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Save this job

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TYLER COWEN reads a *New York Times* piece on the roots of Germany's (considerabe) recent economic success, which contains the quote:

> *A vast expansion of a program paying to keep workers employed, rather than dealing with them once they lost their jobs, was the most direct step taken in the heat of the crisis.*

And Mr Cowen says:

> *I would describe this as a major, still uninternalized lesson of the recent crisis, with its roller coaster-rapid dips. In a highly specialized modern economy, it is much easier to prevent jobs from being destroyed than to create them again, at least assuming those are "good" jobs in the first place. (Yes, people thought they knew this but it's an even stronger difference than had been believed.) The U.S. auto bailout, for instance, worked better than did most of the stimulus program. Most of the Austrians would disown this point, but you can pull it right out of Lachmann's Capital and its Structure.*

Arnold Kling dissents:

> *On the larger point, keep in mind that in an ordinary non-recession month 4 million jobs are destroyed and about 4.2 million jobs are created. Suppose that in a bad month of a recession, 4.0 million jobs are created and 4.5 million jobs are destroyed. Which of those 4.5 million jobs ought to be saved, because they might come back in a stronger economy? No one in Washington knows.*

The programme in question is Germany's *kurzarbeit* scheme, in which firms are encouraged to reduce hours across the board rather than sack workers, and reduced salaries are subsidised by the government. As a stimulative policy there is a lot to recommend it. But I think Mr Cowen muddies the discussion here with the difficult to judge statement that the auto bail-out "worked better" than did "most of the stimulus program". And in doing so he invites criticisms of the sort Mr Kling levels.

The question, of course, is which jobs to save, and the irony of the situation is that had America had a robust work-sharing programme in place, it probably would not have saved Chrysler and General Motors. Reduced demand impacted all car companies, but not all car companies were thereby brought to death's door. Indeed, one of the great virtues of a work-sharing plan is that by reducing uncertainty and job loss it would have moderated the decline in consumer demand. This would have improved the fortunes of the more structurally sound carmakers (including, one supposes, Ford) and made the possibility of a GM bankruptcy seem less dire. A work-sharing programme may not be the ideal intervention, but it may well have rendered unnecessary even worse interventions like Cash for Clunkers and the carmaker bail-outs. And that's a strong point in its favour.

And the difference in a formal work-sharing programme and a heat-of-the-moment bail-out is that it keeps the government out of the decision of what jobs to save. Washington can admit that it doesn't know which specific jobs no longer make sense, only that it's confident amid a credit crisis and demand shortfall that firms are unable to preserve jobs that would ordinarily be economical to maintain.