



Bernie's job guarantee is the wrong policy for an improving economy

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Sen. Bernie Sanders apparently is nostalgic for the 1930s.

He is pushing for a government jobs program the likes of which this country hasn't seen since the Works Progress Administration and Civilian Conservation Corps of the New Deal era.

Those agencies filled a big need when unemployment was as high as 25 percent. They also left an admirable legacy of public works, including the majestic lodge at Pere Marquette State Park near Grafton.

Sanders and his allies, Democratic senators Cory Booker and Kirsten Gillibrand, are talking about creating programs that would hire people to work on infrastructure, education, health care, the environment and other needs.

They want the government to guarantee a \$15-an-hour job, with benefits, to every American who wants one.

The first problem with his proposal is that we don't live in the 1930s. Unemployment is just 4.1 percent, and most economists don't think it can be pushed much lower without igniting inflation.

"We're not in a massive depression," says Rik Hafer, a Lindenwood University economist. "I see help-wanted signs all over the place."

Proponents argue that the unemployment rate ignores discouraged workers, who gave up looking for work because they didn't see any good opportunities. There's some truth to this, but the proportion of 25- to 54-year-olds in the labor force is only 2 percentage points below its all-time high, and it's been rising as the economy strengthens.

A \$15-an-hour government program would probably draw most of its applicants from private-sector jobs that pay less. (Even if you had to quit your job and be unemployed for a few months to qualify, that would be no great barrier.)

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Retailers, fast-food establishments and small manufacturers would face a turnover problem — especially in low-cost areas like the Midwest. They could raise wages, but that might make the

business unprofitable. The only alternatives would be to invest in labor-saving technology or shut their doors.

The government jobs could also drive down wages in sectors such as construction, where many workers make well above \$15 an hour. “It’s a welfare program, but it also disrupts the dynamics of the labor market in a negative way for some existing workers,” Hafer says.

Ryan Bourne, an economist at the libertarian Cato Institute, estimates that as much as 25 percent of the U.S. labor force could be attracted to a program that guarantees \$15-an-hour jobs.

“It’s hugely disruptive,” he says. “If the wage puts companies in competition with higher-wage government jobs, that’s going to severely injure private sector job creation.”

The big advantage of a job-creation program, compared with an unemployment insurance or welfare program, is supposed to be that it allows workers to preserve and hone their skills. That arguably makes them more attractive to private-sector employers.

Research doesn’t bear that out. “The history we’ve seen of job-creation programs around the world, most of the studies suggest they provide no lasting benefit once the job subsidy ends,” Bourne says. “The workers don’t do any better once they return to the private sector in terms of their lifetime earnings.”

Sanders and his allies haven’t yet offered an estimate of the program’s cost. Bourne thinks it will be huge, perhaps more than the \$500 billion or so the federal government spends on Medicaid.

The price tag alone should be reason enough to junk the job-guarantee idea. We can enjoy the Pere Marquette lodge, and admire the creative policies that got it built, without forgetting that we live in much different economic times.