

# The Republican Shell Game With Jobs and the Economy

The problem with the United States today is that as a population we can't agree on and stay focused on the problem. We all agree at some level that the biggest problem is the lack of jobs. It is hard to ignore. However, contrary to the opinion of some, there are certain objective aspects that can be supported or refuted by data. For example:

## Some things that are not problems:

1. There is no lack of investment money. Investors have trillions of dollars parked on the sidelines, in many cases I suspect, wishing there were enough good bets to move it back into the economy.
2. There is no current or apparent short-term problem with inflation.
3. Regardless of what the credit agencies say, investors still consider U.S. debt the safest investment compared to all the others, consequently there is more demand to loan money to the U.S. than the U.S. is willing to borrow. The result: the interest rate the U.S. pays on new debt has gone down, not up, since the downgrade.

## Some things that are problems:

1. A lack of customers (consumer demand)
2. A lack of jobs (the reason we have a lack of customers)

## Solutions that will not work because they address the wrong problem:

1. *Lowering interest rates by the Federal Reserve*
2. *Reducing taxes and maintaining tax loopholes for the wealthiest Americans and large corporations*

These won't work because availability of investment money is not the problem.

- a. It is not good business to lend money to people or companies that can't pay it back, like people without jobs or companies without demand for their goods or services. There is more money to invest than the availability of even marginal investment opportunities, therefore making even more investment money available will have little to no effect.
  - b. Companies do not hire employees because they have more money (net profits). They hire employees because they can't meet their current demand or opportunity with their current employees, so once again, having more money available will have little or no effect on job creation.
3. *Cutting government expenditures during the current economic crisis*
    - a. The data do not support the assertion that the markets are overly fearful of the current U.S. debt. If they were, the interest rates the U.S. has to pay on its treasury bonds would be going up, not down. Not to say people don't believe we need to do something about controlling costs, but their actions say they do not think this is the most serious immediate concern.
    - b. Cutting government expenditures makes the problem worse by reducing demand in their role as a major customer of goods and services and by reducing the number of other customers in the market by cutting government jobs or reducing government employee wages or benefits.

## **Solutions that have a chance to work**

1. ***Governments spending more money and creating demand as a customer for goods and services and creating more customers by paying people decent wages to do jobs that need to be done.***
  - a. The data indicate that in our current economic situation private industry has not, and apparently cannot, create enough demand in their own purchases or enough jobs from meeting their own demand to even maintain our current precarious economic situation.
  - b. The only thing government has direct control over is government spending, and the current circumstances indicate we need to be doing more at all levels of government, not less.
  - c. If you are going to repair our infrastructure, now is the time to do it. We can borrow money at lower interest rates than at anytime in the recent past, and we are not competing with other private projects for the goods and services required, so inflation is not a factor.
  
2. ***Paying for at least part of the increased spending by raising taxes and cutting loopholes for the wealthiest individuals and largest corporations.***
  - a. This is where the bulk of the private investment money is pooled. Any tax cuts they get are going to increase that pool on the sidelines, and any tax increases (either direct or by cutting loopholes) are going to have virtually no affect on actual investment (there is no good place to invest) or consumption (they have discretionary income meaning they already purchase anything they likely are going to purchase).
  - b. *At this point, investing in government infrastructure projects is probably the most productive use of their sidelined investment dollars. An improved economy floats all boats (including theirs) and an updated infrastructure increases their investment options and opportunities in the future. Increased taxes are their best investment!*
  - c. Because of the loopholes and tax breaks, many of the individuals and corporations in this group *currently pay a smaller percentage of their income in taxes* than most people in the middle class.
  - d. Increased spending in the areas of government being targeted for cuts today did not cause the current deficit. It was caused by the tax cuts from the previous Republican administration and the simultaneous expenditures of two unfunded wars. Reversing some or all the taxes cuts is the most fiscally responsible thing we could do if immediate deficit reduction really is that serious of a problem.

## **The Shell Game (where are the jobs?)**

Republicans claim they want to create jobs. However, when given the opportunity they insist that additional funding for any jobs bill (be it bridge repair or disaster assistance for hurricane Irene) be “offset” by spending reductions in other areas.

As should be apparent from the data above, what this means is that while they *look* like they are “creating” jobs by passing the bill, in fact they are insuring that the jobs created are taking away jobs (created by government spending) somewhere else. Thus they really insure that joblessness remains at the level where it started. That is why unemployment levels have not changed significantly!

So far they have been successful at playing this shell game and keeping the economy in the doldrums by switching the immediate *perceived* problem from jobs to deficit reduction, or tightly coupling the two in the public’s mind. They repeatedly harp on common slogans that reinforce this artificial connection. Their bet is that if the economy does not improve by the next presidential election that the U.S. electorate will do what they always do, vote for the only other choice in town. It will not matter that the other choice is advocating more of the same policies that drove the car into the ditch in the first place and wants to

continue policies that are likely to drive it further down the ravine. What other alternative does the electorate have to show their displeasure with the inability of the current administration to correct the jobless situation in three years while simultaneously trying to win the “fixed” Republican shell game?

In 2012 we will see who was correct, Adolph Hitler or John Adams:

*“The receptivity of the great masses is very limited, their intelligence is small, but their power of forgetting is enormous. In consequence of these facts, all effective propaganda must be limited to a very few points and must harp on these slogans until the last member of the public understands what you want him to understand by your slogan.” Adolph Hitler*

*“Fear is the foundation of most governments; but it is so sordid and brutal a passion, and renders men in whose breast it predominates so stupid and miserable, that Americans will not be likely to approve of any political institution which is founded on it.” John Adams*

Our founding fathers viewed our democracy as an experiment. 2012 very well may be the year that determines whether or not that experiment was a success.

Steve Telleen  
September 23, 2011