

## Job creation should take precedence over deficit reduction

Paul H. Sherry | Jul. 6, 2011



### **VIEWPOINT**

The current budget debate has deep implications for both the unemployment crisis and the increasing concentration of wealth in American society.

Not long ago, Rep. Raúl M. Grijalva, D-Ariz.; Rep. Mike Honda, D-Calif.; and Lawrence Mishel, president of the Economic Policy Institute, framed the issues in two succinct sentences: "Despite a weak economic recovery and persistent, unacceptably high unemployment, Washington is prematurely pivoting from job creation to deficit reduction. Worse yet, many of the budget proposals flooding Washington are nothing but reverse Robin Hood plans to redistribute wealth from working families to the most privileged among us."

They are right on both counts. That is exactly what's happening and will continue to happen unless you and I speak and act otherwise. At this critical moment, we dare not turn our attention away from job creation lest so many of our people continue to hurt and our economy continues to spiral downward. We dare not turn our attention away from the increasing concentration of wealth in America lest the power that that wealth commands continues to distort democratic processes while at the same time further exacerbating our nation's budget bottom line.

The unemployment crisis and its devastating impact on so many American workers and their families continue and threaten to worsen. The official unemployment rate stands at 9.1 percent; some 13.9 million people. In addition, more than 8 million persons are working part time while preferring to work full time. If one adds together the officially unemployed, those working part time who would prefer to be working full time, and those who are available to work but have given up looking, there are, according to the Economic Policy Institute, 24.6 million people either jobless or working fewer hours than desired.

Given these stark realities, to turn away, at this time, from job creation in favor of deficit reduction is both morally questionable and economically wrong. America's unemployed need good jobs so they can feed their families, so that the taxes they will pay with the money they earn can help restore the economy of this nation. If we want to reduce the deficit, one sure way is to create good jobs. Private jobs and, when needed, public jobs.

Speaking for many, Dean Baker, codirector of the Center for Economic and Policy Research, writes

persuasively, "A deficit reduction agenda is a serious problem in the context of an economy that badly needs additional demand. ... Jobs should be the top priority for policymakers right now.

"The people who are out of work are not the ones who gave us this recession. It is the fault of the people who design economic policy."

The sad fact is that as bad as the current job situation is now, to turn from employment creation and focus instead on deficit reduction in this environment will cost even more jobs. And as unemployment rises, the misery index for the unemployed and their families will rise also and the economy will not strengthen; it will further weaken.

We dare not stand quietly by. Rather, in the words of the book of Proverbs, we need to "speak up, judge righteously, champion the poor and the needy." This is not the time to pivot away from job creation. We need to stay focused on employment creation and to reduce the severe wealth gap in this society. By reducing the wealth gap, not only do we strengthen our democratic processes, we also address the budget deficit. Yet not only are we not reducing that gap, but through proposals now being advanced in the halls of Congress, we are threatening to increase it.

Charles M. Blow, writing in *The New York Times* about current moves to reduce the top individual tax rate from 35 percent to 25 percent, says: "This isn't about balancing budgets or fiscal discipline or prosperity-for-prosperity stewardship. This is open piracy for plutocrats. This is about reshaping the government and economy to benefit the wealthy and powerful at the expense of the poor and the powerless." That reshaping of which Blow speaks will have -- already is having -- enormous implications for our nation's future.

With the few having so much and the many so little, we are in deep trouble indeed. Money is increasingly driving our politics. It is difficult to maintain and strengthen political democracy without economic democracy. Our nation's social contract, one that binds us together as one people, is severely threatened. If justice is to be served, that wealth gap needs to be reduced, not increased, and one sure way to do that is to create a far more just tax structure. By doing so not only do we increase tax fairness, we reduce the budget deficit in a far more responsible way than that now being debated.

Robert Reich and others have reminded us of the facts about the current tax structure compared with earlier periods in our national life: According to Reich, the top marginal tax rate during the Second World War ranged from 79 percent to 94 percent. In the 1950s, it was 91 percent. In 1964, the top rate dropped to 77 percent. It was 77 percent again in 1969. Even after exploiting all possible deductions and credits, the typical high-income taxpayer during the so-called Great Prosperity, the 25 years after World War II, paid a federal tax of well over 50 percent of his earnings. "But," Reich says, "contrary to what conservative commentators had predicted would happen, the high tax rates did not reduce economic growth. To the contrary, they enabled the nation to expand middle-class prosperity, which fueled growth."

When one compares those rates with our current top marginal rate of 35 percent, it is difficult to make the case that the wealthy are overtaxed. Responsible tax increases would reduce the wealth gap, reduce our national budget deficit, strengthen our social contract, and help provide resources for those in need.

There are two major citizen efforts now that have great merit: one on behalf of job creation and the other, closely related, on behalf of a far fairer tax structure.

During the budget debate, religious leaders and many others have spoken out eloquently in an attempt to protect poor people as much as possible from bearing the brunt of budget cuts, which are expected to be severe, particularly if the budget passed by the House and other more recent proposals were to become law. It is critical that these voices of conscience continue to be heard.

It is not enough to speak out against the projected cuts. If the poor and an increasingly struggling middle class are to be served, we need also to speak far more loudly on behalf of a positive agenda, on behalf of job creation and a fairer tax structure. And yet, at times, it seems as if the call for both, particularly employment creation, is almost a forbidden word these days.

Yes, we do need to loudly protest projected budget cuts for the poorest among us, but we also need to speak and act in favor of full employment and in favor of tax reform. We dare not allow the budget debate to prematurely pivot from job creation to deficit reduction. We dare not ignore tax fairness. We dare not allow those with other agendas to frame our agenda. Without denying the need for responsible deficit reduction, including cuts in military spending, we need to focus at this time most intensely on job creation and tax fairness if justice is to be done and mercy received.

These efforts, to be successful, will take staying power. They will not succeed without struggle, without commitment. We will be standing over against entrenched and powerful lobbies whose interests are contrary to our own.

We will need to change the narrative. We will need to speak truth to power. We will need a common voice. We will need an active presence in the halls of Congress. We will need to organize the unorganized. Joe Hill, the Wobbly organizer, shortly before he was put to death by his executioners, said: "My friends, don't agonize, organize." Yes, let's organize to put people back to work, to put food in the mouths of children, to restore hope where there is no hope, to renew a struggling economy, and to build a future for our children and our children's children. Let's organize so that justice will be done and mercy received.

[The Rev. Paul Sherry is the former chairperson of the National Council of Churches' Mobilization to Overcome Poverty and former president of the United Church of Christ.]

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