

# FIGHTING FOR JOBS

War and Employment

# Apparent Cost of the Iraq War

- No rationing
- Taxes cut
- Economy improved
- Unemployment dropped
- Stock market boomed
- Housing prices rose
- Prescription drugs
- Personal income and profits up

# Message Imbedded

- War is good for the economy
- War got us out of the Great Depression
- Economies are at risk when war ends
- No domestic destruction with foreign wars
- Soldiers are well paid volunteers
- Better to fight there than here

# War Does Have Real Costs

- Lives lost
- Continuing care
- Wasted real resources

# FIGHTING FOR JOBS

Why does the economy improve during wartime???

- WE DON'T RUN IT AT FULL EMPLOYMENT
- WE MAINTAIN EXCESS CAPACITY DURING PEACETIME

# With Full Employment Policy:

- Real costs of war will be explicit
- The Military will have to pay high enough salaries to take workers from civilian jobs.
- Conscription may be necessary.
- Domestic consumption will fall.
- Military purchases of arms and munitions will drive up prices and cause shortages.
- The Fed will respond to elevated inflation with higher interest rates.

# How To Sustain Full Employment

- Government offers a job to anyone willing and able to work at a fixed wage.
- Nothing else to change!!!

# Ramifications

- War costs become obvious
- The fixed wage for the new public service jobs becomes the minimum wage.
- This new employed labor buffer stock replaces the current unemployed buffer stock and acts as a better price anchor.
- Real output increases.
- Labor flexibility is improved.
- Many disruptions of unemployment vanish.
- The market sets the federal budget deficit.

# Negatives

- NONE!
- Why hasn't this been done?
- Innocent Frauds in the Financial Markets!

# Innocent Frauds Supporting War

- Federal deficits risk solvency
- Federal deficits take away savings
- Federal deficits elevate interest rates
- Federal deficits burden our children
- We are borrowing from foreigners to fund our spending habit.

# Conclusion

- The costs of less than full employment:
- Lost output- public and/or private
- Family deterioration
- Neglected children
- **WAR!!!**