


# Whether America Can Afford a Job Guarantee Program Is Not Up for Debate

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Sen. Bernie Sanders's endorsement of a guaranteed job for anyone who wants one, joining previous supporters such as Sens. Kirsten Gillibrand and Cory Booker, reinvigorated a debate that has been roiling within economics Twitter and academic circles for a long time. Those more partial to a universal basic income untethered to work clash with job guarantee supporters from the left; those who see the job guarantee as a dangerous slip into socialism attack from the right. And mainstream Democrats not running for the presidency don't really want to talk about it

Those fresh to the debate, meanwhile, instinctively ask what feels like an intuitive question: How on earth can we pay for that?

But if we're going to have an honest debate about whether the government should be spending hundreds of billions of dollars so that people can obtain jobs, we should acknowledge that the government already does. Officials at the local, state, and federal levels push enormous amounts of money toward this stated purpose — they just channel it through corporations, in the form of special tax breaks and “economic development” subsidies. It's not clear that businesses actually use all that money to create jobs, rather than just enjoying the subsidies and tax cuts for themselves, so if the true purpose really is to create work for people, the new jobs guarantee debate offers a much simpler — and probably much cheaper — approach to the same end.

So while it's worth talking about the best way to achieve full employment, the question of whether we can afford to spend the money can be dismissed. We can.

The job guarantee proposal from Mark Paul, Sandy Darity, and Darrick Hamilton for the Center on Budget and Policy Priorities estimated an annual program cost of \$543 billion, enough to pop out the eyes of more cautious policymakers. This would be partially offset by reduced demand for benefit programs for the working poor, like food stamps, Medicaid, and the Children's Health Insurance Program, as well as the increased economic activity driving up tax revenues across the country. A report from economists at the Levy Institute put final costs at between \$260 and \$354 billion annually in the first five years and lower outlays after that.

Put aside the fact that America controls its own money supply and that modern monetary theory suggests that the country need not actually pay for all federal spending. The question here is whether the nation can possibly manage spending \$354 billion a year toward the goal of ensuring that all Americans have a job if they want one. Here's the often-overlooked data needed to answer that question.

Subsidies from state and local governments to attract employers to locate their facilities cost as much as \$80 billion a year. I have to say “as much as” because local governments and businesses keep these deals secret. Even though the Governmental Accounting Standards Board requires localities to make such “economic development” deals public, around half of all local governments just don’t comply.

But thanks to public filings and the subsidy trackers at Good Jobs First, we know enough to confidently make the \$80 billion a year estimate. Wisconsin promised \$3 billion to Foxconn for a factory employing around 13,000 people at its peak. Cities and states have offered as much as \$8.5 billion to Amazon for its second headquarters, which would house around 50,000 people. These giveaways can include tax abatements or forgiveness, cash grants for relocation expenses, and in Amazon’s case, even giving workers’ state payroll taxes back to the company to use for its own purposes.

It’s not clear that economic development subsidies create jobs, as much as they pit regions against one another to move jobs around to the benefit of large corporations rather than workers. A report from the Economic Policy Institute on Amazon’s \$1.1 billion in known subsidies for “fulfillment center” warehouses found that they do not increase overall private sector employment within a particular county.

The \$80 billion in economic development subsidies is just the beginning. The Trump tax cuts were sold on the basis of job creation effects. The Republican Congress called the bill the “Tax Cuts and Jobs Act.” Sen. Mitch McConnell parroted the typical GOP take on the bill when he wrote last year that the tax bill would “unleash the potential of American enterprise to create more jobs and keep more of them here.”

As a result, Republicans slashed the corporate tax rate by 40 percent, at a cost estimated by the Joint Committee on Taxation to be \$1.34 trillion over the next 10 years. And like the economic development subsidies, the job creation potential of severely reducing corporate taxes is debatable. Even though the logic of the tax cuts was that they would give businesses more money to invest in equipment and wages, those measurements have actually fallen since the tax cut was enacted. GDP growth in the first quarter cooled off a bit compared to the end of 2017.

Combining economic development subsidies and corporate tax cuts comes out to an average annual total of \$214 billion per year, spent chasing job creation by handing over money to corporations. And there’s more. Nearly every state in America offers job creation tax credits, literally money paid per job. There are massive incentives in each state available for film and television production. Special “bonus depreciation” rules allow companies to write down equipment costs, deferring taxes for years on investments. And there are dozens of other ways in which corporations grab public money with the promise of delivering jobs.

As Suzanne Mettler wrote in her well-regarded book “The Submerged State,” these kinds of under-the-surface perks and benefits form a barrier to activist government policies like a federal job guarantee. While enormous sums are funneled to private industry beneath the surface, the same policymakers who green-lit the expenditures claim that large public sector outlays to create jobs are fiscally impossible. This is nonsensical.

The current unemployment rate of 4.1 percent may lead those dumping hundreds of billions of dollars on corporations for job creation to suggest that their plan is working. But the lower employment/population ratio and tougher employment prospects for people of color suggests that there's more to be done. A plan for publicly funded jobs to pick up the slack happens to be absurdly popular.

Critiques of the federal job guarantee — from the left and the center — make some valid points. Job guarantee positions would rise and fall with the business cycle, so they couldn't be so essential that the nation would experience a shortage of teachers or child care workers when recessions ended and people returned to the private sector. (One way around this is to make job guarantee positions align with apprenticeships.) To ensure universal eligibility, it would be difficult for jobs to require advanced skills, making professions like construction — among the nation's more dire needs — somewhat off-limits. Some see the proposal as similar to "workfare" programs that conditioned welfare benefits to jobs.

But the one critique that cannot really be put on the federal job guarantee is that it costs too much. Or at least, you cannot say this without ignoring the mountain of taxpayer money we already employ for that intended purpose. That existing money could be channeled into direct job creation pretty quickly. It's entirely reasonable to differ on how to accomplish the ultimate goal of ending poverty and the crushing burdens, both psychological and material, of unemployment. But there's no real debate on whether America can afford it. We're already picking up the tab.