

# Does the U.S. Economy Need a Job-Creation Stimulus?



By KEVIN O'LEARY / LOS ANGELES

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If the recession is over, as some economists say, why are so many people still unemployed? The so-called jobless recovery is raising an intriguing question: Should America resurrect something like the Works Progress Administration (WPA) - the New Deal job-creation program that put millions of unemployed Americans to work building schools, roads, parks, libraries and other needed infrastructure projects during the Great Depression?

Indeed, the current situation is stark. When people say there are no jobs out there, it's true. According to the Bureau of Labor Statistics, at the start of the recession in December 2007, the ratio of job seekers to job openings was 1.5 to 1. Now six unemployed workers chase every available job. It's a brutal game of musical chairs in which a great many people lose and spiral downward economically with disastrous consequences, not only for themselves and their families, but also for communities that were once productive and prosperous. ([See pictures of life during the Great Depression.](#))

The Obama Administration and economists hailed the dip in July unemployment to 9.4% from the 9.5% level in June as an indication that the economy is beginning to recover. But the drop in unemployment is deceptive. Employers shed another 155,000 jobs in July. And the unemployment rate would have gone up, possibly to 9.7%, if the 400,000 Americans who had previously been searching for a job (but became so discouraged they stopped) had continued to seek employment in July. Economists expect the job picture to remain bleak well into 2010.

The standard unemployment number excludes both those who have given up looking for a job and those who have taken part-time jobs but want full-time work. Include them and the number jumps to 20% or higher in states such as Michigan, California, Rhode Island and Oregon, with Tennessee, Nevada and other states in the high teens.

Economist Heidi Shierholz of the Economic Policy Institute says the economy has lost 6.7 million jobs since the beginning of the recession and that the stimulus bill thus far has generated 750,000 jobs. But in addition to the nearly 7 million jobs lost, the national economy has failed to add the 127,000 jobs per month needed to keep up with population growth. "The real employment hole is 9.1 million jobs," says Shierholz. "The stimulus bill is great, but it will only generate 3 to 4 million jobs. Now that we can see how dramatically things have deteriorated, we need to think about job creation in the places, like Michigan, that are extremely hard hit. There are areas across the nation that are going to be very depressed for a long time." (In comparison, at the height of the Great Depression, nearly 25% of the U.S. workforce - more than 11 million people - were unemployed.) ([Read about the origins of the Great Depression.](#))

Why isn't the \$787 billion stimulus bill helping unemployment? It was never designed to be a jobs program. Instead it is an ambitious policy prescription to restart - and redirect - the economy in new directions over the next three years. Stimulus spending is not a fast-infusion jobs program, nor is it always targeted toward the hardest-hit states. For example, stimulus road-building largely bypasses large metropolitan regions where antiquated infrastructure snarls traffic to focus on rural areas and smaller states.

Desperate times in one especially hard-hit Tennessee county stirred Governor Phil Bredesen to get creative. As first reported in the *New York Times*, the result is a "novel use of stimulus money." In remote, tiny Perry County, where the unemployment rate had soared to 27% with the closure of an auto-parts factory, Bredesen decided a New Deal-style WPA program was the order of the day. Some of the jobs are with the state parks and transportation department, but two-thirds of them are new jobs in private sector businesses - including a pie company, a hotel and a factory that needs painting and repair - which are reimbursed by the state for the salaries of the eligible stimulus workers. Some of the businesses say the free labor has helped expand their market share, and they are hopeful that they can grow enough to keep the larger workforce when government assistance stops in October 2010.

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"We consider it an unqualified success," Bredesen tells *TIME*, speaking about the 338 jobs created by the pilot program. "I wanted to do more than show concern. These are people with real obligations and, while I support clean energy [the thrust of much of the stimulus], people have to make car payments next month. I'd love to have a great deal more stimulus money to do this type of thing in other counties, but there is not a lot of money available. If there is another stimulus package, real consideration should be given to direct employment, in WPA fashion, in the public and private sector."

The WPA - the largest New Deal program, employing 8.5 million people and spending \$11 billion on public projects nationwide - was a real jobs program. More than 80% of its budget was dedicated to labor. In a speech at LSU in 1936, the WPA's legendary head, Harry Hopkins, gave a cogent synopsis of his agency's deep effect on the nation. "You can start out from Baton Rouge in any direction and pass through town after town which has water facilities or sewer facilities or roads or streets or sidewalks or better public buildings, which it would not have had but for the Works Progress Administration." ([Read \*TIME\*'s 1945 cover story on Hopkins, the second most powerful man in the U.S.](#))

"In the New Deal, they did everything they could think of to get people paychecks," says Alice Rivlin, a Brookings Institution scholar and former head of the Office of Management and Budget. "For example, there were WPA projects for artists and writers. In the 1970s, we put people to work during recessions doing useful things. These were mostly lower-skills jobs such as teaching assistants, home health-care workers and cleaning up parks. A similar program today could help a great deal with the high level of unemployment among young people."

Shierholz says policymakers should begin thinking about a second stimulus package focused on a jobs program. "If we passed a \$200 billion jobs bill, that could create roughly 4 million jobs paying between

\$40,000 and \$50,000," she says. "Four million temporary public sector jobs, for a year or two in duration, would bridge the employment gap while the economy recovers." Voting against the \$787 billion measure, GOP Senator Lindsey Graham of South Carolina said, "There are so many things in the package completely unrelated to creating a job in the next 18 months." Only 11% of stimulus money was targeted toward infrastructure, and less than 10% of the jobs created have been public sector jobs.

There are those who caution against a jobs program. Heritage Foundation scholar Brian Riedl is skeptical about the benefit. "Every dollar that Congress injects into the economy must be first taxed or borrowed out of the economy," says Riedl. "The jobs we create in one county come at the cost of jobs in another county. It is a zero-sum game." Riedl believes there are times when government action is called for on humanitarian reasons. But in terms of economic growth, he says, "the only government spending that creates a net bonus for the economy is spending that results in gains for long-term productivity."

Nevertheless, two weeks ago, White House economic adviser Christina Romer signaled that the Administration would consider a new stimulus measure if it did not see strong results from the current package. Prominent economists like Joseph Stiglitz say more stimulus is necessary to drive the economy forward. A jobs program focused on the nation's hardest-hit regions could have an impact. Nationally, 1 in 5 construction workers are unemployed. According to the American Society of Civil Engineers, the nation has \$1.5 trillion in unaddressed infrastructure needs. "Clearly there are projects that need to be done," says Shierholz.

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