



THE ASSOCIATED PRESS/MARK LEMMAN

Creating Unemployment

How Congressional Budget Decisions
Are Putting Americans out of Work
and Increasing the Risk of a Second Recession

Scott Lilly October 2011



Creating Unemployment

How Congressional Budget Decisions
Are Putting Americans out of Work
and Increasing the Risk of a Second Recession

Scott Lilly October 2011

Contents

- 1 Introduction and summary**
- 3 Police layoffs**
- 7 Killing jobs by postponing environmental clean up of nuclear weapons sites**
- 11 Driving up government leasing costs by eliminating construction jobs**
- 17 Conclusion**
- 19 About the author and acknowledgements**
- 20 Endnotes**

Introduction and summary

Most of the nearly 14 million people across our country who are currently unemployed can blame their situation on the inability of Congress and the White House to sufficiently cushion the economy from the financial crisis that began in 2007. But a growing number of unemployed Americans today are the victims of actions taken by the current Congress aimed deliberately at eliminating jobs.

Even worse, many of these jobs are ones that will have to be performed at some point in the next several years and taxpayers will eventually pay the bill. Delaying the work not only sucks jobs out of the weak economy but also in many instances costs the government more money and over time, and serves to increase rather than decrease the public debt. This report examines some of the job-elimination efforts by the current Congress and the growing impact this is having on individuals, families, and communities around the country.

Saving these jobs does not require us to ignore our country's long-term deficit problems. While nearly all economists believe we should decisively reduce the amount we are scheduled to borrow over the next decade, a large majority of those same economists believe that the spending cuts and revenue increases necessary to reduce the deficits should be agreed to now but not executed until there is substantial steam in the economic recovery. As Federal Reserve Chairman Ben Bernanke recently warned the Joint Economic Committee, it is important to "avoid fiscal actions that could impede the ongoing economic recovery, putting in place a credible plan for reducing future deficits over the longer term does not preclude attending to the implications of fiscal choices for the recovery in the near term."¹ That is advice that the new majority party in the House of Representatives has been unwilling to take.

To get a clear picture of the efforts by the current Congress to eliminate jobs requires only a visit to the House Appropriations Committee official web site and an examination of a table entitled "FY 2011 CONTINUING RESOLUTION REDUCTIONS."² The table lists a little more than 250 programs that the commit-

tee claims to have cut by a total of \$45 billion in fiscal year 2011, which ended in October. Not all of the claimed cuts actually reduced either spending or jobs; they claim, for example, to have cut \$6 billion from the Decennial Census despite the fact that virtually no one expected a Decennial Census in 2011. But there are significant job losses associated with most of the document. While many discussions of potential job losses from reductions in government spending seem abstract and theoretical, these cuts are clearly resulting in real pink slips being delivered to real people.

Indeed, the magnitude of the job cuts in the budget legislation adopted last spring—as demonstrated by the committee’s listing of 250 spending cuts—is so great that it is difficult to keep track of the human dimension. For that reason, I have focused on three program areas which were singled out by this Congress for particularly deep reductions:

- Federal support for local law enforcement
- Environmental cleanup of nuclear weapons production facilities
- The Federal Buildings Fund of the General Services Administration

Estimates of the number of jobs directly lost by these cuts run upwards to 60,000. The jobs losses that are a direct result of those actions will have a secondary impact on a wide array of businesses ranging from automobile producers to local restaurants and dry cleaning establishments, causing the disappearance of a significant number of additional jobs.

Similar stories could be told about many other budget cuts made in this bill—cuts that resulted in further job losses—but that would require many more pages and exhaust the patience of most readers. All of the various 250 program reductions in the FY 2011 continuing resolution probably eliminated more 370,000 jobs. The three areas selected for discussion in this paper are in my judgment neither the worst cuts made by the committee from a policy standpoint nor the best. But without a doubt they demonstrate the consequences of slashing government spending in a weak economy.³

Police layoffs

Federal assistance to local communities for law enforcement was hit with surprising severity by Congress. There are four separate programs that direct significant federal resources to local communities to help ensure adequate law enforcement. These include State and Local Law Enforcement Assistance, Community Oriented Policing Services, the Community Development Fund, and Federal Emergency Management Grants for First Responders.

According to Appropriations Committee numbers, those programs were cut by \$2.5 billion in fiscal year 2011 compared to prior year funding levels. On average, a city with a quarter of a million residents could expect to lose about \$2 million federal dollars in their allocation from these four programs, with cities experiencing higher than average crime levels losing more. A big share of those cuts would come from city police budgets.

The timing for these cuts could not have been worse. The revenue base of local governments across the country is collapsing in the wake of a recession that clobbered local sales tax collections and delivered an even more dramatic wallop on property tax collections. Declining federal assistance accelerated an already difficult situation with respect to police layoffs.

One case in point: Despite concessions by police officers in San Jose, California to accept a 10 percent pay cut, 66 police officers were forced to turn in their badges in June because of city budget problems.⁴ The cuts came in the midst of a recent upsurge in homicides and other serious crimes in the city. Based on San Jose's population, the city would expect the cuts made by Congress in the four law enforcement programs to have reduced federal payments to the city by about \$7.5 million—more than enough for the city to have completely avoided the layoff.

San Jose is not unique. Cities and small towns all across America are giving big chunks of their police force walking papers—often amid rising crime and increasing threats to the personal safety of residents and further cuts are in the balance all across the country.

In late July the Rev. Joseph Tracy told the East St. Louis City Council that he is tired of going to funerals and that he believes layoffs of 19 of the city's 62 police officers force him to go to more of them. "It's open field day now," he told the council, "The criminals are going to run wild."⁵ Similarly, on September 16, 108 officers or about 20 percent of the force, were laid off in Trenton, New Jersey—in a city long troubled by high levels of violent crime.

The Sheriff of Jacksonville, Florida is planning to freeze 70 vacant positions and layoff up to 52 current employees depending on whether he gets a federal Community Oriented Policing Services, or COPS grant—a possibility made significantly less likely because of the reduced appropriations for the program.⁶ Two mass shootings in the final days of August left 11 residents of the city wounded and 4 dead. Television News 4 in Jacksonville quoted a resident near the area where the violence occurred, "They don't need to be laying them off. They need to ride through here every 10 minutes."⁷

Then there's Pittsburgh. In late August the city forced 102 officers to turn in their badges, eliminating every policeman who had graduated from the city police academy in the last decade. Counting both the layoffs and the city's decision to not fill vacancies on the force, Pittsburgh will have 15 percent fewer policemen at the end of this year than it had at the beginning.⁸

In some respects job loss for police officers is even more difficult than it is for many other workers because greater job security has always been assumed to be one of the advantages of the profession. Sean Korey, one of the policemen forced to surrender his badge in Pittsburg in late August—and the grandson and nephew of Pittsburg Police officers—blogged to his former colleagues the night he left the force, "Please don't take your job for granted. I did."⁹

Joseph Simunovic, 35, another Pittsburg policeman facing termination told the Pittsburg Post-Gazette, "What are you gonna do?...I'm getting married Aug. 30, and I just bought a house. I know some other guys who are having kids, building houses."⁹

Based on Pittsburgh's population, the city might have expected to have got about \$2.5 million from the funds that Congress cut from the programs that support local law enforcement. Those funds could have substantially reduced the size of the Pittsburg layoffs.

National implications

Data from the Bureau of Labor Statistics indicates that police in the United States make on average about \$55,000 a year.¹⁰ Younger policemen and police-women who have taken the brunt of the recent layoffs arguably make less. If you add \$15,000 for payroll taxes and benefits, it would cost about \$70,000 on average nationwide to prevent a layoff. By that arithmetic, the \$2.5 billion which House appropriators claim to have eliminated from local law enforcement and first responder programs could have prevented about 36,000 layoffs nationwide. Coincidentally, that is only slightly less than the number of policemen that the Fraternal Order of Police estimates to be currently unemployed.

It should be noted that police are only one part of a much bigger problem with respect to how the continuing resolution damaged state and local government capacity to sustain adequate service levels—avoiding mass layoffs of not only police but also firefighters, teachers, public health workers, and a variety of other public service providers. A large majority of the more than \$4.5 billion in cuts claimed by the appropriations committee in the Labor-Health and Human Services and Education portion of the continuing resolution, for instance, were grants to state and local government.

Those funds along with the state and local grant money contained in other parts of the bill might have made significant contribution to preventing the loss of the 140,000 public-sector jobs that the Labor Department tells us have disappeared since the continuing was passed in April.¹¹ During that period the private sector in our country added more than half a million jobs, but nearly a third of that gain was wiped out by state and local government layoffs. To put it in a slightly different perspective the 360,000 jobs that the economy as a whole added during that period would have been 140,000, or almost 40 percent greater, had employment in state and local government remained stable.

Killing jobs by postponing environmental clean up of nuclear weapons sites

While the savings that Congress exacted from law enforcement programs and other local needs comes with a price of reduced citizen security and lost jobs in local communities, there are even more costly cuts for which the current Congress is taking credit. Many of those cuts save no money over the long term because they do nothing but delay the date on which the bill is paid, and in many instances they actually increase the size of the ultimate bill. These might be labeled the lose-lose items of the FY 2011 continuing resolution. They cost the taxpayer money and they kill jobs at the same time!

A good example is our nation's obligation to clean up the mess left by the manufacturing of nuclear weapons during the Cold War. And the most prominent example of this obligation is the Hanford Nuclear Reservation in the state of Washington. Founded in 1943 as part of the Manhattan Project, Hanford occupies nearly 600 square miles of south central Washington. Over four decades, the reservation became home to nine separate nuclear reactors and five plutonium processing plants, which together produced 63 tons of plutonium before being closed in the 1980s.

One byproduct of the plutonium production was 25 million square feet of solid radioactive waste—enough to fill the Rose Bowl to the top of the stadium more than twice. But far more problematic was the highly radioactive liquid waste from the project, which totals 53 million gallons or enough to fill a wall of 55-gallon oil drums as long as the National Mall in Washington, D.C. and nearly as high as the Washington Monument.¹² This sea of waste was stored in 177 separate underground tanks. Studies indicate that 68 of these tanks have leaked between 600,000 and 1,400,000 gallons of waste, creating a 150-mile plume of radioactive ground water that is migrating slowly toward the Columbia River.¹³

Hanford is the biggest of these problems, but there are numerous others. Among them is the abandoned nuclear facility along the Savannah River in southern

South Carolina. At that site the production of 40 tons of plutonium left 36 million gallons of highly radioactive liquid waste in underground storage tanks.¹⁴

The cleanup task is daunting but few in either political party argue the federal government should abandon its responsibility to clean up the mess that it alone created. As a result we do not face a question of whether we pay the money that is needed but when. That is why it is senseless from the standpoint of combating recession and encouraging job creation to postpone these expenditures. Further, there is significant evidence that postponing the efforts may increase both the amount of environmental damage and the cost to taxpayers.

The \$584 million that the House Appropriations Committee claims credit for cutting from FY 2011 year cleanup activities is already having an impact on the ground in Washington, South Carolina, and elsewhere. Recently the *Tri-City Herald* in Richland, Washington reported that “Hanford regulators have agreed to let some interim environmental cleanup deadlines slide at the nuclear reservation to focus on the highest priority work, given the realities of the federal budget.”¹⁵

The newspaper went on to site Hanford officials on the budget implications of the new stop-and-go approach to the cleanup effort: “Stopping work in fiscal year 2012, which starts Oct. 1, and then ramping the project back up in fiscal year 2013 would require six to nine months of training for workers and the delay would add two to three years to the schedule and cost \$100 million to \$200 million more.”

In the later part of August, the *Tri-City Herald* reported that an additional 1,100 workers would be laid off from Hanford operations on top of the 1,900 who lost their jobs as a result of the expiration of the funding provided by the American Recovery and Reinvestment Act of 2009. The newspaper said that 475 of the lost jobs would be in the liquid tank remediation efforts.¹⁶

A close observer of the local economy in south central Washington who I interviewed said that under current conditions it was unlikely that those being laid off would find work locally. Further, this observer said that the Tri-City area would probably see a spike in vehicle repossessions and housing foreclosures.

Much the same story is unfolding at the Savannah River site, where the largest of eight contractors recently announced additional layoffs of 184 workers. Local press accounts indicate that two other contractors expected to be issuing layoff notices shortly. A story in the *Augusta Chronicle* last week reported that the city’s metropolitan area, which

includes the Savannah River site, has been dropped from nationwide rank as one of the most economically stable areas and sited the Savannah layoffs as a central problem.¹⁷

The University of South Carolina-Aiken prepared an analysis of the impact that Savannah River has on the local economy in May of this year, which sheds light on what may be in store for the five counties that make up the Augusta Metropolitan Area. The study indicates that for every \$100 million cut from federal funding for the facility, Savannah River contractors will be forced to lay off 466 workers, of whom 394 live in the metropolitan area. In addition, the study indicates that for every job that is created or lost at Savannah River slightly more than one and a half additional jobs are created or lost with non-contractor employers in the metropolitan area.¹⁸

The Savannah River clean up constitutes about 21 percent of the total cleanup costs facing the Department of Energy for its nuclear weapons clean up program. As a result \$584 million cut for which the House Appropriations Committee is taking credit would mean about a \$122 million cut for Savannah River. Based on the University of South Carolina-Aiken analysis this means a loss of 482 direct contract jobs and 723 non-contract jobs for a total loss of a little more than 1,200 jobs.

The university study also warns that recovery from these job losses will be unusually difficult because Savannah River contract employees make significantly more than other workers in the metropolitan area. In addition, there is the multiplying effect of the incoming federal money on induced jobs in the area—jobs created by Savannah River workers and contractors spending their own money in the community—which will mean that about two and a half jobs will have to be created for every one that is lost.

The national implications

If the University of South Carolina-Aiken analysis of job loss from spending cuts on nuclear weapon site clean up is applied nationally the \$584 million eliminated for such work in the 2011 continuing resolution probably resulted in the loss of more than 6,800 direct and indirect jobs.

What is particularly galling about these job losses, however, is they appear to have served no positive fiscal purpose. At the same time we are laying people off in the midst of already high unemployment we are not reducing government spending obligations over the long term—we are in fact increasing them.

Driving up government leasing costs by eliminating construction jobs

A somewhat similar situation exists in another area of the budget singled out for particularly harsh treatment based on the table posted by the House Appropriations Committee—investment in the offices, laboratories, storage facilities, and other facilities needed for day-to-day government operations. A portion of this responsibility belongs to the Public Buildings Service of the General Services Administration.

At first blush cutting back on the real estate portfolio of the federal government might seem like a perfectly good place to go for budget savings. But consider this: Numerous studies over the years by the Government Accountability Office, the investigative arm of Congress, and the GSA's own Inspector General indicate that it costs the government significantly more in most instances to lease rather than to own property.¹⁹ Nonetheless, Congress's unwillingness to invest adequate amounts in the government's own physical infrastructure has created a situation in which the majority of the space that GSA now manages is leased.

Two examples of these costs are contained in one GAO analysis of space provided to the Federal Bureau of Investigation in Chicago, Illinois and Tampa Bay, Florida. GAO determined that the cost to the government of owning that space over a period of 30 years would be \$33 million, but the leases that the government currently holds for providing the space will cost \$40 million or 21 percent more. Cutting construction funds either in the Public Buildings Fund of the GSA or elsewhere in the government is likely to force greater reliance on leased space, which in most instances will increase the cost to the taxpayer.

Further, the GSA cuts were not only directed at new construction but also at the repair and maintenance of existing government buildings. Deferring needed maintenance rarely makes sense in the private sector and the results are the same when buildings belong to the public. Adequate funding for needed maintenance has long been a serious problem at GSA, which has a maintenance backlog estimated

to exceed \$8.5 billion. The cuts contained in the continuing resolution for FY 2011 only make that backlog larger and less manageable. Further, they decrease the portion of government-owned space that can be occupied and increase the prospects of catastrophic damage due to fire, leaking roofs, and poor plumbing adding a further burden on the taxpayer.

But in addition to increasing the cost of housing government operations over the long term—ultimately increasing the size of the public debt—these cuts further weaken one of the most distressed segments of the U.S. economy—the construction industry. Further, it should be noted, that industry has played a pivotal role in leading the nation out of every recession since World War II.

The House Appropriations Committee claims \$1.7 billion in cuts from the GSA Federal Building Fund, of which nearly \$600 million was taken from construction of new buildings and a little less than \$400 million taken from repairs, rehabilitation, and maintenance of existing structures. Among the biggest construction projects targeted by the committee is office space for the Food and Drug Administration’s Center for Biologics Evaluation and Research.

Some of the most rapid advances occurring in the pharmaceutical industry are in potentially useful substances that are derived from biological processes. The issues of safety and efficacy for such substances differ from those addressed in the approval of drugs, which are normally produced through chemical synthesis.

In order to insure that the government moves expeditiously and effectively in meeting its regulatory responsibilities in determining the safety and effectiveness of “biologics” the FDA has established Center for Biologics Evaluation and Research. Timeliness in meeting such determinations is not only of great consequence to those whose health will benefit from new biologics but also to investors who accept the high risks of developing such substances—and the employees of the companies (and potentially future employees) who work for those investors. But currently much of this key FDA operation is scattered through leased space in a variety of locations, which not only is expensive to the taxpayer but reduces the speed of the regulatory process.

President Obama asked Congress for \$173 million in FY 2011 to complete construction of new facilities to house all of the Center for Biologics Evaluation and Research at FDA headquarters in White Oak, Maryland. Congress, however, eliminated \$133 million of that request, simultaneously eliminating as many as

1,800 construction jobs,²⁰ and leaving the management of this critical regulatory function in limbo. The center will continue to require leased space even though the government has paid for the land, site development, and construction plans, and will now be paying for part of the construction of a new building.

In this instance, Congress figured out how to not only pay higher leasing costs while eliminating construction jobs but also how to put the taxpayer on the hook for building costs of a building that won't be occupied anytime in the near future.

Maryland's construction industry may not have suffered as much as construction in some states but the picture is still grim. U.S. Labor Department figures show the state has lost 53,000 construction jobs since 2007.²¹ That means that a quarter of the state's construction workers have either been forced into other types of work, are unemployed, or have dropped out of the labor market.

One of the bigger cuts made by Congress in the repairs and alterations budget at GSA was for the rehabilitation of a 42-year old federal building in Los Angeles. The Wilshire Federal Building rose to the top of the GSA repair list for several reasons. The age of the building's plumbing and electrical systems was a problem and so was the lack of effective seismic engineering. The 1994 Northridge Earthquake caused extensive damage to the building, and while the 17-story structure is only about one-third the height of Los Angeles's tallest buildings, failure to retrofit it with advances in seismic engineering that have become available over the past two decades put the building and its inhabitants at unnecessary risk.

Another factor in its much-needed repair was the very clear need to put the operations of the Los Angeles field office of the Federal Bureau of Investigation under one roof. The FBI is currently the largest occupant of the Wilshire Building, but because of its growth since the 9/11 terrorist attacks it is now spread across six separate office sites in various parts of Los Angeles forcing Bureau managers to struggle with numerous logistical and managerial challenges and ultimately reducing the Bureau's ability to efficiently use the resources the Congress has provided.

Congress, however, refused to appropriate the \$51 million in planning money for the rehabilitation, which effectively put on hold the entire \$527 million in construction and renovation contracts planned for the project. That not only makes it tougher for the FBI to do its job in Southern California, but also blocks the creation of as many as 9,000 construction jobs in a state that has lost about 330,000 jobs in that industry in the last four years.²²

National implications

The Labor Department recently reported that there were 1.1 million construction workers looking for work in August—a month that is normally seen as the height of the construction season.²³ Over the past 12 months the rate of unemployment for construction workers has averaged 19 percent.²⁴ The impact on the business side has been equally harsh. Literally hundreds of thousands of businesses in this sector have been lost. Of the more than 1.4 million construction businesses operating in the United States in 2007 only about half remain and many of those continue to struggle.²⁵

Sadly, Congress's obsession with striking out investments in needed physical infrastructure—and the jobs that come with it—is not limited to the GSA but rather seems to be a major underlying theme in their overall approach to the federal budget. Our review of the Appropriations Committee listing of cuts contained in the continuing resolution indicates that more than 30 of the cuts involved investments in infrastructure and the total dollars stricken approached 25 percent of the total in the bill.

There are infrastructure cuts in the National Park Service, which faces a massive backlog of deferred maintenance. There are cuts in Agriculture Department building maintenance. Federal assistance for upgrading local drinking water systems was slashed by \$1 billion, or about one-third, despite an evaluation by the American Society of Civil Engineers that:

*America's drinking water systems face an annual shortfall of at least \$11 billion to replace aging facilities that are near the end of their useful lives and to comply with existing and future federal water regulations. This does not account for growth in the demand for drinking water over the next 20 years. Leaking pipes lose an estimated 7 billion gallons of clean drinking water a day.*²⁶

The FBI not only suffered from the cutbacks in the GSA portion of the budget but was denied funds for repairs and modernization in facilities that are controlled directly by the bureau. In the budget documents that they submitted to Congress, the FBI explained the need to move forward with rehabilitation of the FBI training facility at Quantico, Virginia:

Due to its 38 year age, Quantico's major buildings, systems, infrastructure, and equipment are outdated, have grossly exceeded their useful life, and do not meet

current building code, fire, and life safety standards. Extensive maintenance and repairs are required to keep the old and out-dated facilities operating. Replacement parts for equipment are no longer available, requiring the modification of accessible parts to work with the old equipment. Estimates on how much additional funding is required to operate a facility in poor condition run as high as 20 percent.²⁷

Yet Congress eliminated those funds anyway.

Similar to the GSA cuts, the vast majority of the infrastructure spending reductions contained in the FY 2011 continuing resolution appear to address critical needs that are not going to disappear. Congress can deny the funds needed for necessary maintenance and construction but it cannot legislate the speed with which buildings age or underground water pipes deteriorate.

In the end Congress created another lose-lose strategy by eliminating billions of dollars in necessary construction and maintenance spending in the FY 2011 budget. It delayed making needed investments that would have in the long term saved the taxpayer money in the cost of providing the facilities necessary for government operations. By doing so it postponed job creation at a time that it was badly needed to sustain economic recovery. Finally, that decision not only cost taxpayers in terms of higher facility costs but also in unnecessary inefficiencies in providing the services such as protection against terrorism or regulation of promising new medical treatments—services that become more expensive if the people who perform them are not housed in appropriate facilities.

Conclusion

This paper examined three separate areas of spending targeted by this Congress—areas that bore a disproportionately heavy share of the cuts in the fiscal year that ended a few weeks ago. With respect to one of these areas, assistance for local law enforcement, it is clear that the cuts have forced tens of thousands of police officers on to unemployment rolls and it might be argued that they simultaneously resulted in the unacceptable loss of services needed to protect public safety. But if one wished to defend these cuts it could at least be said that they reduced the government's long-term financial obligations.

That argument is probably not sufficient for the majority of Americans who see jobs (not to mention public safety) as a more important near-term priority than deficit reduction. But for those who value deficit reduction more than jobs or public safety—this cut in spending actually does cut spending. That cannot be said for the other two areas examined in this paper or in fact for many other cuts contained in the FY 2011 spending legislation. Those so-called cuts not only kill jobs but increase rather than reduce the government's long-term fiscal liability in the process.

Nuclear weapons clean up will get more expensive with each passing year, and at the end of a decade we will have met much of that obligation but at greater cost than necessary—with more risk to the environment and at an additional price of having lost needed jobs in the midst of a painfully weak recovery.

Similarly, the failure to invest regularly in the infrastructure assets required for the daily functioning of government does not save money. Taxpayers will continue to be burdened with the excessive costs associated with leasing from private real estate developers. They will be hit with the higher construction costs expected in future years. And they will be robbed of the level of efficiency they should expect in the routine operations of government agencies.

Because the government is determined to defer needed investments to a period when we have stronger growth and more robust revenue collections, jobs are being lost at precisely the time they are most needed. The people who have lost jobs because of the actions of this Congress are all around you. They are not just the unemployed policemen, recently laid off nuclear cleanup workers, or jobless

construction workers discussed in this paper, but people in a wide variety of professions directly hit by the cuts in the 2011 continuing resolution. They include:

- Graduate students that lost positions as research assistants when the budget of the National Science Foundation was cut back
- Health technicians who lost work when the community health centers program was sliced \$600 million below last year
- Teachers who might have taught continuing education or adult education classes or in elementary or secondary schools with resources from any one of a dozen federal education programs reduced in the FY 2011 spending legislation
- The owners and employees of small cafes, cleaning services, retail outlets, and home improvement businesses that couldn't hold on any longer as more and more customers lost jobs, including the policemen and construction workers discussed in this paper

The damage done to the U.S. economy by the actions taken in Congress last spring is not hypothetical. Hundreds of thousands of specific individuals lost their jobs. Thousands of businesses failed. Families were thrown into financial chaos.

It would have been nice if the federal government could have taken actions that would have avoided the subprime mess altogether and avoided the economic tailspin in which the nation has been trapped ever since. It would have been nice if the government could have found ways to more effectively counter the consequences of that mess once we were in it. But we should at a very minimum expect the government to not take actions now that push the economy in the wrong direction and put us at risk of a double-dip recession.

Congress needs to recognize that they themselves are creating a hole and that they need to stop digging.

About the author

Scott Lilly is a Senior Fellow at the Center for American Progress who writes and researches in a wide range of areas including governance, federal budgeting, national security, and the economy. He joined the Center in March of 2004 after 31 years of service with the United States Congress. He served as clerk and staff director of the House Appropriations Committee, minority staff director of that committee, executive director of the House Democratic Study Group, executive director of the Joint Economic Committee, and chief of staff in the Office of Congressman David Obey (D-WI).

Acknowledgements

I would like to thank my research assistant, Christopher Piotrowski who worked tirelessly to help complete this paper and helped improve both its content and accuracy.

Endnotes

- 1 Bloomberg, Scott Lanman, Oct 4, 2011 XXX WHERE IS THE REST OF THE CITATION? XXX Commentary from a wide range of economists in financial institutions, Fortune 500 Corporations, and academia make this same general point. Two weeks before the Bernanke testimony the director of the Congressional Budget Office, Douglas Elmendorf, told the recently created Joint Congressional Select Committee on Deficit Reduction, "If policymakers wanted to achieve both a short-term economic boost and medium- and long-term fiscal sustainability the most effective" policy would be "changes in taxes and spending that would widen the deficit now but narrow it later in the decade." Russell Berman, "CBO chief warns debt panel spending cuts could slow recovery," The Hill, September 13, 2011, available at <http://thehill.com/home-news/news/181185-cbo-chief-warns-debt-panel-on-ailing-economy>.
- 2 House Appropriations Committee, "FY 2011 Continuing Resolution Reductions (in millions of dollars) Updated 4-14-2011" (2011), available at www.http.appropriations.house.gov/_files/41211ProgramCutsListFinalFY2011CR.pdf.
- 3 While the amount of federal spending required to create a single job varies depending on the type of program and the type of work being created, a study in May of 2009 by the Council of Economic Advisors, Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009, estimated that, on average, each \$92,000 the federal government spends creates one full year's worth of work—whether it is 12 months of work for a single employee or 12 months worth of work divided amongst multiple workers. Executive Office of the President, Council of Economic Advisers, "Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009" (2009), available at <http://www.whitehouse.gov/administration/eop/cea/Estimate-of-Job-Creation/>. The timing of the job creation also varies depending on the type of program. More complex programs take long to start and longer for funds to be obligated to contractors or grantees. As I discussed in an April, 2011 column, What Will the Budget Compromise Do to the Economy?, forecasters can vary markedly in their predictions as to the level of job loss or creation caused by a specific spending decision at a particular point in time because they use different assumptions about how quickly government agencies will get the funds into the hands of contractors or grantees. If, however, one looks at how many years of work will be created or lost the forecasts are fairly uniform. If we assume that \$35 billion of the \$35 billion in cuts claimed by the Appropriations are real cuts and had the effect of eliminating jobs, 370,000 jobs would be a reasonable estimate of the jobs lost from a cut of that magnitude.
- 4 Karina Rusk, "Layoffs begin at San Jose Police Department," ABC Local 7, June 30, 2011, available at http://abclocal.go.com/kgof/story?section=news/local/south_bay&id=8223417.
- 5 Nicholas J.C. Pistor, "Layoffs to gut East St. Louis police force," St. Louis Today, July 30, 2010, available at <http://freerepublic.com/focus/f-news/2562920/posts>.
- 6 Steve Patterson, "Jacksonville Council Panel Weighs Police Layoffs, Library Changes to Cut Budget," Florida Times Union, August 26, 2011, available at <http://jacksonville.com/news/metro/2011-08-26/story/jacksonville-council-panel-weighs-police-layoffs-library-changes-cut>.
- 7 "Union, Residents Against Police Layoffs," available at <http://www.news4jax.com/news/29040142/detail.html>.
- 8 Jonathan D. Silver and Timothy McNulty, "Police layoffs: Recent hires to be first to go and they're not happy," Pittsburg Post-Gazette, August 7, 2003, available at <http://www.post-gazette.com/neighborhood/20030807safetyC2.asp>.
- 9 Sean Korey, "102 Layoffs by the City of Pittsburgh," Policeone.com, August 26, 2003, available at <http://origin.policeone.com/news/67625-102-Layoffs-by-the-City-of-Pittsburgh-Police/>.
- 10 Bureau of Labor Statistics, "Occupational Handbook: Police and Detectives" (2011), available at http://www.bls.gov/oco/ocos160.htm#oes_links.
- 11 "B-3 Employees on Nonfarm Payrolls by Major Industry Sector and Selected Industry Detail, Seasonally Adjusted," available at <ftp://ftp.bls.gov/pub/suppl/empstc.ceseeb3.txt>.
- 12 Matthew L. Wald, "Panel Details Management Flaws At Hanford Nuclear Waste Site," New York Times, January 16, 1998, available at <http://web.archive.org/web/20080611085657/http://query.nytimes.com/gst/fullpage.html?res=9F04E3D71638F935A25752C0A96E958260>.
- 13 Laura A. Hanson, "Radioactive Waste Contamination of Soil and Groundwater at the Hanford Site," Principles of Environmental Toxicology (November 2003), available at <http://graphics8.nytimes.com/packages/pdf/us/report2.pdf>.
- 14 U.S. Department of Energy Office of Environmental Management, "Status of Environmental Management Initiatives to Accelerate the Reduction of Environmental Risks and Challenges Posed by the Legacy of the Cold War," (2009).
- 15 Annette Cary, "Some Hanford cleanup deadlines to be postponed," Tri-City Herald, September 9, 2011, available at <http://www.komonews.com/news/local/129534923.html>.
- 16 Annette Cary, "1,100 Hanford Layoffs Planned," Tri-City Herald, August 19, 2011, available at <http://www.tri-cityherald.com/2011/08/19/1608413/1100-hanford-layoffs-planned.html>.
- 17 Gracie Shepherd, "Augusta falls from list of most resilient economies," Augusta Chronicle, September 15, 2011, available at <http://chronicle.augusta.com/news/business/local-business/2011-09-15/augusta-falls-list-most-resilient-economies>.
- 18 University of South Carolina-Aiken, "The Economic Impact of the Savannah River Site on Five Adjacent Counties in South Carolina and Georgia" (2011).
- 19 U.S. Government Accountability Office, "Federal Real Property: Strategy Needed to Address Agencies' Long-standing Reliance on Costly Leasing" (2008).
- 20 Margaret Johnson, Testimony before the Economic Development, Public Buildings and Emergency Management Subcommittee of the House Transportation and Infrastructure Committee, April 6, 2011, available at <http://transportation.house.gov/hearings/hearingdetail.aspx?NewsID=1205>. The administrator testified that the GSA Public Building Fund typically created a job for each \$55,000 expended. Other projections for job creation from government construction projects indicate a higher cost per job.
- 21 "Table 5. Employees on nonfarm payrolls by state and selected industry sector, seasonally adjusted," available at <http://www.bls.gov/news.release/laus.t05.htm>.
- 22 Margaret Johnson, Testimony before the Economic Development, Public Buildings and Emergency Management Subcommittee.
- 23 "Industries at a Glance: Construction: NAICS 23," available at <http://www.bls.gov/iag/tgs/iag23.htm>.
- 24 "Databases, Tables & Calculators by Subject," available at http://data.bls.gov/timeseries/LNU04032231?data_tool=XGtable.
- 25 The Surety Information Office reports that according to BizMiner, of the 1,424,124 general contractors and operative builders, heavy construction contractors, and special trade contractors operating in 2007, only 969,937 were still in business in 2009—a 31.9 percent failure rate. "Why Do Contractors Fail?" available at <http://www.sio.org/html/whyfail.html>. Dunn & Bradstreet reports that between 2009 and 2010, 10 percent of all U.S. businesses failed and that the failure rate for businesses in the construction industry was 70 percent higher than for businesses in general. "D&B U.S. Business Trends Report" (2011), available at <http://www.dnb.gov.com/pdf/USBusinessTrendsOct10.pdf>.
- 26 American Society of Civil Engineers, "Report Card for America's Infrastructure" (2009), available at <http://www.infrastructurereportcard.org/fact-sheet/drinking-water>.
- 27 U.S. Department of Justice, "Federal Bureau of Investigation FY2010 Authorization and Budget Request to Congress" (2010), p. 156, available at <http://www.justice.gov/jmd/2010justification/pdf/fy10-fbi.pdf>.

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just, and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”

Center for American Progress

