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Some Very Creative Economic Fix-Its

By DAVID SEGAL

We are not going to shop our way out of this mess.

It’s a cheerless truth about the post-Thanksgiving start of the Christmas season, traditionally the bell lap in America’s year-long steeplechase of buying. There has been a rebound in consumption since the grimmest days of the Great Recession, but that has not been joined by an uptick in hiring or a robust expansion.

So *the* question of our anxious age: What will return our economy to full-throttled life? We’re not talking about tactical measures that will ease fears of a double-dip recession, or maintain some upward momentum in the stock market, or even add another 151,000 new jobs, as the economy did in October.

What’s needed is a path to sustained growth. That means a strategy for the millions who have lost their jobs in recent years and some hope for the more than 125,000 new entrants to the United States labor market each month.

Got any ideas?

Many academics do, though fair warning: some of their concepts are a little out there, a reflection, perhaps, of the severity of our problems. Also, canvassing these people is depressing. If you are planning a holiday party and would like a bit of merriment with your tinsel and egg nog, a few of these big thinkers should be left off your list. Several preface their thoughts with brace-yourself sighs and even the ideas that excite them have a pretty grim cast.

“Age and disease will be our next engine of growth,” says Teresa Ghilarducci, a professor of economics at the New School. “That’s the really good news.”

As millions of baby boomers retire, she says, they will segue from their accumulation years into their spend-down years.

“They’re going to be spending a lot on health care,” Professor Ghilarducci said, “to forestall disease, to make themselves look younger. Low-end services, high-end services. CT scans, face lifts, bionic knees. We all think that health care is a high percent of gross domestic product now, but we ain’t seen nothing yet.”

But is it a good idea to nip, tuck and CT scan our way to prosperity?

“If I were predicting a huge new demand for straw brooms,” she said, “that would not be a reason for optimism, because there isn’t room for technological breakthroughs when it comes to straw brooms, or a lot of high-paying jobs. But spending on health care yields all sorts of breakthroughs and jobs at every skill level, from very low to very high.”

The aging of America presents a different sort of opportunity to James K. Galbraith, a professor at the University of Texas, who opened an interview with this very succinct expression of pessimism:

“We’re likely to see a situation that makes people angry and miserable for years.”

But Professor Galbraith said he saw a way to alleviate the misery of one large group of Americans: the jobless elderly. Instead of sending them unemployment checks, the government should temporarily allow workers who are, say, 62 years old, to retire with full Social Security benefits. In essence, he said, the government would continue providing these people with assistance, but through retirement benefits instead of unemployment insurance.

Not only would they no longer be forced to compete for jobs they are unlikely to get, they would have 22.5 percent more purchasing power than they would have if forced to wait until 65, the age when full Social Security benefits kick in. Collectively, that added purchasing power would drive demand for a variety of health and home care services — also known as jobs.

To economists from the conservative, free-market wing of the discipline this will sound like more of the medicine that put us in the hospital. Their main worry is that the government will intervene and make matters worse.

“Growth doesn’t come from big federal programs,” says John H. Cochrane of the University of Chicago. “The government didn’t tell us” to create the vast variety of profitable businesses on the Internet, but “it did tell us to buy houses and look what that got us.”

Professor Cochrane said he was not a forecaster. He is, however, an optimist.

“The fundamentals are there. We have had a financial panic, but in the long run, growth is determined by businesses with great ideas, and we still have plenty of those. Now, it’s perfectly possible we’re in for a miserable decade but only if the government screws it all up, with high tax rates, chaotic tax rates, or if we suffer as a result of the overhang of government debt.”

Professor Cochrane and others counseled against a search for quick fixes. Mark A. Calabria of the Cato Institute went further, emphasizing that time was a key ingredient to a recovery.

It could take years for the millions of people once employed by the housing industry — from construction workers to real estate agents — to find new careers or return to their former careers when and if a strong housing market returns.

“I think we also have a bubble in the labor market for state and local government employees,” he said, “and over the next two years we might see as many as one million of these employees lose their jobs.”

So don’t expect a speedy return to 7 percent unemployment, he said. For silver linings, he pointed to exports, which he thinks will be a source of growth, given the weaker dollar. And he sees an upside in an unlikely place: inflation, which he says might go from 2 percent today to 3 or 4 percent in the coming years.

“If you have a house worth $200,000 and a mortgage of $250,000, inflation is going to raise the nominal value of your home,” he said. “But your mortgage will stay the same. For borrowers who are underwater, inflation will get their heads closer to above water.”

Before we start rooting for higher inflation, or re-jiggering Social Security, or scaling back government, let’s ask a more basic question: Is there no technological marvel on the horizon that could create an unexpected bounty in jobs? The way the railroads did in the 19th century or the way the Internet and computer industries did starting in the early ’80s?

Green-energy initiatives like solar power, wind power and fuel cells are often described as jobs machines just waiting for ignition. True?

“I think the potential is there but the question is when and the question is how,” said Christian Menegatti of Roubini Global Economics. “Investments like that are risky and they won’t pay off for a number of years, and probably even longer. Those kind of projects will need public incentives.”

Public incentives, he noted, aren’t likely to emerge from a Republican-dominated House.

How about a cheap technology that our mortal minds can’t currently fathom? A decade ago, who could have imagined that more than a million people would pay $1 for a portable phone video game in which you slash watermelons with a Japanese sword? Who, in other words, could have envisioned the Fruit Ninja app?

“That’s a pretty wispy hope,” said Gar Alperovitz, a professor at the University of Maryland.

For hope that is a little more tangible, Professor Alperovitz pointed to local co-operatives that are sprouting up around the country. They tend to be employee owned, and get off the ground with private and foundation funding. Many of his favorite examples are found in Cleveland, of all places — like the Evergreen Cooperative Laundry, an employee-owned firm that provides laundry services to hospitals, which started in 2009.

Professor Alperovitz tracks and catalogues enterprises like the cooperative laundry on a Web site, community-wealth.org. He says he sees in these companies the stirrings of a movement animated by the cold reality that neither the government nor private enterprise is on the verge of large-scale hiring.

“If the economy and the government don’t have an answer to a problem,” he says, “people are forced to try social enterprise.”

Perhaps we are entering the era of the self-starter. Prof. Andrew Caplin of New York University thinks so. He begins with the premise that in the coming global economy some people will succeed and others will not, and income inequality will grow. While it’s noble to focus on how to spread wealth around, he says that it might be wiser to think of ways the poor and middle class could cater to the economy’s biggest winners.

“Unfortunately, there will be income inequality,” he says, “but enough people will make money that those who don’t would do well, in as much as they understand the needs of that group.”

He says he expects a rise in what he call “artisanal services,” like cooks, nutritionists, small-scale farmers. He sees services emerging that aid the wealthy at the intersection of health and genetic science. He imagines a rise in technology services, too — experts who keep clients current about technology which can advance their interests in business, in the media, on search engines and so on.

Professor Caplin worries that this concept might be caricatured as “cater to the rich.” But he suggested that this country could use a lot more non-judgmental thinking about the future of the United States economy. Any argument on that subject that starts with the word “should,” he said, is not nearly as useful as one that starts with “could” and has a firm grasp on “is.”

“If you start with ‘should’ you get arguments where nobody makes any sense and where you can claim that some people are good and other people are bad,” he said, referring to recent skirmishes over Fed policy, deficits and other contentious topics. “With that sleight of hand you’ve ensured that you will not discuss anything of substance. You’ve just lined up two camps to fire at one another.” In the spirit of the coming holidays, it seems downright unseasonal to end with an image that sounds lifted from the Battle of the Somme. So, a little solace.

Many interviewees made the point that America’s higher education system is still drawing the greatest minds from around the world. That insures a regular influx of the innovative, motivated thinkers, a resource of enormous value, though one that is impossible to quantify.

And that’s not all. When asked for something uplifting, Mr. Menegatti deadpanned:

“Things could be much worse.”