



Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

**Response to Speech by Christina Romer
“The Continuing Unemployment Crisis:
Causes, Cures, and Questions for Further Study”
Washington University in St. Louis**

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In her excellent *New York Times* op-eds and today’s speech, Romer has emphasized that, in her view, most of today’s unemployment problem is cyclical—due to lack of demand, which causes businesses not to invest, and therefore jobs not to be created. Her evidence on this is compelling.

Nevertheless, Romer also acknowledges that some unemployment may be “structural”, which usually means a “mismatch of workers and jobs”. As Romer explains, in a very deep recession, structural explanations may become more relevant.

Whatever portion of unemployment is due to insufficient demand vs. structural constraints is in some respects not the most important issue. Policy solutions can address both.

Today there are five unemployed people for each available job. Unemployment is still near 9%.

And “unemployment” as it is officially measured is not a sufficient measure of labor supply. Many people have given up looking for work, and are therefore not counted among the unemployed. Overall, the economic recovery is so weak that it is not pulling people back into the measured labor force. In the past two recessions, the US economy has generated more of these “discouraged” workers.

If we focus on counting the employed (instead of the unemployed), the employment to population ratio has declined from a peak of over 64% in 2000 to just over 58% in 2010. This is the lowest level since 1983.

Thus, compared to the year 2000, perhaps 9 million additional people are no longer even looking for a job.

Where do they go? What do they do? Unfortunately, we do not have much research on this.

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Washington University in St. Louis

Older workers “retire” and live on less. Some younger workers return to school, but many others patch together an existence of part-time or informal economic activity, with limited possibilities of bridging again to the mainstream labor market. At best, most of these millions of people will live reduced lives, with less income and less security.

For some populations, this pattern has reached extraordinary proportions.

For teenagers, the employment to population ratio stood at 45% as recently as 2000, but was down to 25% by 2010.

For African American teens, the employment to population ratio was under 12% in 2010. In other words only 1 in 8 black teens is now employed.

Yet not all black teens have given up. The unemployment rate for African American teens reached a shocking 49% in September 2010. In other words, another 12% of young African Americans are still trying to find work, but face long odds.

The United States may be at risk of a “lost generation” of young people, especially young people of color.

In earlier eras—the 1930s and again in the 1960s—labor market conditions and social unrest generated vigorous national discussions and substantial policy responses directly aimed at creating jobs.

Current policy response

What is being done today? For the most part, federal policy has provided fiscal stimulus and exceptional monetary ease.

What has been the employment effect of these stimulative policies? Perhaps substantial—they have stopped the sharp slide down. But as Romer points out, labor market improvements have been slow, unlike recoveries from typical recessions. At the pace of job creation over the past three months, the US economy will not reach an unemployment rate of 5% until 2025.

Persistent high unemployment has very negative long-term consequences for families and communities, and eventually risks social instability. We should do everything possible to get more Americans back to work.

Yet general stimulus may be a blunt policy instrument in the current economy. Households, which comprise 70% of the US economy, are in still very much in trouble. As Steve Fazzari and other panelists emphasize, household incomes have stagnated, they have carried too much debt, and home values have declined. Household spending will be constrained for years ahead. With weak consumption, business investment will also remain weak, and job creation tepid.

Moreover, general stimulus may be an especially blunt instrument for job creation among the populations who are most disadvantaged. As I mentioned previously, many young people of

color are very far removed from a real job. They may need a different pathway into adulthood and eventual formal employment.

Toward active employment policy

A reasonable case can be made that labor market improvements will remain insufficient in the absence of an active employment policy. By this I mean policy directly aimed at creating jobs.

I don't think that Romer would disagree. As head of the Council of Economic Advisors, she has proposed a program to hire teachers and a major tax credit for first time job creation. A weaker version of the tax credit has been enacted.

What other options do we have?

Romer learns from history. Especially she looks at the Great Depression as a venue for learning about extreme economic circumstances.

Romer refers to Franklin Roosevelt's policy activism in the 1930s. We can recall that during the Depression, FDR directly created employment.

In his 1933 Inaugural Address, with the unemployment rate at 25%, Roosevelt said:

Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the Government itself, treating the task as we would treat the emergency of a war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources.

It happens that I researched and wrote my doctoral dissertation on the Civilian Conservation Corps (the "CCC") of the 1930s, which Roosevelt initiated almost immediately after taking office. I studied this program because it was by all accounts very successful, and I wanted to know why.

The CCC was Roosevelt's vision—to bring together two wasted resources: young people and the America land, in an attempt to save both.

The CCC was effective in multiple ways. It employed more than 3 million Depression-era male youth and adults, an average of 300,000 at a time. They learned skills and gained weight on "three squares a day". Money was sent home to sustain their families of origin.

Huge contributions were made to natural resources. As of the 1960s, half the forest planting in the history of the United States had been done by the CCC. Most of the state park infrastructures in American, and a good portion of the national park infrastructures, were built by the CCC. Altogether, the CCC turned out to be a remarkably good investment.

The CCC enjoyed wide bipartisan support. Participants remained very positive about their work in the CCC. It is one of only a few social programs in American history that has generated an alumni association.

The CCC was a forerunner to Youth Employment Programs in 1960s and 70s. Its positive reputation greatly influenced the creation of Job Corps, Summer Youth Employment Program, and many state and local conservation corps still in existence. Many of these programs are now under the umbrella of AmeriCorps, created in 1993 by President Clinton.

Why not a Civilian Conservation Corps for 21st Century?

The US labor force in 2011 is about three times as large as in 1933, so a “CCC for the 21st Century” would hire nearly one million young people.

We might also note that Roosevelt’s (and Harry Hopkin’s) Works Progress Administration (WPA) was about ten times as large as the CCC, and employed 3 million people at a time, sometimes more. Thus, a WPA in today’s labor market would employ about 9 million people.

Note the size of these initiatives. An activist employment policy of this scope in today’s economy would eliminate unemployment as a social and economic problem.

Very likely a 21st Century CCC would not be public employment program like the old CCC, but rather would support jobs in a wide range of public, non-profit, and even private sector enterprises.

What would a 21st Century CCC do?

As Romer indicates, President Obama has recommended more public investment for green jobs and infrastructure.

Regarding “green jobs”, I wonder if the rhetoric is more romantic than realistic. Unfortunately, the US is far behind in the global competition for green economy production. To be sure, our competitive position in green jobs can be rebuilt, and we should aim to do this, but this is a long-term undertaking.

In the meantime, conservation is also extremely important and so much more can be done immediately. A conservation-oriented CCC could aim to drop domestic energy use by one-third or even one-half. Activities could be to weatherize homes and businesses, install timers, upgrade furnaces and appliances for greater efficiencies, install solar and wind devices, create local transportation systems that avoid cars (including far more sidewalks and bicycle lanes), and dozens of other possibilities. . . . Note that many of these tasks do not require highly skilled labor.

Turning to infrastructure, the United States has a massive infrastructure deficit. As a percent of GDP, spending on transportation and water infrastructure has fallen from 3.1% in 1959 to 2.4% in 2007. Most of the decline was due to a drop in federal spending.

The American Society of Civil Engineers estimates that the US needs \$2.2 trillion in infrastructure spending over next 5 years, of which \$1.8 trillion has not been budgeted.

Most infrastructure jobs require skills, but the US has massive unemployment among construction workers of all kinds—this is a labor force that is ready to go to work.

Vision and leadership

With the exception of Professor Romer and a few others, it sometimes seems that federal policy makers have limited interest in the unemployed. While this is surely not the reality, this is unfortunately the public's perception. The policy rhetoric has been dominated by financial stability, budget deficits, quantitative easing, and other topics.

The President is clearly concerned about unemployment, but he does not call sufficient attention to those who are hardest hit. He has been reluctant to talk about the most disadvantaged. If he does not lead on this, who will?

At exactly the wrong time, the House Republicans propose eliminating AmeriCorps—which employs 70,000 young adults, and could become the framework for a much larger service and employment initiative. This is sadly misguided policy position.

Today we hear few proposals for direct employment creation. We should have many more.

A “CCC for the 21st Century” is one idea. Marion Crain offers the promising concept in job sharing. Let us seriously consider these proposals and others.

Foremost we should ask: Why we are not studying and debating a wider range of options?