JOBS, JOBS, JOBS

WORTHWHILE PROJECTS OR JUST MORE PUFFERY AND PORK?

If we don’t care in either case who pays the bills or what the longer-term consequences would be, spending and job creation are, as they say, no-brainers, and thus probably well suited to politicians. But we do care—or should care—which projects have higher rates of return and produce higher long-run growth for the economy. However, you’d be hard-pressed to tease that out from candidates’ stump speeches and websites last fall, or elected officials’ pronouncements currently.

Enacted in 2009, the federal stimulus bill is providing in excess of $800 billion to repair bridges and roads, plus millions of dollars to make and plant signs that give credit to The American Recovery and Reinvestment Act for these improvements. But why don’t we just spend the whole $800 billion on the signs? There is no real need to actually repair or build anything. It would put just as many dollars into the pockets of sign-making firms and their employees, who would then buy cars, new appliances, clothing and food with their largesse.

Foolish you say? It would be efficacious in a simple Keynesian model, though probably not pass many laugh tests. And it is one reason the word “stimulus” has acquired four-letter-word status within the administration.

The basic point is that there are an infinite number of ways to blow $10 billion—or $800 billion. We could repair roads or bridges, plow it into education or law enforcement, or produce and distribute more porno movies. In the short run the issue might be which of these various actions or projects would create more jobs; longer term we’d be more concerned with which one(s) would make our economy stronger and more humane. Any money spent to create jobs in Activity A could have gone toward job creation in B or C. And, of course, in an economy not run by Santa Claus or the Tooth Fairy, how we pay for everything—which either means raising taxes on someone, getting China and Japan to extend our line of credit, and/or reducing spending somewhere else in the public sector—has to enter into these discussions.

It’s hard to object to feel-good terms like “infrastructure” or “green” initiatives, but in a world of scarcity and choice, some spending is likely to be more beneficial, or at least less wasteful (Can you say Cash for Clunkers?), than another alternative. Do we choose bridges and overpasses instead of a high-speed rail network, restoring government buildings, more day-care centers and homes for senior citizens, or some elected official’s pet project to placate his or her political base of support? Or perhaps shore up our human capital infrastructure—education, health—or address environmental concerns? In a world of finite resources, “Let’s do them all” is simply not an option.

Bashing piñatas labeled China, banks and corporations may allow us to vent and politicians to glean, but it is generally not helpful. The familiar political refrain on both sides of the aisle of “jobs, jobs, jobs” is misleading, disingenuous, hollow, and likely injurious to the long-run health of the nation. Serious situations demand more serious thought and rhetoric.