospitality, business services, wholesale and retail trade, and durable goods.

Gary Burtless, an economist at the Brookings Institution, asserts that if businesses were really concerned about rising regulations, they would be investing now to avoid them. But there is no indication that this is the case. “The real reason for anemic investment and hiring is that businesses are not confident there will be enough potential customers to justify expansion or even routine capital replacement right now,” he says.

In my opinion, regulatory uncertainty is a canard invented by Republicans that allows them to use current economic problems to pursue an agenda supported by the business community year in and year out. In other words, it is a simple case of political opportunism, not a serious effort to deal with high unemployment.