



Project Syndicate: What the Democrats Must Do

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HASNEXTSTEPS:

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I. No Fundamental *Economic* Problem

There is no rational reason why the coronavirus depression has to be both deep and long. We have immense social power in terms of our technological and organizational competence and immense reserves of skill and energy in our workforce. We are poor or as a result of coronavirus: a lot of valuable activities that involve sustained close human contact, especially in places at all reminiscent of the batcaves in which the ‘rona evolved, now have costs greater than benefits. That means that many of us need to find different productive things to do, many of us temporarily and some of us permanently, and those different things will be somewhat less valuable to us than the sustained-close-human-contact jobs used to be.

But all of that does not provide a single rational reason why it should take, say, a decade before the share of Americans with jobs gets back to its pre-‘rona sustainable full employment level.

II. But We Failed After 2008

A. No Rational Reason for Slow Post-2009 Recovery

The problem is that there was no rational reason, a decade ago, why it should have taken a decade after the subprime financial crisis before the share of Americans with jobs gotets back to its sustainable full employment level. Yet it did. The housing construction sector had already shrunk back to its normal size before the subprime crisis hit. There was no sectoral structural adjustment required. There was on need to grope for what previously unproduced commodities it was now to society's benefit to make. The crisis itself did not make our workers less skilled or our technology less effective and powerful. In the short run, the subprime financial crisis destroyed a great deal of the network of social trust that supports our extremely powerful and fine societal division of labor. But in the long run the only durable effect of the crisis was to destroy investor confidence that private-sector financial institutions could create truly-safe properly AAA-rated financial assets.

And yet it took a decade after the subprime crisis before the share of Americans with jobs gets back to its pre-'rona sustainable full employment level.

B. The Safe Asset Shortage & the Policy Failure

Why? Because the world was short of safe assets in the aftermath of the destruction of the confidence that private-sector financial institutions could create such. And governments failed to properly step in, either to create institutions to mobilize extra private-sector societal risk-bearing capacity to reduce the demand for safe assets, to create public safe assets in sufficient quantity themselves, or to stand up and print money and buy

stuff and employ workers themselves to rapidly return the North Atlantic economy to sustainable full employment.

There is not a single rational reason why it should take, say, a decade before the share of Americans with jobs gets back to its pre-‘rona sustainable full employment level. But right now the odds are that it will. For the same forces in the factors that led the great and good of the north Atlantic to declare victory over the economic emergency of unemployment in 2010 and turn it toward “austerity“ are at work today. These forces and factors can be beaten: but they could have been beaten over 2010 to 2014, and they were not.

C. The First Time as Tragedy; the Second Time Too

Over the next months the United States will in all probability do nothing on the policy level— nothing either to prevent the coronavirus depression from being deep and long nor to keep America’s public health response to coronavirus from being among the worst if not the worst in the global north.

America’s Republican Party has no valid ideas for how to create a V-shaped path for the economy. More tax cuts for the rich would do exactly as much to boost demand and employment as the McConnell-Ryan-Trump TCJA did to boost demand and employment 2.5 years ago: zero. Cutting social insurance benefits relative to what they ought to be will make more workers desperate to find jobs, but if the spending is not there workers’ desperation to find jobs has no more effect than does commuters’ desperate wish to go faster in a bumper to bumper traffic jam.

Nobody in the Trump White House with enough authority to make policy has any idea how to figure out what good policy might be, or even how to implement a good policy if they by accident uncovered one.

III. January 2021 as Our First Possible Window

With strongly partisan Republicans in charge of three of the four federal veto points—Presidency, Senate, and Supreme Court—in the U.S.’s antiquated orrery of a system, the Democratic Party can do nothing effective until January, and can operate then only if Republican voter suppression efforts are unsuccessful and if the voters trust the Democrats enough.

So what should the Democratic Party do, should there be a chance in January 2021 to rescue America from another lost decade like the one that followed 2007?

IV. Full Employment the Key Link

A. “What We Can *Do*, We Can *Afford*”

I believe that they should grasp onto one principle, and hold on to it for dear life. Every American who wants a job and is willing to work should be easily able to find one. It may not be a great job. But it will be a job. And it should keep their family above the poverty line. Every policy should be judged first by: is it part of that commitment?

Some will say that such a full-employment commitment—a commitment that Harry S Truman and his wing of the Democratic Party wanted to make back in 1946, when they proposed the “*Full Employment Act*”—is not something that we can afford. Here I remember what John Maynard Keynes said on the radio in 1942: “What we can *do*, we can *afford*”. The financial and payments structure exists to support our activities. It is not an independent binding constraint on them.

And surely finding useful jobs for people willing to work is not something we cannot do?

B. Finance & Economics Not Constraint But Support

Now arranging the payments and finance structure to support full employment will have consequences. It may well not be possible for the rich to see their wealth compound without doing their job as substantial risk-bearers. Keynes certainly thought that was the case—that successful attaining full employment meant *the euthanization of the rentier*, and that the rich who wished to live in high style would be able to do so only by drawing down their capital, or making massive bets on risky enterprise. If so, so be it. Full employment may well turn out to require higher and more progressive taxes as part of its financing. So be it. Full employment may turn out to require levels of national debt the curl the hair of those who live through the 1970s. So be it: if sky-high debt is required for full employment, it is not dangerous; and if it were to be dangerous it would be because the economy will have shifted out of its current secular stagnation into a configuration in which sky-high debt is not necessary. Full employment may require that we divert demand from elite consumption to labor-intensive sectors like public health. So be it. Full employment may require a large-scale labor-intensive public-works program. So be it.

C. There Will Be Resistance

Thus there will be resistance. Those who dislike government jobs programs, those who dislike higher government spending on public goods, those who object to higher taxes on the grounds of “starve the beast”, those who object to high debt, those who want to profit without accepting risk or undertaking enterprise—they will all wish to make the pie smaller so that they can make their shares larger.

D. This Resistance Needs to Be Overcome

But this resistance is not in the national interest.

Prioritize full employment. And then all other policies will fall into their natural places around it.

Notes, etc.

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