A Permanent Jobs Program for the U.S.: Economic Restructuring to Meet Human Needs

The Chicago Political Economy Group

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I. OVERVIEW: THE CURRENT CRISIS, A CALL TO ACTION

A. The Nature of the Crisis

Our nation is facing a multifaceted economic crisis of unprecedented dimension: mortgage defaults and spiraling housing foreclosures, a financial system in chaos, rapid decline in consumer spending, and a large trade imbalance and growing unemployment. While this crisis affects the entire fabric of American life, it is particularly hard on the working class and the poor. The spike in violence within our communities is widely reported but few speak of the growth of discontent in our urban, small town, and rural communities, the anger, despair, and restlessness of our people. It will take more than the election of the first African-American President of the US to quell the inchoate rage that many have.

We are suffering through the collapse of neoliberal economic thinking and public policy that has shaped the contours of our society for the past three decades. Our people's discontent and anger is the inevitable consequence of intensified stratification by race, gender, and education**,** the development of extreme poverty and social disintegration in the towns and urban ghettos of the Gulf coast and the industrial heartland, the growth of homelessness, the collapse of public education, the crisis in health services, the rise of a massive prison complex and the outsourcing of jobs and opportunities. These social catastrophes have been drive by neoliberal policies that shifted wealth and power to a small elite and favored finance over productive activities. The unraveling has been slow in coming but now that it has, we may be able to finally find the political will to build upon the lessons of the 1930s and reverse course.

To confront this multifaceted crisis the Chicago Political Economy Group (CPEG) proposes a National Jobs Program. The Program provides emergency help to the victims of the crisis. Even more importantly, however, it addresses the underlying structural problems of the real economy. We have chosen a jobs program as our focus because we believe that a significant and sustained effort to expand long term employment is an essential part of any solution to our larger economic difficulties. We recognize that the proximate cause of the current crisis lies in the linked failures of finance and housing; however, we do not believe that the current downturn can be solved by focusing exclusively on these sectors. In the short term, jobs will help people stay in their homes, and jobs will encourage consumers to begin spending again. A fundamental a reordering of our economic priorities through a redistribution of access to good jobs will create an economy that serves the needs of all rather than the wants of a few.

B. Our Response

In addition to the current stimulus plans, we propose the creation of 3.5 million new high quality jobs each year for five years.

We propose that the federal government create and/or subsidize private sector job creation in three broad areas:

(1) **Investment in public infrastructure** such as transportation, educational and health care facilities, and parks;
(2) **Current social services**, which will include a major upgrading of pay and working conditions of human service jobs such as those in child, elder and health care;
(3) **Industries of the future**, particularly the areas of energy, agriculture, and other broadly defined "green" technologies.

Although the private economy will continue to be an important component of job creation, in recent decades it has failed to generate sufficient good quality jobs for all those needing to work**.** Thus there is a crucial role for the public sector, primarily the federal government, in the creation of new jobs. This means both direct public sector employment and job intensive investment to stimulate private sector hiring. Our program is targeted at reviving the economy of devastated manufacturing centers and towns throughout the nation that are the victims of a disastrous policy of deindustrialization during the last three decades. Further our program is intended to reverse the neglect of the public sector-health, education, services for children, the elderly and disabled- that are the shame of our wealthy, productive economy.

C. What Kind of Jobs are We Proposing - And How Do We Pay for Them?

We address these questions in greater detail in the body of the proposal. However, we start from two key propositions.

(1) The jobs our program creates and supports are necessary jobs for our country's economic and social development. These are not short term stop gap or make work jobs. Therefore they should pay good wages equal to the median wage today. This is $18/hr or $37,440 per year. Including various other items discussed in detail below, this implies a cost of $173.5 billion for each cohort; by the fifth year of the program, assuming no further need for Keynesian stimulus through deficit financing, the cost would be $867.5 billion.
(2) Workers in these jobs should have the same rights as others, including the right to assert increased control over their work place by associating together into unions, taking advantage of the opportunity offered by the Employee Free Choice Act.

We recognize that while our proposal will not come cheap–that worthwhile social policy ever did? However, we argue that, contrary to the budgetary myths of the right wing, there are innovative ways to finance the program**.** Just as our program implements a redistribution of access to good jobs, so our funding mechanisms restructure the economy away from finance and financial schemes and towards productive activities. Thus, we propose **taxes on financial transactions as well as on high incomes and large aggregations of wealth**. Many of these incomes and much of this wealth have come from employment in trading, regulatory arbitrage or other activities carried on within the finance industry. Therefore, much of the taxes described in our paper can be seen as a modest down payment on what the financial sector owes the rest of us in return for the decision to rescue companies and individuals who led us into the current financial crisis. A second source of revenue to finance our program comes from **a shift in budgetary**

priorities that moves revenues out of military and related spending and increases taxes on environmentally unsustainable production. Finally, we believe that the unique ability of the federal government to **increase the money supply** can help to fill any financial shortfall that may remain. We estimate that we will be able to raise $850–900 billion per year through these measures, more than enough to cover the estimated cost of our jobs program.

The important question is not “Can we afford this program?” but rather “How can we not act boldly and decisively in response to the most severe economic crisis since the 1930s?”

C. How Do We Get There?

Even the best programs and policies do not become politically viable simply by the force of their logic or the persuasiveness of their advocates. They must intersect with and respond to the needs of the times as manifest in political and social movements. Victor Hugo once said that progress is the mode of man. Just as an obstacle in a river makes the water foam, so, when progress is blocked, humanity seethes. The financial crisis in this nation and the severe recession now unfolding, are blowing apart the obstacles that have prevented serious consideration of programs such as we are proposing.

Neither ours nor any other transforming programs will be won unless there is a substantial public mobilization that pressures the national political leadership to enact and implement the necessary changes. We believe that if mobilized, the forces and movements for social and economic justice can achieve a jobs program such as we propose. We call on trade unions, immigrant groups, African American and Latino community organizations, women’s groups, religious social justice groups, prison reform and prisoner support groups, advocates of universal health care, and progressive political groups, all of whom have a vital stake in its success, to join us in a campaign for a National Jobs Program. We are at a pivotal point and need to organize and gather our forces quickly.

II. Introduction: A Jobs Program for the U.S.

This paper proposes a jobs program to address both the chronic problems of unemployment and underemployment in the U.S. economy and the debilitating economic and political impacts of growing inequality in the U.S. The jobs program consists of three parts. First, the reduction of unemployment and underemployment by stimulating output, either under public or private auspices, of infrastructure, or **social investment**, in areas such as: transportation, education, health care, human services, and parks. Second, to recognize and respond to the failure of the private market to provide needed current **public services**, which will include a massive upgrading of pay and working conditions of these “human service” jobs by expanding public employment, sharing the costs of an enhanced and expanded social safety net. Third, to explicitly and as a matter of **industrial policy**, target government investment and overall job growth towards the industries of the future, particularly in the areas of energy, agriculture, and other broadly defined “green” technologies.

III. The Failure of the Private Economy: Jobs and Job Growth in the U.S.

Since the onset of the recession in December 2007, the U.S. has lost over 3 million jobs.[1] While these losses and the headlines they evoke are serious, we risk losing sight of the more significant long term problem: the inability of the private economy to generate sufficient good jobs to meet the needs of our people. The first manifestation of this problem is the decline in civilian labor force participation. For individuals 16 and over, this rate has fallen for the past seven years after reaching its post-WWII peak at 67.1% in 2000, it fell to 66.1% in 2007.[2] A 1% decline in labor force participation rates may not, at first, sound like a lot. However, these data mean that, while the employed population grew by 9.1 million during the 2001-2007 period, the age 16 and over all population grew by 19.3 million.[3] In short, only 47% of the new age 16 and over population (as compared to the 2007 labor force participation rate of 66.1%) was able to find employment in these 7 years of “economic recovery.”[4] Projections for the 2006-2016 decade envision a continued slow decline in labor force participation–and these projections pre-date the current economic slump.[5]

The number of unemployed grew by 84% during the Bush administration. The overall numbers do not, however, illuminate the experience of particular groups within the population. For example, from 2001 to 2007 the white female labor force participation rates declined by 0.4%, but the white male rate declined by 1.1%, and black male and female rates by 1.7%.[6] Further, inequality in our racially and gender stratified labor force remained large and even increased. Full time employed African American workers median income in 2006 was only 61.2% of that for full time employed white workers while full time employed females workers median income was only 67.3% of that for men.

Why is participation at good wages in the paid labor force so important? In the US a job is the primary avenue by which individuals receive income. It is also an important measure—perhaps *the* most important measure--of self worth for most individuals. And over successive generations, wealth accumulation will not occur for the vast majority of people in the absence of income from employment.

We could, of course, analyze further the limitations of the official unemployment rate, for example, the failure to include discouraged workers who have given up looking for work, the marginalization of the young, particularly youth of color, etc. However, the point should be clear: left to its own devices, the U.S. economy is currently unable to generate sufficient new jobs to absorb our growing population, even using official employment and unemployment statistics. If we include the undocumented labor force, those working part time who want full time employment, and discouraged workers who have dropped out of the job search process, the gap between actual and full employment is considerably greater. In addition, the economic downturn that is currently in its early stages will only exacerbate the problems of unemployment and underemployment.

IV. A Political Program for Jobs Creation

The difficulty in providing jobs for the U.S. population certainly does not arise from a lack of productive work to be done. Whether in the updating of decaying infrastructure, providing needed additional social services in health, education, and human services, or developing forward-looking industries in areas such as green technology, the gap between what the economy does produce and what it could produce and use is significant. We believe the best approach to addressing that gap is a job creation plan.

The plan would have the goal of raising national employment growth to 4 million **new jobs a year for five years.** This rate is more than twice the currently projected growth of national employment.[7] If successful, this program would draw into the labor force some 12.5 million of those now unemployed or underemployed.[8] The additional job growth would be concentrated in publicly funded and organized enterprises, in the private economy, and in enterprises established and run by employees. At the end of five years, the federal government would be supporting some 17.5 million new jobs.[9]
We recognize that the current economic downturn poses some risk to the projections of a private sector job growth of 1.5 million/year. However, we have retained that assumption on the grounds that implementation of our program would improve the economic environment, stimulating additional growth in private sector jobs.

Before discussing the foci of our program, there is one additional point to make. We assume that the recently passed American Recovery Act will succeed in its announced goal of creating 3–3.5 million jobs. As of this writing, February 2009, that would approximately return us to the pre-recession level of jobs (November 2007). If the Act does not succeed, our program would still have the potential to generate 4 million new jobs/year but the demand for jobs may increase, necessitating an expansion of the program.

This jobs program would be oriented in three directions. First, there is the need for significantly increased investment in **public infrastructure**. Most obvious here are the crying needs for repairing and refurbishing our infrastructure. Transportation in its myriad forms would be a significant component–highways, bridges, light rail, regional airports. But the needs for repairing US infrastructure go beyond any one sector such as transportation, e.g., many public educational and health care facilities badly need rebuilding. Parks, local, state and federal, have been under funded for some time, forcing us to draw down the social capital of the 1930s. Much of the work described under the rubric social investment may be organized under the auspices of private industry contracting with the appropriate levels of government oversight with exceptions for activities whose basic goals conflict with private profit motives, such as park and land stewardship.

Second, there is a broad spectrum of **public employment** that would be targeted to the areas of health, including elder, care and education, including pre-school. Public employment in these sectors would, of course, intersect with and draw upon the construction work that is focused on producing goods for social consumption. These first two categories effectively reach across the different sectors of our labor force. The public infrastructure work generate a large number of jobs in the largely white, male construction trades while expansion and upgrading of public employment in health and education would extend the benefits of our jobs program to occupations that employ more minorities and women.

There is an urgent need for the services that are encompassed in this facet of our jobs program. We envision that employment in the health sector be integrated into a model of universal health care with sustainable costs capable of guaranteeing an adequate level of health care available to all. Almost all the newly employed in our jobs program would have previously had inadequate health coverage, and our plan for a living income requires they obtain such coverage, necessarily via federally subsidized universal health care. There is a serious shortage of trained health and education providers, nurses, general practitioners, public school teachers, home health care aides, etc. The health and educational needs of our people can only be met with the training and employment of vast numbers of new workers in these sectors. Our program goes a significant distance in meeting this need.

However, there is an additional, political, task that we believe must be accomplished: to rebuild public sector employment as a desirable–indeed preferred–choice for accomplishing public goals. Thus public sector employment must be a) well paid (see below), b) accountable to those served, and c) transparent as to the quality of services provided.

The third area of job creation involves the federal government, working closely with the states, to develop an explicit, forward looking, technology focused **industrial policy**. Our official economic ideology is that such decision making on the part of government is inferior to that of the private market on both efficiency and cost grounds. There are, it seems to us, two major flaws in this argument. First, it is clear that industrial policies work. The evidence from Scandinavian counties (or the even current economic policies of China) should leave no doubt as top effectiveness of industrial policy across a wide range of industries and levels of industrial development.

The second flaw in this argument is that we have had a de facto industrial policy for at least the past two decades, namely, the decision to develop the financial sector as both an engine of growth and an export leader. While there have certainly been some transitory economic gains from this policy, the overall balance sheet is one of failure, resulting in panic and bordering on disaster. As in the case of the Resolution Trust Company take-over and financial support for failing Savings and Loans or the Fed's (successful) effort to have the Saudis rescue Citi in the 1990s, the finance sector is again at the center of difficult economic times and again drawing massively on the public purse in an attempt to avert a major economic crisis. The results are not yet in.

Our preoccupation with building the financial sector has resulted in an implicit acceptance of the acceleration of deindustrialization. The newly industrializing lower wage economies of Asia and Latin America have absorbed much of the manufacturing that used to be performed in the U.S. However, instead of investing in high value added production and for displaced industrial workers such as has been done in Scandinavia and other parts of Europe, we have passively accepted the loss of jobs, urging education as a cure all for lagging incomes and job opportunities. The result has been that manufacturing, a sector that accounted for more of the GDP than finance in the 1970s, is now a shrunken skeleton in such desperate straits that the $25 billion in loans requested by what used to be called the Big Three (GM, Ford and Chrysler) is seen as a mere bagatelle when compared to the needs of the financial sector.

Energy, its sources, uses, and costs should be at the core of our forward-looking industrial policy. It is clear that, left to their own devices, the major private sector energy companies have little incentive to shift our energy consumption in a direction that is either more efficient or less costly to the consumer. Just as was the case in the interstate highway program of the 1950s, the space technology program of the 1960s and 1970s, and the development of the internet, only an entity charged with a public purpose can inaugurate the shift away from fossil fuels. Energy taxes, while they can be useful for funding purposes are not sufficient. The shift from fossil fuels will require investment in technology, training of workers who will be working in the industries that emerge from technological developments underwritten by government, and, probably at least for some time, wage subsidies as these industries move up the productivity curve.

V. What Kinds of Jobs Should Be Created and What Should the Wages of a Jobs Program Participant Be?

We start from the proposition that the jobs provided would be permanent jobs with a decent wage. We define decent wage as an (inflation-indexed) minimum starting pay of $18 an hour.[10] Allowing for some reductions in low wage private employment as wages rise for low wage jobs, we project a goal of 3.5 million jobs fully funded from the federal budget. At this level, the annual wage and salary cost for each cohort employed at the median wage would be about $128.5 billion.[11]

There are two additional costs that must be included. First, there will be administrative costs. We estimate these at 5% of the total program outlays, bringing the total per cohort to $135 billion.[12] Second, there will be a wage differential for supervisory and managerial jobs created within our program. We add a 30% cost to the program for these higher paying jobs. This is low by some private sector standards but one of the goals of our program is to reduce the current extreme levels of wage dispersion within the labor force. This raises the annual cohort cost to $175.5 billion; after five years, the jobs program would draw about $877.5 billion annually.[13] The fifth year (and forward) figure is in the same range as both the amount allocated in October 2008 to “bail out” the financial sector and the amount in the recent Recovery Act. The comparison is not one to one since some of the money spent to shore up banks will be repaid; however, the jobs created by our program will generate tax dollars, partially offsetting the cost.

The cost estimate in the previous paragraph is actually a high one. Since many of the participants in the jobs creation program would be youth and the hard-core unemployed, an integral part of the proposed jobs program would consist of a major training program geared to preparing people to successfully do the jobs being created. Although defenders of the current order often misuse the lack of skills and “the right attitude” as justifications, they are real problems. Trainees would be considered as employed in trainee level jobs and would be paid somewhere between the low wage cutoff ($11.11 per hour in 2006 dollars) and a decent wage. Once they satisfactorily completed the training, they would be guaranteed jobs in the regular program. If we assume that the proportion of jobs paid at the training wage is 35% in year 1, 25% in year 2 and 15% thereafter, the cost of the program is reduced from the above levels by $17.5 billion in year 1, $12.5 billion in year 2 and $7.5 billion per year in the last three years of the program. In addition, it is likely that some of the private sector jobs that result from this program will require only a wage subsidy paid by the federal government rather than the entire wage bill. We have chosen to err on the high side rather than attempt to estimate this latter figure.

Finally, all employment under the jobs program would be subject to the provisions of the Employee Free Choice Act. This provision would facilitate the creation of union jobs, where the workers would form trade unions and workers associations of their choosing. Working conditions and wages increases would be determined through collective bargaining.

VI. How Do We Pay for All This?

When we first started thinking about the question of how to pay for this program, it seemed a major impediment. After all, the program demands an increasing amount of money over time as each additional cohort of 3,500,000 jobs is added. Now, however, we understand that the money is there–it is just a question of political will. And maybe not even that: to quote presidential candidate John McCain, if we need this for the American people, the money will be found. Certainly that has been the case for the small subset of the American people who have overseen the current economic disaster.

We propose to finance our program from sources that broadly require: a) a major **redistribution of income and wealth** toward poorer households, b) substantial **taxes on financial services and carbon emitting production, and cuts in defense spending** that would support an economic restructuring away from rentier activities and environmentally unsustainable production and would reduce wasteful and destructive military spending, and c) in addition, a **direct use of necessary money supply increases for public purposes** that would reduce current subsidies to the private financial sector for the quintessentially public function of creating money. In addition to funding our jobs program, these policies will guide the macro economy toward greater equality of opportunity between households and toward more productive and sustainable uses of resources.

These broad categories of revenue collection can be broken down into the following sources, many of which accomplish more than one of the three objectives above. Note that we do not include income tax and inheritance tax increases that have already been proposed for the funding of other programs, such as health care and middle tax relief. Also note that, as most of these funding sources result in effective taxes that are disproportionately targeted toward high income earners, the job creation potential of revenue raised through these programs is likely to be greater than that captured by the traditional balanced budget multiplier of one.[14]

- First, the ongoing misadventure in Iraq has a current out-of-taxpayer-pocket cost of approximately $100 billion/year since the 2003 invasion. One-half of that amount would provide $50 billion for the jobs program we are proposing. Taking an additional 5% of the total war budget of approximately $1 trillion/year (all in including "intelligence," armaments, salaries, R&D, etc.) would provide another $50 billion.
- Second, an excess profits tax on the major energy companies could conservatively raise an additional $50 billion. This tax may be part of a broader "carbon tax" that is offset by subsidies to low-income households that need to, at least in the short-term, rely on carbon energy sources. We conservatively estimate that we can raise at least another $50 billion from such a carbon tax. [15]
- Thirdly, a 0.25% "Tobin Tax" on financial transactions both raise significant revenue and would have the additional beneficial result of reducing the volume of highly leveraged financial speculation. In 1996 this tax was estimated, worldwide, to raise $3.25 billion/day or $832 billion annually.[16] In the U.S, using only stock transactions on registered exchanges, in 2008 this tax would have generated $175.2 billion (one side only; if on both buyer and seller the amount would be doubled). When transactions in various derivative markets and the off-exchange bond market are included, the revenues generated, even discounting for the likely reduction in trading, would be sufficient to fiancé most if not all of our jobs program: a revenue estimate of $600 billion annually for the U.S. does not seem unreasonable.
- Fourth, if necessary increases in the money supply to accommodate an expanding economy were used to fund jobs rather than pay down federal government debt, an additional approximately $42 billion of "tax free" funding would be available.[17] Note that jobs financed from this source would have a multiplier larger than one as no taxes would be necessary to offset this spending.
- Lastly, a wealth tax of 0.5% on the top 1% of households by wealth, those with more than $5.0 million in assets, would generate another $75 billion/year.

As is evident above in our discussion of pay levels under this jobs program, the approximately $917 billion generated by these five sources would more than cover the costs of the program, though revenue from some of these sources would require lead time for legislation and implementation. Therefore, some financing may have to be borrowed in the short-term–as has virtually all of the $700 billion allocated toward the current financial bailout. This program also implies a rebalancing of the interaction between the U.S. and the rest of the world, shifting away from the heavy reliance on imports that contributes to a current account deficit that cannot be sustained over time.

VII. Closing Perspective

We start from the premise that any significant attack on the growing poverty and social misery that is engulfing the lower 40% income strata must be centered on providing a massive increase in secure, decent paying jobs. Within such a program, the focus must be on opening the labor market to the hard core unemployed, who are particularly concentrated among youth of color and those youth victimized by industrial collapse of the rustbelt.

While we certainly support enhanced welfare programs, transfer payments to the poor, and an increase in minimum wage, we do not believe that the existing U.S. labor market characteristics that reproduce and heighten inequality can be overcome by these measures. Further, such policies all too often pit against one another different sectors of low income people to battle over who gets what benefits and who pays the cost. Fort his reason, they tend to generate conflict between the hard core unemployed and the working poor who together comprise the low income strata.

A properly crafted jobs program must aim at a fundamental restructuring of the labor market. It will by design drive up wages of the existing low paid jobs, thus uniting the interests of the hard core unemployed and the working poor. It will mean a significant transfer of income share from the wealthy and highly paid to low income strata. This transfer will necessarily generate opposition, but the conflict will have an upper versus lower class dynamic rather then a racial conflict between different sectors of the lower class.

References and Technical Notes

1. BLS based on CPS estimates of the number of seasonally adjusted unemployed, and the unemployment rate, for October, 2008.

2. BLS based on CPS estimates of seasonally adjusted annual labor force participation rates out of 16 and over civilian population from 1948 to 2007.

3. Calculations based on BLS and CPS estimates of seasonally adjusted employment and civilian non-institutional population.

4. BLS CES based estimates from payroll surveys of non-farm employers suggest that non-farm wage and salary jobs (rather than general employment growth) from 2000 to 2007 was 5.8 million reflecting the fact that much of the 9.1 million CPS net employment increase is estimated to be based on self-employment or wage and salary work that is not reported to Unemployment Insurance (the basis of the CES estimates). Note that every employed person must have at least one job but some may have more than one.

5. BLS Employment Projections: Civilian Labor Force Participation Rates by Sex, Age, Race, and Hispanic Origin. http://data.bls.gov/cgi-bin/print.pl/emp/emplabo5.htm, accessed 8/23/2008.

6. BLS CPS estimates as above.

7. BLS projects employment growth of 1.1% from 1996-2006 and 1.0% from 2006-2016. Employment growth of 1.0% from 2007 total US employment of 146.1 million would generate annual employment growth of about 1.5-1.6 million from 2008 to 2013.

8. We assume that roughly 50 million of the 146.1 million employed in 2007 are in low wage jobs whose wages will increase as a result of the jobs program. We know that roughly half of the 146.1 million employed in 2007 are in jobs with wages below 18$ an hour (see footnote 10 below) so we are assuming that approximately 2/3rds (50/73.1=68.4%) of these below median wage jobs will be affected. If we assume that their wages will rise on average about 50%, then using a modest employer demand elasticity of 0.2 the jobs program will result in a 10% employment loss. This will lead to a loss of about 5 million in low wage employment over the five year period, or an employment loss of approximately 1.0 million per year. We also assume, based on BLS projections (see footnote 7 above), unaided employment growth of about 1.5 million jobs per year over the next five years. (Note that slower employment growth as appears increasingly likely reinforces the need for our program.) Under these assumptions, to reach our target employment growth of 4 million per year, our program would have to increase employment by 3.5 million per year as 1.5 + 3.5 -1 =4.0. This implies that over five years our program will be supporting increased employment of 5 x 3.5 = 17.5 per year. Of these 3.5 - 1.0=2.5 million per year, or 2.5 x 5 = 12.5 after five years, will be government supported.

9. See footnote 8, op. cite.

10. This is equivalent to the current (2008 Q3) median usual earnings of a full-time wage and salary worker in current dollars of $720 a week–see: http://www.bls.gov/news.release/wkyeng.t01.htm. For 52 weeks this translates into $37,440 or $18 x 2080.

11. A before tax income of $37,440 is estimated to provide a net after tax income of $36,726 according to BLS estimates of 2006 taxes for a weighted average of second and third quintile incomes from: http://www.bls.gov/cex/2006/Standard/quintile.pdf. The (after tax) direct cost of 3.5 million jobs is therefore 3.5 million times $36,726 = $128.5 billion. These figures assume that though this spending will be partially (see text below) offset by tax increases, it's affect on net employment growth will be captured by the traditional "balanced budget multiplier" of one. This implies that any tax increases will draw down consumption at the same rate as in the past. If as might be reasonably expected much of the increase in taxes comes from savings of wealthy households currently going into the financial sector, and if such savings have relatively modest effects on real activity in the economy, then the multiplier could be expected to be considerably higher than 1.0, perhaps as high as 1.5. Such a multiplier would considerably reduce the size of the program required to achieve the goal of 4 million new jobs per year. On the other hand, expenditures financed by the reduction of military activity or other government spending will have multipliers considerably below 1.0.

12. $128.5 billion x 1.05 = $135.0 billion.

13. The first year cost of the program will be $135.0 x 1.3 = $175.5 billion. The second year 2 x $175.5 = $351.0 billion, and so forth. By the fifth year the cost will be $175.5 x 5 = $877.5 billion. Thereafter the annual cost will remain at this level.

14. See footnote 11, op. cit.

15. As of April 2008 profits for the five largest US oil companies are reported to have reached $ 123 billion, see: http://www.redgreenandblue.org/2008/04/02/the-big-oil-company-scam/. A Hamiltonian Project/Brookings Institute carbon tax proposal is expected to initially generate revenue equal to 0.6% of GDP, or for 2008 GDP of $14.3 trillion, roughly $85.7 Billion. See: http://www.brookings.edu/~/media/Files/rc/papers/2007/10carbontax_metcalf/10_carbontax_metcalf.pdf, Figure 7 p. 32.

16. See World Bank report: http://www.worldbank.org/fandd/english/0696/articles/0130696.htm .

17. The New York Federal Reserve Bank reports that as of April 2008, the US "M1" money supply was $1.4 trillion. Three percent of this is $ 42 billion. See: http://www.newyorkfed.org/aboutthefed/fedpoint/fed49.html . Currently "high powered" M1 money supply is increased primarily through Fed purchases of Treasury bills, or the

retiring of government debt. If this money was allocated toward jobs programs government debt, not held by the Federal Reserve would not be retired so that federal government interest payments to outside parties would increase more rapidly. However, if economic growth and federal tax collection grows at an equal or greater rate, this should not lead to a significant additional federal budgetary burden.

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