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The Cost of Inaction on Job Creation Policies

Elisabeth Jacobs

The Senate's failure to achieve cloture on President Obama's American Jobs Act in early October means that the Democrats' landmark jobs package is dead in the water. Congressional Democrats have turned to Plan B, and are working with the White House to develop a strategy of pushing forward piecemeal job creation policy initiatives.[1] Meanwhile, Senate Republicans are reportedly preparing to introduce their own jobs package.[2]

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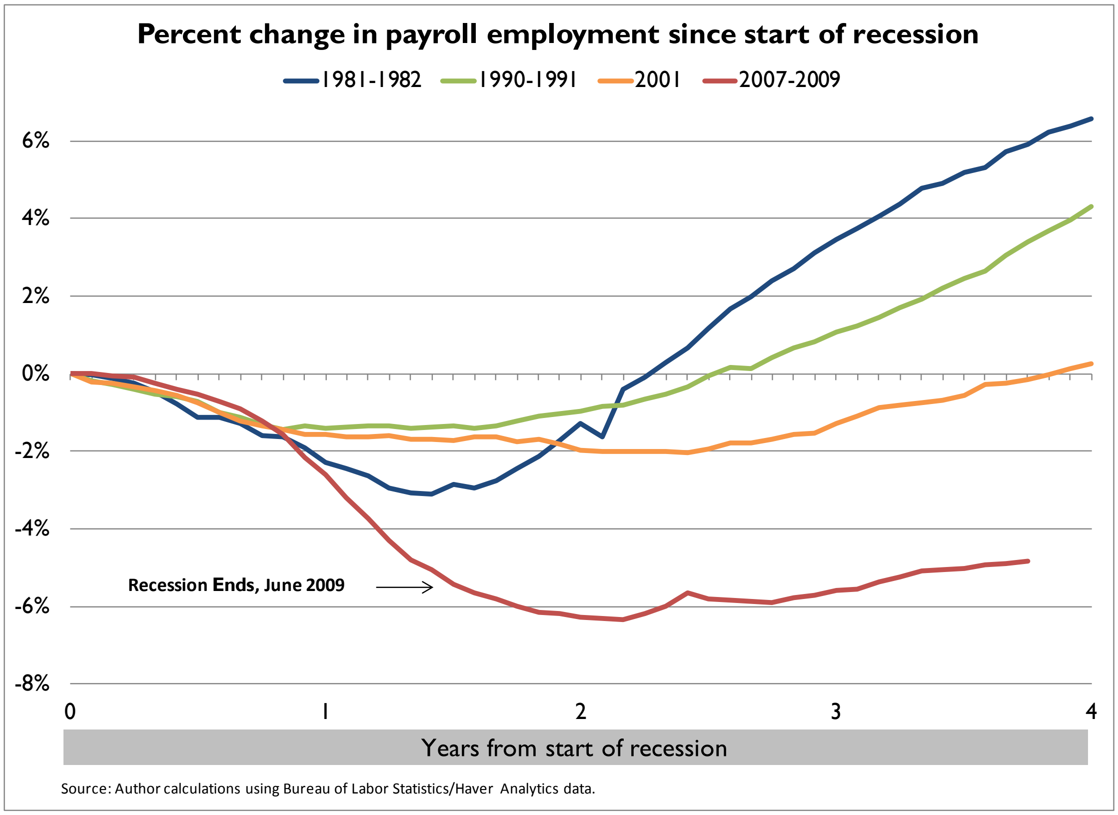
The Democrats' package is comprised of sound economic policies backed by solid empirical evidence that suggests that they will, in fact, achieve the ultimate objective of creating or saving jobs. In contrast, the Republicans' suggestions are a conservative ideologue's dream, a redesign of the policy landscape that deregulates the economy, pours federal dollars into the oil industry, and remakes the tax code in favor of corporate interests and the wealthy. The parties have not placed co-equal competing options on the table; one party's set of ideas is simply far more relevant than the other's at achieving the goal of reinvigorating the labor market.

Honest Republicans know this. After all, as the President pointed out in his speech introducing the jobs package earlier this fall, all of the policies in the American Jobs Act received bi-partisan support at one point or another. In a different time, congressional Republicans recognized solid economic policy when they saw it, and were willing to attach their names to it. The current political environment is noteworthy, however. Conservative partisanship has grown so intense that even reasonable economic policy proposals can't receive the support they deserve simply because a Democratic President and his allies in Congress have attached their names to the ideas.

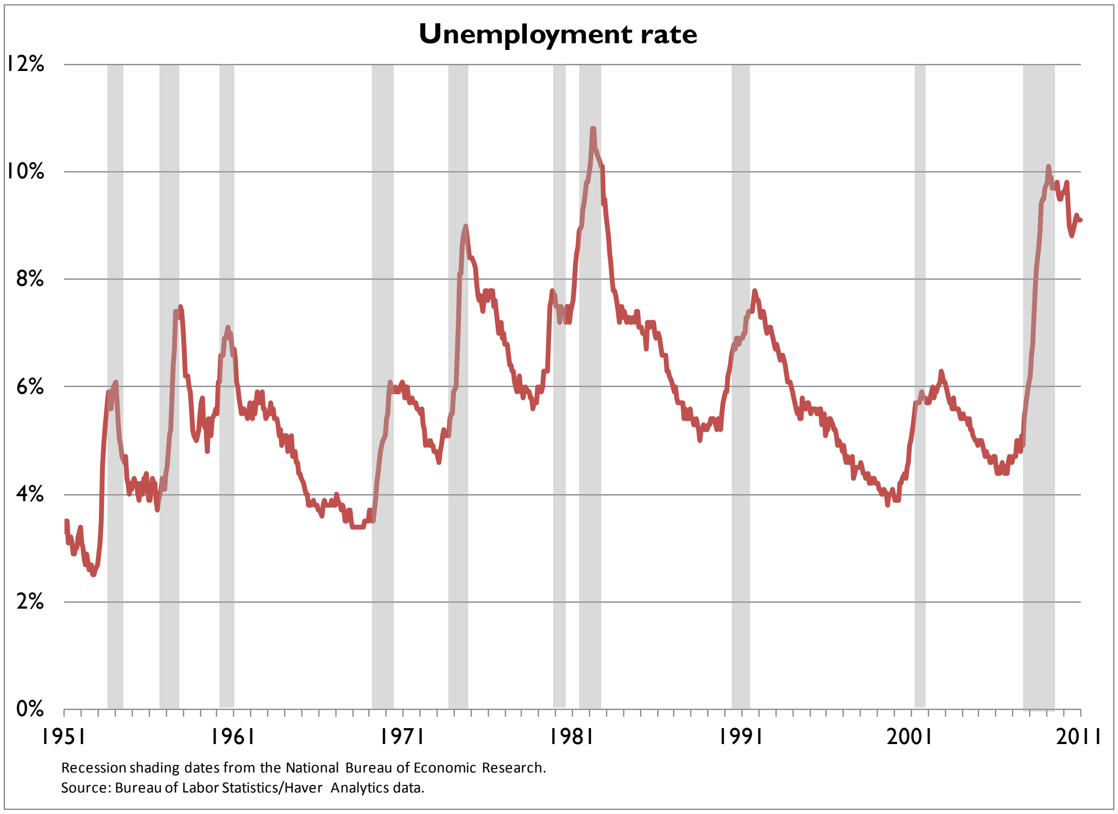
So Washington is gridlocked, once again. Given the deteriorating tone of political debate over the last several years, perhaps this should come as no surprise. But the stakes of the current policy debate are very high, as the economy – and the labor market in particular – limps forward toward the next fall's elections. The costs of inaction on the job creation front are enormous, and, in many cases, quantifiable. Those costs tally along two separate ledgers: economic costs and political costs. This brief provides an overview of these two sets of costs of inaction, and offers recommendations for a path forward.

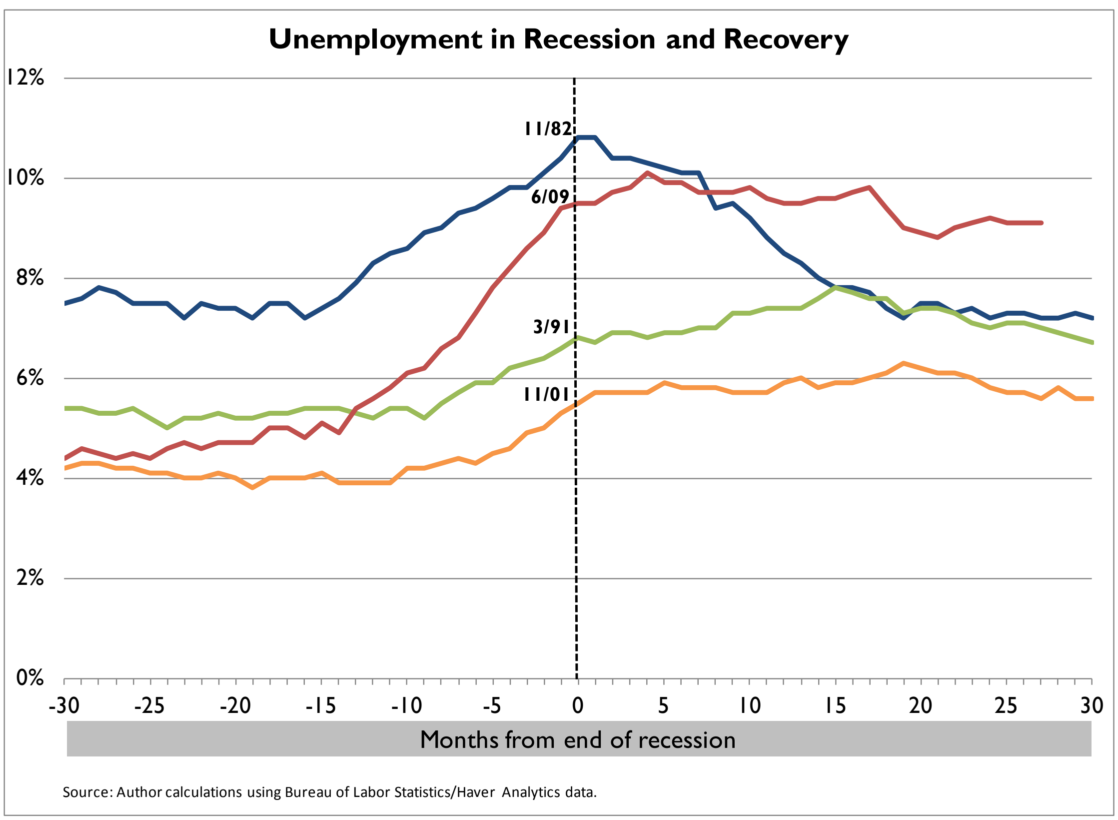
The Dismal Labor Market

Before delving into the details on the costs of failure to move forward on job creation policies, it's worth taking a moment to summarize the current state of the American labor market. The job losses created by the Great Recession have been monumental. Although the economy began adding jobs in 2010, the labor market has recovered less than a quarter of the 8.7 million jobs lost between the start of the recession in December 2007 and the end of sustained job loss in early 2010. Nonfarm payroll employment remains 4.8 percent (6.7 million jobs) smaller than it was at the start of the recession. This translates into a severe jobs deficit, especially as compared to previous recessions. In order to return to December 2007 employment levels, the economy would have to generate about 277,000 jobs per month for the next two years. The current pace of job creation required to get back to full employment would need to be even sharper given recent population growth.[3]



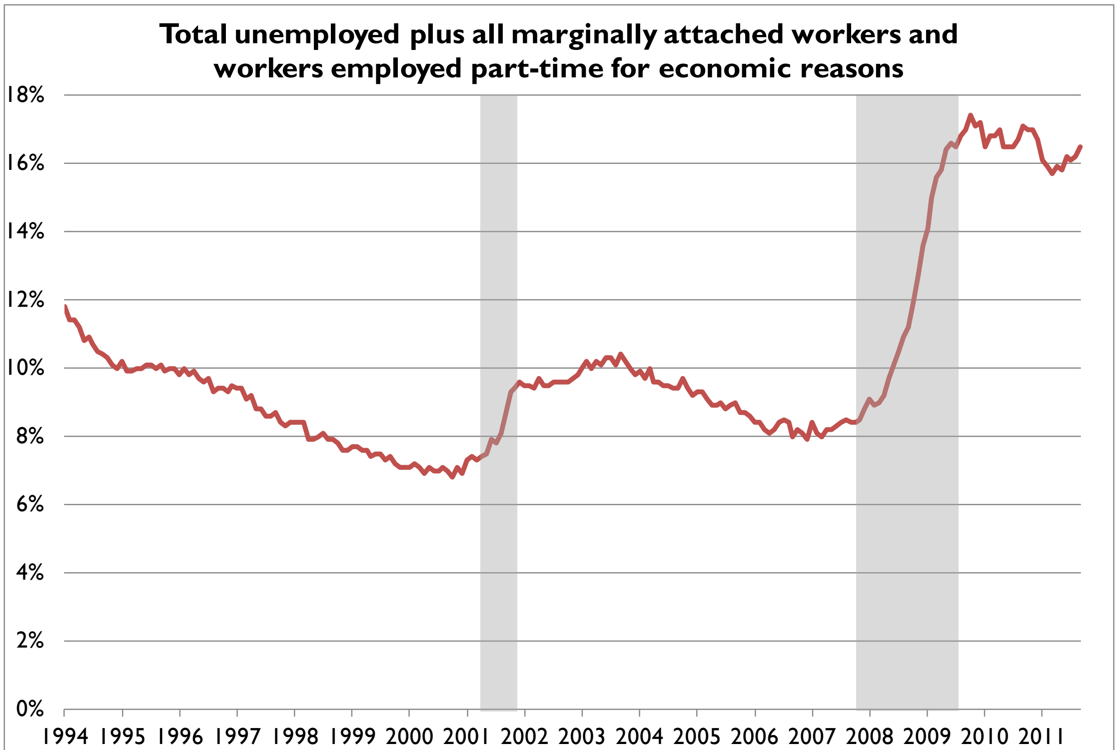
The unemployment rate rose far higher than in previous recessions (with the exception of a brief spike in the 1980s), and that increase was historically fast-paced. While the recession technically ended in June 2009, the unemployment rate has remained stuck at around 9 percent for months. The 2007-2009 recession and the contemporary recovery look quite different from the last three recessions. In the recession of the 1980s, unemployment rose steeply, but fell at an even more rapid pace during the recovery. In contrast, the recessions of the early 1990s and 2001 saw a slower rise in unemployment, but virtually no improvement in the labor market during recession. The current recession/recovery dynamic appears to be the worst of both worlds – a rise in the unemployment rate that nearly matches the spike in the 1980s, and a jobless recovery that mirrors the pattern seen in the last two recession/recovery cycles.


Unemployment rate
12%
10%
8%
6%
4%
2%
0%
1951
1961
1971
1981
1991
2001
2011
Recession shading dates from the National Bureau of Economic Research.
Source: Bureau of Labor Statistics/Haver Analytics data.

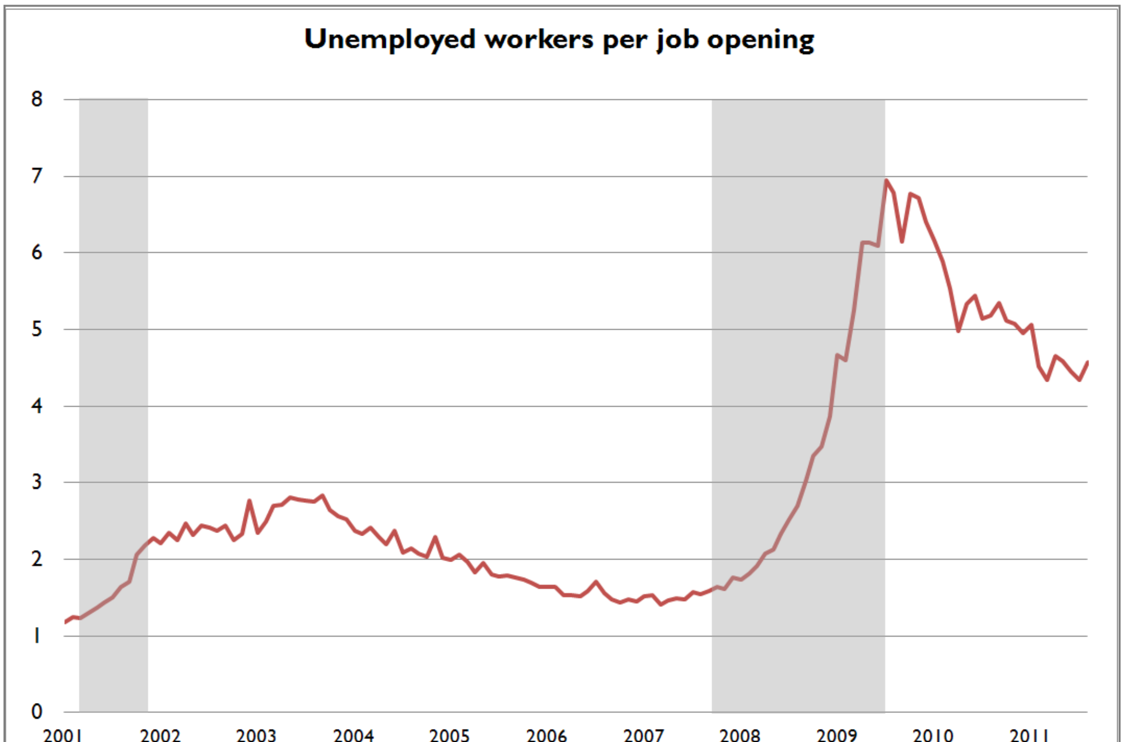

Unemployment in Recession and Recovery
12%
10%
8%
6%
4%
2%
0%
11/82
6/09
3/91
11/01
-30
-25
-20
-15
-10
-5
0
5
10
15
20
25
30
Months from end of recession
Source: Author calculations using Bureau of Labor Statistics/Haver Analytics data.

The average duration of unemployment is at a historic high of 40.5 weeks. The long-term unemployed comprise a far greater share of the unemployed population than the country has ever experienced: 1) 45 percent of unemployed workers have been searching for a job for 6 months or longer and 2) 32 percent have been searching for work for a year or more. The country's most comprehensive measure of labor market slack, which includes not only unemployed workers but also those working part-time because they are unable to find full-time work as well as all marginally attached workers (e.g. workers who not counted as officially unemployed because they have given up job search efforts), is at a near-record high of 16.5 percent.

While the rate of layoffs has abated substantially since its peak in the spring of 2008, the economy simply has not generated enough jobs to provide work for the millions of individuals who lost their jobs during the crisis. There are currently 4.7 unemployed workers for every one job opening in America. Compared to the 7:1 ratio of the early days of the recession, this is progress. But in light of the fact that the unemployed are competing with currently employed workers for every available job, the status quo bodes poorly for the future employment prospects of jobless workers.



Recession shading dates from the National Bureau of Economic Research.
Source: Bureau of Labor Statistics/Haver Analytics data. Collection of alternate unemployment statistics began in 1994.



Recession shading dates from the National Bureau of Economic Research.
Source: Bureau of Labor Statistics/JOLTS/Haver Analytics data. 2001 is the first full year of job openings data available.

The Economic Costs of Inaction

A weak labor market, anemic economic growth, and diminished prospects for long-term competitiveness

Strong labor markets are key to significant economic growth. Weak labor markets create a vicious circle – growing unemployment retards economic growth, and slow economic growth then further drags down the labor market. Mainstream economics has long agreed with the principle established by Arthur Okun nearly half a century ago, i.e. a stable and significant negative relationship between economy-wide unemployment rate changes and growth rates in real GDP.[4] The strength of the relationship between GDP growth and employment growth may have attenuated over the last several decades due to secular shifts in the United States economy (e.g. the greater importance of the service sector, the rise in globalization), but the basic point still holds.[5] Economic growth and employment go hand-in hand, and a weak labor market bodes poorly for the nation's economic future. Failure to address the unemployment problem head-on amounts to a tacit acceptance of the current sluggish pace of economic growth.

Moreover, long-term unemployment comes with its own set of pernicious consequences. First, long-term unemployment increases the drag on overall economic growth, magnifying the problem discussed above. Economists refer to this exacerbated impact as "hysteresis," or the dependence of the future on the past.[6] Mainstream economists are in near-universal agreement that the Great Recession and the economy's poor performance during the recovery are explained by continued weak demand, which is why the mainstream economic consensus has coalesced around the need for additional fiscal stimulus. Yet the persistence of problems in the labor market has the potential to generate structural, supply-side problems as unemployed workers gradually may become unemployable. Lengthy periods out of the labor market increase the probability that a worker's skills have depreciated and no longer are well-matched to the demands of employers. Joblessness begets yet more joblessness, which in turn drags down the American economy as a whole. Thus hysteresis magnifies the cost of inaction on jobs-related legislation, because of the long-term challenges it creates.

Second, long-term unemployment can have substantial "scarring" effects on the individuals and families directly impacted by joblessness. The average prime-age worker who loses a good job with a stable employer faces an earnings reduction of 20 percent lasting over 15 to 20 years.[7] Job loss during severe economic downturns can have impacts on individuals' health, as well. In the short term, job loss increases the risk of stress-related health problems such as strokes or heart attacks. In the long-term, these health declines experienced in the wake of job loss lead to significant reductions in life expectancy.[8] The impacts of job loss can reverberate across generations. In the short run, a parent's job loss reduces his child's educational achievement. In the long run, the lasting impact of a parent's earnings reductions depresses a child's future earnings prospects.[9] Evidence also suggests that job loss heightens the probability of divorce, and increases the rate of application for federal disability insurance.[10]

Immediate consequences for both working and jobless Americans

The most direct impact of policy gridlock is the expiration of two key provisions that have thus far helped the country's economic situation from sliding from bad to worse: the payroll tax holiday and the unemployment benefits extension are both scheduled to expire at the end of this year in the absence of Congressional action. The Democrats have proposed extensions of both programs, while the Republicans have resisted either move.

The payroll tax holiday is scheduled to expire on December 31, 2011.[11] If Congress fails to extend the tax break, 121 million of working Americans will see a decrease in their take-home pay just in time for the arrival of their holiday bills.[12] In 2011, the payroll tax holiday boosted workers take-home pay by an estimated $120 billion. The average worker's paycheck was $934 higher than it would have been in the absence of the tax break. If the cut expires, workers will owe more in taxes next year – for instance, each of the nation's 2.7 million nurses would owe an average of $1,354 more in taxes in 2012 than she did in 2011, simply due to the failure of Congress to act.[13] The non-partisan Congressional Budget Office reports that the existing payroll tax cut is sound policy for boosting economic growth, because "the increase in take-home pay would spur additional spending by the households receiving the higher income, and that higher spending would, in turn, increase production and employment."[14]

A simple extension of the existing payroll tax holiday is necessary to protect the economy against further decline; it would do nothing to lift the economy onto a more sustainable trajectory toward growth and a healthy labor market. The President's American Jobs Act includes a number of provisions with the potential to invigorate demand. First, it makes the existing tax cut for workers more generous by cutting payroll taxes in half. Second, it includes a cut to employers' share of payroll taxes and a complete payroll tax holiday for employers who add workers or increase wages. Congressional action on some combination of an expansion of the existing employee payroll tax holiday and the creation of a targeted employer payroll tax holiday has the potential to spur the economy back into high gear and up the pace of job creation. The failure to do either amounts to sucking air from the tires of the flagging recovery.

In addition, millions of jobless workers will be left without unemployment insurance benefits if Congress fails to act. The President's American Jobs Act would have extended the current federally-funded temporary unemployment insurance program, Emergency Unemployment Compensation (EUC), for an additional year. EUC provides additional weeks of unemployment benefits compensation for workers who have exhausted the unemployment insurance benefits funded by the states.[15] The original EUC program was first enacted seven months into the recession, in July 2008, when the unemployment rate was 5.8 percent. Unemployment rocketed to a high of 10.1 percent over the course of the recession, and has remained stuck around 9 percent in the two years since the recovery began in June 2009. As a result of persistently high unemployment, Congress has reauthorized EUC nine times since its original passage. Most of these reauthorizations have been for limited periods of time, forcing repeated contentious votes on the matter. Most recently, in December 2010, Congress reauthorized EUC for one year. If Congress fails to act, the program will expire on December 31, 2011.

In January alone, 1.8 million workers who currently receive federal unemployment benefits or who would have begun to receive them will be cut off if Congress does not renew the program before its December 31, 2011 expiration date.[16] Of these 1.8 million workers, more than 430,000 were laid off as recently as July. Their state unemployment benefits compensation will run out in January, and the failure to renew the federal unemployment benefit program will leave them with no unemployment benefits at all.[17] Nearly 650,000 jobless workers across the country who currently receive federal unemployment benefits will be cut off suddenly, despite many of them having between 13 and 20 weeks of federal benefits remaining under the expiring program. In most cases, these workers have been searching for a new job for over a year.[18] Congress has never cut off unemployment benefits when the unemployment rate was as persistently high as it is today. The highest unemployment rate when federal unemployment benefits were cut by Congress was 7.5 percent, in 1985. Today, the unemployment rate stands at 9.1 percent, and it has been stuck at or near 9 percent for over two years.

Unemployment insurance is a basic safety net commitment to workers bearing some of the heaviest consequences of the fallout from the financial crisis. The money from unemployment benefits is an effective fiscal stimulus because its recipients are so likely to spend their unemployment checks immediately due to their fragile economic circumstances.[19] While Congressional Republicans have repeatedly attempted to make the case that extended unemployment benefits actually encourage unemployment because the additional cash discourages job search, these arguments do not hold up to empirical scrutiny. Studies conducted on employment dynamics during economic downturns show that extended benefits have little to no deleterious impact on recipients' job search efforts. [20] If anything, extended unemployment benefits may actually have the opposite effect because of the requirement that benefit recipients conduct an active job search. In the absence of extended benefits, workers would potentially exit the labor market entirely, at great cost to the long-term economic productivity of the American work force.

Continued erosion of public services and infrastructure

While the private sector has been slowly limping forward through the recovery, the public sector has continued to shed jobs. Indeed, the simple absence of public sector jobs losses would make for a rosier employment outlook. Private sector employment growth has been very slow, to be sure, but there has indeed been growth. Since the recession ended in June 2009, public sector employment has continued to contract – over all, public sector employment is down 2.5 percent, and local government employment is down 3.5 percent to date.[21] The pressure on state and local budgets is immense, particularly because state and local governments are less able than the federal government to deficit-spend in order to weather tough economic times. State revenues plummeted by 17 percent in the second quarter of 2009 as compared to the previous year, while spending pressures for Medicaid and other public assistance programs mounted.[22] The result: historic state budget gaps estimated at up to $430 billion through 2011.[23] States and local governments are the nation's largest employer, responsible for one out of seven American jobs, and in most years they contribute a third of a percentage point in GDP growth.[24] In 2009, however, state and local governments were a negative drag on growth.[25] States' and localities scramble to balance their books have resulted in thousands of teacher and first-responder layoffs, and postponed infrastructure investments.

Continued indifference on the part of federal legislators is likely to have continued dire consequences for state and local government employees, including teachers, fire fighters, and policemen. The aid to the states that was included in the Recovery Act of 2009 had demonstrable impacts on state and local employment, as payroll losses slowed during the months when federal dollars flowed to the states. Federal aid to the states has run out, and the economy remains fragile. Without further federal investments to stop the bleeding, public sector employment is likely to continue to drag down the economic recovery.

Inaction on federal infrastructure packages will mean that employment remains unnecessarily depressed, while our nation's roads, bridges, rails, and ports continue to fall further and further behind international standards of excellence. The American Society of Civil Engineers gives our infrastructure a summary grade of D – and our roads, wastewater processing facilities, drinking water and other key elements far even worse. The best estimates suggest that the United States faces an accumulated gap of $2 trillion between what we actually invested in our nation's infrastructure and what we should have invested in our nation's infrastructure.[26] Forecasters suggest that every $1 dollar spent on infrastructure, returns $2.5 dollars to the economy in the form of future growth.[27] These figures may underestimate true long-term growth, as they focus only on medium-term GDP growth alone. Investments in infrastructure are a critical element to America's ability to compete in a global economy; our international competitors and trading partners are rapidly outpacing us because of their superior public goods. A failure to act means letting go of a historic opportunity to meaningfully invest in America's future, and increase our future position in the global economy.

If America is to regain its role as a global economic leader, then the status quo is simply unacceptable. The recovery may have put air in the sails of the nation's corporate profits, which are currently at 60-year highs, but the labor market has not enjoyed a similar boost. Choosing to do nothing – a failure to pass the Americans Jobs Act, or some combination of its components parts – represents a tacit approval of the status quo, and a willingness to gamble with both the future of the American economy and the future of the millions of families impacted by joblessness.

Political Costs of Inaction

Mounting public anger and alienation

Recent surveys paint a grim picture of the public mood. A large majority – 70 percent, in a recent poll – say the nation is "off on the wrong track." These numbers are nearly as gloomy as those recorded during the financial crisis of 2008.[28] Overall approval ratings for Congress are at a historic low of 14 percent.[29] President Obama fairs better, at 44 percent. [30] No one in Washington is particularly popular.

Opinions can change, however. Just a few months ago, Americans divided evenly (40-40 percent) over whom they trusted more to handle job creation, Obama or congressional Republicans. In the weeks after the unveiling his jobs proposal to a joint session of Congress, President Obama has gained a significant (49-34 percent) lead over the GOP, his first since early 2010. [31] Americans believe that Obama is more concerned with the interests of the middle class than are congressional Republicans. [32] By a wide margin (70-17 percent), the GOP is seen as more concerned than the President with protecting the interests of the wealthy. [33] A plurality of Americans support the Occupy Wall Street demonstrations, which have coalesced in recent weeks as an expression of frustration with the economic status quo.[34] A plurality expressed support for the President's American Jobs Act – and a majority expressed support once surveyors listed the provisions of the plan, including the proposed plan to pay for the policies by "raising taxes on the wealthy and corporations."[35]

For the first time in a year, survey respondents say they hope the next election would produce a Democratic Congress, rather than one run by Republicans.[36] Just 20 percent of Americans approve of the way Republicans in Congress are handling the economy. Even among very conservative Republicans, disapproval is up; 65 percent disapprove of congressional Republicans' handling of the economy, as compared to 49 percent in July. Amongst independents and moderates, those disapproval numbers are even higher, at 79 and 80 percent respectively. [37]

These results point to an American public frustrated with the status quo economy and frustrated with status quo politics. They also suggest that the President's focus on job creation policies this fall has won support, while the Republicans' platform and continued obstruction of policy-making has eroded their popularity. As the Occupy Wall Street protests continue to gain steam, Washington would be well served by paying attention. Dissatisfaction with the status quo and public anxiety about the state of the economy has been heating up to a boil over the course of many months. Congressional failure to act on jobs-related policies may help Democrats by adding fuel to the fire of a disenchanted populace, particularly if that failure is pinned to Republican obstructionism.

Electoral consequences

Elections hinge on the economy. Recent research shows the importance of economic circumstances over ideology. For instance, Franklin Roosevelt's landslide victory in 1936 has been viewed by history as an ideological triumph. Yet careful research on the economic circumstances (specifically, state-level income growth) illustrates that Roosevelt's performance was strong in areas where incomes were growing in the year of the election. Had the recession of 1938 occurred two years earlier, Roosevelt probably would have been a one-term president.[38] Across the globe during the Great Depression, electorates deposed incumbent governments regardless of ideology. Analysis of the 2007-2009 global recession and its political aftermath suggests a similar conclusion. Across the OECD – including the United States – citizens rewarded their governments when the economy grew robustly and punished their governments when growth slowed.[39]

This research on retrospective voting provides a key lesson for politicians seeking to hold onto their jobs in the rapidly-approaching November 2012 elections. Economic conditions matter for electoral outcomes, and voters' calculations involve a short-term time horizon. Voters attach significant weight to the nation's economic performance over a two-year time period, with earlier economic growth discounted in favor of growth in the quarters immediately preceding the election.

Both the President and members of Congress are facing a crucial job interview in November 2012, and would do well to keep this in mind in the months to come. Economic results may matter far more than political posturing and ideology, thus policymakers ought to act accordingly. In the simplest of terms, the cost of inaction on job creation policies today may be a politician's own job tomorrow.

Institution-building moment

Embedded within the package of jobs creation policies currently on the table in Washington today are opportunities to build political institutions that have long been neglected or eroded. Thus the cost of inaction on jobs creation policy is greater than a simple failure to put plausible policy tools to work on behalf of the economy; the costs include a lost opportunity to improve political institutions that are currently underperforming on behalf of the American public.

Perhaps the best example of this opportunity for institutional reform in the context of the jobs policy debate is the infrastructure bank. The capstone of the President's proposal for infrastructure spending is a National Infrastructure Bank, capitalized with $10 billion and tasked with leveraging private and public capital to invest in a broad range of infrastructure projects without earmarks or traditional political influence. Based on bipartisan legislation developed by Republican Senator Kay Bailey Hutchison and Democratic Senator John Kerry, the proposal has received aggressive support from unlikely bedfellows, including the Chamber of Congress and AFL-CIO. The infrastructure bank, coupled with the President's proposed $50 billion infusion for immediate infrastructure investments, is good economic policy.

But these policies are good for America's politics, too. These infrastructure proposals represent a shift from a consumption-driven, spending-oriented political economy to a building-driven, investment-oriented political economy. The consumption/spending model landed the American economy in a ditch, and reorienting the nation in a new direction is a paramount challenge for policymakers today. An infrastructure bank provides an institutional framework that makes this directional shift, by creating a structure for investing in public goods that is insulated from the political process. The political cost of failure means continued battles for the same principles in the future, with less wind in the sails for getting it done. As Brookings' William Galston explains, the infrastructure bank represents an "institutional innovation to fortify long-term goals – public goods, needs – against short term political shifts."[40]

The Road Forward

Given the economic and political costs of failure to act on policies aimed at invigorating the flagging labor market and creating jobs, what, then, is the path forward?

Unsurprising, the highly polarized Congress has shown no interest in heeding President Obama's admonition to "pass this bill now." The President and his allies in Congress have begun the process of pushing pieces of the package forward as individual bites, beginning with a failed push for the aid to states. Republicans continue to stonewall, arguing that because the last round of stimulus spending "failed," they need not take the President's new proposals seriously.

Republicans' efforts to paint the Recovery Act as a failure may have succeeded in tarnishing the public's view of "stimulus," but the economic facts are to the contrary. In the absence of the Recovery Act of 2008, the economy would be in a far deeper hole than it is today. The underperformance of the last round of stimulus spending relative to the promises made by its Democratic supporters at the time of passage are explained by the fact that the economy was simply in far worse shape than anyone knew. The non-partisan Congressional Budget Office reports that the Recovery Act lowered the unemployment rate by between 1.1 and 3 percent, and increased employment by between 1.2 million and 3.3 million.[41] Others estimate that, in the absence of the Recovery Act, GDP would have been about 11.5 percent lower in 2010 and payroll employment would have been 8.5 million jobs lower.[42] Even Republicans' own analysis suggests as much. For instance, conservative economist Douglas Holtz-Eakin's model of the "failed" Recovery Act shows that the package was actually quite successful if the revised, correct GDP figures are used in his model.[43]

President Obama and Senate Democrats should be applauded for giving the full jobs package the opportunity to succeed, mainly because it puts them in a far better position to negotiate on the component parts as they move forward with Plan B. While some Democratic partisans would like to see their party continue to insist on a "complete package" in order to push forward all of the various promising components of the bill, the consequences of failure to act are simply too high to stick with the all-or-nothing approach. Republican obstructionism makes continued complete inaction too high a possibility. Thus negotiation is paramount, and the key decisions going forward will involve prioritizing which components are non-negotiable and which components are on the table.

The danger in the incremental approach is that the broader message inherent in the American Jobs Act, what President Obama has called "the story of America," gets lost.[44] Thus the President and Congressional Democrats should be careful to make sure that they identify the overarching themes that President Obama first identified in his speech to the nation introducing his bill earlier this fall. The renewed focus on jobs is addressing an economic imperative, as well as a political imperative. Federal investments today can have real payoffs tomorrow; these are themes particularly well-served by the infrastructure and workforce development elements of the package. Government has a role to play in our society, because each individual American can't build a great nation on his or her own. Doing so requires a collective effort, with the collective will embodied by the government and government's investments. As Democrats continue to push for passage of the American Jobs Act in piecemeal, they should repeatedly be knitting the component parts together into this coherent narrative.

As far as which components to emphasize, and in which order, a few key pieces emerge as top priorities. The extension of unemployment insurance benefits should be non-negotiable, and, coupled with the payroll tax holiday extension, make for a policy package with appeal to a wide range of ideological actors on the Hill. Congressional Republicans elicited the payroll tax cut in the first place as a quid pro quo for passing the most recent extension of unemployment insurance benefits. That they have now turned tail and are balking at a renewal of the payroll tax holiday is especially ironic. Payroll taxes are, after all, a tax cut. Republicans, as a rule, are in favor of tax cuts. Nearly all of the Republican members of Congress serving today who were serving in 2008 when President George W. Bush's economic stimulus bill passed were supportive of the payroll tax cut that the Bush stimulus package included. It is difficult to view the Republican refusal to engage on the future of the payroll tax holiday as anything other than cynical political power play aimed at stonewalling the President's efforts.[45]

The President has given numerous recent speeches supporting the aid to states element of his proposal, emphasizing the importance of teacher hiring and public safety officers. This is smart economics, and smart politics. The multiplier effect of aid to states (e.g. the bang-for-the buck, or the dollar amount returned for every federal dollar spent) is one of the highest of all of the options on the table, according to many economists.[46]The impact of state and local budget woes is directly evident to the public, as teacher-student ratios have risen and police forces have shrunk.[47]

The American Jobs Act includes many other smaller policy initiatives aimed at tackling long-term joblessness and reinvigorating economic growth, all of which deserve a fair hearing by the American people and Congress. Workforce development programs, innovations to the unemployment compensation system to encourage work-sharing (i.e. compensated reduced-hours schedules in lieu of lay-offs), wage insurance, and many other policy innovations are all ideas that belong on the table in the current economic climate.

The drumbeat on jobs creation policies should continue. Democratic leaders in Congress should push forcefully for votes on each component of the package, all the while working in concert with the White House to broadcast a coherent message about the way that these policies fit into a broader view of the important role for government. Incremental success is only possible with continued efforts. And incremental success is far better than nothing at all. The economy – and our political system – depends on it.

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Endnotes

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[12] Tax Policy Center Table T10-0279. http://www.taxpolicycenter.org/numbers/Content/PDF/T10-0279.pdf

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[14] Congressional Budget Office. 2010. "Policies for Increasing Economic Growth and Employment in 2011 and 2012." http://www.cbo.gov/ftpdocs/108xx/doc10803/01-14-Employment.pdf

[15] In most states, workers covered by the Unemployment Insurance (UI) program are eligible to receive up to 26 weeks of benefits funded by the state, with the actual number of weeks and payment levels contingent on past work experiences and wages. The federally-funded EUC program provides between 34 and 53 additional weeks of unemployment compensation, with the total number of weeks of available benefits determined by the state's unemployment rate. In most states, a separate federally-funded Extended Benefits (EB) program provides another 13 to 20 weeks of unemployment compensation. EB is a permanent program, but states are normally required to share 50 percent of EB's costs, which is why few states have historically participated in the program. Under the Recovery Act, Congress authorized full federal funding of the EB program, creating a powerful incentive for states with qualifying unemployment rates (above 6.5 percent) to participate. Extensions of federally-funded unemployment compensation following the Recovery Act included an extension of the federal funding of EB, as does the President's proposal. The combination of state-funded UI and federally-funded EUC and EB benefits mean that jobless workers are entitled to a maximum of 99 weeks of unemployment compensation.

[16] National Employment Law Project. October 11, 2011. "Hanging On By a Thread: Renew Federal Unemployment Benefits to Aid Families, Boost Stalled Economy; Nearly Two Million Workers Face Premature Cut-Off in January 2012." New York,

NY: National Employment Law Project. http://www.nelp.org/page/-/UI/2011/NELP_UI_Extension_Report_2011.pdf?nocdn=1

[17] Ibid.

[18] Ibid.

[19] Congressional Budget Office. 2010. "Policies for Increasing Economic Growth and Employment in 2010 and 2011." http://www.cbo.gov/ftpdocs/108xx/doc10803/01-14-Employment.pdf

[20] See, for instance, Chetty, Raj. 2010. "Should Unemployment Benefits Be Extended? An Empirical Framework and Empirical Evidence." http://epi.3cdn.net/d5a99f04921083739f_t7m6bxpa7.pdf. See also Federal Reserve Chairman Alan Greenspan's 2004 comments to the U.S. Congress Joint Economic Committee in support of extending unemployment insurance benefits during economic downturns.

[21] Author's calculations from BLS/Haver Analytics.

[22] Gordon, Tracy. 2011. "State and Local Finances: Where We're Going." Washington, DC: Brookings Institution. http://www.brookings.edu/articles/2011/0131_state_local_finances_gordon.aspx.

[23] Ibid.

[24] Ibid.

[25] Ibid.

[26] American Society of Civil Engineers. 2009. "America's Infrastructure Report Card." http://www.infrastructurereportcard.org

[27] Congressional Budget Office. 2011. "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output from April 2011 Through June 2011." http://www.cbo.gov/ftpdocs/123xx/doc12385/08-24-ARRA.pdf

[28] Bendavid, Naftali. "Big Majority of Americans Say Country is Headed in Wrong Direction." *Wall Street Journal.* October 13, 2011.

[29] ABC News/Washington Post. "Obama Gains vs. GOP on Jobs As Congress Hits New Low." October 5, 2011.

[30] Ibid.

[31] Ibid.

[32] Ibid.

[33] Ibid.

[34] Bendavid, Naftali. "Big Majority of Americans Say Country is Headed in Wrong Direction." *Wall Street Journal.* October 13, 2011.

[35] Ibid.

[36] Ibid.

[37] ABC News/Washington Post. Ibid.

[38] Achens, Christopher and Larry Bartels. 2005. "Partisan Hearts and Gall Bladders: Retrospection and Realignment in the Wake of the Great Depression." Annual Meeting of the Midwest Political Scientist Association, Chicago.

[39] Bartels, Larry. 2011. "Ideology and Retrospection in Electoral Responses to the Great Recession." Prepared for a conference on "Popular Reactions to the Great Recession," Nuffield College, Oxford, England. June 24-26, 2011.

[40] Galston, William. 2011. "The Importance of Infrastructure Investment." http://www.brookings.edu/articles/2011/0203_infrastructure_investment_galston.aspx

[41] Congressional Budget Office. 2011. "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output from January 2011 through March 2011." http://cbo.gov/ftpdocs/121xx/doc12185/05-25-ARRA.pdf

[42] Blinder, Alan and Mark Zandi. 2010. "How the Great Recession Was Brought to an End." http://www.princeton.edu/~blinder/End-of-Great-Recession.pdf

[43] Linden, Michael. 2011. "Holtz-Eakin Joins the Recovery Act Champions." Washington, DC: Center for American Progress. http://www.americanprogress.org/issues/2011/08/holtz_eakin.html

[44] President Barack Obama. 2011. "Address by the President to a Joint Session of Congress." September 8, 2011. Transcript: http://dyn.politico.com/printstory.cfm?uuid=4B560AE8-0819-5D2E-D6E227091DB7DE5E

[45] Leaked versions of the Republican jobs bill suggest that tax reform is indeed a plank in their jobs package, but in the form of a permanent reduction in individual and corporate income tax rates. While it is difficult to find anyone who will disagree with the need for reform to the U.S. tax code, wholesale permanent cuts to the income and corporate rates have very little bearing on the short-term

discussion due to the highly attenuated, indirect causal pathways between job creation and income tax rates.

[46] See, for instance, Wilson, Daniel. 2011. "Fiscal Spending Jobs Multipliers: Evidence from the 2009 American Recovery and Reinvestment Act." San Francisco: Federal Reserve Bank of San Francisco. http://www.frbsf.org/publications/economics/papers/2010/wp10-17bk.pdf

[47] Center for Public Education. 2011. http://www.centerforpubliceducation.org/Main-Menu/Public-education/Cutting-to-the-bone-At-a-glance/Examples-of-state-and-district-funding-cuts.html;

CNN. "Police face cuts as economy falters." October 23, 2008. http://articles.cnn.com/2008-10-23/justice/police.economy_1_officer-jobs-police-chiefs-training-budget?_s=PM:CRIME