
Jeffrey Sachs: Two Parties, No Solutions to Jobs

With President Obama's speech on Monday and Speaker Boehner's speech yesterday, we can put the Democratic and Republican Party economic plans side by side. What is stunning is that neither side offers a serious diagnosis or a solution. The truth this time is not in the middle, a compromise of the two views. The truth, alas, requires a new view, and probably a new party.

The President's plan is another example of short-run gimmickry. The President wants to cut taxes in 2012 and raise them afterwards. The idea is to give a quick jolt to the economy, on the theory that the economy mainly requires a temporary stimulus to get it back on track. This is the same stimulus approach that has been tried since 2009. We have learned the obvious: a series of short-term gimmicks does not add up to a long-term strategy.

The Republicans want a long-term strategy, but one that would take us in the wrong direction. The Republican mantra, repeated relentlessly since 1980, is that tax cuts and deregulation are the solution to growth and employment. The Republican tax theory is simple: higher taxes reduce economic growth and job creation. Since government spending must be paid for with taxes, either now or in the future, cutting government spending is necessary for tax cuts and job creation.

The problem with the Republican position is simple: it's wrong. Government spending helps with job creation (and higher incomes) if the spending raises the productivity of workers. An economy without a public education system might have jobs, but they will be jobs digging ditches. An economy without a national science foundation might have jobs, but jobs at low wages selling the products of Chinese

high-tech companies. An economy without interstate highways may have jobs, but they will be sweeping floors at a local restaurant rather than selling products to world markets.

This is why the Republican Party's premise of tax cuts as the solution to all ills is so deeply misplaced (aside from being so greedy, as it is motivated by the compulsive need of Republican billionaires to keep every penny of their fortunes). Consider high-tax Sweden. The top marginal tax rate is 56%. There is a value added tax of 25% (the U.S. federal government, of course, does not have such a tax). And the unemployment rate is 7.4%, compared with America's unemployment rate of 9.1%. In fact, Sweden's employment rate (the share of the adult population that is employed) is around 75%, compared with America's employment rate of under 70%.

Sweden's government supports primary and secondary education, vocational skills, university tuitions, job training and matching, and scientific research and technological development. Sweden spends more on R&D as a share of GNP than the U.S., around 3.6% compared with around 2.6% in the U.S. The results show. Sweden creates high-quality, well-paying jobs for nearly all its population. The U.S. instead caters to the top, the third or so of Americans who can afford a university degree, while the rest of society is thrown to the wolves.

America doesn't have a job crisis per se, but a crisis of good jobs. There are plenty of jobs in America, washing dishes, carrying heavy loads, picking fruits. They won't get you out of poverty, feed your children, or keep you in your homes. Texas specializes in them, by the way. The Republican plan might even make a few more of them. With enough Re-

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publican policies, we might truly emulate low-tax, low-income Guatemala (where tax collections are around 12% of GNP), but that might be unfair to Guatemala, which after all faces bigger challenges than the U.S.

Neither Obama nor Boehner, neither Democrats nor Republicans, have offered a serious response to America's dual economy, society, and labor market. If you have a college degree, your cohort's unemployment rate is 4.3%. No jobs crisis there. If you lack a high-school degree, your cohort's unemployment rate is 14.3%. The median income of adults with a high-school degree is \$21,000. The median income of adults with a bachelor's degree is \$43,000, and of those with a professional degree is \$80,000. Unfortunately for American reality, less than one-third of adults over 25 have a bachelor's degree or higher. And these days, more and more poor and working-class kids are dropping out of college because they can't make tuition.

Most Americans now are suffering the decline of American living standards and loss of American competitiveness as both parties turn their backs on education, science, and infrastructure. The Census Bureau reported this week that median household incomes declined for the third year in a row. American companies are earning huge profits, but overseas. Rich Americans can still protect their living standards through the private provision of health care, education, gated communities, overseas homes, and foreign bank accounts. For the rest of society, two parties add up to zero solutions.

America's revival will come through a new political movement, one that isn't on the political take, one in which the incumbent President doesn't feel the compulsion to raise \$1 billion in campaign contributions while the leading opposition candidate isn't yet another corrupt Texas crony of the oil industry. The new third party will thrive on free social media, will wade boldly into minority communities and

into run-down neighborhoods of the white working class, and will wage a campaign to tax the rich and the corporations to rebuild America at home, not to build the bank accounts of the super-rich in the Cayman Islands and other favorite tax hideaways.

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