



## Uncertainty

**By: John C. Goodman**

**July 14, 2012**

Did you know that public uncertainty about federal economic policy is at a 30-year high? Economists at Stanford University and the University of Chicago have actually discovered a way of measuring how uncertain people are. They find that their measure of uncertainty correlates with such economic activities as deciding to invest, deciding how much to produce and deciding whether to hire more workers.

One source of uncertainty is what will happen next January when American taxpayers will be hit with a large tax increase (mainly the expiration of the Bush tax cuts) and a major decrease in government spending (the result of last year's budget deal). Will President Obama and the Congress agree to put off the tax increases? Will they agree to delay the spending cuts? Not knowing the answers to those questions appears to have more impact on the decisions of businesses and consumers than if everyone simply agreed to go ahead and let the bad things happen.

Some causes of uncertainty (such as the crisis with in the Eurozone) are not under President Obama's control. But in other areas, he is directly responsible for creating anxiety for the business community and the public. Three policies jump out: Dodd-Frank financial regulation, an unhealthy desire to tax capital, and ObamaCare.

Overall, the economists calculate public policy uncertainty is the apparent cause of a 3.2% drop in real gross domestic product, a 16% decline in private investment and the loss of 2.3 million jobs over the past five years.

Uncertainty is one of the reasons employers are not hiring like they have at the end of past recessions. When an employer hires a full-time worker, the employer thinks of the relationship as long term. During an initial training and learning period, the employer probably pays out more in wages and benefits than the company gets back in production. But over a longer period, the hope is to turn that around and make a profit.

When employers hire new employees, they are making a gamble. They are betting that, over time, the economics of the relationship will pan out.

The problem in the current economy is that hiring new workers and committing to new production has become risky. An employer who hires workers today has no way of knowing the company's future labor costs; its building and facility costs; its cost of capital; or its taxes.

Take the cost of ObamaCare. The Congressional Budget Office (CBO) estimates the average annual cost of a minimum benefit package at \$4,500 to \$5,000 for individuals and \$12,000 to \$12,500 for families in 2016. That translates into a minimum health benefit of \$2.28 an hour for individual coverage and \$5.89 an hour for family coverage.

In another year and a half, the minimum cost of labor will be a \$7.25 cash minimum wage and a \$5.89 health minimum wage (family), for a total of \$13.14 an hour or about \$27,331 a year. You can see already that few firms are going to want to hire low-wage workers with families.

Employers could decide to drop their health insurance altogether; and if they do so they must pay a fine of \$2,000 per employee per year. Yet if a lot of employers do this (and apparently a lot of them are thinking about it), it is likely the federal government will respond by making the fine a lot higher.

The jobs numbers tell two different stories. In terms of hours worked, the labor market has recovered. But in terms of the actual number of people working, we haven't even started to recover. People with jobs are working just as many hours as they did before the recession began. This is consistent with the incentives under ObamaCare: Nothing happens to the employers' health care costs if people work additional hours. However, there is a substantial increase in health care costs, if the employer hires one more worker. This may be the reason for the jobless recovery.

I [testified](#) this week at a House Oversight and Government Reform Committee hearing on this subject of economic uncertainty and the role ObamaCare plays. In addition, my new book, [Priceless](#), explains how to dismantle and replace ObamaCare.