FactChecking Obama's SOTU

The president spins his accomplishments on jobs, health care and deficit reduction in annual address.

Posted on February 13, 2013

Summary

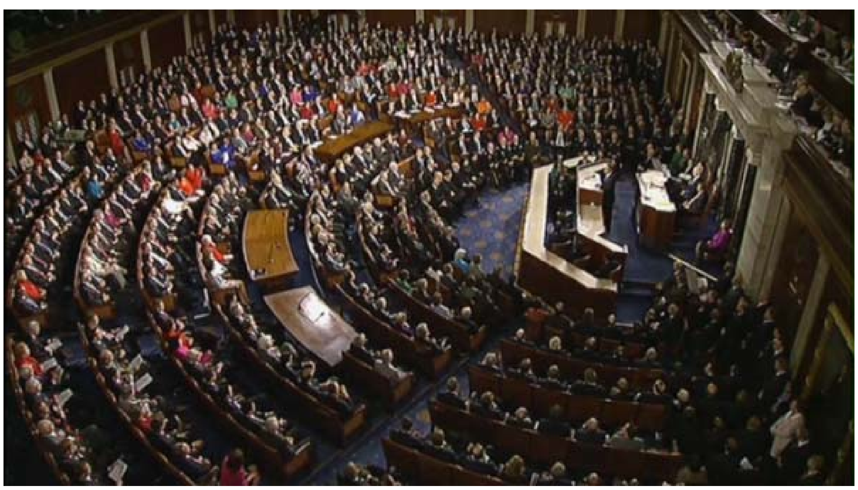
President Obama put a rosy spin on several accomplishments of his administration in his 2013 State of the Union address.

- The president claimed that "both parties have worked together to reduce the deficit by more than $2.5 trillion." But that's only an estimate of deficit reduction through fiscal year 2022, and it would be lower if the White House used a different starting point.
- Obama touted the growth of 500,000 manufacturing jobs over the past three years, but there has been a net loss of 600,000 manufacturing jobs since he took office. The recent growth also has stalled since July 2012.
- He claimed that "we have doubled the distance our cars will go on a gallon of gas." Actual mileage is improving, but Obama's "doubled" claim refers to a desired miles-per-gallon average for model year 2025.
- Obama said the Affordable Care Act "is helping to slow the growth of health care costs." It may be helping, but the slower growth for health care spending began in 2009, before the law was enacted, and is due at least partly to the down economy.

The president also made an exaggerated claim of bipartisanship. He said that Republican presidential candidate Mitt Romney agreed with him that the minimum wage should be tied to the cost of living. But Romney backed off that view during the campaign.

Analysis

President Barack Obama gave his State of the Union address to Congress Feb. 12, laying out his legislative agenda for the coming year and achievements of his time in office. But Obama puffed up his record.



Deficit Reduction

Obama said the administration and Congress "have worked together to reduce the deficit by more than $2.5 trillion." A bipartisan group called the estimate "very reasonable." But it is only an estimate — and a debatable one at that — for deficit reduction from budgets through fiscal year 2022. Exactly how much will be cut will be up to future Congresses.

And, even if Congress meets those deficit-reduction goals, deficit spending will continue and the federal debt will grow larger — unless much more is done.

> **Obama**: Over the last few years, both parties have worked together to reduce the deficit by more than $2.5 trillion — mostly through spending cuts, but also by raising tax rates on the wealthiest 1 percent of Americans. As a result, we are more than halfway towards the goal of $4 trillion in deficit reduction that economists say we need to stabilize our finances.

Obama has cited the $2.5 trillion figure on numerous occasions, including at a Jan. 14 news conference. It is based largely on two pieces of legislation: the Budget Control Act of 2011, which placed caps on discretionary spending beginning in 2012, and the American Taxpayer Relief Act of 2012, which prevented tax hikes on most Americans in 2013 but allowed rates to go up on the top 1 percent of taxpayers. There was some additional savings from reductions in discretionary spending in the fiscal 2011 appropriations bills.

Republicans challenge the $2.5 trillion figure with some justification, because the amount of savings depends heavily on the baseline — that is, the starting point of comparison. The White House told us it used the Office of Management and Budget's January 2011 baseline.

In a recent report, the bipartisan Committee for a Responsible Federal Budget estimated the deficit reduction at $2.7 trillion, using the nonpartisan Congressional Budget Office's August 2010 baseline. But it also acknowledged that "there is no simple answer to the question of how much deficit reduction has been enacted so far." The report says starting a year earlier or later would reduce the estimated savings.

> **CRFB, Feb. 11**: Although $2.7 trillion is a very reasonable estimate of enacted savings, it is by no means the only way to measure past savings. It is worth noting that the discretionary savings in this number are in fact calculated from the high point of discretionary spending. Measuring either from a year later or from a year earlier would result in a smaller savings number because base discretionary spending (excluding the effects of the stimulus) actually increased between 2009 and 2010 due to larger-than-projected appropriations.

As we have written once before, the vast majority of the deficit reduction has yet to materialize. Congress is supposed to comply with the caps on discretionary spending imposed by the Budget Control Act in future appropriations bills. But whether that happens remains to be seen.

And, even if Congress complies, deficit spending will continue, and the federal debt will rise — just not as quickly as it otherwise would have. The latest CBO figures show the public debt — that is, the amount the federal government owes the public — will approach $20 trillion in 2023, an increase of more than $8 trillion from its current level of $11.6 trillion.

For that reason, most budget experts warn that the president understates the scope of the budget problem when he says, as he did in his speech, that "we are more than halfway towards the goal of $4 trillion in deficit reduction that economists say we need to stabilize our finances." The nonpartisan Concord Coalition says the president's goal of accomplishing $4 trillion in deficit reduction "would hardly mean the 'job is finished.' "

The Committee for a Responsible Federal Budget struck the same cautionary note in its report, saying the progress so far is "notable" but enacting $4 trillion in deficit reduction will not stabilize the debt.

> **CRFB, Feb. 11**: Declaring victory with an additional $1.5 trillion would be dangerous, however, since it would leave no margin for error, would result in slower economic growth, would leave little fiscal flexibility, and would have little chance of stabilizing the debt beyond the ten-year window. For these reasons, we believe the debt must be not only stable, but on a clear downward path by the end of the decade.

Manufacturing Jobs

The president was correct when he said U.S. "manufacturers have added about 500,000 jobs over the past three" years, but that's not the whole story.

Overall, there has been a net loss of more than 600,000 manufacturing jobs since Obama took office in January 2009, and manufacturing job growth during his tenure has stalled since reaching a peak of nearly 12 million jobs in July 2012.

> **Obama**: After shedding jobs for more than 10 years, our manufacturers have added about 500,000 jobs over the past three.

Over the past three years — since January 2010 — the U.S. economy has added 490,000 manufacturing jobs. According to the Bureau of Labor Statistics, there were 11,950,000 manufacturing jobs in January 2013 — up from the 11,460,000 jobs recorded in January 2010. However, there were 12,556,000 manufacturing jobs in January 2009. So overall, there has been a loss of 606,000 jobs since Obama took office.

More recently, "manufacturing growth has been stuck in neutral," as the National Association of Manufacturers said in a Feb. 12 press release. During the three-year period cited by Obama, manufacturing jobs peaked at 11,957,000 in July 2012. Since then, the jobs figure has fluctuated, and the economy has lost 7,000 manufacturing jobs.

Invoking Romney on Minimum Wage

Making a pitch to raise the minimum wage to $9 an hour, Obama argued for its bipartisan appeal by invoking his 2012 presidential campaign foe, Republican Mitt Romney, as a kindred spirit when it comes to tying the minimum wage to the cost of living. But Romney actually backpedaled a bit on that position during the campaign.

> **Obama**: Tonight, let's declare that in the wealthiest nation on Earth, no one who works full-time should have to live in poverty and raise the federal minimum wage to $9.00 an hour. … So here's an idea that Governor Romney and I actually agreed on last year: Let's tie the minimum wage to the cost of living, so that it finally becomes a wage you can live on.

It's true that during a campaign event on Jan. 7, 2012, Romney remarked: "My view has been to allow the minimum wage to rise with the [Consumer Price Index] or with another index so that it adjusts automatically over time."

But just two months later, Romney hedged on that position in an interview with CNBC's Larry Kudlow, saying that in the midst of a recovery, "right now, there's probably not a need to raise the minimum wage."

> **Kudlow, March 5, 2012**: Why do you want to raise the minimum wage? Why do you want to index it for inflation?
>
> **Mitt Romney**: Well, actually, when I was governor the legislature passed a law raising the minimum wage. I vetoed it. … And I said, "Look, the way to deal with the minimum wage is this. On a regular basis," I said in the proposal I made, "every two years we should look at the minimum wage, we should look at what's happened to inflation. We should also look at the jobs level throughout the country, unemployment rate, competitive rates in other states or, in this case, other nations." So, certainly, the level of inflation is something you should look at and you should identify what's the right way to keep America competitive. … Yeah, so that would tell you that right now there's probably not a need to raise the minimum wage.

Car Mileage Double-talk

The president claimed that "we have doubled the distance our cars will go on a gallon of gas" — which isn't remotely close to being true right now.

In fact, according to the University of Michigan's Transportation Research Institute, the average EPA city/highway sticker mileage of light duty vehicles sold last month was 24.5 miles per gallon. That's quite good — a record, in fact. And it's 17 percent better than the 21.0 mpg for vehicles sold four years earlier, in the month Obama took office. That's an impressive gain, but it's a far cry from having "doubled the distance our cars will go on a gallon of gas."

Obama was referring to his administration's actions for raising future federal fuel efficiency standards, which call for cars and light trucks to achieve 54.5 mpg by the model year 2025. But it remains to be seen whether automakers can produce — and consumers will buy — vehicles that achieve such a doubling of average mileage a dozen years from now.

Health Care Costs

Obama said the federal health care law was "helping" to reduce the growth of health care costs. It may be helping, but the slower growth of health care spending began before the law was enacted. And experts say the down economy has played a role. It's not clear how much impact the federal law has had.

> **Obama:** Already, the Affordable Care Act is helping to slow the growth of health care costs.

From 2009 to 2011, the growth in national health care spending was at its lowest rate in 50-plus years, the entire time the National Health Expenditure Accounts reports have been published by the Centers for Medicare & Medicaid Services. Spending grew by 3.9 percent each year for 2009, 2010 and 2011. (The growth in 2008 was 4.7 percent, and 2007′s was 6.2 percent, with higher growth for years previous — see Table 3.)

But the Affordable Care Act wasn't signed into law until 2010, after the recent slowing began. And the bulk of the law, including the individual mandate and federal subsidies to help Americans buy insurance, has yet to take effect. Experts have mainly blamed the economic slowdown for a corresponding reduction in health care spending. Economists and statisticians at the Centers for Medicare & Medicaid Services reported in 2011: "Job losses caused many people to lose employer-sponsored health insurance and, in some cases, to forgo health-care services they could not afford."

The *New York Times* reported this week that the slower growth meant lower deficits, as federal spending also eased. The Congressional Budget Office reduced its projected Medicare and Medicaid spending for 2020 by 15 percent. The federal health care law may be affecting spending, but it's unclear how much. As the Times said, "Health experts say they do not yet fully understand what is driving the lower spending trajectory."

The economy is part of the reason, said CBO Director Douglas W. Elmendorf. But the way doctors and hospitals deliver care may be another.

> **New York Times, Feb. 11:** Some insurers have moved away from simply paying per procedure by giving health care providers financial incentives to reduce complications and rehospitalizations, for instance. Doctors, nurses and hospitals have also taken steps to reduce wasteful treatments. Many of the changes predate the 2010 health care overhaul, but the law has also contributed to the changes by offering some financial incentives, health care experts say.

So the health care law gets some credit. It's "helping" to slow the growth of costs, as Obama said. But the reduced growth began before the law was enacted and is due to forces — such as the economy — beyond the control of the legislation.

Puffing Up Renewable Energy

Obama said wind and solar energy have doubled. True, but they're still a very small percentage of energy production and consumption in the U.S.

> **Obama:** We have doubled … the amount of renewable energy we generate from sources like wind and solar.

We looked at this claim when Obama made it several times on the presidential campaign trail last fall. We found that wind and solar energy generation had doubled from 2008 to 2011. Consumption for wind also doubled, and it nearly doubled for solar.

But wind and solar were very small portions of energy generated before — and even after — that increase. Wind was 13 percent of all renewable energy generated in 2011. (Renewable includes biomass, such as ethanol, and hydro.) Solar was 1.3 percent of renewable energy generated. Renewable energy altogether accounted for just 9 percent of U.S. energy consumption in 2011.

Frank V. Maisano, an energy expert at the law firm Bracewell & Giuliani, told us: "Making large increases in wind power or solar power is not as big a challenge, let's say, as making a 50 percent increase in natural gas. … You have to put it into context."

– by Eugene Kiely, Brooks Jackson, Lori Robertson and Robert Farley

Sources

White House. "News Conference by the President." Transcript. 14 Jan 2013.

Budget Control Act of 2011. Pub. L. 112-25. 2 Aug 2011.

American Taxpayer Relief Act of 2012. Pub.L. 112–240. 2 Jan 2013.

Press release. "Murray's Deficit Reduction Goal Flawed and Dangerous." Minority staff of the Senate Budget Committee. 1 Feb 2013.

"Our Debt Problems Are Far from Solved." Committee for a Responsible Federal Budget. 11 Feb 2013.

Jackson, Brooks. "Reid Twice Wrong on $2.6 Trillion in 'Cuts.' " FactCheck.org. 6 Feb 2013.

Congressional Budget Office. "Budget Projections — February 2013 Baseline Projections." 5 Feb 2013.

Press release. "For Future Deficit Reduction, Policy Choices More Important Than Amount." Concord Coalition. 18 Jan 2013.

Bureau of Labor Statistics. "Establishment Data. Table B-1. Employees on nonfarm payrolls by industry sector and selected industry detail." Undated, access 12 Feb 2013.

Press release. "NAM Launches Growth Agenda for Manufacturing Resurgence." National Association of Manufacturers. 12 Feb 2013.

Jamieson, Dave. "Mitt Romney: Minimum Wage Should Rise With Inflation." Huffington Post. 11 Jan 2012.

2012 Republican Candidates. Romney Position on the Minimum Wage. Video: The Kudlow Report on March 5, 2012.

University of Michigan, Transportation Research Institute. "Average sales-weighted fuel-economy rating (window sticker) of purchased new vehicles for October 2007 through January 2013." 4 Feb 2013.

U.S. Environmental Protection Administration. "President Obama Announces Historic 54.5 mpg Fuel Efficiency Standard/Consumers will save $1.7 trillion at the pump, $8K per vehicle by 2025." 29 Jul 2011.

Office of the Actuary, Centers for Medicare & Medicaid Services. National Health Expenditures Account. NHE Tables. Accessed 13 Feb 2013.

Lowrey, Annie. "Slower Growth of Health Costs Eases U.S. Deficit." New York Times. 11 Feb 2013.

Goldstein, Amy. "U.S. health-care expenditures up only 4 percent in 2009, suggesting effects of recession." Washington Post. 5 Jan 2011.

U.S. Energy Information Administration. Electric Power Monthly. Table 1.1.A. Net Generation by Other Renewable Sources: Total (All Sectors), 2002-November 2012. 23 Jan 2013.

U.S. Energy Information Administration. "What are the major sources and users of energy in the United States?" 18 May 2012.

POSTED BY BROOKS JACKSON ON WEDNESDAY, FEBRUARY 13, 2013 AT 2:41 AM FILED UNDER ARTICLES. TAGGED WITH BARACK OBAMA, MANUFACTURING, MINIMUM WAGE, SOTU, STATE OF THE UNION.