ISSUE ANALYSIS

The State of Your Family's Economy, 2015

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In his recent State of the Union message, President Obama spoke in glowing terms about the state of the economy. Regrettably, his report was a masterpiece of individual statistics selected to make a case rather than giving an accurate representation of what's really occurring.

Mr. Obama is not the first president to cherry-pick economic data to portray things as he would like them to be, nor will he be the last. Yet, there has hardly been a time when straight-shooting is more important when it comes to the American economy.

The volatility of domestic and international markets is startling. Rather than facing inflation, some economists warn that we have entered a deflationary cycle.[1] The whole nature of employment— from home-based businesses to multiple part-time jobs—is changing.

In the midst of all of these numbers and calculations—apart from charts of profit and loss, quarterly growth projections, and fluctuating stock valuations—politicians and prognosticators often ignore the American family. To remedy that oversight, we take a closer look at how the American economy is affecting the men and women, boys and girls who compose the bedrock of our nation, the family.

Jobs for People in the Middle Income Bracket

First, go back to the President's jubilant claim in his State of the Union address that "Our unemployment rate is now lower than it was before the financial crisis."[2] Technically, this is true, but as noted by *The New Yorker's* John Cassidy,[3] in 2001, the labor force participation rate was 67.2 percent. "Last month (December 2014), it stood at just 62.7 per cent, a tie for the lowest level since 1978 (a time when more women stayed at home and did domestic labor rather than join the official workforce)"—or, in other words, a time when a smaller percent of people were in the outside workforce.

Reuters' Howard Schneider,[4] writing in January, notes that "for the middle class the scars of the recession still run deep. Federal Reserve survey data show families in the middle fifth of the income scale now earn less and their net worth is lower than when Obama took office." In an effort to be fair to the President, Schneider goes on to note that "the forces at work in the American economy appear so entrenched that Obama may be remembered as the president who pulled the nation from its worst downturn since the Great Depression, but failed to arrest deepening economic inequality."

Clearly, events abroad and difficulties at home have impeded a more robust economy. Yet a fair analysis of the President's policies[5] shows that our economy has, during his time in office, been hallmarked more by tepidity than the kind of growth we need. And, lest we forget, the long-term adverse economic effects of the Affordable Care Act (ACA or "Obamacare")[6] and undealt-with entitlement spending[7] will cast a long shadow on the Obama administration's historical standing.

That shadow is already darker than many would have us believe. In real numbers, the data are striking. The chairman and CEO of Gallup, Jim Clifton, wrote in February 2015:[8]

> If you, a family member or anyone is unemployed and has subsequently given up on finding a job -- if you are so hopelessly out of work that you've stopped looking over the past four weeks -- the Department of Labor doesn't count you as unemployed. That's right. While you are as unemployed as one can possibly be, and tragically may never find work again, you are not counted in the figure we see relentlessly in the news -- currently 5.6%. Right now, as many as 30 million Americans are either out of work or severely underemployed. Trust me, the vast majority of them aren't throwing parties to toast "falling" unemployment.

This is an astonishing analysis, made compelling for the simple reason that it is accurate. Amplifying on Clifton's critique, writing in *Forbes*, Stephen Moore[9] calculates that

> Since Barack Obama entered the Oval Office in January of 2009 … the labor force is 7.4 million smaller than it otherwise would have been had people either not stopped looking for work or, particularly with the case of younger Americans, simply failed to start looking for work. In effect, nearly as many Americans have either left the work force – or never entered — in this recovery than have found a job. That's a very distressing trend. It also explains the big dive in the official unemployment rate to 5.9%.

The problems created by people leaving the workforce (lower productivity, less innovation, and a contracting tax base, etc.) are augmented by another factor that politicians dislike discussing: The demographic decline of the American family.

Fewer Workers, Less Growth

For clarity's sake, here is a simple explanation of why such a decline is important from my former boss at the National Association of Manufacturers (NAM), Jerry Jasinowski:[10] "A growing population means growing demand, at least if the people are gainfully employed. Productivity growth means more wealth is being produced at less cost. The result is economic growth."

Jasinowski, an economist who served as NAM president for 14 years, goes on to note that, "Technology is racing ahead on several fronts. Our manufacturing, already in the vanguard of innovation, is on the cusp of major new breakthroughs. In the next few years, we will see huge strides in productivity." Yet, he notes, "The new consensus of an era of slow growth -- if it really is a consensus -- is sobering. We should all be demanding that Washington move on immigration reform, major investments in R&D and advanced manufacturing initiatives that have bipartisan support."

What he doesn't discuss is that despite these promising developments, America's demographic forecast is not a good one. Stated simply, we have fewer people in the workforce now, and will in the future, because we have fewer people, period. A recent study[11] found that the "foreign-born population accounted for 91 percent of the country's growth from 1990 to 2012."

In other words, American citizens simply are not giving birth to enough future workers (i.e., children) to sustain strong economic growth in coming decades. The research and development mentioned above by Jasinowski cannot happen unless there is sufficient human capital for sustained, growth-creating innovation.

In December 2013, the Centers for Medicare and Medicaid Services issued a comprehensive report on why "pregnancy rates for U.S. women continue to drop."[12] Among its key findings:

- The pregnancy rate for U.S. women in 2009 was 102.1 per 1,000 women aged 15–44, the lowest level in 12 years; only the 1997 rate of 101.6 has been lower in the last 30 years.
- Rates for women under age 30 fell during 1990–2009, while rates for women aged 30 and over increased.
- Pregnancy rates have declined about 10% each for married and unmarried women since 1990.
- The birth rate for married women was 72% higher than the rate for unmarried women; the abortion rate for unmarried women was almost five times higher than the rate for married women.

There are myriad reasons for the above findings. One of the most prominent is a culture that exalts personal and sexual autonomy and consequently strives to redefine marriage and the role of parents in the lives of their children in order align lifestyles them with personal desires. While there are many negative consequences[13] to society's abandonment of the traditional family, one of the least reported is this abandonment's effect on the economy.

Family Formation and Economic Growth

Family Research Council's Drs. Pat Fagan and Henry Potrykus have documented that the decline in "human capital"[14] (population plus job skills) in the American economy makes robust economic growth impossible in coming years. In a word, we are not having enough children, as FRC has documented[15] and as author Jonathan Last has discussed in his book, *What to Expect When No One Is Expecting*.[16]

In an earlier piece,[17] Fagan, Potrykus and I argued the decline of the family is having a pronounced effect on the future of America's economic viability:

> Government revenues come from the taxation of the economy. The slowdown of economic growth coupled with increasing dependency on entitlement and welfare programs makes closing the budget deficit impossible within the present welfare state model. The origin of these adverse pressures is the decline of the American family.

Drs. Fagan and Potrykus, joined by Dr. Andrew Kidd (University of Wisconsin) have documented that "the economic well-being of the United States is strongly related to marriage, which is a choice about how we channel our sexuality."[18]

> The implications of sexual choices are apparent when comparing family structures across basic economic measures such as employment, income, net worth, poverty, receipt of welfare, and child economic well-being. In all of these the stable, intact married family outperforms other sexual partnering structures; hence the economy rises with the former and encounters more difficulties and inefficiencies as it diverges from it.

Other scholars confirm these findings. Drs. Bradford Wilcox (University of Virginia) and Robert Lerman (American University) argue[19] that "The retreat from marriage—a retreat that has been concentrated among lower-income Americans—plays a key role in the changing economic fortunes of American family life."

> We estimate that the growth in median income of families with children would be 44 percent higher if the United States enjoyed 1980 levels of married parenthood today. Further, at least 32 percent of the growth in family-income inequality since 1979 among families with children and 37 percent of the decline in men's employment rates during that time can be linked to the decreasing number of Americans who form and maintain stable, married families. Growing up with both parents (in an intact family) is strongly associated with more education, work, and income among today's young men and women … The advantages of growing up in an intact family and being married extend across the population. They apply about as much to blacks and Hispanics as they do to whites.

As noted by historian Andrew Yarrow in the *New York Times*,[20] "Census data cited in a 2014 study by the Pew Research Center[21] show that the number of married households fell to 50.5 percent in 2012 from a high of about 72 percent in 1960."

Yarrow goes on to argue that marriage and well-being are closely connected:

> Studies have shown that married women and men tend to be much better off financially than those who are unmarried, and that those who have fewer assets and more debt early on are less likely to marry or have stable marriages than those who are more financially secure. "There are relatively few relationships that are more fully documented than those between economic well-being and marriage," said Ron Haskins, who is the author of many scholarly papers on marriage and a senior fellow at the Brookings Institution in Washington.

"Breadwinner Moms"

Last year, the Ketchum consulting firm released a study[22] showing that "49% of U.S. women … are now the primary breadwinner or on par financially with their significant others – a trend that is progressing more quickly than even recent major studies showed."

In itself, this is a major shift from past decades. What this statistic does not capture, however, is that single mothers earn significantly less than do families with two parents. According to the Census Bureau, in 2013,[23] the median income for families headed by single mothers was $26,148. In contrast, the median income for families with two parents was $84,916.

The disparity here is enormous and thus troubling. It comes at a high fiscal cost: Single mothers rely heavily on federal and state subsidy programs to enable them to make ends meet and/or alimony payments from absentee biological fathers. But the emotional, spiritual, and social costs to family well-being are far more expensive and difficult to measure than a line item in a means tested assistance program.

Marriage, while rarely a "simple" choice, is the surest way to alleviate the economic distress experienced by single mothers. According to data evaluated by the Marriage and Religion Research Institute,[24] "Marriage increases the income of single African-American women by 81 percent and single white women by 45 percent. African-American men also see an increase in income after marriage."

The "marriage problem" is multi-faceted and requires creative engagement within many sectors of civil society. Among legislative steps we can take are the reform of "no-fault" divorce laws[25] to make it more difficult for men simply to leave their families and ending the "marriage penalty"[26] that discourages unwed couples for marrying. Additionally, the federal welfare system should better incentivize marriage[27] as the most effective way of escaping poverty.

Most importantly, churches must come alongside single mothers to help in every way possible.

Conclusion

This brief discussion has only begun to highlight neglected aspects of how the family is faring in today's American economy.

The research is clear: the economy grows and stabilizes when men and women get married, stay married, worship weekly, and have three or more children. Legislative and regulatory policies are insufficient to ensure family and social health. But such policies can and should be developed to minimize or eliminate the obstacles to healthy (even large) families.

It is noteworthy that cohabitation is no substitute for marriage.[28] The stability and security that comes only from *marriage* are the best guarantors of professional attainment, academic achievement, and economic prosperity. Additionally, three or more children per married couple will, over time, help improve the current curve away from a workforce adequate to meet our future economic demands.

No federal policy – tax, regulative, fiscal, etc. – can substitute for a stable, two-parent home. As Dr. Pat Fagan, cited earlier, summarizes all of this eloquently,[29] "The intact married family that worships weekly is the greatest generator of human and social positive outcomes and thus it is the core strength of the United States and of all other countries where the data are available."

President Obama placed a gloss over a troubled economy, but such a gloss cannot veil its true and systemic problems. Rather than pretending we have attained some new upland of economic success, we respectfully suggest that the president address issues of employment and growth honestly and encourage, in policy and pronouncement, one-man, one-woman marriage and the fatherhood every child needs.

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