

# JOBS, JOBS, JOBS

WORTHWHILE PROJECTS OR JUST MORE PUFFERY AND PORK?



**I**t seemed that most candidates for the Senate, House or gubernatorial posts in November focused on one single theme: jobs. With an unemployment rate that has exceeded 9 percent for almost two years (compared with the U.S. average of about 5 percent for the last several decades), this emphasis is understandable. Plus the unemployed have more time to vote! But what was baffling, and remains a puzzle, is that there has been blind acceptance and so little critical examination of this campaign rhetoric from the public and media.

For example, here's a simple \$10 billion economic stimulus plan to consider. Have the federal government load \$50,000 onto debit cards and give them to 200,000 Americans. The only constraints are that these cards expire in 90 days and the funds must be spent at malls, automobile dealerships, "big-box" outlets and local mom and pop stores (that is, not saved or otherwise hoarded). Spending would rise and these establishments would hire more workers to serve their new customers and/or increase production to rebuild inventories.

Or, instead, pay 100,000 people salaries of \$50,000 a year to dig holes in the ground every morning and another 100,000 folks \$50,000 annually to fill up those holes in the afternoons. That's also \$10 billion in spending—and 200,000 new jobs created. Of course, at the end of the day we will have the same level of output as before to show for our "shovel-ready" efforts.

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 preen, 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. □