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CONFRONTING THE JOBS CRISIS

ABSTRACT: We argue that increasing effective demand via the traditional Keynesian stimuli is inadequate to resolve the job crisis in the U.S. Rather we need a radical restructuring of the job market that necessitates a national industrial policy. We claim that to achieve such a restructuring we need a mass social movement that goes beyond standard legislative lobbying. We conclude with two sets of questions. The first set asks about the creation of new social movements, the second about leadership coming from forces within the current social movements

The material in this special issue of the Review of Black Political Economy hopefully will advance the consensus among progressive economists and policy groups around the necessity and overall shape of a substantive federal jobs program.

In this article we wish to take up some questions of framework that impact the problem of realizing and implementing such a program. These involve both political and economic assessments. As the title of this journal acknowledges, the two spheres are fundamentally intertwined, so at the end of the day we must take politics and economics together.

Whatever differences we have on the general structure of a viable jobs program, our- that is progressive economists and policy analysts- collective thinking on this is much more advanced and

developed then on strategy for realizing such a program. In fact we have not really begun a serious discussion on strategy.

In view of this, it would be presumptuous and foolish to present a strategy blueprint. Rather, what we hope to do in this article is to assist in stimulating such a discussion by raising some basic questions of orientation and framework.

The first question we want to raise is on the depth of the present job crisis. There are really two views that should be sharply counterposed.

The first view sees the present crises as arising from the financial collapse and consequent recession of 2007 -2009. This view points to the 8 million jobs lost in this period as the core of the crisis. This view is strongly advocated by Keynesian economists- Paul Krugman being perhaps the most articulate public spokesman. In his NY Times column of September 26,2010, he sharply criticizes the view, which he ascribes to conservatives, that unemployment is primarily due to deep structural imbalances in the job market for which there are no quick, effective governmental interventions. He argues, in traditional Keynesian terms, that the job crisis is due to a collapse of effective demand due to the financial meltdown and loss of wealth, and that the appropriate dose of government spending could correct this and return the economy to a stable pattern of growth and job creation.

Krugman is hardly alone in this view. This doctrine is spelled out very succinctly also in Brad DeLong's essay "battered and beaten" which can be downloaded at delong.typepad.com/2010/10/29-battered-and-beaten.pdf It is expressed by sixteen prominent Keynesians in the manifesto "Get America Back to Work" published on the Daily Beast website. (This manifesto can be accessed at <http://www.thedailybeast.com/blogs-and-stories/2010-07-19/>)

It is brief enough to quote in full here.

“Fifteen million out of work! Sixteen notable economists and historians have joined in a consensus statement for The Daily Beast demanding urgent action on unemployment and the faltering recovery. Joseph Stiglitz, Alan Blinder, Robert Reich, Richard Parker, Derek Shearer, Laura Tyson, Sir Harold Evans, and other thought leaders have produced a manifesto calling for more government stimulus and tax credits to put America back to work. [UPDATE: Read the complete list of manifesto backers.](#)”

GET AMERICA BACK TO WORK

Fifteen million unemployed represents a gigantic waste of human capital, an irrecoverable loss of wealth and spending power, and an affront to the ideals of America. Some 6.8 million have been out of work for 27 weeks or more. Members of Congress went home to celebrate July 4 having failed to extend unemployment benefits.

We recognize the necessity of a program to cut the mid- and long-term federal deficit but the imperative requirement now, and the surest course to balance the budget over time, is to restore a full measure of economic activity. As in the 1930s, the economy is suffering a sharp decline in aggregate demand and loss of business confidence. Long experience shows that monetary policy may not be enough, particularly in deep slumps, as Keynes noted.

The urgent need is for government to replace the lost purchasing power of the unemployed and their families and to employ other tax-cut and spending programs to boost demand. Making deficit reduction the first target, without addressing the chronic underlying deficiency of demand, is exactly the error of the 1930s. It will prolong the great recession, harm the social cohesion of the country, and continue inflicting unnecessary hardship on millions of Americans.”

The basic principle behind this view is detailed in Joseph E Stiglitz’s book *Free Fall*. Here he talks about “...The Krugman-Stiglitz doctrine. When an economy is weak, very weak, as the world economy appeared in 2009, attack with overwhelming force. A government can always hold back the extra ammunition if it has it ready to spend, but not having the ammunition ready can have long-lasting effects.” (Page 34).

To be fair, Stiglitz does discuss and analyze the weaknesses of the US and world economy giving rise to the financial meltdown- too much capital flowing to the financial sector, a grossly unfair and distorted pay and income structure leading to the vast accumulation of wealth at the top, and massive impoverishment at the bottom, etc. Undoubtedly Krugman would agree to this description as well as Stiglitz's proposals for long-term reform of the financial architecture. Yet when it comes to the question of jobs there is little concrete or specific that is proposed beyond injection of funds to stimulate demand.

Our view is that the jobs crisis reflects deeper contradictions of the capitalist international economic order, a view that is shared with a broad range of neo-Marxist economists. This view is that we are in a long-term secular crisis of overproduction and stagnation. A good sample of various analyses of the current crisis with this underlying perspective is the collection *The Crisis This Time: Socialist Register 2011*. (2) What this perspective implies is the need for a class -focused response rather than demand- focused response. In particular this framework points to the necessity of a rather profound restructuring of US production (and in fact world wide production) to overcome the jobs crisis.

We in the Chicago Political Economy Group, working along these lines, have concluded that while increasing the stimulus would certainly create more jobs, simply spending more money on a temporary stimulus fails to grasp and deal with the depth of the job crisis. (Research of the Chicago Political Economy Group (CPEG) can be accessed at <http://www.cpegonline.org/>. Also see the article on the CPEG jobs program in this issue of RBPE.) The necessary massive creation of living wage jobs cannot be generated and sustained simply by standard Keynesian demand creation or the long-term reform of the financial architecture and

the reining in of the financial sector. What we need is massive government funded program directly creating tens of millions of jobs, primarily in the public sector.

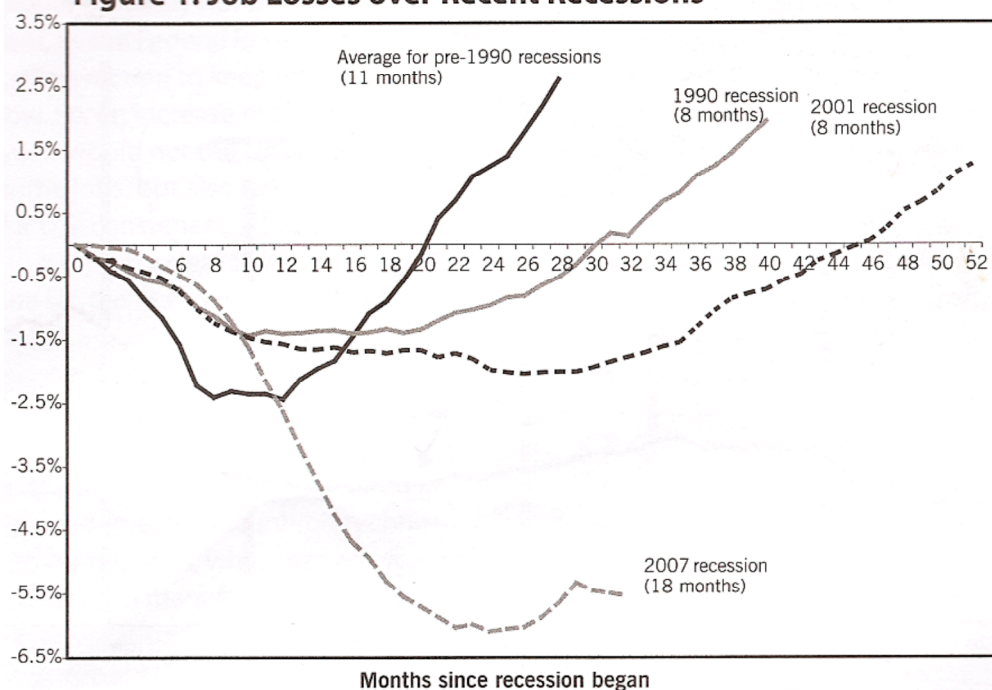
CPEG started our work on investigating the jobs crisis prior to the meltdown and concluded that the failure to create adequate numbers of living wage jobs has been growing over the past two decades and reflects a fundamental defect of our current economic model that necessitates radical structural transformation. The crisis of 2008-2009 of course accelerated this process, but is not the root cause of it.

These two differing views imply fundamental different political strategies for confronting the lack of job creation. The Krugman-Stiglitz doctrine leads to focusing an all out lobbying campaign to convince the White House and Congress that they must adopt a substantive stimulus package or possibly face a double dip recession and decades of stagnation

However, if we were really dealing with a long-term structural crisis, then any stimulus package that this Congress and Administration is currently willing to support would simply be a band-aid with a short-term impact. Such a package would give an immediate boost to job creation; however, this boost would be temporary, and would have to be continually extended to sustain its stimulative effect. Simply increasing government spending without addressing the fundamental structural flaws in the way the economy functions, the structural flaws which lead to a declining creation of living wage jobs, is like upping pain killers to a seriously ill patient rather than treating the source of the illness.

We can see this in analyzing the impact of Obama's 2009 stimulus package. According to the CBO report of November 2010 between 1.4 and 3.6 million were employed at the end of the third quarter of 2010 that would have been unemployed without the 2009 stimulus bill. It is estimated that 70% of the bill's ultimate impact has been realized. Few of these are employed in new jobs but rather jobs saved in a period of contraction. Although the report doesn't break down these jobs by sector, we can assume that many of these jobs are in the financial sector, (which had its own generous bailout), among state workers who otherwise would have been laid off due to the fiscal crises of the states, and auto workers whose industry was saved from collapse due to government funding. None of these sectors, however, are stable. The financial sector, although returned to profitability because of a generous government handout, can slide back into crisis because of the enormous unsecured and bad debt which is still unaccounted for. The states will continue to shed workers because their fiscal crisis remains unresolved. The unreconstructed auto industry, despite the recent rise in GM shares, remains plagued by worldwide overproduction.

Consider the following graph. . This graph is due to Sylvia Allegretto and Steven Pitts, and can be found in their interesting article, *The End of the Recession? -How Blacks might fare in the Jobless Recovery*, Dollars and Sense, pp 25, November / December, 2010.

Figure 1: Job Losses over Recent Recessions

Source: Authors' analysis of Bureau of Labor Statistics, "Current Employment Statistics" (bls.gov/ces).

The 2007 recession was by far the deepest in terms of job loss since the Great Depression, where recessions have become increasingly more job destroying over the past two decades. Is there any reason to believe that a 50% increase in the Obama stimulus, which is what the Keynesians proposed, would have done more than flattened the curve a bit more? It would have certainly decreased some of the pain but on the next downturn, if the rather stable long-term pattern persists, one would have to increase the stimulus to stand still.

Thus the stimulus only softened the impact of the economic crash, and didn't deal with any of the basic job creation problems of the wounded economy. These problems are already returning to haunt us and will demand a new massive government financial injection, as acknowledged by Federal Reserve head Ben Bernanke in an article in the Nov 4 Washington Post, in explaining the decision of the FOMC to embark on a new round of quantitative easing.

The point is that, contrary to Krugman and company, even a much larger and better-targeted Obama style stimulus would not have resolved this crisis. Only a substantial social restructuring will do.

Any strategy that aims at serious structural transformation has to be built on a mass movement not on inside lobbying. A serious structural transformation involve large social/ economic stakes- it involves a redistribution of wealth-some lose, some gain. In particular any significant restructuring of the job market will directly impact two major sectors of capital. Any large-scale creation of living wage jobs will generate major upward pressure on the lowest wage levels at the expense of those enterprises, such as Walmart , that rely on minimum wage labor. Further, the financing of such a job program will necessitate new forms of taxation, most sensibly a financial transaction tax, which will impact the profits of the financial sector. Those who stand to lose will fight relentlessly against such transformation.

To fight for it, new forces have to be created and thrown into battle. Constituencies that are not now organized will have to be organized and activated around the need for jobs. Core constituencies must include working class African Americans who historically have been the most excluded from secure, living wage jobs, immigrants who now do much of the low wage, casual labor, and working women. Who will do the organizing? How will

they be united? In particular, how will they overcome racial and gender divisions. Organized labor must play a leading role, yet most workers, and in particular the most exploited workers, are not in trade unions. How is this divide to be overcome? These are the strategic questions that must be raised. Answering these questions means drawing deeply on the African American, woman, immigrant, and trade union movements. It is from activists and strategists within those ranks that serious attempts to confront these questions will come.

The second question we want to raise concerns the breadth of the job crisis. Here there are also two distinct viewpoints.

The first viewpoint is that the issue of job creation can be delinked, at least for programmatic purposes, from a deep critique of and attack on the neo-liberal global economy that has evolved over the past four decades.

A good example of this perspective is the thesis that we can reverse the dramatic and disastrous decline in manufacturing jobs in the U.S. by subsidizing the development of a massive green technology industry. Probably the most developed proposal is from the Apollo Alliance that seeks to create five million green jobs over a ten-year period. (<http://apolloalliance.org/programs/apollo-14/>)

Now it is true that the rising costs of fossil fuels and the serious threat of global warming has generated a growing green technology industry that is likely to expand dramatically in the next decade. However five million jobs over a decade will not even make up for the jobs lost in 2008-9. Moreover, given the current international labor and transportation costs –along with the dominant anti-protectionist rules and ideology- there is no economic reason why a significant sector of green production should be centered in the U.S. This is true even if green industry

were provided with massive federal subsidies, which anyhow would violate WTO rules. This is not simply a matter of theory. As Shai Oster demonstrates in recent Wall Street Journal article, China has already grabbed the lead in green industry that it will undoubtedly consolidate over the next decade.

If, as we believe, the campaign for a jobs program must take account of the present conjuncture and array of forces within the current international economy, then a direct assault on neo-liberalism is unavoidable.

Specifically a radical and substantial transformation of the job market, which is what a viable jobs program must accomplish, is only sustainable as part of a national industrial policy aimed at reconstructing a broad, dynamic industrial and manufacturing sector.

To argue this in detail is long and complex. However the historical and theoretical work of Ha-Joon Chang , and Bellofiore, Garibaldo and Halevi provides a firm basis for such an argument. Ha-Joon Chang is the current leading exponent and theorist of national industrial policy. In his studies he has investigated historically and theoretically the necessity and feasibility of such policies. While he deals primarily with non-industrial countries seeking a viable industrialization strategy, his institutionalist perspective applies also to nations such as the US who have entered a phase of industrial decay. (See Ha-Joon Chang, *Globalization, Economic Development and the Role of the State*, Zed Books, London, 2003)

The article of Bellofiore, Garibaldo and Halevi (Bellofiore

R, Garriboldi F, Halevi J. The Global Crisis and the Crisis of European Neo-Mercantilism. In: Panitch E, Albo G, Chibber V, editors. *The Crisis This Time: Socialist Register 2011*. London: The Merlin Press; 2010.) is focused on Europe which has a specific set of structural contradictions, but their general framework, which appears influenced by Godley (see note 2) points towards the necessity of a national industrial policy.

The one line argument drawn from these analysis is that any viable living wage jobs program will dramatically increase consumption of basic goods and services among lower income groups, and this jump in consumption cannot be sustained without such a reconstruction.

The problem is that a national industrial policy cannot be pursued easily within the confines of the current neo-liberal world economic order. (There is a vast literature on Neo-liberalism. Perhaps the best single source is David Harvey, *A Brief History of Neoliberalism*, Oxford University Press, 2005). Such a policy involves more than providing start-up funds and initial subsidies to get such a reconstruction going and then letting market forces take over which has been the thrust of most “serious” proposals such as the Apollo Alliance program. Sustaining these industries will involve permanent forms of protectionism, including monetary exchange rate and capital controls, all of which violate the central, free market principles of neo-liberalism.

To accept a framework and orientation that necessitates confronting neo-liberalism and pursues the political consequences of this confrontation means that we have to seek out social activist forces that are willing to move outside the realm of customary politics. We are again back to building radical social movements. We agree with the formulation of the last paragraph of the article of Bellofiore, Garibaldo and Halevi ;

With the end of the neoliberal cycle we can hardly bask in the illusion-typical of left-wing Keynesians- that it all boils down to “better” economic policies, and not to the evolution of some of the deepest feature of the very modus operandi of capitalism. It is impossible to address possible ways out of the crisis without facing the issue of the changes that have occurred in the capitalist labor process, together with changes in finance affecting demand and inequality. No policy or imagined project for beneficial change can flourish without an organic relation with the social movements that challenge the present state of things.

We believe that significant forces exist within the minority, immigrant, women, and trade union movements that realize the depth of the crisis and agree on the necessity of a more radical approach – an approach that challenges the neo-liberal consensus, which still dominates the “respectable” policy establishment

The main obstacle to their coming together around a sufficiently radical program is the long tradition, especially powerful in US movements, of pragmatism and narrowness which insists they don’t run ahead of their own base, and they produce immediate results. Furthermore, building a movement around industrial policy inevitably has to have an international perspective, and one of solidarity with workers around the world, if it is not to take a turn to national chauvinism. Unfortunately international perspective is not the strong suit of US movement leadership.

The question, then, is one of leadership capacity, and their ability to absorb in their guts the desperate crisis we are in. It appears that in the recent mass mobilizations in France, Greece, Ireland, Spain, and Portugal at least some of the labor and working class political leaders are moving towards a more radical, oppositional stance. It is possible to envisage similar developments here. The moment calls for leaders, who like Martin Luther King in his embracing of

the anti-Vietnam war movement, or John L Lewis in his breaking with the business union dominated AFL to found the CIO, rise above their silo mentality, boldly affirm their basic values and practice what the current crisis demands.

Our analysis of what is necessary to resolve the jobs crisis, a massive social movement towards a new national industrial policy then leads us to two questions. The first asks about the creation of new social movements, the second about leadership coming from forces within the current social movements. We don't know the answers to these questions but we do believe that confronting them is the right place to begin talking strategy.

Notes:

1. This article is an expansion of a presentation I made to the conference: JOBS AND THE FUTURE OF THE US ECONOMY: POSSIBILITIES AND LIMITS , OCT 1, 2010-HOWARD UNIVERSITY-WASHINGTON D.C. I want to thank Rodney Green for his many suggestions on strengthening this article.
2. Ed Leo Panitch, Greg Albo, Vivek Chbber, *The Crisis This Time-Socialist Register 2011*, The Merlin Press, London, 2010. The articulation of a class-focused analysis can be found in the article of Hugo Radice, *Confronting the Crisis: A Class Analysis* p21. See also the contribution of Ricardo Bellofiore, Francesco Garriboldi and Joseph Halevi , *The Global Crisis and the Crisis of European Neo-Mercantilism* p120. A list of some of the most important contemporary neo-Marxist analyses can be found listed in David Harvey, *The Enigma of Capital and The Crises of Capital*, Oxford University Press, 2010, sources and further readings pp 263-266. In particular the writings listed there and in the references below of Bellamy Foster and Magdoff, Brenner, Dumenil and Levy, Pollin, and R. Wolf are particularly relevant theoretical background to analyzing the jobs crisis. Also a number of us in CPEG have been influenced by the New Cambridge school led by Wynne Godley, and in particularly the their work at the Levy Institute of Bard College. (See references below.) This work can be accessed at their website <http://levy.org/>

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