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Conflicting ideas but no illusions set for White House jobs summit

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The Kansas City Star

From “Build things” to “Butt out,” conflicting opinions are expected to be heard today at the White House jobs summit.

On the eve of what is likely to be another 10 percent-plus monthly unemployment report, President Barack Obama has invited business, labor, financial, academic and nonprofit leaders to Washington to discuss job creation. His stated goal for the listening session: “To talk about how we can work together to create jobs and get this economy moving again.”

The economy has started moving again, but unemployment remains the biggest unsolved problem, causing great economic pain for millions of families and threatening to stall or even reverse the recovery.

In the short term, summit organizers — including Obama — have no illusions that the day will end with a specific recommendation, much less consensus about whether another federal job stimulus is necessary.

The ideas the 130 or so invited participants offer eventually could provide the framework if the nation embarks on a third job-stimulus plan in three years.

Underpinning the table talk will be two poles of thought — whether federal spending or tax cuts will best spark job creation. Both have supporters in the Kansas City area.

Carl Schramm, who leads the Ewing Marion Kauffman Foundation, will be among the guests who believe job creation will prosper through tax incentives for new companies. He will share a handout headlined “Entrepreneurs are key to job creation,” and call for a payroll tax “holiday” for start-up firms.

“Washington needs to create an environment where entrepreneurs and new companies can thrive and create the jobs that our country desperately needs,” Schramm said.

Jonathan Freiden, chief executive officer of U.S. Toy/Constructive Playthings in Grandview, had previously been invited to meet with Obama on the job-stimulus topic but won't be attending today's summit.

If he had, he said, he would have brought a strong message:

“The stimulus package has worked. I can point to \$600,000 in stimulus contracts that have helped me keep and add jobs. I would tell him he's not getting the positive message out enough — that good things are happening today because of the stimulus.”

The summit agenda outlines a focus on six topics: “green” jobs, small-business employment, government spending on infrastructure, U.S. export growth, business competitiveness, and work force development.

Some summit participants, such as former Federal Reserve Vice Chairman Alan Blinder and Nobel laureate economist Paul Krugman, endorse the federal government as an “employer of last resort.” That philosophy wants federal dollars put into creating public-works and public-service jobs, a remedy akin to President Franklin D. Roosevelt's 1930s Works Progress Administration and Civilian Conservation Corps.

Other participants, such as Schramm, want the government to cut employers' taxes, freeing private-sector dollars for business expansion. That position is akin to the Reaganomics — or trickle-down — approach to job creation that characterized stimulus efforts in the 1980s.

Between the polarized approaches may be those who seek a policy amalgam, perhaps extending a tax credit to businesses that add workers in what has been called a “cash for clunkers” kind of program for job creation.

Meanwhile, there is not even consensus about whether the summit should be held. House GOP leader John Boehner, for example, took a “why bother” approach — but then set up a competing “jobs round table” for the

same time today.

Boehner and other Republicans think the right job-creation plan is to give small businesses breaks, including a tax deduction equal to 20 percent of their incomes, perhaps giving struggling employers more flexibility to stay in business.

But the idea that the White House meeting might not do much to advance policy is not limited to Republicans. Count Robert Reich, former labor secretary under President Clinton, among Democrats who doubt that a presidential summit can do much to create jobs.

A president, Reich said, can affect only "the margins" of the job market. But that has not stopped presidents from trying — and occasionally getting some things accomplished.

In the 1980s, the last time unemployment hit double digits, President Jimmy Carter launched a White House conference on small business. Recognizing the job-generating role of small business, those meetings led to passage of the Regulatory Flexibility Act and the Paperwork Reduction Act — two laws designed to lighten costly, time-consuming federal reporting requirements.

President George W. Bush focused his 2008 economic stimulus plan on tax relief, two-thirds of which went to rebate checks for 117 million U.S. families. For business, Bush's plan included \$50 billion in tax incentives for investing in new plants and equipment, the idea being that such expansions would keep or create jobs.

Earlier this year, the Obama administration pushed Congress to pass a \$787 billion stimulus package that, to date, has not overcome the pace of job loss.

Economist Peter Morici at the University of Maryland argues that the temporary tax cuts provided in that package failed to generate additional business spending. Instead, he says, it handed out too much research money and did not spend enough on infrastructure projects that could have created 2 million jobs.

Whether that recovery package was not big enough or whether it was an unfortunate raid on the U.S. treasury continues to be debated.

The Economic Policy Institute, a liberal research organization, recommends that the federal government spend \$40 billion a year for the next three years to create public-service jobs, directly putting unemployed Americans to work.

The Cato Institute, a libertarian think tank, recommends corporate income tax cuts, along with steep cuts in government spending.

Schramm's prescriptions for job growth would include amending immigration rules to grant visas to immigrants who found companies. Statistics show, he said, that 10 percent of net job creation from 1994 to 2006 occurred in immigrant-founded technology companies.

Many of the business leaders in attendance are likely to share their fears about the ever-rising deficit, the still-limited access to capital, and the still-unknown details of health care reform. Until there is resolution on those points, there is scant expectation that a day of discussion will jump-start private-sector job creation.

Big ideas

Leading job creation proposals:

- Federal government directly employs people in public-works and public-service jobs.
- Tax credits go to private-sector employers who add jobs.
- Tax cuts go to corporations and wealthy proprietors to free capital for expansion.

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Areas considered ripe for job creation:

- "Green" (environmental or energy-saving)
- Exporting
- Public infrastructure
- Small business
- Training or retraining for low-skilled or displaced workers

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