

Americans and the Economy Need More Help

The national employment report gives solid hope that the jobs recession is ending. Monthly job losses averaged 103,000 for the past 4 months down from 397,000 in the preceding 4 months and 689,000 for the 4 months before that.

But the end of job losses does not tell us when job gains will begin or how strong they will be. Unless job gains are much larger than currently expected, unemployment rates will remain above 8% for many years.

We can and should strive to do better.

The Obama administration is considering a new round of federal assistance to spur job growth. Americans deserve a smart and bold approach to further aid to help the economy and the millions of Americans who have lost jobs, income, houses or all of these.

The next round of federal assistance should focus on two clear and generally bipartisan objectives: 1) extending safety net spending and 2) making investments that offer a double or triple bottom line return.

We should extend safety net spending because the recession has gone on longer than expected and families are about to lose unemployment and health insurance benefits, not because the economy is in recovery, but because we misjudged how long these programs would be needed. Safety net spending includes unemployment insurance, help in paying for COBRA health insurance coverage for unemployed workers, food stamps and Medicaid coverage.

The reasons for federal safety net funding have not ended so the funding should continue. In addition economists agree that safety net programs like unemployment insurance and food stamps have the largest “bang for the buck”.

Beyond extending safety net spending to honor America’s social contract with people thrown out of work through no fault of their own, we should target remaining funding to programs that offer a “double or triple bottom line investment” a phrase first coined by Phil Angelides as California’s treasurer. Investments can be in people, in infrastructure and in programs that offer energy efficiency. These investments offer a “twofer”. Infrastructure spending is the other category of federal aid with a large “bang for the buck” in terms of immediate job and income creation, but careful investments **also provide an ongoing stream of benefits because they create assets that increase incomes or reduce costs for years into the future.**

These assets can be transportation improvements, energy efficiency (the administration is considering a “cash for caulkers” program to spur weatherization) and a labor force with better skills.

A portion of this safety net and investment spending should be directed to helping state and local governments that are struggling to maintain services and investments for the future.

It is criminal that students and workers are being turned away from education and training at precisely the time when it is most needed and when people have time because they are unemployed. We are not acting like a nation that believes our future depends on the skill of our labor force.

And we get a triple bottom line if these investments create jobs now, leave a lasting stream of income gains or cost savings **and** address energy efficiency and other environmental goals.

Sadly the Debate over Past Federal Aid and Future Proposals will Continue

Our politics has become both timid and opportunistic. We have been in a mostly silly and misdirected debate over past “stimulus” efforts and, unfortunately that will continue even while persistent unemployment eats at the fabric of families and society and leaves us further behind in the race to be competitive in the world economy.

Republicans will criticize Obama’s new initiatives partly for ideological reasons and partly for political reasons. I fear that if these were President McCain’s proposals that Democrats would want to paint the long and lingering recession as his fault. Our politics is as if this were business as usual and not a serious period of economic distress.

The political debate also misses what I think is the real message from the disappointing economic indicators this year.

First, the \$787 billion “stimulus” program is only one of a large arsenal of weapons thrown at the economic downturn including many that started before the November 2008 election and most that were bipartisan when approved. We have had interest rate cuts since 2007, the TARP program enacted before the election, ongoing support for financial and housing markets from the FHA, Federal Reserve Bank and Treasury and targeted tax credits for autos and housing.

If there is failure or frustration it cannot be linked to just one part of the massive effort launched to prevent even more serious economic turmoil or to start a recovery. All of these efforts combined have failed so far to launch a strong recovery in job growth.

To me the real message is that people and businesses are scared, are acting cautiously and have a major priority to rebuild their balance sheets and credit positions. All of these interest rate, tax and spending measures have not created enough customers to prompt businesses to expand production and hire more workers. For very sensible reasons our policies are facing a skeptical and fearful set of customers.

So the heavy lifting still needs to be done by government policies until consumers and businesses have the incentive to increase spending.

The government is needed versus government is evil debate is off point at best. The solid evidence is that government spending has the biggest immediate bang for the buck. I think the previous stimulus package was not sufficiently timely or targeted and it has given government stimulus efforts a bad name but we can do better this time.

But the money eventually gets spent in the private sector in any event. Infrastructure projects are done by private sector companies hiring workers and buying materials from other private sector companies. Unemployment insurance benefits are spent in the private sector economy as is nearly all of the extra safety net spending. Teachers and school janitors who have jobs through stimulus funding spend their income in the private sector.

And we are beginning to see the potential for energy grant funds to stimulate private sector venture capital activity.

So Let's Get on with the Job of Turning the End of the Recession into the Beginning of a Strong Recovery

The need for additional federal assistance does not eliminate the need for a plan to reduce the deficit once the economy is in recovery. It does not eliminate the need to make sure that the money is spent wisely and quickly, which was not always done in the first stimulus program.

And it does not completely eliminate legitimate differences as to how best to structure the next round of spending although I think continuing the safety net and double bottom line investing are clear guidelines for sound funding strategies.