

# Against Job Guarantee

**various contributions**



**Democrats' frightening embrace of socialism**

# Democrats' frightening embrace of socialism

 [washingtonpost.com/blogs/post-partisan/wp/2018/05/07/democrats-frightening-embrace-of-socialism](https://www.washingtonpost.com/blogs/post-partisan/wp/2018/05/07/democrats-frightening-embrace-of-socialism)

by [Ed Rogers](#) May 7 [Email the author](#)

Speaking at an event in New York City last week, Hillary Clinton said something interesting about Democrats today and their lurch to the left. Clinton said being a capitalist “probably” hurt her when campaigning against democratic socialist Sen. Bernie Sanders (I-Vt.) in 2016. Think about that. Part of the reason so many Republicans are frozen like a deer in headlights when it comes to President Trump is the horror of thinking about Clinton as president. It is stunning to realize how in today’s Democratic Party, being a capitalist is something one must either apologize for or at least give qualified acceptance. Talk about nostalgia for the 1950s. It seems that socialism is making a comeback.

I think if Bill Clinton had been asked the same question Hillary was, he would have thought it was a softball and proceeded to give a valuable history lesson on the negative impact of socialism versus the global benefits of capitalism. Of course, Hillary Clinton’s instinct is to pander and hedge, but it is nevertheless revealing that she thought she had to do so to keep from alienating the socialists.

Democrats want to talk about Republicans living in the past, but the new progressives, as they like to call themselves, are in fact a lot like the old socialists. They want free college, free cash, free health care, new mandates for this and that, and so on. The latest progressive policy du jour to be gaining traction among Democratic Party presidential hopefuls is the so-called “job guarantee.” Sen. Cory Booker (D-N.J.) announced one, Sen. Bernie Sanders (I-Vt.) has one in the works, and Sen. Kirsten Gillibrand (D-N.Y.) says she supports the idea too. Yet there are some signs of intellectual honesty on the left. Kevin Drum, a liberal blogger for the progressive gospel Mother Jones, thinks the jobs guarantee is a ludicrous idea: “Even our lefty comrades in social democratic Europe don’t guarantee jobs for everyone. It would cost a fortune; it would massively disrupt the private labor market; it would almost certainly tank productivity; and it’s unlikely in the extreme that the millions of workers in this program could ever be made fully competent at their jobs.” Well said.

If Democrats go down this road, their only way forward will be to one-up each other in every primary election. Clueless liberals such as Facebook co-founder Chris Hughes want to guarantee \$500 per month for every American earning less than \$50,000 a year. But why not \$550? Or should we go ahead and call it an even \$600? A guaranteed monthly stipend would become the floor. And every subsequent election would be a referendum on whether voters want to support the candidate promising the larger pay raise from Washington. Is that where we want our elections to go?

Anyway, Clinton’s admission of the Democrats’ matter-of-fact acceptance of socialism couldn’t have been any timelier. Saturday marked the bicentennial of Karl Marx’s birth, and as Paul Kengor reminded us in his smart Wall Street Journal commentary last week, Marx’s

communist philosophy “set the stage ... for the greatest ideological massacres in history.” Marx’s rebuke of capitalism and individual property rights inspired the likes of Vladimir Lenin, Leon Trotsky, Mao Zedong, the Kim family, the Castros and countless others to wage mass murder against millions of innocents.

But never mind that, at least according to many of today’s millennial voters. According to the 2017 YouGov-Victims of Communism Memorial Foundation Report on U.S. Attitudes Toward Socialism, more millennials would prefer to live in socialist countries than they would in capitalist countries. That fact reveals a powerful force shifting today’s Democratic Party. Barack “you didn’t build that” Obama and his contempt for private business is starting to seem quaint. It certainly means every Democrat running for president in 2020 will be asked if they favor socialism or capitalism. It will be interesting to see if they blush, stammer and wince, or if any of them will have the confidence to give a robust endorsement of free enterprise and a historically accurate critique of socialism vs. capitalism. I’m not holding my breath.

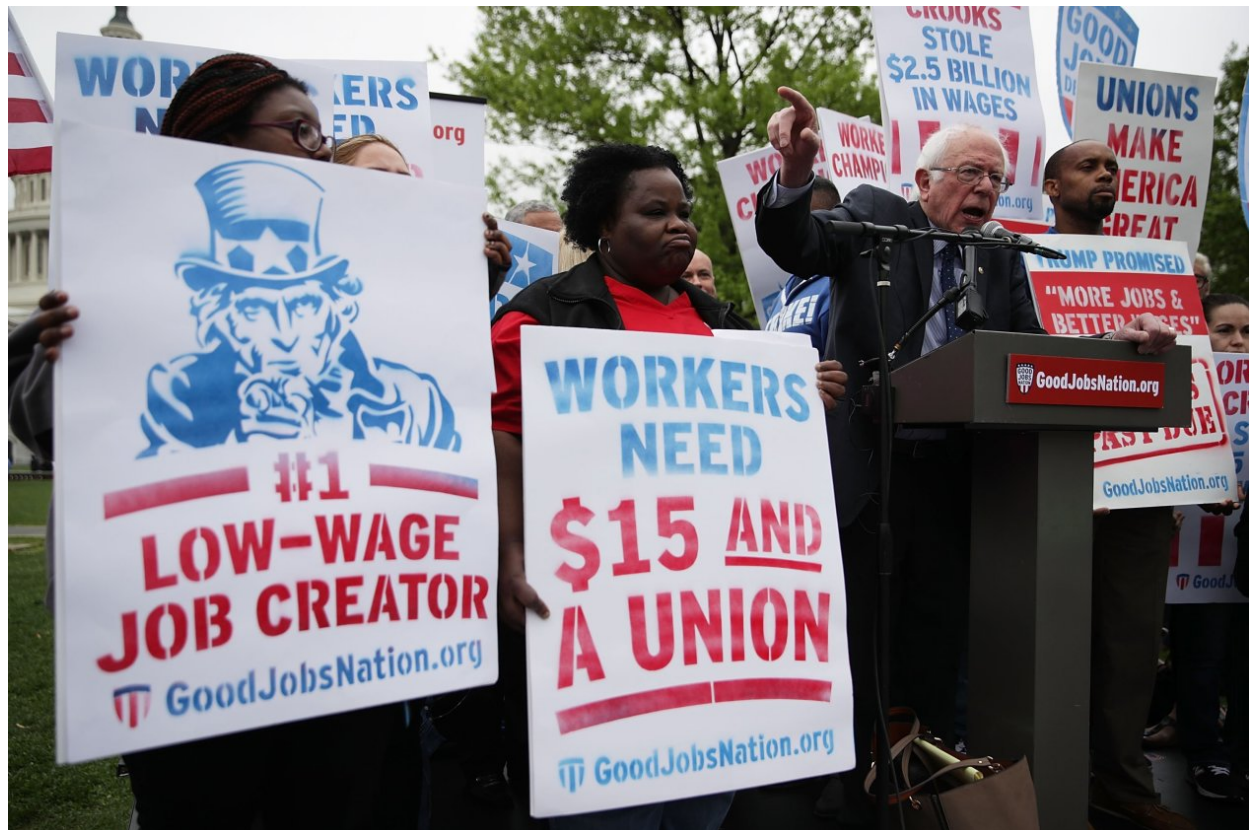
Rather than there be a wholesale capitulation to the shallow-minded embrace of socialism, I hope at least a few Democrats will have the courage to teach millennials and others the history of socialism’s debilitating, murderous past and the historic human advancement that has been produced by a free market. Remember, socialism is just a kinder, gentler version of communism. Democrats should think twice before they abandon capitalism.

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# The Problem With a Federal Jobs Guarantee (Hint: It's Not the Price Tag)

WSJ [wsj.com/articles/the-problem-with-a-federal-jobs-guarantee-hint-its-not-the-price-tag-1525267192](https://www.wsj.com/articles/the-problem-with-a-federal-jobs-guarantee-hint-its-not-the-price-tag-1525267192)

Greg Ip, *The Wall Street Journal*, May 2, 2018



Sen. Bernie Sanders, shown speaking at a rally in Washington, D.C., on April 26, is drafting legislation that would guarantee a \$15-an-hour job to anyone who wants one. Photo: Alex Wong/Getty Images

By

May 2, 2018 9:19 a.m. ET

In 1944, Franklin D. Roosevelt proposed a second bill of rights enshrining the right to a job and a decent income. More than 70 years later, many on the left say it is time to deliver.



Vermont Sen. Bernie Sanders, a Democratic presidential candidate in 2016 and likely again in 2020, is drafting legislation that would guarantee a job to anyone who wants one, at \$15 an hour plus benefits. New Jersey Democratic Sen. Cory Booker has proposed a somewhat less ambitious version.

Why now? Unemployment was 20% or more when Roosevelt put millions to work through the Civilian Conservation Corps and Works Progress Administration. Nowadays, full employment is part of the Federal Reserve's mandate, and while its record has blemishes, today it can claim mission accomplished. With the unemployment rate now at 4.1%, mainstream economists consider the U.S. effectively at or beyond full employment; Letting unemployment go lower risks shortages and inflation.

But the big thinkers behind the federal jobs guarantee have their eyes on a bigger prize. That 4.1% only represents the 6.6 million who are unemployed under the Labor Department's official definition. Another 5.1 million don't meet it but want a job, and 5 million work part time because they can't find full-time work. Eradicating these last vestiges of un- or underemployment "would fundamentally transform the current labor market," write Mark Paul, William Darity and Darrick Hamilton in a [paper for the Center on Budget and Policy Priorities](#), a left-of-center think tank. Their proposal, which forms the basis of Mr. Sanders's bill, would "significantly alter the current power dynamics between labor and capital" by forcing all employers to match the federal standards for pay and benefits.

Yes, a job guarantee would cost a fortune, but ignoring the obvious political impediments, the price tag isn't the catastrophe some critics claim. To hire all the official and unofficial unemployed and half the involuntary part timers at \$15 an hour plus \$3 an hour for benefits would cost around \$450 billion, or 2.3% of gross domestic product. The actual cost could be much lower: Many of the unemployed won't take up the federal offer because they expect to get something better, don't like what's being offered, or face some sort of obstacle (family, disability, etc.).

Also, some of what gets spent on salaries will be saved in reduced Medicaid, tax credits, unemployment insurance and other safety net outlays. Five [scholars at the Levy Institute](#), a think tank, have advanced a plan they say will cost just 1% to 1.5% of gross domestic product. The federal government spends three times that on Social Security and twice that on defense.

The price tag would jump in recessions as laid-off people flock to the program. That's a feature, not a bug: By automatically injecting public money into the economy, it would prop up spending, private employment and tax revenue, lessening the recession's severity. And unlike universal basic income, another fashionable idea for reducing inequality in which everyone gets a check regardless of whether they work, a jobs guarantee gets the taxpayer something in return: workers.

That, however, is also the problem.

Here's why. According to the Economic Policy Institute, 39% of the workforce, some 54 million people, now earn \$15 an hour or less. All would have an incentive to quit and join the federal program.

Of course, most wouldn't because their employers would, grudgingly, raise pay to keep them, then pass the cost on to customers, a de facto inflation tax. Indeed, advocates say the job guarantee accomplishes the same thing as a \$15 minimum wage without the job loss.

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Nonetheless, potentially millions of workers would end up on the federal payroll instead of in the private sector. And there's the rub. Utopians would argue jobs exist to give people dignity and a decent standard of living. The reality is more mundane: Jobs are how people, as producers, satisfy their needs as consumers. Low-paid work such as brewing coffee, cleaning hotel rooms and flipping hamburgers gets a bad rap but it satisfies a genuine

demand: People want coffee, clean hotels and hamburgers.

A federal make-work program would crowd out many of those private services. Crowding out is fine when the government is providing something more valuable, Roger Farmer and Dmitry Plotnikov, economists at the University of California at Los Angeles, wrote in 2010.

For example, military spending crowded out private consumption during World War II, when the U.S. “was fighting for its survival.”

In ordinary times, that is a harder case to make. A 2011 study by Lauren Cohen, Joshua Coval and Christopher Malloy of Harvard Business School found that when a member of Congress takes over an important committee, his state often enjoys an influx of federal spending. But that benefit is offset by a contraction in private investment and employment, evidence of crowding out.

Enabling workers to make a decent living is a noble goal; even better is enabling them to do so while serving the needs of a market economy. Small steps could include curbing barriers to employment such as excessive incarceration and inadequate child care, and providing more generous earned-income tax credits to top up low wages. One big step: for the Fed to get unemployment below 4%, and keep it there.

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# The Job Guarantee Controversy

[conversableeconomist.blogspot.fr/2018/04/the-job-guarantee-controversy.html](https://conversableeconomist.blogspot.fr/2018/04/the-job-guarantee-controversy.html)

With Senator Bernie Sanders in the forefront, some Democratic members of Congress are planning a bill to guarantee jobs that pay \$15 per hour, not including mandatory benefits packages, for all Americans. Legislative details have not yet been announced (!), but several sets of plan have been published recently, including on the website of the Sanders Institute, which was founded by Jane O'Meara Sanders, wife of the senator. Here, let's run through a couple of the more prominent plans, and then list on criticisms that have been bubbling up--with a focus on critiques from writers typically identified as being on the political left.

The Sanders Institute has recently blogged about a report called 'Public Service Employment: A Path to Full Employment,' by L. Randall Wray, Flavia Dantas, Scott Fullwiler, Pavlina R. Tcherneva, and Stephanie A. Kelton, published in April 2018 by the Levy Economics Institute of Bard College.

"We propose the creation of a Public Service Employment (PSE) program that would offer a job at a living wage to all who are ready and willing to work. This is a "job guarantee" program that provides employment to all who need work by drawing from the pool of the otherwise unemployed during recessions and shrinking as private sector employment recovers. Federally funded but with a decentralized administration, the PSE program would pay \$15 per hour for both full- and part-time positions and offer benefits that include health insurance and childcare ..."

The paper presents a model to estimate what the US labor market would have looked like in late 2017 with such a program in place. The estimate is that about 15 million workers would be receiving public service employment jobs through the program. In addition, the report argues that the buying power of those workers would create an economic boom such that the the number of jobs in the private sector would expand by 4 million. For comparison, the US economy has about 6.5 million unemployed workers at present. Thus, the forecast involves about 12.5 million adults who are currently "out of the labor force" and no longer looking for jobs who would re-enter the labor force.

Estimated cost to the federal government of the jobs would run \$400-\$500 billion, but the government would also have higher tax revenues (from more workers) and a savings of perhaps a couple of hundred billion from less spending on anti-poverty programs and Medicaid. The report states: "[T]he PSE program would lower spending by all levels of government, as well as by businesses and households, on a range of costly problems created by unemployment. It is possible that the program would "pay for itself" in terms of savings due to reduced crime, improved health, greater social and economic stability, and larger reductions in Medicaid and EITC expenditures than those assumed in the simulations ..."

The report only sketches how such a plan would be implemented, but the broad is that it would be federally funded and locally administered, with local and state agencies seeking out the job opportunities. The public service employment jobs would be focused on jobs in three areas:

Environment: "The jobs will tackle: soil erosion; flood control; environmental surveys; species monitoring; park maintenance and renewal; removal of invasive species; sustainable agriculture practices to address the "food desert" problem in the United States; support for local fisheries; Community Supported Agriculture (CSAs); community and rooftop gardens; tree planting; fire and other disaster prevention measures; weatherization of homes; and composting."

Community: "Jobs can include: cleaning up vacant properties, reclaiming materials, restoration, and other small infrastructure investments; setting up school gardens, urban farms, co-working spaces, solar arrays, tool libraries, classes and programs, community theaters, and oral history projects; building playgrounds, pedestrian areas, and bike lanes; and organizing carpooling, recycling, reuse, and waste collection programs."

Care for people: "Projects would include elder care, afterschool programs, and special programs for children, new mothers, at-risk youths, veterans, former inmates, and people with disabilities. One advantage of the PSE program is that it also provides job opportunities to people from these groups who are seeking work. In other words, the program gives them agency. For example, the at-risk youths themselves would participate in the execution of the after-school activities that aim to benefit them; veterans can work for and benefit from different veteran outreach programs. Such jobs can include: organizing afterschool activities in schools or local libraries; facilitating extended day programs; shadowing teachers, coaches, hospice workers, and librarians to learn new skills and assist them in their duties; organizing nutrition surveys in schools and health awareness programs for young mothers. The PSE program will also organize urban campuses, co-ops, afterschool programs, adult skill classes, apprenticeships in sustainable agriculture, and all of the above-mentioned community care jobs, training a new generation of urban teachers, artists and artisans, makers, and inventors."

A broadly similar but distinct-in-the-details approach to a federal job guarantee program is laid out by [Mark Paul, William Darity, Jr. , and Darrick Hamilton](#) in "[The Federal Job Guarantee—A Policy to Achieve Permanent Full Employment.](#)" written for the Center on Budget and Policy Priorities (March 9, 2018). The same set of authors, plus Khaing Zaw, have also written "[A Path to Ending Poverty by Way of Ending Unemployment: A Federal Job Guarantee.](#)" which appeared in the February 2018 issue of the *Russell Sage Foundation Journal of the Social Sciences* (4:3, 44–63). Here's some information on the idea from the CBBP paper:



"The permanent establishment of a National Investment Employment Corps (NIEC). The NIEC will provide universal job coverage for all adult Americans. ... The federal job guarantee would provide a job at a minimum annual wage of \$24,600 for full-time workers (poverty line for a family of four) and a minimum hourly wage of \$11.83. Workers would have the opportunity to advance within the program, rising from the minimum wage in the program to an estimated mean salary of \$32,500. The wage would be indexed to the inflation rate to ensure that the purchasing power of enrollees is maintained and the wage will vary to allow for some degree of regional variation. ... To provide a true non-poverty wage and meet the fundamental rights of American citizens, the policy will include health insurance for all full-time workers in the program. The health insurance program should be comparable to that offered to all civil servants and elected federal officials. In addition, the NIEC would offer benefits such as retirement plans, paid family and sick leave, and one week of paid vacation per three months worked. ..."

"The NIEC can be deployed to cover a wide scope of activities including, but not limited to, the repair, maintenance, and expansion of the nation's infrastructure, housing stock, and public buildings; energy efficiency upgrades to public and private buildings; assistance with ecological restoration and services to reduce the country's carbon footprint; engagement in community development projects; provision of high-quality preschool and afterschool services; provision of teachers' aids; provision of high-quality elder care and companionship; rejuvenation of the nation's defunded postal service; support for the arts; and other activities that shall support the public good."

For January January 2018, the estimated total cost to the federal government of the jobs would be \$543 billion, which again could be offset to some extent by lower government payments on existing programs for those with low incomes.

I've described these job guarantee proposals in neutral terms. I do think the US job market needs a genuine shake-up along a number of dimensions, which I'll briefly sketch at the end of this post. I give the authors of such plans full credit for being willing to attach their names to some big proposals. But ultimately, I'm not not a fan of federal job guarantee schemes. Here are some of the concerns.

### **If a central government job guarantee is such a great idea, then why wasn't it already done in social democratic countries of Europe long ago?**

When a very large-scale proposal hasn't been used by those who might seem sympathetic to it, it seems wise to be suspicious of its merits. [Here's Kevin Drum at \*Mother Jones\* magazine:](#)

"This is why even our lefty comrades in social democratic Europe don't guarantee jobs for everyone. It would cost a fortune; it would massively disrupt the private labor market; it would almost certainly tank productivity; and it's unlikely in the extreme that the millions of workers in this program could ever be made fully competent at their jobs."

### **The government managerial problem**

The sheer scope of the managerial challenge is breathtaking. Here's a comment from [Josh Bivins from the Economic Policy Institute in "How do our job creation recommendations stack up against a job guarantee?"](#) (April 12, 2018):

"I don't think we have the public sector managerial capacity right now to oversee the work of 11 million people—who will be coming from varying backgrounds and labor qualifications—and ensure that they will be perceived as undertaking socially useful tasks. This is essentially three times as many people as there are K-12 public school teachers in this country today. These 11 million workers will not have a shared mission (like school teachers) or overwhelmingly have advanced education (again, like teachers). We will need to slot them into a system of management and oversight that has yet to be created or defined (unlike public education, where at least the goals and population to be served are clear enough). Further, if the private sector contracts in a recession, this number could swell within 18 months to 22 million. This would require careful management of a workforce more than 10 times as large as Wal-Mart's global labor force. Building anything like this much public sector management capacity strikes me as a project that will be years, if not decades, in the making. And attempts to do this all at once will lead inevitably, I think, to stories about how these are disorganized make-work programs and the stigma will follow."

### **The job skills mismatch problem**

Many jobs in the modern US economy require some level of skill background. For example, construction and buildings are not done by inexperienced workers wielding shovels. The idea that workers will walk in off the street, guaranteed a job, and then sent off to look after the elderly, after-school programs, or pre-schoolers rubs me the wrong way. Bivins puts the point this way:

"Darity and Hamilton have recently written very convincingly about the need to professionalize the care sector. We couldn't agree more. But we think it's precisely this need to make these professionalized, career-building jobs that make them an uneasy fit for a job guarantee. We certainly don't want child care workers leaving these jobs as soon as demand in the private sector ramps up hiring and offers higher wages. And during times when the private sector contracts, I don't think we can easily absorb people from a range of professional backgrounds seamlessly into early child care and education jobs. We certainly don't think we can slide people easily into becoming K-12 teachers during downturns, and professionalizing early childhood care and education means treating this workforce much more like K-12 teachers than they are today. One could argue this is less true for, say, jobs related to physical infrastructure investment, but, I'm not sure I believe it. Most civil construction jobs these days are skilled enough (or dangerous enough or incur enough legal liability) that it's not obvious to me that lots of people from varying professional backgrounds could just be slotted into them seamlessly during private sector contractions."

### **The geographical mismatch problem**

These federal job guarantee plans do not anticipate that workers will need to relocate to get these jobs: instead, the jobs will need to be created not too far from the existing workers. In large coastal cities, a wage of \$15/hour may not seem all that high. But think about a giant swath of the country starting in the upper midwest in parts of Michigan, Ohio, and upstate New York, then spreading down the south and across to the southwest and the Rocky Mountain states. That area includes plenty of rural counties and small-to-medium cities where a wage rate of \$15/hour, plus benefits, would be a dramatic shock to the local economy.

In certain concentrated higher-poverty areas, the federal job guarantee will be easily the best job on offer. Many of the existing local employers in those areas will be unable to match such wages, at least for a substantial share of their workforce. The disruption to the existing private employers from this kind of proposal will not be equally distributed.

### **The current worker displacement problem**

One advantage claimed for these proposals is that it will force the private sector to raise wages and benefits to match the government guaranteed jobs. Some employers may do this. But my guess is that lots of employers would undertake a two-part strategy. The first part would be to figure out how to use training and additional equipment so that it made sense to give some workers a pay raise. The second part would be to fire all the other workers. Advocates of a federal job guarantee may want to consider that in a future of guaranteed jobs, it would have a lot less political weight to protest that an employer is laying people off. It would have a lot less weight to protest that companies have a social responsibility to hire. Such protests lose a lot of their kick if all workers are now guaranteed an alternative job.

### **The unanswered unionization question**

It's interesting to me that the proposals above contain almost no mention of union workers. I'm not sure what the rationale is here. One possible hidden assumption is that none of the jobs suggested here will be in competition with any existing or potential unionized jobs. But this interpretation seem naive, and none of these authors fall into that category. It's possible that rather than stir up possible opposition from unions, these authors are choosing to lie low on this issue.

Another possible hidden assumption is that workers in the Public Service Employment jobs or the National Investment Employment Corps would be unionized. After all, government employees are now one of the heavily unionized sectors of the US economy, and this plan could thus potentially add millions of workers to their ranks.

### **The problem of workforce incentives and discipline**

The problem with a job "guarantee" is that you can't fire people. Let me stipulate that most of the people who show up for a federal jobs program do have some desire to work. But locally run programs do tend to develop a certain internal momentum. If tough-minded administrators are willing to commit the time and energy to hold workers accountable, one outcome can emerge. If in some areas the administrators just hand out the check, a different outcome will emerge. Again, the word "guarantee" means that if can make a plausible claim to have showed up at a certain worksite for a certain time, you get paid.

### **What happens to the existing anti-poverty programs?**

The working assumption in these proposal seems to be that with a federal job guarantee in place, all the existing anti-poverty programs will stay in place--although they won't be needed as much. If there is a federal job guarantee, then there will be enormous political

pressure to cut these programs. My suspicion is that what these authors envision as an option to take a federally guaranteed job will very quickly turn into a legal requirement to take such a job.

### **The budgetary costs are large and real**

The proponents of these programs are estimating costs in the hundreds of billions of dollars, and proponents for any plan often have a tendency toward overoptimism. That's a lot. (Let's gently dismiss the bits of rhetoric here and there about how these programs would pay for themselves with other cost savings, as a sort of left-wing supply-side wish-fulfillment.) Indeed, anyone who was arguing that the US government could not afford the Trump tax cut, which in round numbers was about \$100 billion per year, seems to me required by basic intellectual consistency to say that a federal job guarantee is unaffordable, too. (Of course, it would be logically consistent to argue that the Trump tax cut was affordable, but a bad idea for other reasons.)

### **What's the ideal for how a job market should work?**

A growing and healthy economy will be in a continual process of evolution and adjustment. We want the labor market to be part of that adjustment. We want people to move to continually acquire new skills, which can mostly happen within existing jobs, but sometimes needs to happen between jobs. We want some people to move to new areas, either across their metro area or sometimes to new state.

The government has several important roles to play in this vision of a labor market. At the big-picture macroeconomic level it has some responsibility for using fiscal policy, monetary policy, and financial regulation to reduce the risk of recessions and to soften the blow of recessions when they arise. At a smaller-picture level, it has an important role to play in providing support for education, worker training, as well as in providing a safety net.

I think the US government should do considerably more in the US labor market than it does. The US tends to focus on "passive labor market policies," like paying unemployment benefits, while doing much less than it should on "active labor market" policies with a combination of job search assistance training, and subsidized public sector employment. For prior discussions of some of these topics, see these posts (and the reports and articles mentioned in them):

- ["Improving How Job Markets Function: Active Labor Market Policies"](#) (December 30, 2016)
- ["Rebalancing the Economy Toward Workers and Wages"](#) (March 5, 2018)
- ["Why More Americans Seem Stuck in Place"](#) (December 7, 2017)
- ["Active Labor Market Policies: Time for Aggressive Experimentation"](#) (November 15, 2016)
- ["Expanding Apprenticeships"](#) (July 7, 2014)
- ["What Do We Know about Subsidized Employment Programs?"](#) (April 26, 2016)

Ultimately, it feels to me as if proposals for a federal job guarantee proposal are a cry of despair, erupting from an exhausted patience. To me, the underlying message is: "Stop

being distracted by small-scale arguments and day-to-day political compromises, drop the cautious incrementalism, and pay the money to help those who want to work. Stop quibbling, and just make it happen!" Righteous exasperation always has a rhetorical appeal. But the real world is full of costs and tradeoffs, and if the US political system wants to make some dramatic moves to help US workers, considerably better options than a federal job guarantee are available.

# Guaranteed Jobs: Too Big to Succeed

MAY 2018

Anne Kim

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GUARANTEED JOBS: TOO BIG TO SUCCEED

## INTRODUCTION

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As the party out of power, Democrats have the luxury of thinking big as they consider how to topple President Donald Trump in 2020. Bold, ambitious ideas are what the party sorely needs if it is to capture voters' attention and woo them from Trump's corrosive grip.

But if Democrats are to craft a winning agenda for 2020, bigness and boldness alone are insufficient; political feasibility and substantive plausibility are also necessary ingredients. That's why the latest big and bold idea catching the eye of potential 2020 contenders – a federal jobs guarantee – is ultimately a disappointment.

Touted by advocates as a way to achieve “permanent full employment,”<sup>1</sup> the notion of a federally guaranteed job for anyone who wants one has won support from three rumored presidential hopefuls so far, including New York Sen. Kirsten Gillibrand,<sup>2</sup> Vermont Sen. Bernie Sanders and New Jersey Sen. Cory Booker. Last week, Booker revealed draft legislation<sup>3</sup> to pilot a federal jobs guarantee program in up to 15 localities nationwide, while Sanders has floated a much more ambitious national plan<sup>4</sup> focused on public works projects at a scale not seen since the Great Depression. Under both proposals, participants would earn wages of up to \$15 an hour, along with benefits such as paid family and sick leave and health insurance. “There is great

dignity in work – and in America, if you want to provide for your family, you should be able to find a full-time job that pays a fair wage,” said Booker in a press release announcing his effort.<sup>5</sup>

**Under both proposals, participants would earn wages of up to \$15 an hour, along with benefits such as paid family and sick leave and health insurance.**

Booker’s endorsement speaks to the inherent surface appeal of a jobs guarantee. To borrow President Bill Clinton’s famous formulation, Americans who “work hard and play by the rules” deserve a shot at self-sufficiency, and the promise of work for all who want it invokes Americans’ innate sense of fair play. Proponents also rightly point out stark disparities in employment between certain groups, the result of discrimination and other structural barriers that guaranteed access to meaningful employment could arguably remedy.

Unfortunately, the idea also suffers from a variety of fatal defects, including its size, timing and relevance and any number of practical obstacles that make it administratively unworkable as well as politically untenable. For one thing, it rests on the dubious assumption that the American electorate – at a time when public cynicism and distrust toward government remain at all-time highs<sup>6</sup> – is ready to embrace a dramatically expanded role for the federal government as the nation’s largest staffing agency and employer. More fundamentally, the idea betrays a deep lack of faith in the inherent resilience of the American economy and its people to weather disruption and change. Most Americans don’t share the left’s inordinate confidence in government’s ability to engineer shared prosperity from the top down. Aggressive advocacy of a panacea like government guaranteed jobs can only reinforce public impressions that progressives will always default to “big government” as the solution to complex economic problems.

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## CONCEPTUAL FLAWS

While a federal jobs guarantee certainly passes the “bigness” test, its very bigness is a central conceptual weakness, at least in the current political environment. It is far too large a hammer in search of a nail.

According to the leading proposal for a national guaranteed jobs program, it would cost roughly \$543 billion a year to create 10.7 million new federal jobs covering every worker unemployed or underemployed in January 2018 (a figure known as “U.6”).<sup>7</sup> That would put the number of job guarantee participants at nearly five times the size of the entire current federal workforce.<sup>8</sup>

**According to the leading proposal for a national guaranteed jobs program, it would cost roughly \$543 billion a year to create 10.7 million new federal jobs covering every worker unemployed or underemployed in January 2018.**

It’s hard to fathom why proponents believe there is public appetite for a jobs program of this scale today, especially given that the nation’s official unemployment rate is at its lowest in nearly 20 years, employers in many places are complaining of worker shortages,

the economy is set to grow at a solid pace and fears of inflation are currently preoccupying central bankers and financial markets.<sup>9</sup> And even though workforce participation is lower than it could or should be compared to historical standards,<sup>10</sup> the magnitude of unemployment and underemployment is nowhere near what it was the last time a massive federal works program was proposed and implemented, which was during the Great Depression. Then, unemployment rates were running at upwards of 15 to 25 percent<sup>11</sup> while the private sector was wholly crippled.

Though some proponents might imagine an automation apocalypse that could ultimately throw millions of Americans out of work, talking about a national jobs guarantee program now is, at best, still wildly premature. Moreover, even if such a circumstance should occur, it's far from settled that Americans would prefer a large-scale public jobs program over other strategies to manage economic disruption, including, heaven forbid, their own abilities to learn new skills and adapt to change.

A second and more serious conceptual flaw with a jobs guarantee is that it seeks to solve the wrong problem. While the lack of jobs is a continuing concern for some groups in some areas and absolutely should not be overlooked, the biggest malady ailing the middle and working classes isn't so much the quantity of jobs as their quality – in the form of stagnant wages, declining benefits and the loss of stability and security. In this context, a national jobs guarantee program isn't just too big a hammer, but the wrong tool altogether.

Though wages are finally ticking upward, the long-term trend toward stagnation is still far from being erased. The Brookings Institution, for

example, reports that real wages for the middle quintile of workers grew by only 3.4 percent between 1979 and 2016, while labor's share of national income has also steadily fallen despite healthy corporate profits.<sup>12</sup> More Americans are also losing access to traditional employer-provided benefits, such as health insurance. At the same time that the share of employers offering health insurance has dropped by 10 percentage points since 1999,<sup>13</sup> according to the Kaiser Foundation, more Americans are finding themselves to be no longer employees at all but members of the ever-precarious "gig economy."

Especially vulnerable are the workers with the least amount of education, the one group that has remained consistently underemployed despite rising fortunes for others. In March, for instance, just 44 percent of Americans without a high school diploma were working,<sup>14</sup> compared to 72.6 percent for college graduates.<sup>15</sup> While a jobs guarantee program could potentially help some of these less-educated workers, a big question is why they should be shunted to relatively low-skilled public jobs rather than given the opportunity to increase their skills and compete for skilled openings currently going begging.

**In March, for instance, just 44 percent of Americans without a high school diploma were working, compared to 72.6 percent for college graduates.**

As for the question of wages, proponents of a job guarantee argue their plan would put upward pressure on wages by forcing private sector employers to compete for workers. This argument, however, rests on a very large and unproven assumption: that enough workers would in fact prefer a "public option" over private



sector work to create that pressure. Many workers, for instance, might choose a lower-paid private sector job in the short term with the potential for advancement in the future, rather than a public job capped at \$15 an hour into

perpetuity. In any event, the potential impact on private sector wages would be indirect at best when other, more targeted ideas could have broader impact on workers' incomes and financial security.

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## PRACTICAL OBSTACLES

Even setting aside the conceptual and political weaknesses of a federal jobs guarantee, any number of practical obstacles could also prove insurmountable.

For instance, one such practical question is the kind of jobs government would provide. Booker's proposal, for instance, imagines that participants would work in fields that are "currently under-provided, like child and elder care, infrastructure, and community revitalization." What's not clear, however, is how the government will gauge demand in a particular sector so it will know how many workers to deploy. Also unanswered are where and how to place them. These are not questions in which the federal government has a proven track record, particularly given the limited success of the more than 40 employment and job training programs the federal government already administers.<sup>16</sup> If, for example, the government miscalculates and produces a surplus of elder care providers in a community with an insufficient number of potential patients, what would these workers do?

The new corps of government workers will not be fungible from one field to another, given the skills required for each of these professions, as well as licensing and other requirements. Workers cannot be working in a nursing home on one day and on a road crew the next, depending on demand.

A second set of practical concerns involves the role of the private sector and the effect these new federal workers would have on labor markets. While job guarantee advocates seek to create a new "floor" in the labor market<sup>17</sup> and prompt the private sector to raise its own wages to compete for workers, it's not clear that this is, in fact, what would happen. What could occur, however, is the displacement of private sector providers of child care, elder care and other services if the federal government ends up competing directly with existing employers. While some may not find this outcome objectionable if big companies were the ones to face the most pressure, the reality is that small businesses – such as home-based day care centers – are the least likely to survive in the face of government competition.

A third set of worries involves the preparation of workers for the jobs they would be asked to do. Current job guarantee proposals seem to assume that anyone who wants a job also has the skills and capacity to perform it, which is unrealistic. While the simple lack of available work might be all that stymies many workers, many other Americans who want to work face far more serious barriers, including the lack of skills, mental and physical disabilities that limit their capacity, caregiving obligations, mental health concerns or other issues that will need to be overcome if full-time employment is to be a reality.

Barriers like these are especially problematic if a federal work program is focused on infrastructure projects, as Sanders proposes. Though liberals romanticize the Civilian Conservation Corps and other Depression-era federal work efforts, infrastructure jobs often involve physically demanding outdoor labor in all sorts of weather, along with grueling hours. They are not for everyone.

One way to gauge the scope of the challenge around potential participants' employability is to examine the ranks of workers "marginally attached" to the workforce, defined by the U.S. Bureau of Labor Statistics (BLS) as those who want to work and have looked for work in the last 12 months or those available to work but who have not searched for work in the last four weeks. These workers would presumably be prime targets for a federal jobs guarantee program.

Among the 1.59 million workers considered "marginally attached" in 2017, less than a third reported being "discouraged over job prospects," while the vast majority cited other reasons for not being in the labor force, such as the lack of child care or transportation, "ill health or disability," and family responsibilities.<sup>18</sup>

**Among the 1.59 million workers considered "marginally attached" in 2017, less than a third reported being "discouraged over job prospects."**

If the purpose of a federal jobs program is to provide safety net employment for workers who cannot otherwise find private sector jobs, such an effort cannot succeed unless it also helps workers overcome the very barriers that made private sector work tougher for them to attain.

This means the government not only needs to provide jobs, it needs to provide training so that workers can competently perform the work they're given; affordable child care and transportation; remedial help if necessary with basic literacy and numeracy as well as so-called "soft skills"; mental health services and other accommodations. All of these are immensely complex, expensive and time-consuming services. But if the federal government is not willing to provide or at least subsidize these services, the "guarantee" of a job is meaningless unless there is some assurance of a worker's potential success. And even then, there are a host of unanswered questions about the worker's end of the bargain. Can a worker with a guaranteed job be fired? What if an employee is guilty of malfeasance or simply can't perform? What rights and duties does a "guarantee" create?

Finally, there is the consideration of cost.

As mentioned above, the large-scale national job program envisioned by its leading proponents would cost \$543 billion, or 3 percent of GDP, to employ 10.7 million people. This translates to a per-worker cost of \$50,747 a year – or just slightly below the median household income in 2016 of \$57,617.<sup>19</sup> By comparison, federal spending on Social Security totaled \$922 billion in 2016 while benefiting 61 million people,<sup>20</sup> a relative bargain by comparison.

The \$543 billion figure is also situated in the context of relatively low unemployment. At the height of the recession in 2010, the total share of workers unemployed and underemployed ("U.6") was 17.1 percent,<sup>21</sup> meaning that the cost of a federal jobs program could expect to double in a downturn, to more than \$1 trillion a year.

**By comparison, federal spending on Social Security totaled \$922 billion in 2016 while benefiting 61 million people, a relative bargain by comparison.**

Spending of this magnitude would crowd out spending on a host of other priorities that might be better suited to building human and social capital, such as improving early childhood and K-12 education, expanding health care or making college and occupational training more

affordable. Worse yet, funding for a federal jobs program could come at the expense of other safety net programs supporting children, disabled Americans and others who cannot work. As Ernie Tedeschi, an economist who served under President Barack Obama recently told *The Washington Post*, "It would be extremely expensive, and I wonder if this is the best, most targeted use of the amount of money it would cost."<sup>22</sup>

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## **ASPIRATIONAL CHALLENGES**

At the same time that a federal jobs guarantee program is too big, it paradoxically also aims too low. Federally provided jobs are unlikely to be the kind of jobs that people want, nor would there necessarily be a path to upward mobility for those relegated to this work. While a federal jobs program might promise the dignity of work for all, what is delivered could still be work without dignity.

As envisioned by its advocates, the kinds of jobs the federal government could provide include such tasks as "the repair, maintenance, and expansion of the nation's infrastructure, housing stock, and public buildings," "assistance with ecological restoration," "engagement in community development projects," as well as jobs in child care, education and senior care.<sup>23</sup>

While there is value in all of this work, the ranks of America's unemployed and underemployed deserve better. Compared to the private sector, the federal government is relatively ill-suited to the task of creating jobs that demand workers' creativity, innovation and commitment, that best

fit the needs of the local and national economy at any given time and, importantly, are self-sustaining.

With many fewer dollars than a jobs guarantee program would cost, the federal government should invest in other, more effective ways to spur the creation of high-quality jobs, prepare workers for well-paying careers with opportunities for advancement and supplement the wages of the working poor.

Among the myriad of possibilities for increasing incomes is to expand the federal Earned Income Tax Credit for low-wage workers, in combination with raising the minimum wage, as Isabel Sawhill and Quentin Karpilow of the Brookings Institution recommend.<sup>24</sup> Another possibility is to eliminate the payroll tax, which falls most heavily on low-wage workers as well as the self-employed, and replace it with a broad-based value-added tax (VAT) of the kind adopted in most European countries or a carbon tax, which would have the additional benefit of combating climate change.

Another option, which PPI has endorsed,<sup>25</sup> is to help workers earn better wages by expanding the availability of Pell grants to students pursuing high-quality occupational credentials in IT, advanced manufacturing and other “new-collar” careers where demand is growing. This idea would allow older, lower-income and displaced workers who do not want or cannot afford to go to college with an alternative means of upgrading their skills. Government should also invest heavily in rural broadband to expand digital opportunity to all corners of the country and help rural areas decimated by the loss of manufacturing and mining jobs reinvent themselves and attract new industry. Government could also encourage new models of corporate governance and ownership, such as the “benefit corporation” model PPI has embraced,<sup>26</sup> or the expansion of employee stock ownership plans (“ESOPS”), that would ensure that more of the fruits of economic growth flow to workers.

**With many fewer dollars than a jobs guarantee program would cost, the federal government should invest in other, more effective ways to spur the creation of high-quality jobs.**

The advocates of guaranteed jobs have their finger on the right problem: far too many Americans are suffering from the maldistribution – or outright denial – of economic opportunity. But by making work a *right* – as a guaranteed job would do – the government would also paradoxically be diminishing its value. The fundamental nature of the American character is to strive, to achieve – and to earn. What the government should guarantee, then, is not a job but the means and opportunity for all Americans to attain their aspirations to the fullest.

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# Bernie Sanders's job guarantee: Is it a boondoggle?

[washingtonpost.com/opinions/bernie-sanders-job-guarantee-is-it-a-boondoggle/2018/05/06/29b28f7c-4fcf-11e8-84a0-458a1aa9ac0a\\_story.html](https://www.washingtonpost.com/opinions/bernie-sanders-job-guarantee-is-it-a-boondoggle/2018/05/06/29b28f7c-4fcf-11e8-84a0-458a1aa9ac0a_story.html)

Sen. Bernie Sanders (I-Vt.) in Las Vegas in 2015. (John Locher/AP)

Sen. Bernie Sanders (I-Vt.) wants the federal government to guarantee a job for every American willing and able to work. The proposal sounds compassionate and enlightened, but in practice, it would almost certainly be a disaster. The fact that it's taken seriously is evidence that many Democrats, like Republicans before them, embrace loony economic agendas that are more public-relations gestures than sensible policy.

Just precisely how Sanders's scheme would work is unclear, because he hasn't yet submitted detailed legislation. However, the website of the Sanders Institute endorses a job-guarantee plan devised by economists at Bard College's Levy Economics Institute. This suggests how a job guarantee might function.

Under their plan, anyone needing a job could get one at a uniform wage of \$15 an hour, plus health insurance (probably Medicare) and other benefits (importantly: child care). When fully deployed, the program would create 15 million public-service jobs, estimate the economists. This would be huge: about five times the number of existing federal jobs (2.8 million) and triple the number of state government jobs (5 million).

Although the federal government would pay the costs, the program would be administered by states, localities and nonprofit organizations, which would design jobs and enroll beneficiaries. Some jobs mentioned by the economists: cleaning up vacant properties; overseeing programs for new mothers and at-risk youths; tree planting; and weatherizing homes.

To be sure, there is a real problem here. Even when reported unemployment is low — as now, at 3.9 percent — “millions of Americans remain unemployed or underemployed.” They often have poor skills, wrestle with drug or alcohol problems, or are so discouraged that they've dropped out of the labor force. The job guarantee's appeal is obvious. A recent Civis Analytics poll for the Nation magazine found 52 percent of respondents in favor.

The trouble is that there is a vast gap between rhetoric and reality. Indeed, some leftist commentators recognize this. Here's Kevin Drum, a blogger for Mother Jones:

“Even our lefty comrades in social democratic Europe don't guarantee jobs for everyone. It would cost a fortune; it would massively disrupt the private labor market; it would almost certainly tank productivity; and it's unlikely in the extreme that the millions of workers in this program could ever be made fully competent at their jobs.”

Many problems are unavoidable. The proposal would add to already swollen federal budget deficits. The Bard economists put the annual cost at about \$400 billion. Although some of this might be recaptured from savings from food stamps and other welfare programs, overall spending is likely underestimated.

The reason is Medicare. If it's provided for those making \$15 an hour, there will be

pressures to provide it for most workers. Otherwise, uncovered workers might stage a political rebellion or switch from today's low-paying private-sector jobs to the better-paid public-service jobs, as the Wall Street Journal's Greg Ip notes. The same logic applies to child-care subsidies.

Then there's inflation. The extra spending and higher wages might push prices upward. The Bard economists profess to be unworried — mainly because their economic "model" predicts a negligible inflation effect. But models are often unreliable, and the Federal Reserve is unlikely to be so complacent.

Other practical problems loom. On his always useful and strictly nonpartisan blog, Conversable Economist, Timothy Taylor poses difficult questions.

Does the federal government have the managerial competence to oversee the creation of so many jobs? Taylor is skeptical. (The 15 million added jobs would equal about 1 in 10 existing jobs.)

What if the American public, not President Trump, defined the State of the Union address? The Washington Post Opinions section asked you to finish this sentence: "The state of the union is \_\_\_\_." Here's what some of you said. (Adriana Usero, Danielle Kunitz/The Washington Post)

Is there a skills mismatch between what the jobless can do and what actually needs doing? Probably. (Remember: The candidates for the public-sector jobs are among the least-skilled workers.)

Is there a similar geographic mismatch — say, the jobless are in Michigan and the jobs are in Arizona? This, too, seems probable.

Can the new workers be disciplined? Good question. "The problem with a job 'guarantee' is that you can't fire people," notes Taylor.

Finally, would state and local governments substitute federally funded jobs for existing jobs that are supported by local taxes? This seems inevitable. It, too, would limit the overall effect on employment.

Americans are suckers for great crusades that make the world safe for the pursuit of happiness. In this context, Sanders's job guarantee seems a masterstroke. The chronically unemployed need jobs; and states and localities have large unmet needs for public and quasi-public services. It's a bargain made in heaven.

Back here on Earth, the collaboration looks less noble. The object is to appear good and buy political support. Many of the suggested jobs seem best described as make-work. The irony is that, by assigning government tasks likely to fail, the advocates of activist government bring government into disrepute.

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