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Opinion

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Focus for now on jobs, not debt

This week I had the honor of participating in Sen. Kay Hagan’s budget listening tour when it stopped in Greensboro. The Democratic senator is convening the round-table discussion around the state to talk about government debt and give constituents a chance to make suggestions.

Six of us joined the senator for the round-table discussion. We all made a few comments, but I’m sure each of us had more to say than the time allowed. I know I did.

My main reaction was that the event targeted the wrong issue. Of course the deficit is a big problem; we hear repeatedly that it’s the biggest problem. Conservatives say it. Even the supposedly liberal media say it. The Washington Post, for example, regularly editorializes about the evils of government debt.

I believe that’s the wrong focus. In my view, our greatest economic problem is persistently high unemployment. The national unemployment rate has been 8 percent or above for 29 straight months, and no one sees it falling below that level this year. Roughly 14 million Americans are out of work, 5 million of them for 27 weeks or more. And those numbers don’t even include those who have become discouraged and quit looking for work.

The human cost of long-term unemployment is huge. For example, labor-force participation rates among the oldest workers are at an all-time high, as people who would have retired in a normal economy feel they have to keep working.

The damage to young workers is worse. The unemployment rate for people ages 16 to 24 is nearly triple the rate for those ages 25 to 64. Most people who start off their careers with an extended spell of unemployment will never quite recover. Their lifetime earnings will fall more than proportionally to the number of years unemployed.

Their skills will grow stale, and they’ll soon have to compete with even younger workers who’ll have better skills and won’t be saddled with the stigma of long-term unemployment. We risk creating, if not yet a lost generation, then at least a lost cohort of young workers. If the future of our economy is at stake, how can we accept this?

But accept it we are, because economic policy is being focused on the debt. Commissions have been created, reports have been written, and hands are being wrung. And yet these efforts miss the fact that until this extended economic downturn ends, aggressive deficit-cutting should wait.

Well, there’s one exception. The unfunded Bush tax cuts wreaked havoc on federal finances and were the signature domestic policy of the weakest expansion since World War II.

The tax cuts didn’t create many jobs or spur significant investment in productive assets. Their abject failure in 2001-07 is why allowing them to expire next year is unlikely to hurt the economy. And it would do a lot to address our long-term debt problems.

Beyond that, we should delay aggressive deficit-cutting because our unemployment woes are the result of depressed consumer spending. Some economists point to skills mismatches and other structural causes, but while those factors are indeed present (as they were prior to the recession), they’re not why we still have 9 percent unemployment.

Sen. Hagan talked about investing in infrastructure and education, and I agree. Let’s put Americans back to work, even if it means government taking the lead and running up more short-term debt. Let’s keep our eyes on the long-term prize. If we don’t solve our jobs problem soon, the debt will be the least of our problems in the future.

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Opinion

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