

The Politics of Unemployment

Michael Sean Winters | Nov. 6, 2009 NCR Today

The unemployment numbers are grim indeed, hitting a 26-year high. Nor will these numbers turn around tomorrow: Companies have learned to survive with a leaner workforce and they will not start hiring until they must. That is why unemployment is always the last economic indicator to rebound. This fact requires the Obama administration to recalibrate its political strategies going forward.

In retrospect, the economic benefits of health care reform should have been highlighted more clearly. With more than thirty million new customers coming their way, surely insurance companies should start hiring soon. More importantly, companies that have foreign competition must recognize that they are at a distinct disadvantage as they face increased health care costs for their employees while the foreign companies against which they must compete do not have any such concerns.

The first casualty of the unemployment problem is immigration reform. Because some kind of guest worker provision will be a part of any comprehensive reform, such reform is simply not doable while a tenth of the native-born population is out of work. Whatever economists tell us about the effects of a guest worker program on the unemployment rate, and economists hold widely different views on the subject, politically, there is no way to make, let alone win, that argument while unemployment is in double digits.

The Obama administration needs to focus on getting the stimulus funds already approved out the door, rather than seeking new stimulus appropriations. Better to launch an entirely new effort, aimed at an important national goal, than to come up with the kind of grab-bag a stimulus bill will turn into. High-speed rail and other mass transit projects are a natural, requiring construction jobs in the near-term and new opportunities for entrepreneurship at the rail terminals in the long-term. Every metro or trolley station needs a coffee shop, and a newsstand, and a few other small businesses that flourish at areas where people congregate such as a rail terminus.

Another thing the White House needs to do is stop trumpeting any economic "good news" until the unemployment rate is moving in the other direction. Yes, it was good news that there was significant GDP growth last quarter, but someone who just lost her job doesn't want to hear it. Yes, it is good that banks are back in the black, and even earning profits, but a newly unemployed father of three doesn't want to hear it. The White House needs to downplay all good economic news until they can present good unemployment news.

President Obama did not create the economic mess we are in, but it is his now. He needs to own it so that he can also own the solution to it. We know the economy is turning around, albeit slowly. Sometimes, you just need to let an economic flu run its course.