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The Marathon Economic Talk America Needs

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What if, instead of a debt ceiling, the United States had an unemployment ceiling? What if President Obama vowed to summon congressional leaders to the White House every afternoon, from sweltering summer into the gray misery of another Redskins' season, until they struck a deal to create millions of jobs in short order?

What if everything—everything—was on the table?

That's the economic debate that 14 million unemployed Americans are waiting to hear from Washington right now.

At the moment, arguments over raising the federal borrowing limit—an economic crisis manufactured by politicians in Washington—are consuming Congress and the president. Economists say that not raising the limit by August 2 would almost certainly grenade the nation's fragile recovery. As Nigel Gault, chief U.S. economist for IHS Global Insight, wrote on Wednesday, failing to raise the ceiling by then would force cuts equivalent to 40 to 45 percent of federal spending, "driving the economy into recession and financial crisis."

The debt-ceiling debate has become a vehicle for negotiations over what economists generally describe as a medium- to long-term economic concern: the threat of mounting government debt dragging down future growth.

But growth is anemic now. Unemployment has inched back to 9.2 percent. Conservative and liberal economists agree that kicking job creation back into gear is the most critical challenge facing the nation. Federal Reserve Board Chairman Ben Bernanke warned Congress on Wednesday not to neglect the jobs crisis. So what if Congress and Obama agreed to solve—at least temporarily—the debt-ceiling problem, returned to the deficit debate later, and focused their negotiating energy on jobs?

Of course, many Republicans argue that the problems are one and the same, and that cutting spending and balancing the budget will unleash growth right away. There's little empirical evidence that's the case. It certainly hasn't been true in England, which is mired in a near-economic standstill after committing to budget austerity last year. Researchers at the International Monetary Fund reported recently that fiscal contractions to balance budgets have, over history, consistently reduced growth and employment in the near term.

Still, if GOP leaders want to push for economically stimulative budget cuts as part of a grand bargain on job creation, they should. But in marathon jobs negotiations where everything is truly on the table, Obama and Congress might start by debating several ideas, not all of which work in harmony:

Dramatically opening up trade. Approve the pending free-trade agreements with South Korea, Panama, and Colombia. Accelerate negotiations on a Trans-Pacific Partnership with Asia. Tear down tariff barriers with the European Union “as a down payment on a broader deal that covers services and investment,” as Tom Donohue, the head of the U.S. Chamber of Commerce, advocates. The chamber estimates that would lead to tens of thousands or hundreds of thousands of new jobs.

Cracking down hard on unfair trade. Pass a law firing back at China for manipulating its currency and depressing imports from the United States; such a crackdown would help “level the playing field for American manufacturers,” as Sen. **Sherrod Brown**, D-Ohio, puts it. Forcing China to allow its currency to appreciate to fair value would support up to 2.25 million new jobs, according to the liberal Economic Policy Institute.

Taking charge of the housing crisis. A foreclosure glut and free-falling home prices have saddled American households with crippling debt levels that depress consumer spending and hinder the creation and expansion of small businesses. The government could aggressively force banks to write down loans for underwater homeowners, or, conversely, rapidly accelerate the foreclosure process in hopes of “clearing” the market soon.

Cutting corporate tax rates (and then simplifying the code). The United States has one of the world's largest top marginal corporate tax rates, 35 percent. Cutting it to 20 percent or lower, and cleaning out tax loopholes and deductions, would

stimulate growth, hiring, and corporate investment that would otherwise flow abroad, conservative economists such as Chris Edwards of the Cato Institute contend.

Spending heavily on infrastructure. A favorite of business, unions, and the president, a national infrastructure bank and/or a “Green Bank” reserved for clean-energy projects such as smart-grid components or electric vehicle charging stations, would start with a major government down payment but leverage hundreds of billions of dollars in private investment. It would be a jobs bonanza for hard-hit construction workers.

Welcoming a tidal wave of new immigrants. The easiest way to boost America’s consumer spending might be by inviting more people to America. Millions of guest workers flooding the country would boost growth, and economic research suggests that they won’t depress wages or employment. As economic blogger Adam Ozimek wrote recently, “Immigrants buy stuff; that means businesses sell more, and they need to expand and hire new workers.” Bonus: Those immigrants need to live somewhere.

