

Bill Bradley: How Obama can spur immediate job creation

By Bill Bradley - USA Today

Eighty-four percent of the American people in a 2011 Pew Research Center poll listed "jobs" as their top public policy priority. Yet the private sector is not hiring fast enough to create jobs in sufficient numbers, and most of the \$800 billion stimulus of 2009 has been spent.

Despite this public concern and the threat that continuing high unemployment poses to the fabric of American life, the debate in Washington focuses on immediate spending cuts and extension of the debt limit. Even proponents of immediate spending cuts admit that these will do little to promote job creation; of course they will eliminate jobs as we're now seeing at the state, county and municipal levels.

While President Obama's bipartisan economic commission has made helpful suggestions for long-term job creation, it has offered no such proposal aimed at the short term. Instead of immediate spending cuts and long-term strategies for job creation, we need immediate job creation and long-term strategies for deficit reduction — an approach that should help to restore confidence, both here and abroad, in America's ability to put its fiscal house in order.

For Obama, unemployment takes on a special importance. No president since FDR has ever been re-elected with the unemployment rate above 7.2%. If he can get unemployment down to 7.1%, he will stand a strong chance of winning; if unemployment stays high, his re-election is a good deal less certain.

July 4 speech

With that in mind, he should address the nation on the Fourth of July and remind voters that last December, he and the Republicans hashed out a compromise on taxes. Republicans were assured of no increase in the top marginal tax rate of 35% until 2013. Democrats got a one-year reduction in Social Security taxes and an extension of unemployment benefits. He should point out that while both Republicans and Democrats alike expected the new tax package to create jobs, in the past six months, job creation has gone down, not up. Today, 25 million Americans are looking for full-time employment.

The president should emphasize that Americans who have jobs pay taxes. If more people are working, the deficit will drop. He should talk about a job's importance — not just to an individual's sense of self-fulfillment but crucially to the health and welfare of the nation's families. In the years since 1776, he should say, countless millions have come to the United States to find jobs in a free society and build a life for themselves and their families. High unemployment disavows America's promise.

Specifically, the president might propose that if any company employing more than 50 workers hires additional people and lays off no one, the federal government will pay 20% of the cost (that is wages and benefits) of those new employees up to \$20,000 per employee. For part-time employees moving to full time, the tax subsidy would be lower — but still significant. (The current \$1,000 jobs tax credit per employee is woefully inadequate and hardly likely to promote large-scale hiring.)

Private-sector jobs

This program — which it should be noted will create jobs in the private (not the public) sector, a prospect that should please Republicans — would likely result in a dramatic drop in the unemployment rate.

Similar to the calculation companies make about whether to invest in new equipment, a company's decision with regard to the government's offer will depend on whether or not it believes that additional employees would increase its productivity enough to justify picking up 80% of the cost. If no company takes up the offer, it will cost the government nothing. There is no more effective and certain way for government to create jobs in the private sector.

The proposed program would last for two years, by which time the economy should be growing sufficiently to keep the newly hired workers in their jobs without the subsidy. Its cost would vary depending on how many companies participate. The program might be capped at \$100 billion — \$50 billion a year for two years. But the net cost would be much less than \$50 billion a year because these new workers would not only be paying taxes but also no longer consuming unemployment compensation.

The subsidy could be offered on a first-come, first-served basis, thereby incentivizing immediate job creation. Once these new jobs stimulated growth, the recovery would accelerate. And an increase of 0.9% in GDP growth would generate enough in taxes to pay for the program.

The companies who participate could run the gamut — retailers that would move part-time workers to full-time status, manufacturers that would see the subsidy reducing the advantage of operating offshore, start-ups (the kind of companies that are America's future) that would accelerate their hiring. Those who fear that the system will be gamed should be assured that the Internal Revenue Service will be able to thwart potential abusers and that the Justice Department will aggressively prosecute violators.

Republicans as well as Democrats should find this proposal appealing. I have recently described the program to a number of Republican businesspeople who have responded positively.

It is time to stop the partisan bludgeoning and begin the bipartisan governing.

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