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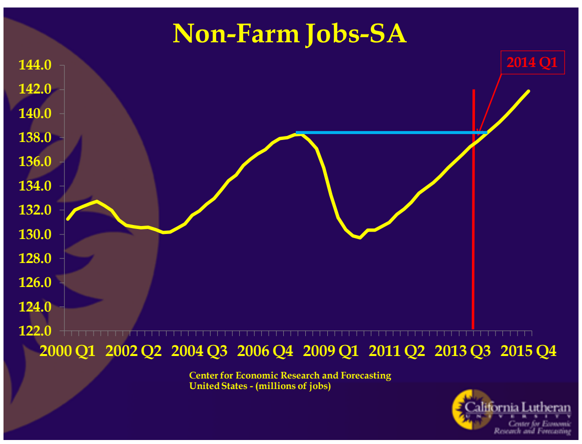
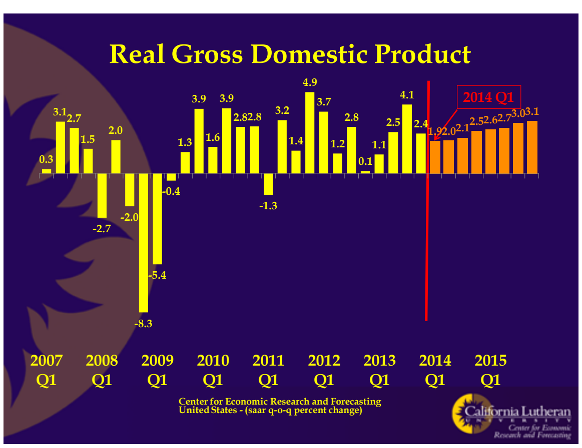
There is some good news in the jobs forecast: We should finally reach pre-recession job levels sometime this year. That's a milestone and we need to get there, but it has been almost eight years since jobs peaked in 2007. In the meantime, population has grown and many of our young people have failed to initiate careers. History has shown that this will plague them throughout there working life; most will never recover from a weak introduction to the job market.

Unfortunately, job growth will likely continue to be slow throughout the forecast horizon, with the result that any declines in the unemployment rate will more a result of people leaving the workforce than economic vigor.



Because of productivity gains, GDP (output) growth is almost always faster than job growth. This has been case over the recovery and it will likely be the case going forward. However, growth has been below its long-term average, and well below the rapid rates we are accustomed to seeing in early stage of recoveries. The slow growth is likely to continue:



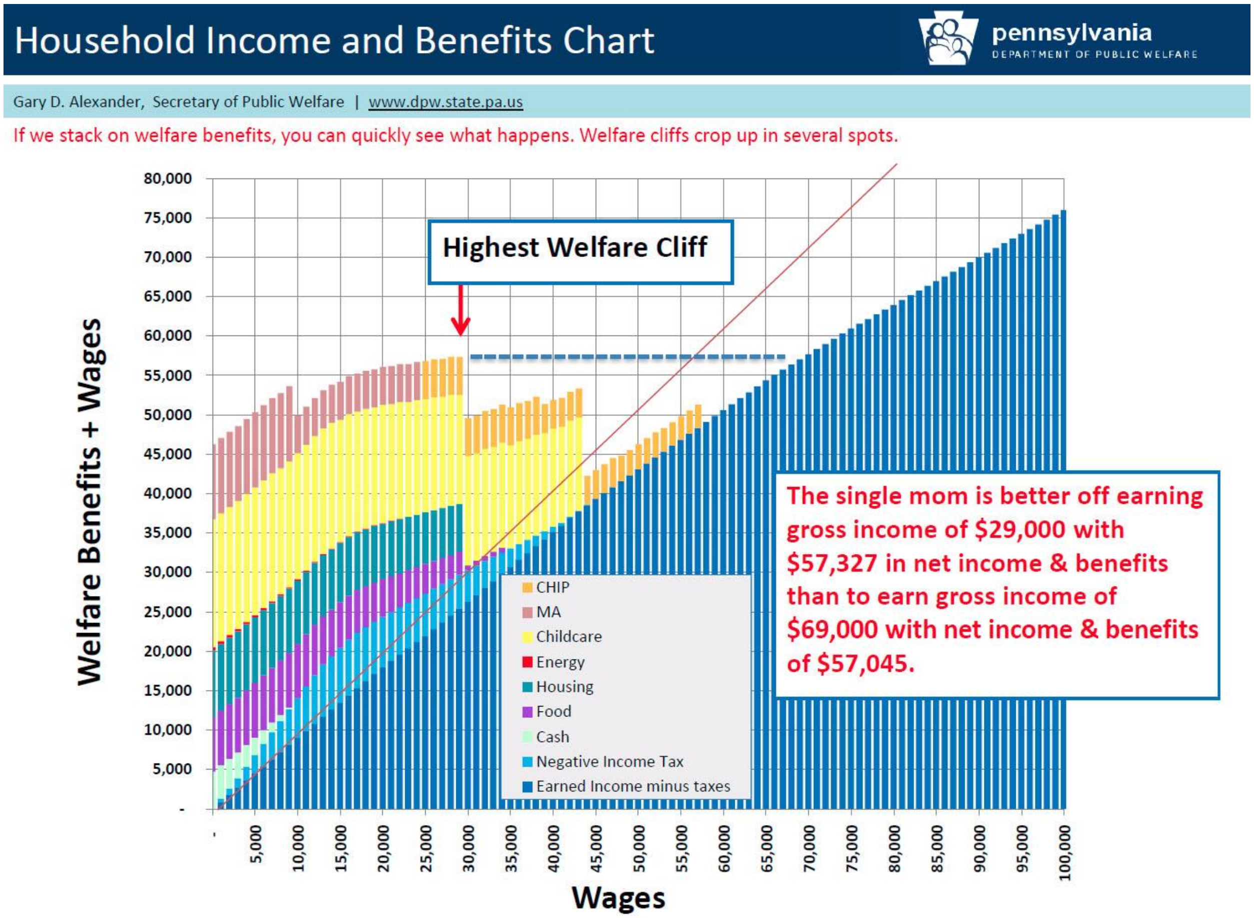
As I wrote in the U.S. History essay, this was always going to be a weaker-than-average recovery, but policy has slowed economic growth and job creation. In that essay, I promised policy recommendations to improve economic growth and job creation. Those recommendations follow. They are all about jobs, because sustained joblessness is insidious, even if all physical needs are provided. We see this in London's slums, Appalachia, Native American reservations, and wherever people are denied an incentive to work. It leads to poor health (even when free healthcare is provided), substance abuse, serial relationships, violence (domestic and other), fatherless children, and an overwhelming hopelessness:

- Make absolutely certain that no one ever faces 100 percent effective marginal tax rates. As it is, people receiving aid often face astronomical marginal tax rates.

  The effective marginal tax rate is the cost of an increment in income. So, the loss of a benefit because of increased income is effectively a tax. That cost, along with the direct tax is included in calculating the effective marginal tax.

  Below is a chart from the Pennsylvania Department of public welfare. It has several examples of extraordinary tax rates. The first occurs when an individual's income goes from $9,000 to 10,000; they lose $4,000 in benefits. The second occurs when an individual's income goes from $29,000 to $30,000; they lose about $7,000 in benefits. The most draconian marginal tax rate occurs when income goes from $43,000 to $44,000; that income increase causes a $10,000 loss in benefits.

  Who among us will pay $10,000 to receive $1,000 and independence? These "cliffs" overwhelm any other incentives to work. They are slowing job growth and ruining lives.



- Abolish the minimum wage and back-fill it with an earned income tax credit that provides a standard of living that we comfortable seeing our neighbors live, making sure to never impose a marginal tax of more than 30 percent.

  A person who loses a job to a machine or to a worker overseas has a positive marginal product. That is their labor adds value. They lose their job because the machine or the foreigner is cheaper. Given the benefits of a job, letting them work at whatever wage an employer is willing to pay, while still providing a humane level of consumption, would be better for the person receiving the minimum wage. Given the costs of dealing with the pathologies associated with joblessness, it would be cheaper for those paying for the earned income tax credit.

- Use the earned income tax credit to abolish all other subsidy programs for the working poor.

If the earned income tax credit is set at an appropriate level, the recipient has an income sufficient to provide all of the necessities, and necessities includes entertainment. We then have no need for the expensive and dehumanizing bureaucracies that provide the various social programs. Those resources could be better used creating other goods and services.

- Repeal Sarbanes-Oxley.

Every now and then, something happens that causes Congress to pass laws to solve non-existent problems. This is a bi-partisan thing. Both parties do it.

The Enron collapse was such an event. Even though everyone involved in the fraud went to jail under existing law, or died before they got to jail, Congress felt the need to act. The result was Sarbanes-Oxley, a bill that solves no problem and imposes high costs on businesses. We need to get rid of it.

- Try again on healthcare reform.

The Affordable Healthcare ACT is ridden with disincentives for job growth. There are disincentives for people to work. There are disincentives for employers to hire. We need to fix it.

- Eliminate Too Big To Fail.

The presence of the Too Big To Fail policy was a significant contributor to the 2008 financial collapse. It, along with market power, provide incentives for financial institutions to grow far beyond the point where economies of scale are exhausted. It also provides incentives for financial executives to take excessive risks, because they, their creditors, and their shareholders will benefit from favorable outcomes, while taxpayers insure them against unfavorable outcomes.

Market power and excessive risk taking in financial companies are serious market distortions, with serious potential impacts. The potential for financial crisis was well demonstrated in September and October 2008. Even in good times, though they slow economic growth by misallocating resources.

Eliminating Too Big To Fail is conceptually easy: Figure what Too Big To Fail means in each industry. Then, apply a 100 percent tax on all assets over the threshold. Companies would be splitting themselves up post haste.

- Try financial reform again.

Dodd-Frank was passed in the immediate aftermath of the financial crisis, to fix real and imagined problems in our financial markets. It's complicated. It's expensive to administer. It's expensive to comply with. It provides disincentives for job creation. It results in misallocation of assets. It needs to be fixed.

- Require every regulation survive a cost-benefit analysis.

Businesses across America face an increasingly expensive, and too often hostile, regulatory environment. An unknown, but non-zero, percentage of these regulation achieve little. An honest and unbiased cost-benefit analysis of every regulation (admittedly a tall order), along with a requirement that benefits of every regulation exceed its costs, would improve resource allocation and create jobs.

- Dramatically increase legal immigration.

> Immigrants are not a random draw from the donating population. Instead, they are people who possess a set of characteristics that cause them to leave family, friends, their country and their culture, everything they've known, to move to a new and often strange place, a place where people don't even speak their language.
>
> Once here, they contribute. They may come here to earn more and increase consumption, but the fact that they earn more means they are contributing. They also start businesses at a significantly higher rate than the native born. This is critical, because new businesses are responsible for a large portion of our new jobs.
>
> It is commonly believed that immigrants take jobs away from Americans. The bulk of research indicates this is not true. Even illegal immigrants appear to be a small net economic benefit.

These recommendations don't have much sex appeal. Certainly, any politician running on full set of recommendations would have a very low probability of being elected. Moving toward them, though, would be economic progress.